

**SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)**

**DIRECTORS' REPORT
AND ACCOUNTS FOR THE PERIOD ENDED
31 MARCH 2003
Registered Number 04374956**



**SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)**

Directors' Report and Accounts for the period

31 March 2003

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SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

REPORT OF THE DIRECTORS

The directors present their report and the audited Accounts for the period ended 31 March 2003.

INCORPORATION

The company was incorporated in England and Wales on 15 February 2002.

NAME CHANGE

The Company changed its name from Sugarbay Limited to First Aqua Limited on 28 February 2002. The company changed its name from First Aqua Limited to Southern Water Services Group Limited on 30 June 2003.

GROUP

The Company acquired Southern Water (NR) Limited (formerly Aspen 4 Limited) on the 22 April 2002. The major subsidiaries included within the Group are shown in note 30. The group results disclosed cover the period from 22 April 2002 until 31 March 2003

RESULTS AND DIVIDENDS

The profit after taxation for the financial period for the Group amounted to £32.1 million. The directors recommend a final dividend of £nil per ordinary share which together with interim dividends totalling £6.08 per ordinary share gives a total dividend of £6.08 per ordinary share for the period. The retained profit for the period of £1.7 million for the Group has been transferred to reserves.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group are the provision of water supply and wastewater services in the south-east of England.

This is the first period that the Group has operated and the results shown are for the period from the 22 April 2002 until 31 March 2003. The trading results largely reflect the performance of the major trading subsidiary Southern Water Services Limited.

The Group undertook a major refinancing project which was completed on 23 July 2003.

The Company's principal activity is that of a holding company for Southern Water (NR) Limited (formerly Aspen 4 Limited), including the financing of the acquisition of that company's subsidiaries from third-party funding.

SOUTHERN WATER SERVICES GROUP LIMITED
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FUTURE DEVELOPMENTS

The Directors anticipate that the Company will continue to act as an intermediate holding company to the Southern Water group of companies. However, there has been a change in the ultimate parent company as noted in the Post Balance Sheet Event note below.

DIRECTORS AND THEIR INTERESTS

The directors during the period were:-

M A Richards (appointed 15 February 2002, resigned 1 March 2002)
M R Layton (appointed 15 February 2002, resigned 1 March 2002)
A Nelson (Chairman - appointed 4 March 2002, resigned 7 May 2003)
R Edgecliffe-Johnson (appointed 4 March 2002, resigned 7 May 2003)
Ionic Limited (appointed 4 March 2002, resigned 7 May 2003)
S Derwent (appointed 23 April 2002)

On 7 May 2003 the following persons were appointed directors R Cullinan, S Peckham, D Giffin, J Bryce, J C Banon and P-F Riolacci. Mr Peckham resigned on 13 May 2003 on which date R Thian was appointed Chairman.

No director or person connected to directors had an interest in shares or debentures of the company or any other body corporate in the group at both the beginning of the period (or date of appointment, if later) and the date of these financial statements.

POST BALANCE SHEET EVENTS

a) Change in Ultimate Controlling Party

On 7 May 2003, the ultimate parent undertaking, First Aqua Holdings Limited, sold its entire interest in the ordinary shares of Southern Water Services (Finance) Limited (formerly First Aqua (JV Co) Limited) (an intermediate parent company) to Southern Water Capital Limited.

From 7 May 2003, the directors regard Southern Water Capital Limited as the ultimate holding company. Southern Water Capital Limited is majority owned by Royal Bank of Scotland plc.

b) Dividends

Interim dividends were paid to Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) of £10.8 million on 22 April 2003 and £6.8 million on 7 May 2003.

SOUTHERN WATER SERVICES GROUP LIMITED
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DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the company and the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYEES

The group has developed its communications processes with its employees to ensure greater understanding of and involvement in the business. This has been achieved through the "Waterline" staff magazine, produced to complement "Southern Water News", and by staff briefings.

The Southern Water Learning business is now firmly established with programmes for school leavers and the long-term unemployed to work alongside and learn from our employees. The Open Learning facilities at all the main company locations reinforce the commitment of the company to providing learning opportunities.

The group continues to work actively with the trade unions and meets with them at senior management level on a regular basis. Key issues for consideration include business reorganisations, consultation on employment policy and discussion of key health and safety issues. As a result of recent changes in the business structure, the company is currently carrying out a review of the consultation arrangements. The objective of this review will be to ensure that all areas of the new organisation are adequately represented for consultation purposes.

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EMPLOYEES (continued)

Equal opportunity

The group's policy is to promote equality of opportunity in recruitment, employment continuity, training and career development. The policy is designed to ensure that equal opportunity in these areas extends as far as practicable to people with disabilities. The group is a member of the Employer's Forum on Disability, which supports the efforts to meet the needs of the disabled for employment and access to the group and its buildings.

Health and safety

Every employee receives a copy of the corporate policy statement on health and safety. There are regular meetings of employee representatives and managers to consider all aspects of health and safety, and there is a health and safety management review group which ensures that there is an adequate system for meeting the group's responsibilities for health and safety to its staff, customers and members of the public.

The group has its own internal occupational health service, including the provision of physiotherapy. These services are being developed to meet the needs of the business and our employees at work.

CREDITOR PAYMENT POLICY AND PRACTICE

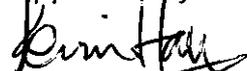
The company's current policy and practice concerning the payment of its trade creditors is to follow the Better Payment Practice Code to which it is a signatory. Copies of the Code may be obtained from the Department of Trade and Industry or from the website www.payontime.co.uk.

The company's policy and practice is to settle terms of payment when agreeing the terms of the transaction, to include the terms in contracts and to pay in accordance with its contractual and legal obligations. The company's creditor days at 31 March 2003 were 52 days.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the group will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board.



Kevin Hall

Secretary

14 June 2004

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 31 March 2003

	Notes	2003 £m
Turnover	3	413.9
Cost of sales	4	(218.0)
Gross profit		<u>195.9</u>
Administrative expenses	4	(26.6)
Other operating income	4	14.8
Operating profit and profit on ordinary activities before interest and taxation	6	<u>184.1</u>
Profit on disposal of fixed assets		6.6
Net interest and similar charges	9	(142.9)
Profit on ordinary activities before taxation		<u>47.8</u>
Tax on profit on ordinary activities	10	(15.7)
Profit on ordinary activities after taxation	21	<u>32.1</u>
Dividends	11	(30.4)
Retained profit for the financial period	21	<u><u>1.7</u></u>

The above results relate entirely to continuing operations. The Group has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The parent company was dormant until its acquisition of the Southern Water Services Group of companies, the acquired group.

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

The Notes on pages 8 to 32 form part of these Accounts.

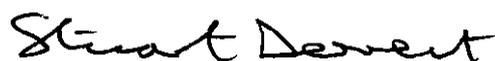
SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

CONSOLIDATED BALANCE SHEET

As at 31 March 2003

	Notes	Group 2003 £m	Company 2003 £m
Tangible assets	12	2,650.5	-
Investments	13	<u>6.0</u>	<u>1,939.6</u>
		2,656.5	1,939.6
Current assets			
Stocks	15	1.8	-
Debtors: amounts falling due within one year	16	97.9	23.8
Cash at bank and in hand		<u>-</u>	<u>0.1</u>
		99.7	23.9
Creditors: amounts falling due within one year	17	<u>(2,336.7)</u>	<u>(1,959.5)</u>
Net current liabilities		(2,237.0)	(1,935.6)
Total assets less current liabilities		419.5	4.0
Provision for liabilities and charges	18	(372.1)	-
Grants and contributions	19	(40.7)	-
Net assets		<u>6.7</u>	<u>4.0</u>
Capital and reserves			
Called up share capital	20	5.0	5.0
Profit and loss account	21	1.7	(1.0)
Total equity shareholder's funds		<u>6.7</u>	<u>4.0</u>

The Accounts on pages 5 to 32 were approved by the Board on 14 June 2004 and signed on its behalf by:



Stuart Derwent
Managing Director

SOUTHERN WATER SERVICES GROUP LIMITED
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CONSOLIDATED CASH FLOW STATEMENT

for the period ended 31 March 2003

	Notes	2003 £m
Net cash inflow from operating activities	22	265.2
Returns on investments and servicing of finance		
Interest paid		(117.8)
Dividends paid		<u>(30.4)</u>
Net cash outflow from returns on investments and servicing of finance		(148.2)
Taxation		(6.1)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(192.3)
Sale of tangible fixed assets		6.7
Receipt of grants and contributions		<u>13.4</u>
Net cash outflow for capital expenditure and financial investment		(172.2)
Acquisitions		
Acquisition of subsidiary undertaking		(1,939.6)
Equity dividends paid to shareholders		
Net cash outflow before financing		<u>(2,000.9)</u>
Financing		
Issue of equity share capital		5.0
Increase in short term borrowings		1,949.3
Net cash inflow from financing		<u>1,954.3</u>
Decrease in net cash		<u>(46.6)</u>
Reconciliation to net debt		
Net debt at beginning of period		-
Decrease in net cash		(46.6)
Movement in borrowings		<u>(2,055.2)</u>
Net debt at end of period		<u>(2,101.8)</u>

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
2003**

1 Accounting policies

Basis of accounting

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and, subject to the treatment of infrastructure grants and contributions described below, with the requirements of the Companies Act 1985.

Basis of consolidation

The Group accounts include the accounts of the company and all of its subsidiary undertakings. The Group came into existence on 22 April 2002. The results of the subsidiaries acquired during the period are included in the Profit and Loss account from the date of acquisition. Intra group sales and profits are eliminated fully on consolidation. Consolidated financial statements are prepared for the first time due to the company's incorporation on the 15 February 2002 and the acquisition of a material trading subsidiary on 22 April 2002. The acquisition method of accounting has been used to consolidate the subsidiaries.

Turnover

Turnover for the Group represents the income receivable (excluding value added tax) in the ordinary course of the business for goods and services provided and, in respect of unbilled charges, includes an accrual for measured and unmeasured income.

Turnover for the Group represents the income receivable for providing water supply and wastewater services and is generated wholly in the United Kingdom. Measured income arises from customers who have meters fitted at their premises. Therefore amounts billed are based on actual water consumption. Unmeasured income bills are based on the rateable value of properties.

The income accrual is an estimation of the amount of main water and wastewater charges unbilled at the year-end. The accrual is estimated using a defined methodology based upon weighted average tariffs and historical billing and consumption information.

Bad Debts

The bad debt provision is calculated based on applying expected recovery rates to an aged debt profile

Research and development

Expenditure on research and development is charged to the profit and loss account as it is incurred.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
2003**

1 Accounting policies (continued)

Tangible fixed assets

- i) Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) comprise a network of systems.

Expenditure on infrastructure assets relating to increases in capacity or enhancement of the network and on maintaining the operating capability of the network in accordance with defined standards of service is treated as an addition to fixed assets and is stated at cost after deducting grants and contributions. Staff costs represent those costs directly related to the construction of a specific infrastructure asset and are capitalised as part of infrastructure assets on the basis of the amount of time spent by individuals on capital projects.

The depreciation charge for infrastructure assets is the estimated level of annualised expenditure required to maintain the operating capability of the network and is based on the asset management plan determined by the water industry regulator as part of the price regulation process. The asset management plan is developed from historical experience combined with a rolling programme of reviews of the condition of the infrastructure assets.

- ii) Other assets (including overground assets, plant and equipment) are stated at cost less accumulated depreciation. Other assets are depreciated on the straight-line method over their estimated operating lives which are principally as follows:

	<u>Years</u>
Buildings	10 - 60
Operational structures	15 - 80
Fixed plant	10 - 40
Vehicles, computers and mobile plant	3 - 10

Operational structures are assets used for wastewater and water treatment purposes. These include water tanks and similar assets.

- iii) Freehold land is not depreciated.

Assets in the course of construction are not depreciated until they are commissioned. Commissioning is deemed to occur when a new works is officially taken over from the contractor following completion of performance and take-over tests.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
2003**

1 Accounting policies (continued)

Grants and contributions

Capital grants and customer contributions in respect of additions to non-infrastructure fixed assets are treated as deferred income and released to the profit and loss account over the estimated operational lives of the related assets in accordance with the provisions of the Companies Act.

Grants and Capital contributions received relating to infrastructure assets have been deducted from the cost of fixed assets as permitted by Statement of Standard Accounting Practice (SSAP) 4. This is not in accordance with Schedule 4 of the Companies Act 1985 which requires fixed assets to be stated at their purchase price or production cost. The Act does not permit the deduction of contributions, hence these would have been accounted for as deferred income.

This departure from the requirements of the Act is, in the opinion of the directors, necessary for the Accounts to give a true and fair view because infrastructure assets do not have determinable finite lives. Accordingly related capital contributions would not be recognised in the profit and loss account. The effect of this treatment on tangible fixed assets is disclosed in note 12.

Revenue grants and contributions are credited to the profit and loss account in the year to which they relate.

Leased assets

Fixed assets leased to the group under finance leases are capitalised and depreciated in line with the group's depreciation policy. The interest element of finance lease repayments is charged to the profit and loss account in proportion to the balance of the capital repayments outstanding.

Rentals payable under operating leases are charged to profit and loss account as incurred.

Investments

Investments held as Fixed Assets are stated at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
2003**

1 Accounting policies (continued)

Taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, calculated at the rate at which it is expected the tax will arise in accordance with FRS 19 "Deferred Tax". Deferred taxation balances are not discounted.

Pensions

Southern Water Limited operates pension schemes which cover the majority of the employees of the First Aqua Group. A valuation of the defined benefits pension schemes is normally conducted by an independent actuary every three years. In accordance with Statement of Standard Accounting Practice (SSAP)24, the regular cost of providing pensions and related benefits and any variations from regular cost arising from the actuarial valuations are charged to the profit and loss account over the expected remaining service lives of current employees following consultations with the actuary. Any difference between the charge to the profit and loss account and the actual contributions paid to the pension schemes is included as an asset or liability in the balance sheet.

2 Comparative Information

There is no comparative information as the company was incorporated on the 15 February 2002 and these are the first consolidated accounts of the Group.

3 Segmental Analysis

The directors believe that the whole of Southern Water Services Group Limited's activities constitute a single class of business. The group's turnover is generated wholly from within the UK

4 Classification of costs

Cost of sales for the Group reflects the direct costs of providing water supply and wastewater services. Administrative expenses comprise the indirect costs of the business. Other operating income refers mainly to rents receivable.

5 Exceptional item

A net exceptional finance cost of £14.0m was incurred with respect to the early redemption of the £100m bonds issued by Southern Water Services Finance plc.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
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6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	2003 £m
Staff costs (note 8a)	42.8
Depreciation on	
- owned assets	88.0
- assets held under finance leases	0.4
	<u>88.4</u>
Rentals under operating leases	4.6
Research and development expenditure	1.7
Release of grants and contributions	(1.8)
Auditors' remuneration for audit work	0.1
Auditors' remuneration for non-audit services to the group	<u>0.1</u>

7 Profit of Parent Company

The company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The loss for the financial year dealt with in the financial statements of the parent company is £1.0m.

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

8 Employee information

	2003 £m
(a) Employee costs (including directors' emoluments):	
Wages and salaries	47.4
Social security costs	3.4
Pension costs	<u>7.5</u>
 Total employee costs	 58.3
 Less: charged as capital expenditure	 <u>(15.5)</u>
 Charged to the profit and loss account	 <u>42.8</u>
	2003 No.
(b) Average number of persons employed	
Operations	1,289
Project Delivery	115
Customer Services	294
Corporate Centre	<u>317</u>
	<u>2,015</u>

9 Net interest and similar charges

	2003 £m
Interest payable on bank loans and overdraft	(0.6)
Interest payable on other loans	(128.3)
Exceptional costs arising due to early redemption of £100m bond by subsidiary (refer to note 5)	(14.0)
 Total interest payable	 <u>(142.9)</u>

Interest of £121.6 million was payable to Southern Water Services (Finance) Limited (formerly First Aqua JVco).

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

10 Tax on profit on ordinary activities

	2003 £m
Current tax:	
UK corporation tax on profits of the period	2.1
Adjustment in respect of prior periods	-
	2.1
Deferred tax:	
Origination and reversal of timing differences	8.6
Adjustment in respect of prior periods	5.0
Total deferred tax	13.6
Total tax on profit on ordinary activities	15.7

The rate of current tax charge on profit on ordinary activities varied from the standard rate of corporation tax due to the following factors:

	2003 £m
Current tax:	
UK corporation tax rate at 30% on profit for the period	14.3
Adjustments in respect of prior periods	-
Other differences	(0.7)
Permanent differences	(2.9)
Tax charge on ordinary activities	10.7
Effect of deferred tax	(8.6)
Current tax charge for period	2.1

11 Dividends per ordinary share

	2003 £ per ordinary share	2003 £m
Interim dividend –23 July 2002	2.68	13.4
Interim dividend –23 Oct 2002	1.66	8.3
Interim dividend –23 Jan 2003	1.74	8.7
Total interim dividend	6.08	30.4
Final dividend	-	-
Total Dividend	6.08	30.4

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
2003**

12 Fixed assets and capital commitments

(a) Tangible assets

	Freehold land & buildings	Plant & Machinery	Infra- structure assets	Assets in the course of const- ruction	Other	Total
	£m	£m	£m	£m	£m	£m
Group Cost:						
Acquired at 22 April 2002	529.9	515.0	870.7	497.2	117.0	2,529.8
Additions	43.9	79.3	67.7	-	28.4	219.3
Transfers	81.2	45.8	55.7	(186.6)	3.9	-
Grants & contributions	-	-	(10.1)	-	-	(10.1)
Disposals	(0.4)	(0.5)	(0.7)	-	(9.8)	(11.4)
At 31 March 2003	654.6	639.6	983.3	310.6	139.5	2,727.6
Depreciation:						
Acquired at 22 April 2002	-	-	-	-	-	-
Charge for period	16.8	29.1	22.8	-	19.7	88.4
Disposals	(0.3)	(0.5)	(0.7)	-	(9.8)	(11.3)
At 31 March 2003	16.5	28.6	22.1	-	9.9	77.1
Net book value:						
At 31 March 2003	638.1	611.0	961.2	310.6	129.6	2,650.5
Acquired at 22 April 2002	529.9	515.0	870.7	497.2	117.0	2,529.8

Of the additions to infrastructure assets, the amount spent on infrastructure renewals during the period ended 31 March 2003 was £41.0m. Of the grants and contributions set against infrastructure assets during the period ended 31 March 2003 £8.9m, relates to infrastructure renewals.

For the period ended 31 March 2003, the net book value of infrastructure assets is stated after deducting grants and contributions since privatisation of £125.7m.

Freehold land is stated at a cost of £40.8m at 31 March 2003, and is not depreciated.

Other assets relate primarily to computer equipment and meter reading devices.

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

12 Fixed assets and capital commitments (continued)

Assets held under finance leases are capitalised and included in plant and machinery.

	Group 2003 £m
Cost	11.7
Aggregate depreciation	<u>(7.1)</u>
Net book amount	<u>4.6</u>

There are no tangible assets in the Company.

(b) Capital commitments

	Group 2003 £m
In respect of contracts placed	<u>151.3</u>

There are no such commitments in the Company

13 Fixed asset investments

	Group 2003 £m	Company 2003 £m
Southern Water (NR) Limited (formerly Aspen 4 Limited) – Equity	-	179.5
Southern Water (NR) Limited (formerly Aspen 4 Limited) – Loan	-	1,003.0
Southern Water Services Limited – Loan	-	594.4
Southern Water Limited – Loan	-	162.7
Other External Investments (see below)	6.0	-
	<u>6.0</u>	<u>1,939.6</u>

Other Group External Investments are stated below.

Company	Class of share capital	Proportion of shares held	Activity
Folkestone & Dover Water Services Ltd	Ordinary Preference Deferred	25.1% 21.8% 12.2%	Water treatment and supply

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH
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13 Fixed asset investments(continued)

These undertakings principally operate in their country of incorporation and are held by a subsidiary of Southern Water Services Group Limited.

The Company acquired on 22 April 2002 175,000,002 Ordinary Shares of £1 of Southern Water (NR) Limited (formerly Aspen 4 Limited) (being 100% of its issued capital), a company incorporated in the United Kingdom. Southern Water (NR) Limited (formerly Aspen 4 Limited) itself owns the entire issued capital of the Southern Water Group of companies. The Company's cost of investment in Southern Water (NR) Limited (formerly Aspen 4 Limited) includes expenses of acquisition, including Stamp Duty paid of £586,000.

Southern Water (NR) Limited (formerly Aspen 4 Limited) paid to the Company interim dividends of £37.6 million during the period to 31 March 2003 and paid further interim dividends of £12.6 million on 22 April 2003 and £7.3 million on 7 May 2003.

The loan to Southern Water (NR) Limited (formerly Aspen 4 Limited) is secured on the assets of the company and was charged interest at a rate of LIBOR plus margin (1.5%) to 22 July 2002. From 22 July 2002 a fixed rate of interest of 7.012% was charged thereon. The loan revolves quarterly from 22nd April 2002 with interest being payable upon each maturity.

The loans to Southern Water Services Limited and Southern Water Limited are secured on the assets of the companies. Loan interest of 5% was charged thereon to 24 June 2002 and from 25 June to 22 July 2002 interest was charged at a rate of LIBOR (3 month) plus a margin of 1.5%. From 22 July 2002 a fixed rate of interest of 7.012% was charged thereon. The loan revolves quarterly from 22nd April 2002 with interest being payable upon each maturity.

The loans to Southern Water Services Limited and Southern Water Limited were made on acquisition of the shares of Southern Water (NR) Limited (formerly Aspen 4 Limited) and therefore are treated as part of the investment in Southern Water (NR) Limited (formerly Aspen 4 Limited) and its subsidiaries as a long-term investment.

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

14 Acquisition of Subsidiary Undertakings

The group made one acquisition during the period, Southern Water (NR) Limited (formerly Aspen 4 Limited) and its subsidiaries, for a total consideration of £2,050.6 million. However, the amount paid in cash was only £132.5 million as the group had internal and external debt of £1,807.1 million and £111.0 million respectively.

From 1 April 2002 to 22 April 2002, Southern Water Services Group had turnover of £23.8 million, operating profit of £10.9 million, profit before taxation of £10.2 million and taxation of £3.2 million.

The net assets acquired by Southern Water Services Group Limited on 22 April 2002 (the date of acquisition) are shown below:

	Book value £m	Adjustments £m	Fair value £m
Fixed assets	2,513.2	50.4	2,535.8
Stock	4.5		4.5
Debtors	184.8		184.8
Creditors	(284.3)	(27.8)	(284.3)
Provisions	(395.3)		(395.3)
Borrowings	(1,913.0)	-	(1,913.0)
Net assets acquired	109.9	22.6	132.5
Goodwill			-
Consideration			132.5
Consideration satisfied by:			
Cash			<u>132.5</u>

The fair value adjustment to tangible fixed assets was calculated on the basis of the estimated open market value of operational and non operational assets.

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

15 Stocks

	Group 2003 £m
Raw materials	1.2
Work in progress	0.6
	<u>1.8</u>

The Company does not hold any stock.

16 Debtors: amounts falling due within one year

	Group 2003 £m	Company 2003 £m
Trade debtors	56.2	-
Unbilled income	34.7	-
Loan interest receivable	-	22.7
Tax credit accrued	-	1.0
Amounts owed by group undertakings	-	0.1
Prepayments	0.2	-
Other debtors	6.8	-
	<u>97.9</u>	<u>23.8</u>

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

17 Creditors: amounts falling due within one year

	Group 2003 £m	Company 2003 £m
Bank overdraft	46.6	-
Trade creditors	22.4	-
Loans from Southern Water Services (Finance) Limited (formerly First Aqua (JVCo)) (note (i) below)	120.7	-
Loans from Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) (note (ii) below)	1,934.5	1,934.5
Capital creditors and capital accruals	116.4	-
Loan Interest payable to Southern Water Services (Finance) Limited (formerly First Aqua (JVCo))	25.0	25.0
Corporation tax	7.3	-
Other taxation and social security	1.4	-
Other accruals and deferred revenue	62.4	-
	2,336.7	1,959.5

Note (i)

The loan from Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) is unsecured and repayable on demand.

Note (ii)

The loan from Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) is secured on the assets of the company and the Company was charged interest at a rate of LIBOR plus margin (1.5%) to 22 July 2002, after which the interest was fixed by agreement at 7.012% per annum. The loan revolves quarterly from 22nd April 2002 with interest being payable upon each maturity. The loan was initially in an amount of £1,939,286,000 on 22 April 2002 less a partial repayment on 23 October 2002 of £4,733,558. The loan was repaid in full on the 23 July 2003 as part of the Southern Water Group restructuring.

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

18 Provision for liabilities and charges

	Group 2003 £m
(a) Environmental obligations	<u>3.0</u>
(b) Deferred taxation	
Accelerated capital allowances	378.0
Other timing differences	<u>(8.9)</u>
Deferred taxation	<u>369.1</u>
Total	<u><u>372.1</u></u>

The environmental provision relates to costs for the decommissioning of abandoned sites. No reimbursement is expected. As the period over which the provision will be utilised cannot be determined the provision is not discounted.

	Group 2003 £m
Movement in deferred tax provision:	
Deferred tax provision brought forward	-
Deferred tax provision acquired at 22 April	355.5
Deferred tax charge in Profit and Loss Account	13.6
Deferred tax provided at 31 March	<u>369.1</u>

The Company has no provisions for liabilities and charges.

19 Grants and contributions

	Group 2003 £m
Brought forward	-
Acquired at 22 April 2002	37.4
Receivable in period	5.1
Released to profit and loss account	<u>(1.8)</u>
At 31 March 2003	<u><u>40.7</u></u>

Grants and Contributions relate to non-infrastructure assets.

The Company has no grants and contributions.

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

20 Share capital

	Group & Company 2003 £m
Authorised 5,000,000 ordinary shares of £1 each	<u>5.0</u>
Allotted, called up and fully paid 5,000,000 ordinary shares of £1 each	<u>5.0</u>

21 Reconciliation of movement in group shareholder's funds

	Called up share capital £m	Profit and loss account £m	Total £m
At 15 February 2002	5.0	-	5.0
Profit before dividends paid	-	32.1	32.1
Dividends paid	-	(30.4)	(30.4)
At 31 March 2003	<u>5.0</u>	<u>1.7</u>	<u>6.7</u>

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

22 Cash Flow from operating activities

	2003 £m
Continuing operations	
Operating profit and profit on ordinary activities before interest and taxation.	184.1
Depreciation charge	88.4
Decrease in stocks	2.7
Decrease in debtors	86.9
Decrease in creditors	(96.9)
Total net cash inflow from operating activities	<u><u>265.2</u></u>

All of the cash flows relate to the acquisition during the year

23 Pensions

The Group accounted for pension costs during the period under SSAP 24, but has also made the detailed disclosures required in the second year of the transitional arrangements under FRS 17. These disclosures show a net FRS 17 deficit (after deferred tax) of £99.5 million. The deficit has arisen mainly as a result of turbulence in the stock market and low interest rates.

Pension schemes operated

The Group principally operates three schemes:

1. Southern Water Pension Scheme (SWPS), a funded defined benefit scheme which has been closed to new members since 31 December 1998. This scheme has nine trustee directors.
2. Southern Water Executive Pension Scheme (SWEPS), which is a funded defined benefit scheme. This scheme has four trustee directors.

Both of the schemes are operated by Southern Water Limited (formerly Southern Water plc). The power of appointment is vested in Southern Water Limited (formerly Southern Water plc.) a subsidiary company.

The assets of the schemes are held separately from those of the company. State Street Bank and Trust Company acts as custodian for the main defined benefit scheme (SWPS) and asset management is delegated to external fund managers.

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

23 Pensions (continued)

Pension schemes operated (continued)

3. Scottish Power Plc pension scheme, which is also a defined benefit scheme. This is actually administered by Scottish Power plc, however, the group makes contributions on behalf of certain of its employees.

Members of the schemes receive an annual statement of their accrued benefits.

The latest actuarial valuations of the Southern Water Pension Scheme(SWPS) and Southern Water Services Executive Pension(SWEPS) schemes were carried out as at 31 March 2001 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of future pensionable salary increases and the level of pension increases.

The principal assumptions made by the actuary in the valuation were as follows:

	2001 SWPS % pa	2001 SWEPS % pa
Return on investments	6.2	5.3
Salary Growth	4.5	4.5
Pension increases on the excess over guaranteed minimum pensions	2.5	2.5

The assets of the scheme had a market value of £296.0m for the SWPS and £22.0m for the SWEPS at 31 March 2001. This was sufficient to cover 107% and 102% of the benefits of SWPS and SWEPS respectively, that had accrued to members at that date, after allowing for expected future increases in earnings.

The funding level is likely to have deteriorated since the March 2001 actuarial valuation due to adverse stock movements.

Regular pension costs under SSAP 24

1. Pension costs for the SWPS and SWEPS during the period were £6.7m. The pension cost for the period was greater than the actual contribution paid of £3.7m resulting in an accrual in the balance sheet at 31 March 2003 of £3.0m. The increased cost is in relation to the fund deficits.
2. Pension costs for the Scottish Power Plc scheme were £0.8m. The actual contributions for the period were also £0.8m, resulting in no accruals or prepayments being held on the balance sheet.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

23 Pensions (continued)

FRS17 - disclosures

In November 2000 the Accounting Standards Board (ASB) issued FRS 17 'Retirement Benefits', replacing SSAP 24 'Accounting for Pension Costs'. In July 2002 the ASB published for comment an Exposure Draft which would, if implemented, allow an extension to the transitional arrangements of FRS 17. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Group will take advice to ensure that it continues to adopt best practice in respect of accounting for retirement benefits. The Group is in the second year of the transitional arrangements under FRS 17 and the required disclosures are made below.

FRS 17 - assumptions, asset, liability and reserves disclosures

Full actuarial valuations of the two principal defined benefit schemes in the UK were carried out at 1 April 2001 and updated to 31 March 2003 by a qualified independent actuary. The schemes were only running from the 22 April 2002 for the Group but the difference of 22 days is not material. The following disclosures are combined for the SWPS and SWEPS. The major assumptions used by the actuary are set out in the table below.

	2003	2002
	% pa	% pa
Price inflation	2.5	2.8
Rate of increase in pay	4.0	4.3
Rate of increase of pensions in payment	2.5	2.8
Rate of increase for deferred pensioners	2.5	2.8
Discount rate	5.6	6.0
Expected return on assets – SWPS	7.5	7.3
Expected return on assets – SWEPS	5.6	6.0

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

The assets and liabilities in the schemes and the expected rates of return at the 31 March 2003 were:

	Rate of return 2003 %	Rate of return 2002 %	Value at 2003 £m	Value at 2002 £m
Equities	8.7%	8.0%	156.4	210.3
Bonds	4.7%	5.3%	78.6	84.2
Cash	4.0%	3.8%	1.9	5.1
Total market value of Plan assets			<u>236.9</u>	299.6
Total value of Plan liabilities			<u>(379.1)</u>	(338.6)
Accrued deficit in the Plan			<u>(142.2)</u>	(39.0)
Related deferred tax asset			42.7	11.7
Net pension liability			<u>(99.5)</u>	(27.3)

If FRS 17 had been adopted, the net assets and profit and loss account of Southern Water Services Limited after taking account of the effect of both pension schemes would have been as follows:

Shareholder's funds	2003 £ m
As reported (note 21)	6.7
SSAP24 accrual in relation to SWPS and SWEPS, net of related deferred tax	2.1
FRS 17 net pension liability as above	<u>(99.5)</u>
As adjusted for FRS 17	<u>(90.7)</u>
Profit and loss account	2003 £ m
As reported (note 21)	1.7
SSAP 24 accrual as above	2.1
FRS 17 net pension liability as above	<u>(99.5)</u>
As adjusted for FRS 17	<u>(95.7)</u>

FRS17 – profit and loss account disclosures

The following amounts would have been recognised in the profit and loss account for the period to 31 March 2003 under the requirements of FRS17.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

23 Pensions (continued)

Analysis of amounts charged to operating profit:

	2003 £ m
Employer's current service cost	6.4
Employer's past service costs	2.0
Previously unrecognised surplus deducted from past service costs	-
Total charged to operating profit	<u>8.4</u>

Analysis of the amount charged to other finance income:

	2003 £ m
Interest on pension scheme liabilities	20.3
Expected return on pension scheme assets	(21.4)
Net credit to other finance income	<u>(1.1)</u>
Total P&L charge before deduction for tax	<u>7.3</u>

Analysis of the amounts recognised in STRGL:

	2003 £ m
Actuarial loss on scheme assets	(77.6)
Experience loss arising on scheme liabilities	(3.0)
Loss on change of assumptions (financial and demographic)	(19.4)
Total loss recognised in STRGL before Adjustment for tax	<u>(100.0)</u>

SOUTHERN WATER SERVICES GROUP LIMITED
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NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2003

23 Pensions (continued)

Analysis of the movement in the schemes' deficits during the period

	2003 £ m
Deficit in the plan at 1 April 2002	(39.0)
Employers' contributions	4.1
Employers' current service cost	(6.4)
Employers past service cost	(2.0)
Other finance income	1.1
Actuarial loss	(100.0)
Deficit in the plan at end of year	(142.2)

Details of experience gains and losses for the period to 31 March 2003 are as follows:

	2003
a. Actuarial loss on plan assets	
Amount (£m)	77.6
Percentage of the scheme assets	32.8%
b. Experience loss on plan liabilities	
Amount (£m)	3.0
Percentage of the present value of the scheme liabilities	0.8%
c. Total actuarial loss recognised in STRGL	
Amount (£m)	100.0
Percentage of the present value of the scheme liabilities	26.4%

Future profile of the pension schemes

The SWPS closed to new members with effect from 31 December 1998. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate FRS 17 liabilities, the future cost in relation to this Scheme will reduce in the long-term.

Other pension arrangements

As previously discussed, there is also a third scheme operated by Scottish Power plc which is also a defined benefit scheme. However, the contributions paid by the group are accounted for FRS17 purposes as if the scheme were a defined contribution scheme, as the Group is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to this scheme during the period amounted to £911k.

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

24 Contingent liabilities

	Group 2003 £m
Contractors' claims	<u>22.5</u>

Contractors' claims consist of the contractors' estimate of the final cost of undertaking works for the Group. The claim is reviewed by Southern Water, who assess where the liability for the costs rests and the amount that will actually be settled. This amount is included within capital creditors and a further sum is identified as a contingent liability, representing a proportion of the difference between the contractors claim and Group's valuation.

The company's assets are secured by a fixed and floating charge as security to the borrowings of Southern Water Services (Finance) Limited (Formerly First Aqua (JVCo) Limited) and Southern Water Services Limited.

25 Financial commitments

	Group 2003 £m
Annual commitments under operating leases:	
Expiring within one year	1.6
Expiring between two and five years	<u>2.0</u>
	<u>3.6</u>

Operating leases are charged to the Profit and Loss Account over the lease term.

The Company has no such commitments.

26 Directors' emoluments

	2003 £000
Aggregate emoluments (including benefits in kind)	<u>922</u>

Retirement benefits are accruing to five directors under a Southern Water defined benefit scheme.

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

27 Directors' emoluments (continued)

Details of emoluments and benefits for the highest paid director:

	2003 £000
Aggregate highest paid director's emoluments and benefits	<u>234</u>
Defined benefit scheme: Accrued annual pension at 31 March	<u>90</u>

28 Related Party transactions and ultimate controlling party

The immediate controlling party is Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited), a company incorporated in the Cayman Islands. The ultimate controlling party at 31 March 2003 was First Aqua Holdings Limited, a company incorporated in the Cayman Islands which does not publish financial statements.

The Company received a loan from Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited), of £1,934,552,442 as set out as outstanding at the balance sheet date in note 17 above. Interest payable thereon as shown in the Profit and Loss Account to 31 March 2003 totalled £121,126,129. Dividends paid to Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) to the balance sheet date were £30,400,000 as detailed in the Group Profit and Loss Account.

The Company invested in its subsidiary, Southern Water (NR) Limited (formerly Aspen 4 Limited), and made loans to that company's subsidiaries of, a combined total of £1,182,563,276 as set out in note 24 above. The loan interest receivable to 31 March 2003 from those companies of £109,533,570.

Southern Water (NR) Limited (formerly Aspen 4 Limited) paid dividends totalling £37,600,000 to the Company during the period to 31 March 2003.

No details are separately noted here of the related party transactions arising from banking services provided to the Company during the period, relating to Royal Bank of Scotland in its capacity as the ultimate controlling party from 7 May 2003 (See Note 29a below).

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
MARCH 2003**

28 Post Balance Sheet events - ultimate controlling party

a) Change in Ultimate Controlling Party

On 7 May 2003, the ultimate parent undertaking, First Aqua Holdings Limited, sold its entire interest in the ordinary shares of Southern Water Services (Finance) Limited (formerly First Aqua (JV Co) Limited) (an intermediate parent company) to Southern Water Capital Limited.

From 7 May 2003, the directors regard Southern Water Capital Limited as the ultimate holding company. Southern Water Capital Limited is majority owned by Royal Bank of Scotland plc.

b) Dividends

Interim dividends were paid to Southern Water Services (Finance) Limited (formerly First Aqua (JVCo) Limited) of £10.8 million on 22 April 2003 and £6.8 million on 7 May 2003.

29 Principal subsidiaries

As of 31 March 2003 the Company's principal subsidiaries are listed below.

Company	Class of share capital	Proportion of shares held	Activity
Southern Water(NR) Limited (formerly Aspen 4 Limited)	Ordinary	100%	Non-trading activities
SWS Group Holdings Limited	Ordinary	100%	Non-trading activities
SWS Holdings Limited	Ordinary	100%	Holding company for Southern Water Services Limited
Southern Water Limited (formerly Southern Water plc)	Ordinary	100%	Parent company for Southern Water group
Southern Water Services Limited	Ordinary	100%	Supply of Water and Wastewater Services

SOUTHERN WATER SERVICES GROUP LIMITED
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**NOTES TO THE GROUP ACCOUNTS FOR THE PERIOD ENDED 31
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29 Principal subsidiaries (continued)

Company	Class of share capital	Proportion of shares held	Activity
Southern Water Industries Limited	Ordinary	100%	Commercial Services
Southern Water Services Finance plc	Ordinary	100%	Financial Services
Bowsprit Holdings Limited	Ordinary	100%	Property Investment
Monk Rawling Limited	Ordinary	100%	Estate Management
Bowsprit Property Development Limited	Ordinary	100%	Property Development
James Leppard & Sons Limited	Ordinary	100%	Landfill Operator
Taylor Plant & Haulage Limited	Ordinary	100%	Landfill Operator
EcoClear Limited	Ordinary	100%	Dormant
Southern Water Executive Pension Scheme Trustees Limited	Ordinary	100%	Corporate Trustee of Executive Pension Scheme
Southern Water Pension Trustees Limited	Ordinary	100%	Corporate Trustee of Company Pension Scheme
Associate Company			
Coastal Wastewater Consultants Limited	Ordinary	50%	Marine treatment, engineering design and consultancy

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN WATER SERVICES GROUP LIMITED (FORMERLY FIRST AQUA LIMITED)

We have audited the financial statements which comprise the profit and loss account, the balance sheet, cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the accounting policy note .

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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.

SOUTHERN WATER SERVICES GROUP LIMITED
(FORMERLY FIRST AQUA LIMITED)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN
WATER SERVICES GROUP LIMITED (FORMERLY FIRST AQUA LIMITED)**

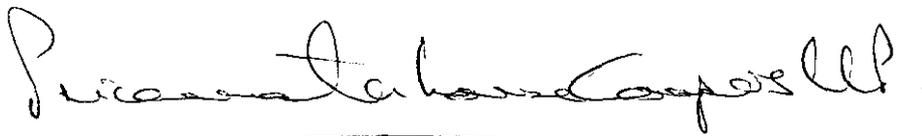
Basis of audit opinion (continued)

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 the affairs of the company and the group at 31 March 2003 and of its profit and cash flows for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London,
14 June 2004