

Registered No: 2366620

SOUTHERN WATER plc

COMPANIES  
10 SEP 1992  
M 13

## Southern Water's Span of Operations

The collection, treatment and distribution of potable water.

The collection, treatment and recycling of wastewater.

The provision of services and products to domestic, commercial and industrial customers in the following sectors:

- Engineering design
- Laboratory analysis and environmental assessment
- Waste management
- Systems technology
- Specialist services and products
- Property

## Southern Water's Mission

To provide first class, value for money service for all our customers.

To increase the profitability of existing companies and seek opportunities to develop related businesses for the benefit of our shareholders.

To give opportunities for achievement and reward to all our staff.

To protect and enhance the quality of the Environment for the benefit of the community.

### COVER:

Yellow Flag - the second in our series of plants that flourish in Southern Water's aquatic environment.

### RIGHT:

Langstone Harbour - underneath these tranquil waters there is the largest and longest sea outfall in the UK, part of an £18 million project.

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## Chairman's statement



**S**outhern Water plc has made sound headway in the past twelve months and thus it is with considerable pleasure that I present the Third Annual Report of the Company.

The excellent financial results for the year to 31st March 1992 bear witness to the solid underlying strengths of our business. Pre-tax profits for the Group have risen from £97.1 million to £115.1 million, an increase of 18.5% whilst turnover has advanced by 15.7% from £251.2 million to £290.7 million. The Board is recommending a final dividend of 13.0 pence (net) per ordinary share making a total for the full year of 19.5 pence (net) compared with 17.7p net for 1990/91.

Following the outstanding success of the scrip alternative for the final and interim dividends, introduced last year, we are pleased to provide a similar facility for those who wish to continue to build their shareholdings in the Company.

A huge onus was laid upon the Water Industry when it was privatised some two and a half years ago. But the benefits, albeit frequently misrepresented by the media and other bodies, are now plain for all to see. Investment is higher in real terms than at any time in the last 100 years. It is double what was invested in the previous decades of neglect and, in the case of Southern Water, will exceed, on average, £3 million every week to the end of the decade.

Approximately 70% of our profit is immediately ploughed back to fund over 40% of our invest-

ment programme which, in 1991/92 alone, reached £171 million.

We are already providing better service and customer care to the four million people who rely on us for the vital public health functions of water supply and sewerage – with ever more demanding standards constantly being introduced by the Government, the European Community and our Regulators. It is therefore pleasing that we were once again able to reduce charges to our customers below the level originally agreed during privatisation and at the same time absorb significantly increased capital obligations.

Our non-regulated businesses are developing well, making a growing contribution to Group profits and providing new services and products for an increasing number of customers throughout the country.

### **Southern Water Services Limited**

Our largest subsidiary, responsible for the supply of water and wastewater treatment in much of the South East, has not escaped the effects of the recession. Whilst it derives a smaller than average proportion of its sales from industrial and commercial customers it has nevertheless experienced a small reduction in budgeted revenue. Despite this, a combination of good management and the enthusiasm of our staff has enabled profit growth to be maintained.

The Company has made excellent progress in fulfilling the many obligations laid upon it to steadily improve the quality of drinking water, the standard of effluent discharged into rivers from our 365 inland wastewater treatment plants and in the construction of advanced marine treatment works to replace old, often Victorian, sea outfalls discharging at low water level. Considerable work has also taken place on the infrastructure – upgrading, replacing, re-lining or repairing our network of many thousands of miles of water mains and sewers – a never ending task.

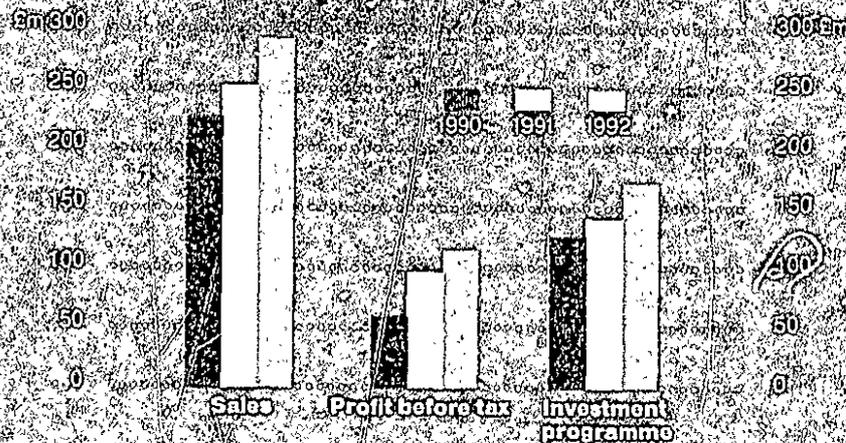
Much of the success of our large investment programme can be attributed to our "Making Capital Expenditure Go Further" strategy through the identification and implementation of lower cost and often innovative solutions – the re-examination and enhancement of existing assets has also been rewarding in saving money and speeding progress.

A major effort is being put into the detection of 'leakage' or 'unaccounted for water' (which includes

# Financial highlights

year ended 31 March 1992

|                         | 1992    | 1991    |
|-------------------------|---------|---------|
| Turnover                | £790.7m | £251.2m |
| Profit before tax       | £115.1m | £97.1m  |
| Earnings per share      | 64.2p   | 53.4p   |
| Dividends per share     | 19.5p   | 17.7p   |
| Investment expenditure  |         |         |
| Tangible fixed assets   | £154.8m | £125.9m |
| Infrastructure renewals | £ 16.1m | £ 15.4m |
|                         | £170.9m | £141.3m |
| Shareholders' Funds     | £304.1m | £735.9m |



water for fire fighting, the flushing of mains and leaks in customers own pipes). In Sussex, leakage has been reduced by 43% since privatisation and in the Company as a whole our distribution system leakage is now down to 18%.

Southern Water Services succeeded in maintaining essential supplies of drinking water to all its customers during the 12 months despite the fourth consecutive year of unusually dry weather. The refurbishment of numerous boreholes, the commissioning of the largest nitrate removing plant in the UK and the construction of advanced micro-filtration plants in Kent and Sussex will all contribute to additional water availability.

In the longer term, in conjunction with other water companies, we are seeking to quadruple the capacity of Darwell Reservoir serving East Sussex and to build a new reservoir near Canterbury to supply our Kent customers.

### Other activities

Your Board recognises the importance of developing income streams which are outside the purview of the regulator. The year has seen healthy profits from our longer established subsidiary companies such as Southern Science, Southern Projects, IT Southern and Topmark Vehicle Contracts.

An increasing volume of business is now being generated from outside the Group. Southern Science, our laboratory and environmental consultancy company, for example, now has over 600 external customers, large and small, throughout the UK and beyond. Another of our companies is now the largest 'billing' contractor for Cable Television in the UK, having won over 25% of the market. In addition in the Waste Management sector we have consolidated, under an experienced management team, our various related activities in liquid waste collection, treatment and disposal under the Ecoclear banner.

The recession has affected the performance of some of our new subsidiaries such as M W Longley and Sectron Systems but they have coped well with the difficult trading conditions and are in a good position to benefit from economic recovery. Sales of 'Hazeley Down', our popular mineral water, launched eight months ago, are growing apace and it is now available in a range of sizes to satisfy all needs.

Watercare, our 24 hour/365 day emergency plumbing service has continued to make good progress and has broadened the range of facilities offered and extended its customer base.

During the last year a number of relatively small acquisitions have been made, in line with our current strategy. These include Greenhill Enterprises (a mineral extraction and waste disposal company), McDowells (consulting engineers) and Monk Rawling (chartered surveyors). This last purchase has enabled a merger to be effected with Bowsprit Estates, our existing property management company. Subsequent to the year end we sold our 50% investment in Stalwart Environmental Services Limited to our joint partner SAUR (UK) Limited for a satisfactory consideration.

The substantial profit of approximately £7.0 million arising from the sale of minority interests in three Water Companies in April 1991 is shown in this year's accounts under exceptional items.

#### **The Future**

We are committed to providing our customers with good value for money backed by a high quality service; to maintaining tight control on costs and continuing the profitable development of the Group through the careful husbandry and deployment of our resources.

Your Board will avoid the temptation of growth for its own sake and ensure that a sound investment policy is followed with the clear objective of enhancing shareholder value.

Southern Water plc is well served by an experienced Board who work as a close team contributing their specialised skills to the development of our business. I am sorry therefore to record that Dr John Westhead retired from the Board in March 1992 consequent upon his appointment as Director and Chief Executive of Bowthorpe Holdings plc. We were fortunate to benefit from Dr Westhead's considerable experience and wise counsel during three formative years post privatisation. We thank him sincerely and wish him well.

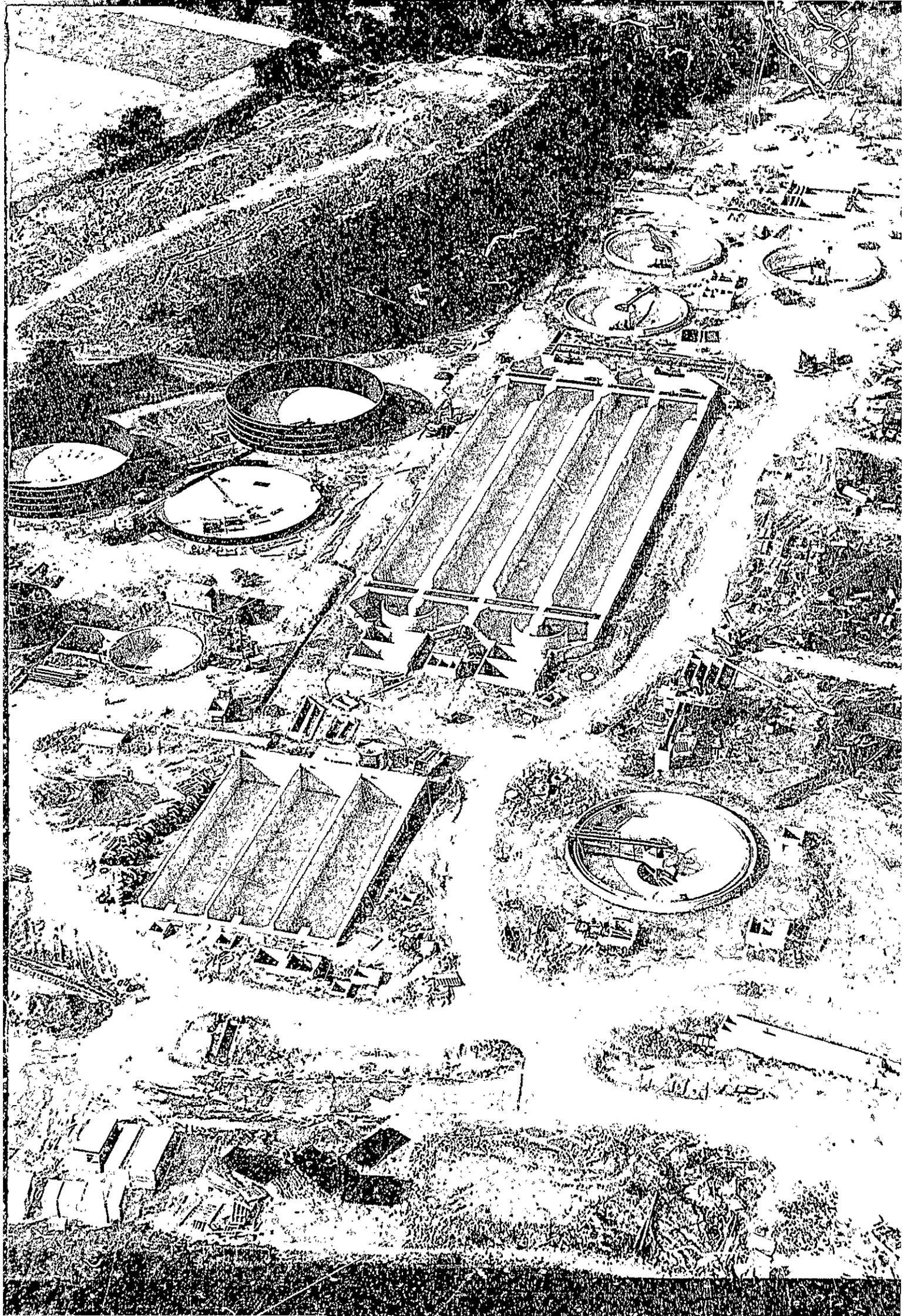
We are pleased to welcome Mr Vivian Thomas OBE who was elected to the Board on 1st June 1992. Mr Thomas spent his career with BP and was until recently Chief Executive of BP Oil UK. He is currently Chairman of the British Standards Institution and the British Road Federation.

In May 1992 Southern Water plc announced a number of forthcoming changes to the Executive membership of the main Board which will become effective on the 1st January 1993. Martyn Webster, currently Group Finance Director, will become Group Managing Director. Mr Raymond King, who we welcome after serving 14 years with ICI, will assume responsibility as Group Finance Director. Mr Keith Tozzi, a qualified engineer with wide water industry experience in Southern Water will become Deputy Technical Director of the Group.

I have always been impressed by the enthusiasm, skill and dedication demonstrated by Southern Water people. Our greatest asset is our employees and I would like to thank them for all their efforts during the past twelve months.

Finally, I am pleased to report that your Company is on course for another successful year.

WILLIAM J W COURTNEY CBE  
*Chairman*



## The Board

### **William Courtney CBE**

*Executive Chairman*

William Courtney was commissioned in the Royal Marines and after serving at sea and in the Commandos joined the building material producers Marley plc. He became a managing director in 1960 and was Joint Deputy Chairman of the international group from 1976 to 1985. He joined Southern Water Authority as Chairman in August 1985. He was appointed Executive Chairman of the Company in September 1989.

Mr Courtney is Chairman of the Water Services Association and Chairman of the Water Byelaws Advisory Service and of the Water Industry Certification Scheme. He is also Chairman of the British Board of Agreement, which assesses and certifies new building materials.

### **Francis Midmer**

C ENG, FICE FIWEM FBIM

*Group Technical Director*

Francis Midmer has been Group Technical Director since the inception of the Company having worked in the water industry since 1949. He was appointed Director of Technical Services of Southern Water Authority in 1985 and joined that Board in 1988. Mr Midmer is currently a member of the Water Services Association Environmental Issues Committee, and is also Chairman of the Industry's Process Systems Committee. He is a member of the Board and Management Committee of the Foundation for Water Research. He is also Chairman of the National Joint Utilities Group and President of the Institution of Water Officers.

### **Martyn Webster**

BSc(ECON) FCA\*

*Group Finance Director*

Martyn Webster has been Group Finance Director since the inception of the Company. He qualified as a chartered accountant with Price Waterhouse for whom he worked in the UK, Australia and the Netherlands. From 1979, he was Financial Controller of NCR and in 1985 he became Group Finance Controller at Laporte Plc.

### **Brian Thorpe CBE LLM**

*Non Executive Director*

*(Deputy Chairman)\**

Brian Thorpe has been Deputy Chairman since the inception of the Company in 1989, having been Deputy Chairman of the Southern Water Authority from 1983. He was Chief Executive of Southern Water Authority from 1974 until his retirement in 1988. He is a Member of the Executive Board of the International Water Supply Association and Chairman of the Association's Foundation for the Transfer of Knowledge to Developing Countries.

### **Philip Girle FCIB FBIM**

*Non Executive Director\*\**

Philip Girle was appointed to the Board of Southern Water Authority in 1986 and became a Director of the Company in 1989. He is Chairman of the Audit Committee. A former Director and General Manager of National Westminster Bank, and a former Director of Yorkshire Bank he has been involved in all aspects of banking - retail, merchant and international.

### **Sir David Nicolson FIC FENG**

*Non Executive Director†*

Sir David joined the Board of Southern Water Authority in June 1989 and was appointed a Director of the Company in September 1989. He is Chairman of the Remuneration Committee. He currently holds directorships in a number of companies including DRG, Invesco MIM, Northern Telecom and STC. He has had a long and distinguished career in industry and is a former Chairman of BTR and British Airways.

### **Vivian Thomas OBE**

*Non Executive Director\**

Vivian Thomas was appointed to the Board on 1 June 1992. A former Chief Executive Officer of BP Oil UK Ltd and Director of Retail BP Europe he was also Chairman of Alexander Duckham from 1984 to 1992. Mr Thomas is Chairman of the British Standards Institution and is Chairman of the British Road Federation.

\*Member of the Audit Committee

†Member of the Remuneration Committee

### **Graham Nicholson IPFA**

*Company Secretary*

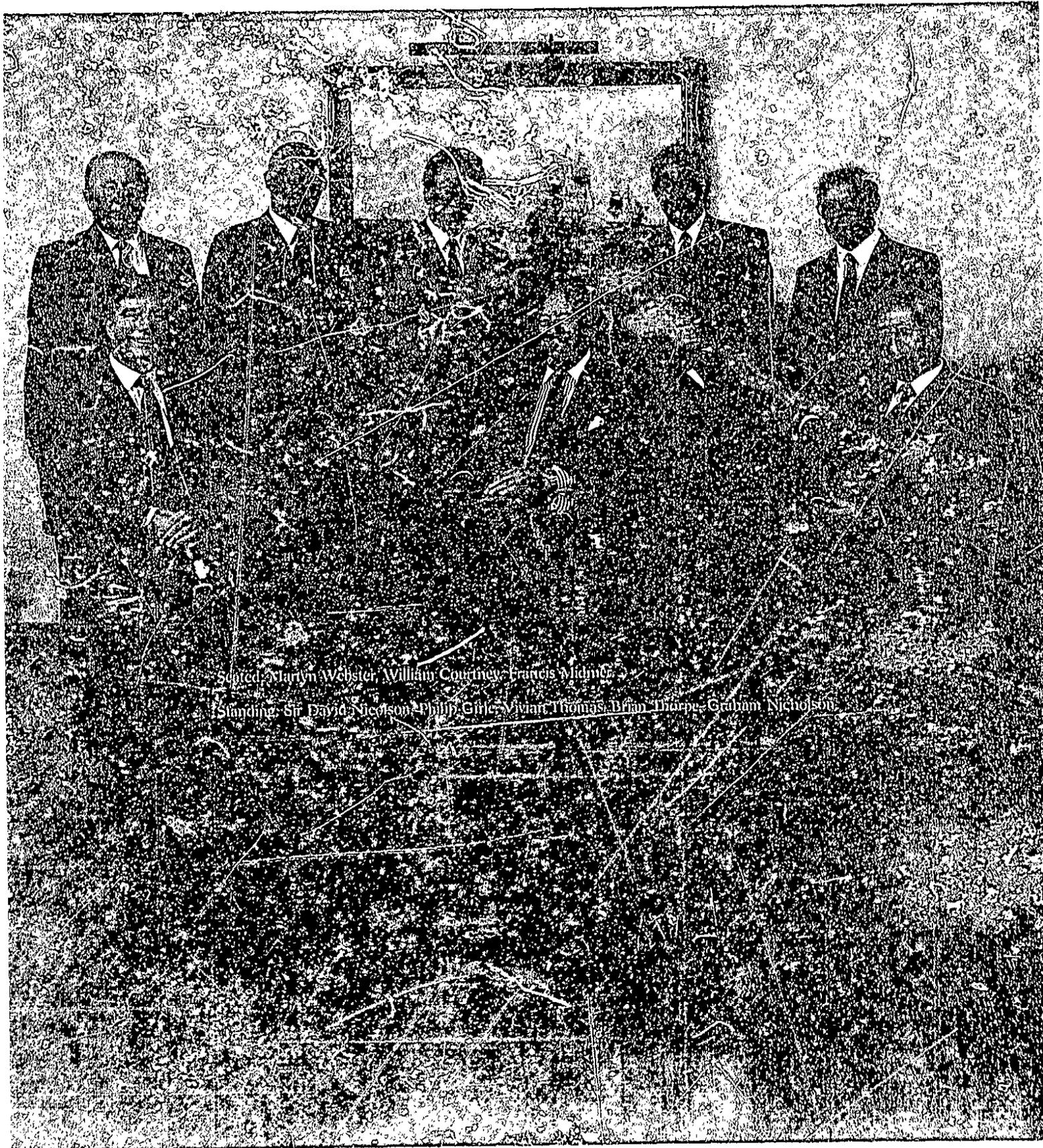
Registered Office:

Southern House

Yeoman Road

Worthing

West Sussex BN13 3NX



Sitting: Marilyn Webster, William Courtney, Francis Mladinec

Standing: Sir David Nicholson, Philip Giles, Julian Thomas, Brian Thorne, Graham Nicholson

## Review of operations

**A**t 31 March 1992 the Southern Water Group of Companies comprised Southern Water plc, the holding company, Southern Water Services Ltd., the principal subsidiary providing water and wastewater services, and other operating companies involved in the following sectors:

- Engineering design
- Laboratory analysis and environmental assessment
- Waste management
- Systems technology
- Specialist services and products
- Property

### **Southern Water Services Limited**

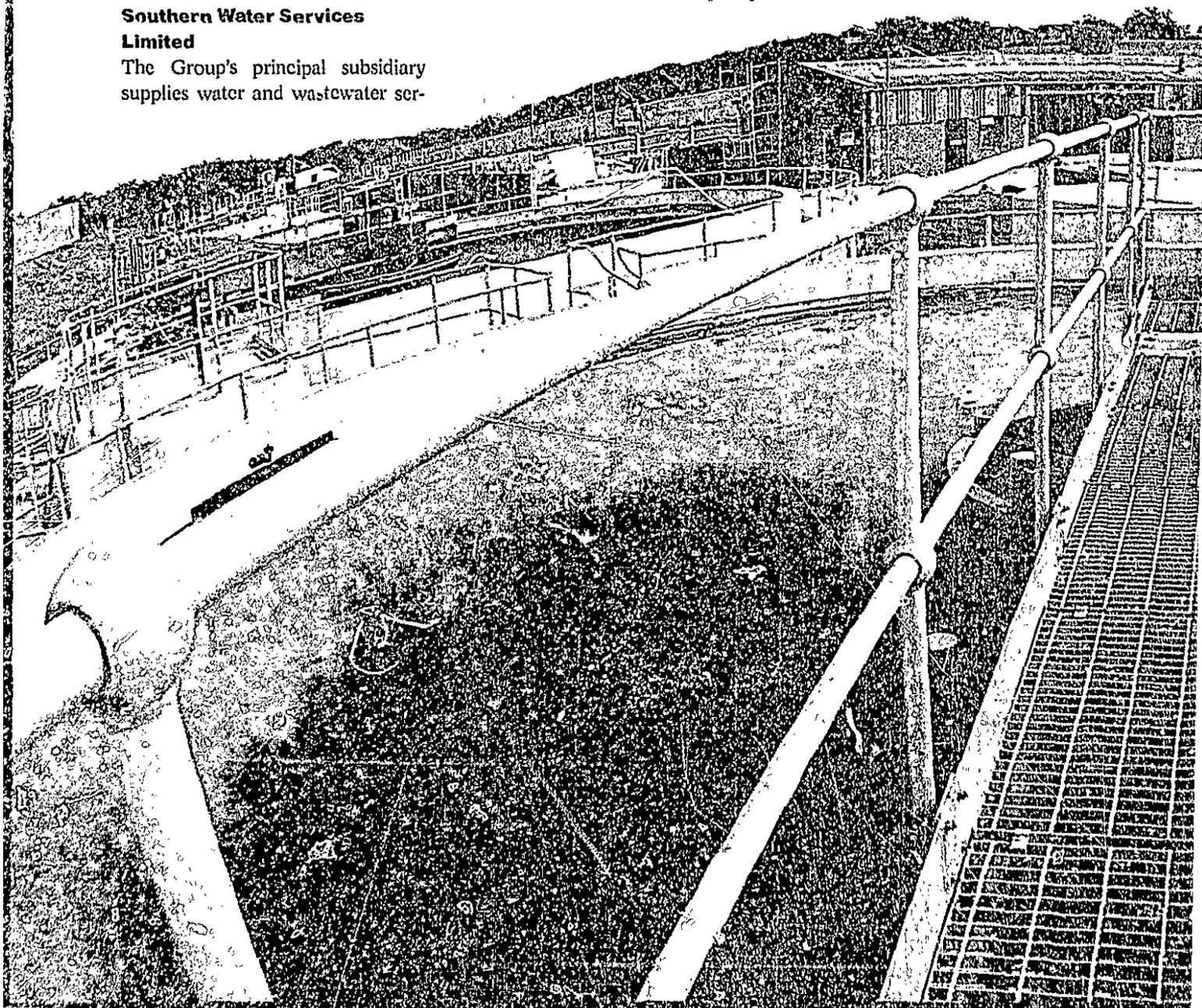
The Group's principal subsidiary supplies water and wastewater ser-

VICES to industry, commerce and domestic premises in Kent, Sussex Hampshire and the Isle of Wight. The business is operated through four county based divisions enabling the company to resolve practical issues and customer enquiries quickly and efficiently. This organisation also encourages the appreciation of local issues vital to the sensitive planning and promotion of improvements to water and wastewater services.

### **WATER SUPPLY**

Drinking water was supplied to over two million customers. Water quality

from all supply works is regularly monitored against the complete range of standards laid down by legislation. The Chief Inspector of the Drinking Water Inspectorate in his latest annual report issued during the year recorded that Southern Water Services had achieved a level of quality compliance of 99.5% for the drinking water it supplies. This is an outstanding achievement and the Company continues to invest in research and development to enhance this level further.



Protection of water sources is vitally important and the company has initiated campaigns which are targeted at potential polluters and designed to assist in improving industrial processes and land management in order to avoid possible contamination. Of particular note is our campaign to reduce the use of persistent pesticides and it is pleasing to note the growing number of organisations now switching to more environmentally friendly control methods.

The relining of water mains, part of our continuing programme of infrastructure maintenance and enhancement, is bringing further improvements in water quality, pressure and operating efficiency. Attention is also being given to taste improvements with the installation of activated carbon filters at a number of works.

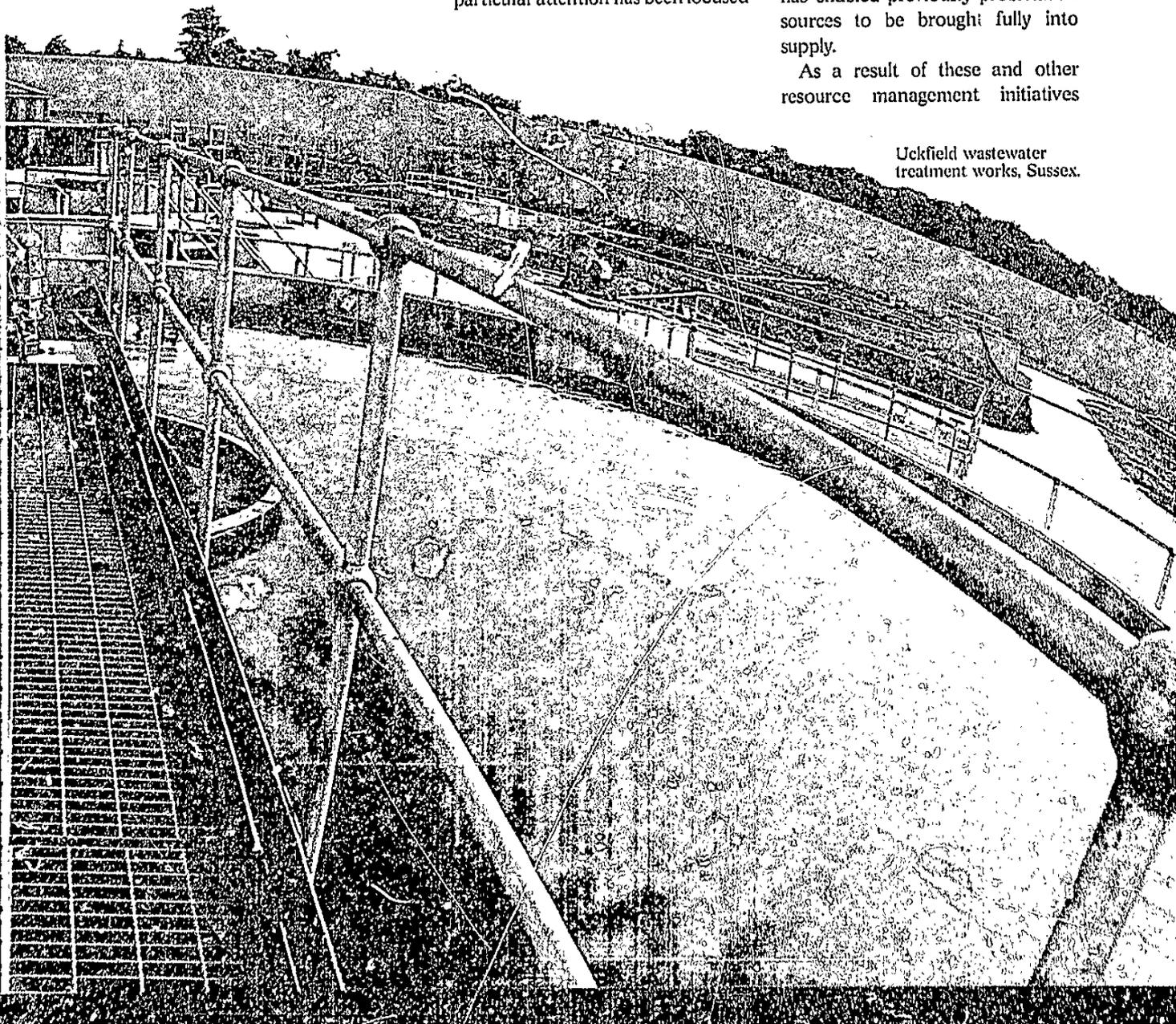
Water resources remain a critical issue. We are now in the longest sustained period of below average rainfall on record. The Company has made significant efforts to alleviate the impact of these conditions. In particular attention has been focused

on the detection and control of leaks from the distribution system. Enhanced operational procedures and the introduction of new technologies have resulted in a significant reduction in leakage. We will continue to focus resources on this area.

In addition our borehole refurbishment programme has continued during the year. Near Ramsgate, the commissioning of the largest nitrate removal plant in the UK has resulted in much needed additional supplies of water being available for Kent. Elsewhere the introduction of advanced micro-filtration plants has enabled previously problematic sources to be brought fully into supply.

As a result of these and other resource management initiatives

Uckfield wastewater  
treatment works, Sussex.





the Company has been able to maintain uninterrupted supplies to all its domestic customers although, as a precaution, we had to ask our customers in parts of Kent to accept restrictions on non essential water uses.

For the longer term we have continued to progress the proposals to quadruple the storage capacity of Darwell Reservoir serving East Sussex and to construct a new reservoir near Canterbury, Broad Oak, to provide long term security of supply to our Kent customers.

#### WASTEWATER TREATMENT

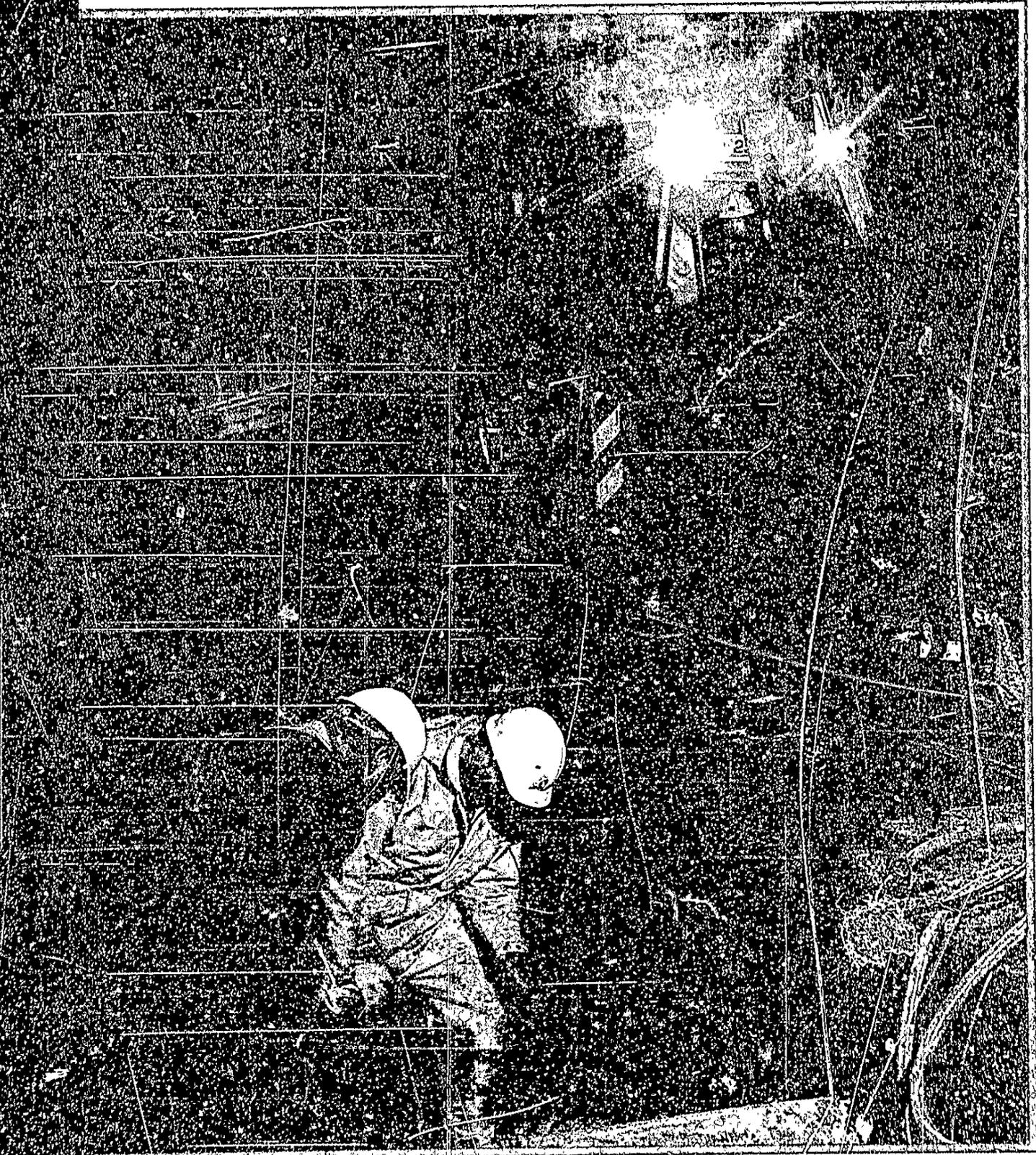
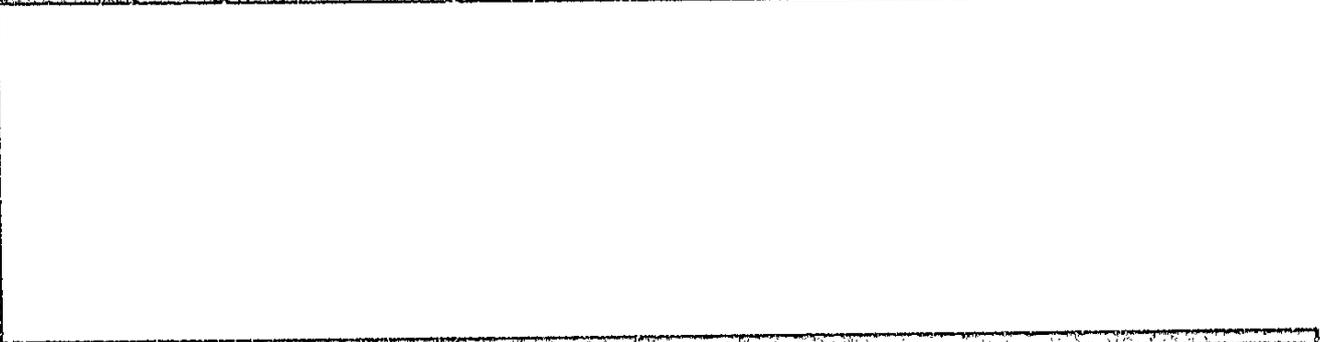
The wastewater operations of the Company, which serve four million customers, have been dominated by the final stages of an extensive programme of improvements and new works to enable all our inland wastewater plants to meet the stringent discharge requirements of pollution control legislation. This work involving a great many schemes throughout the region was required to be in place by January 1992. All were completed on schedule with consequent substantial improvements in the quality of discharges to the rivers and streams in the South East.

The emphasis of our wastewater programme is now concentrated on

South Wonston water tower,  
Hampshire.

OPPOSITE:  
Sewer inspection using  
breathing apparatus.

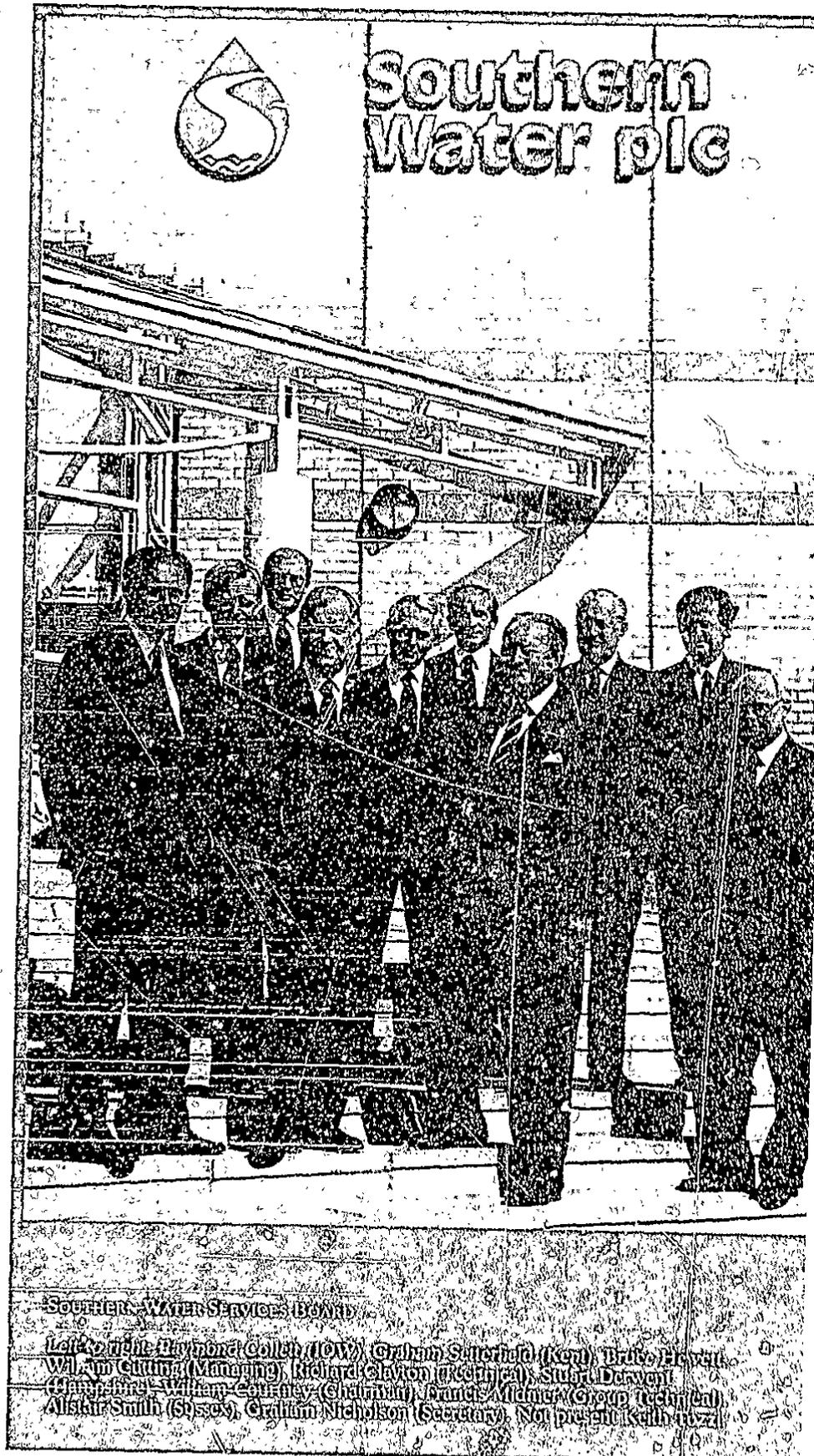




improvements to our coastal waste-water works where significant progress has already been made. During the year the major new outfall serving Portsmouth was completed and the whole of the Cowes drainage system connected to its new outfall. We are on schedule to meet the requirements of the EC Bathing Water Directive by the end of 1995. The massive programme of improving coastal discharges is being coordinated under the 'Operation Seaclean' initiative. This initiative was launched in order to focus attention and create customer awareness of the largest environmental programme the South Coast has ever witnessed - involving the investment of many hundreds of millions of pounds. We are committed to improving the marine environment to the standards demanded by modern society.

The coastal projects, incorporating the introduction of settlement processes, will significantly increase the volumes of sludge that we are required to handle. The various options under trial, which were highlighted in last year's report, are progressing well and indicate that for the majority of sites agricultural and composting solutions are feasible, thus providing the most environmentally, financially and socially acceptable solution to this problem. We will report regularly on this development of our sludge disposal strategy which is an integral component of our environmental improvement campaign.

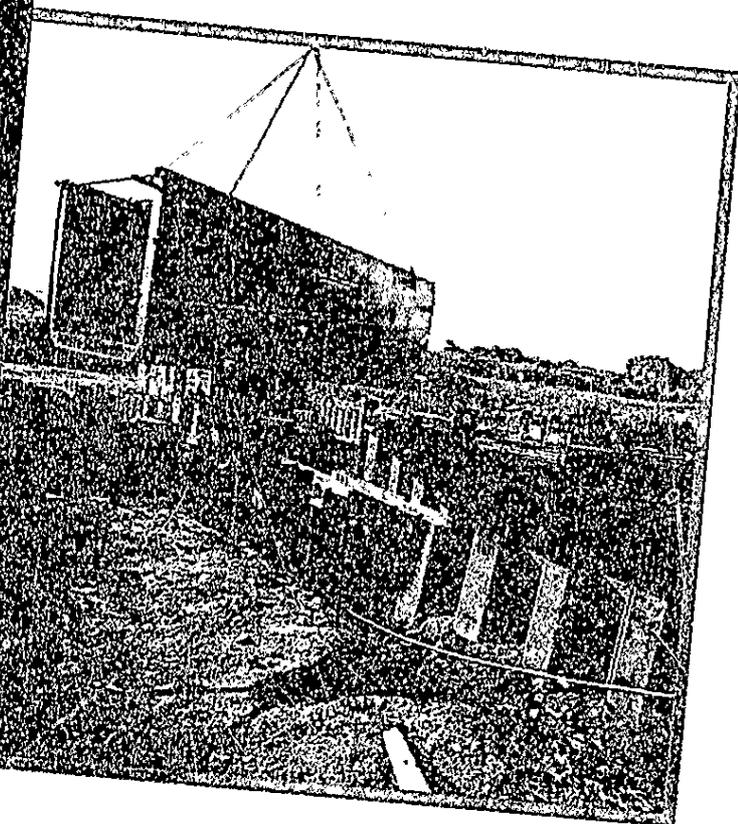
OPPOSITE:  
Water pipe repair, Ryde,  
Isle of Wight.



Southern Water Services Board

(Left to right) Raymond Galt (ICW), Graham Sutcliffe (ICW), Bruce Rowland, William Gifford (Managing), Richard Clifton (ICW), Stuart Derwent, Charles King, William Cauley (Chairman), Francis Adams (Group Techn), Alistair Smith (Sp. Sec), Graham Nicholson (Secretary), Not present Keith...

## Divisional highlights



## Isle of Wight

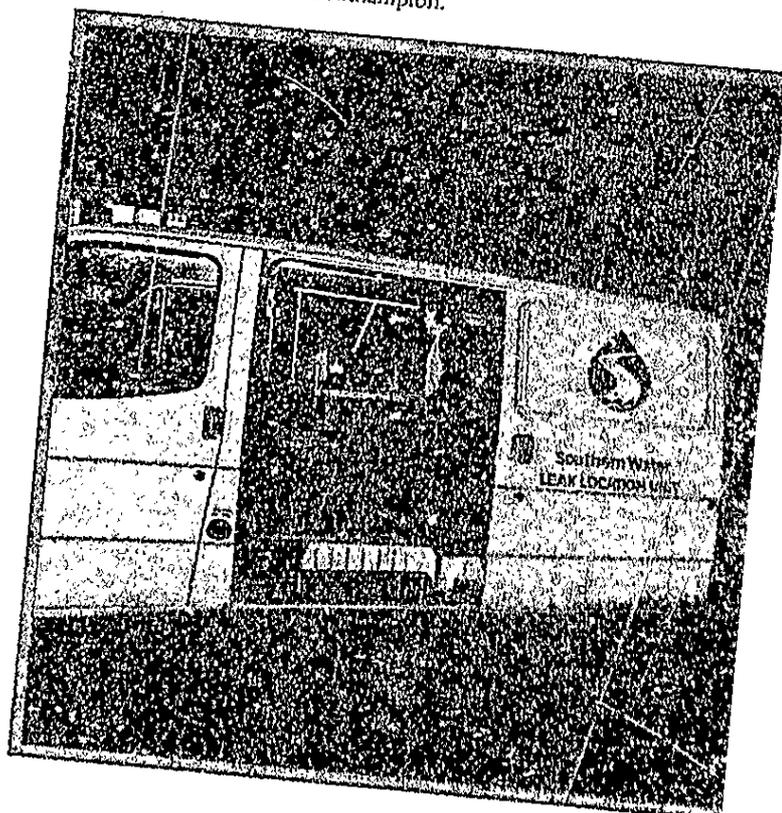
- During the year the substantial investment programme to improve the quality of discharges from the Island's inland wastewater treatment works was successfully completed ahead of the required deadline.
- The introduction of innovative technology has enabled a new wastewater treatment plant at Shorwell to be assembled and operational within three weeks.
- The Cowes Wastewater Transfer Scheme received an award from the Institution of Civil Engineers for the outstanding work in renovating Cowes High Street.
- Customer Services enhancements have been introduced during the year to increase the range of services provided to customers and the speed of response by the Division.

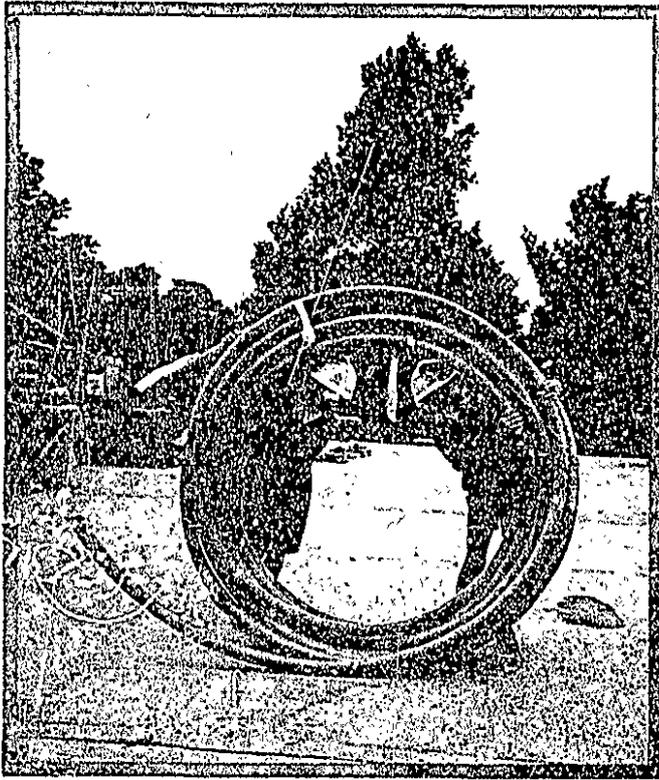
Simpak package plant at Shorwell wastewater works.

## Hampshire

- The UK's longest (5.7 km) sea outfall, at Eastney, Portsmouth was commissioned in May 1991, providing immediate improvement to the sea water quality along Hayling Island, Eastney and Southsea beaches.
- Planning approval was obtained for a major new water resource, Testwood Lakes, to serve Southern Hampshire - initial work will shortly commence.
- New drinking water electrochlorination sterilisation techniques were installed at Twyford, near Winchester and ultra-violet light disinfection at Timsbury, near Romsey.
- A composting operation was developed at Petersfield. This is one of the preferred alternatives to sludge disposal to sea, which will be phased out by 1995.
- An innovative filter system designed by divisional staff is providing effective odour control for three large wastewater treatment works.

Leak location unit at Southampton.





## Sussex

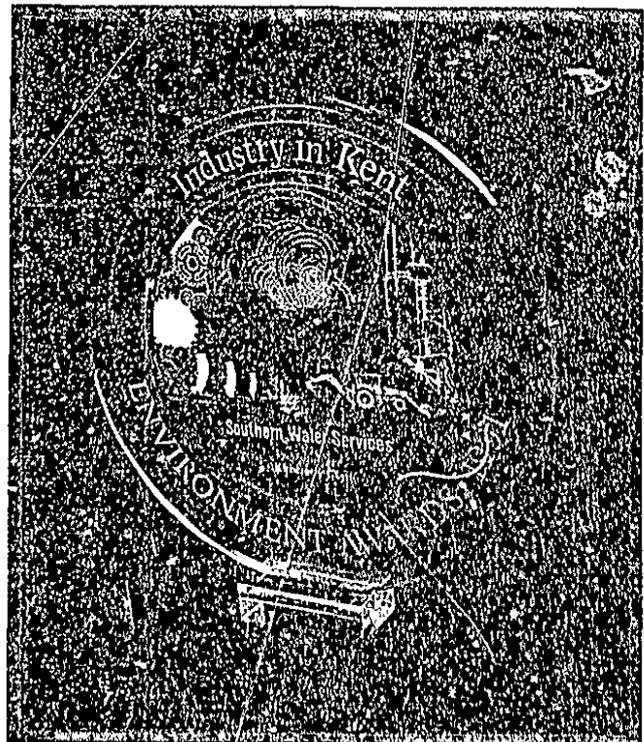
- The massive programme to improve the quality of discharges from inland wastewater treatment works resulted in improvements to 100 of the division's works being successfully completed ahead of schedule.
- A technologically advanced microfiltration plant has been installed at Burpham Water Supply works near Arundel. The filters ensure consistency of water quality from a source that was previously problematic.
- The environmental assessment has been completed for the expansion of Darwell Reservoir, near Hastings, which will provide a fourfold increase in the yield of this reservoir.
- Initial work was commenced on three large 'Operation Seaclean' projects: Worthing, Portslade/Southwick and Eastbourne.

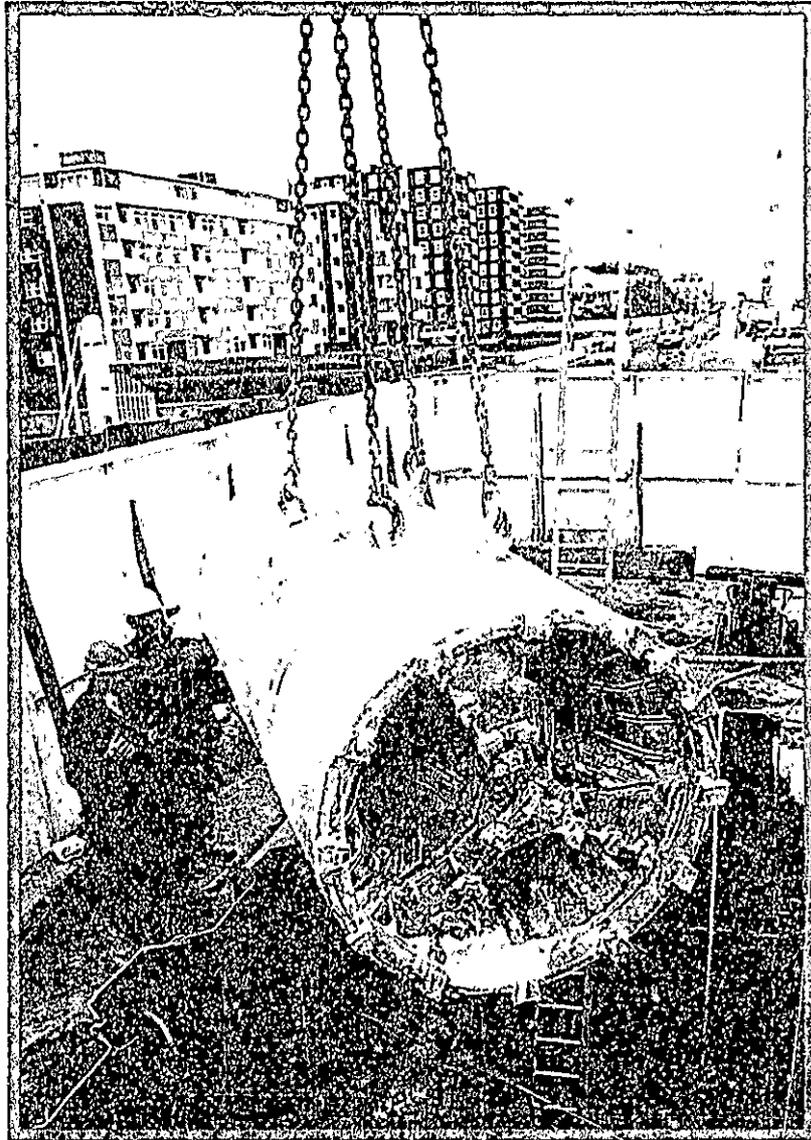
School visit to Falmer pipeyard.

Environmental award.

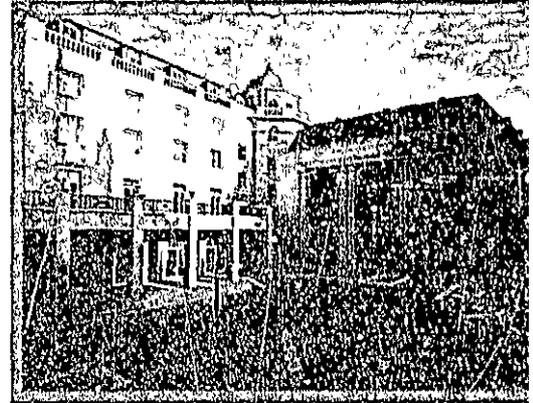
## Kent

- The enormous programme to upgrade 59 inland wastewater treatment works to meet the latest effluent standards was successfully completed ahead of schedule.
- The UK's largest nitrate removal plant, near Ramsgate, was commissioned, providing an additional nine million litres a day for the water supply.
- The environmental impact assessment for the proposed Broad Oak reservoir development near Canterbury was completed.
- Ultra-violet light treatment systems were introduced at selected works to enhance drinking water quality.
- Major 'Operation Seaclean' projects have been initiated at Herne Bay, Folkestone, Dover and Ramsgate. In addition fine screens and screening removal systems were installed at all coastal outfalls.





Wastewater transfer project, Worthing, West Sussex.



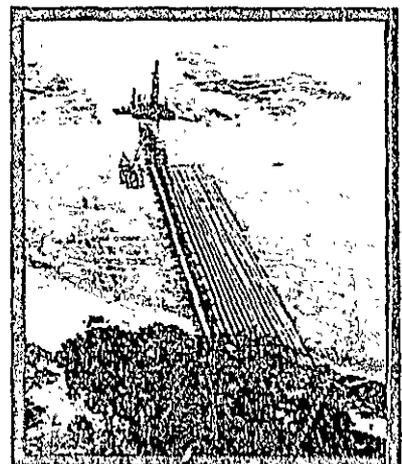
Cathedral Court office development, Bristol, for Swallow Hotels Ltd.

structural condition of older concrete structures. This specialism is attracting an increasing interest throughout industry.

The asset performance investigation section providing computerised modelling services for water distribution systems and wastewater catchment networks is serving an increasing number of external clients.

During the year CWC was incorporated as a joint venture operation with Mott Macdonald, a leading international firm of consulting engineers. This company will capitalise on our civil engineering expertise in the area of marine wastewater treatment in both the domestic and international markets.

Coastal wastewater project.



The Engineering Design sector, comprising Southern Projects Limited, McDowells Limited and Coastal Wastewater Consultants Limited (CWC) provides comprehensive design, project management and consultancy services in civil, structural, highway and environmental engineering.

Projects completed during the year range from multi-million pound marine and inland wastewater

treatment plants to urban infrastructure projects, residential and retail developments and the assessment of contaminated land sites. External clients include hotel chains, health authorities and major public companies as well as government departments and agencies.

A specialist team, engaged on concrete repair and waterproofing, has been developed to meet client needs for improvement to the

## LABORATORY ANALYSIS AND ENVIRONMENTAL ASSESSMENT

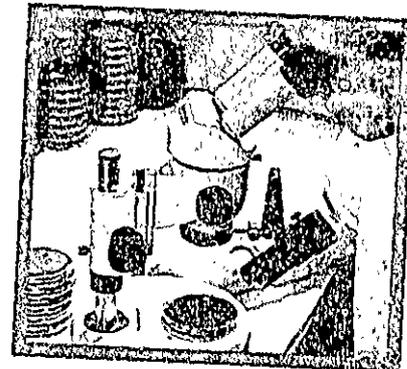
This sector comprising Southern Science Limited and Aquaclear Limited offers a total package of analytical, environmental, and water resource expertise, both field and laboratory based.

During the year all of the Southern Science laboratories were reorganized into centres of excellence for specific types of analysis. In addition the laboratories were awarded simultaneous and prestigious accreditation by NAMAS, the national quality control organisation for scientific establishments.

A notable innovation has also been the introduction of a mobile drilling

and analysis capability (Geoprobe) together with a mobile laboratory (Geolab) with 'state of the art' equipment for carrying out chemical and gas analysis on site. This is one of the most advanced capabilities of its type in the UK and provides a springboard for the company in the rapidly growing market for the environmental analysis of contaminated land.

Aquaclear was acquired in October 1991, it specialises in providing quality checks to buildings for bacterial contamination as well as a remedial service to enable health and safety regulations to be met.



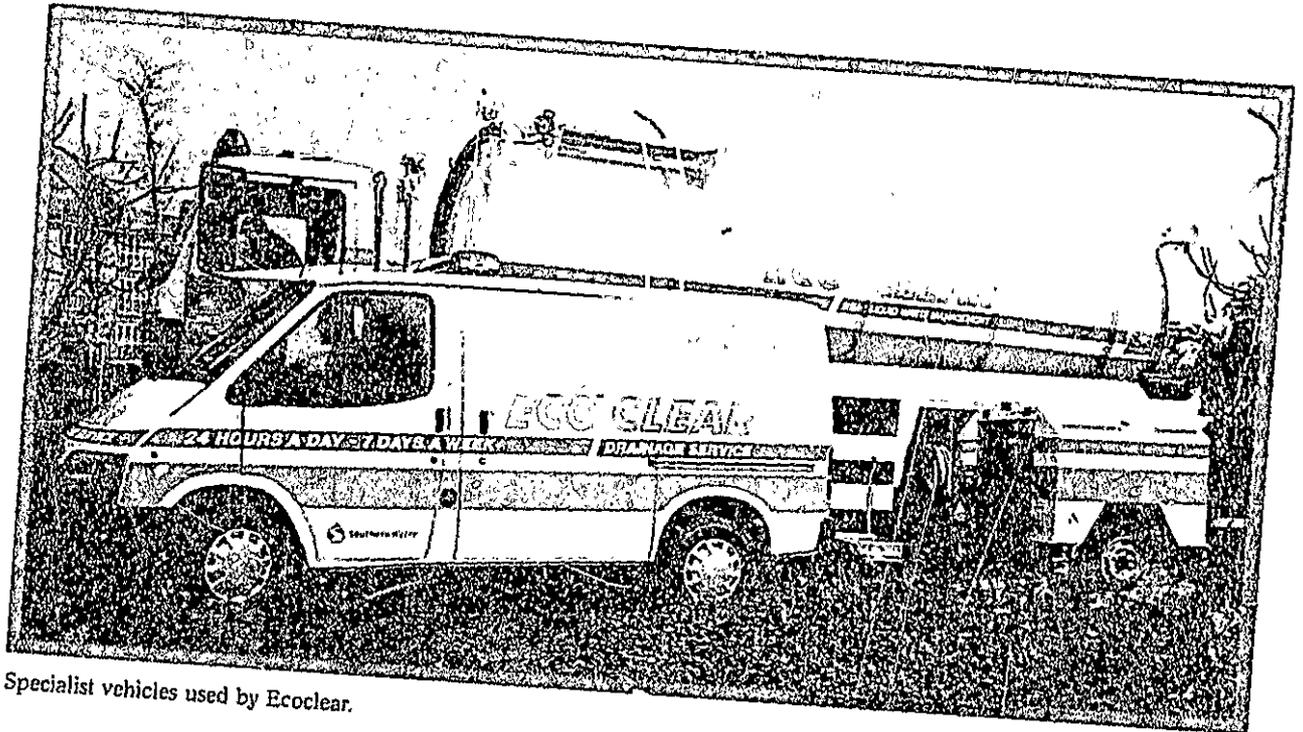
Testing cooling and drinking water systems for bacteria.

The Aquacert service is now provided by Aquaclear.

Interior of Geolab with associated Geoprobe.



## WASTE MANAGEMENT



Specialist vehicles used by Ecoclear.

The Waste Management sector currently incorporates Ecoclear Limited and Greenhill Enterprises Limited.

Ecoclear Limited was established during the year to consolidate, under a single management, the marketing of the Group's existing expertise in liquid waste management. Services range from clearing and repairing drains, emptying cesspools, transporting and treating industrial liquid wastes (including oil water mixes), to closed-circuit television surveys of drainage systems. Ecoclear provides contractual and emergency services on a round the clock basis for its customers.

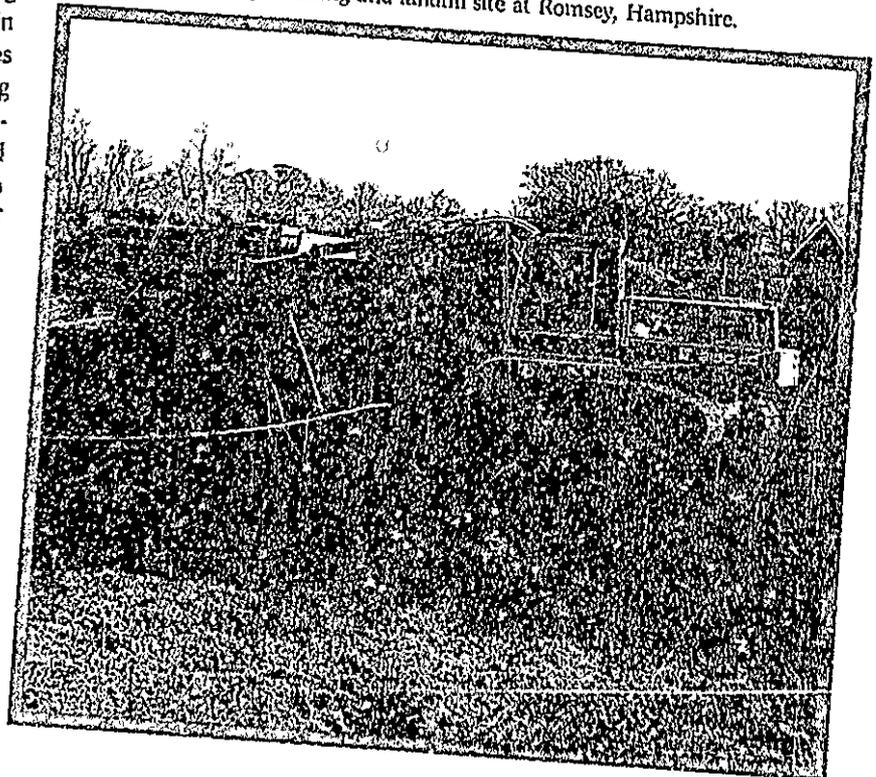
Greenhill Enterprises Limited was acquired in September 1991. The Company operates and manages sites in Hampshire as integrated mineral extraction and land-fill operations. In addition the Company's expertise will provide significant benefits to Southern Water Services in developing its options for sewage sludge disposal.

Subsequent to the year end the

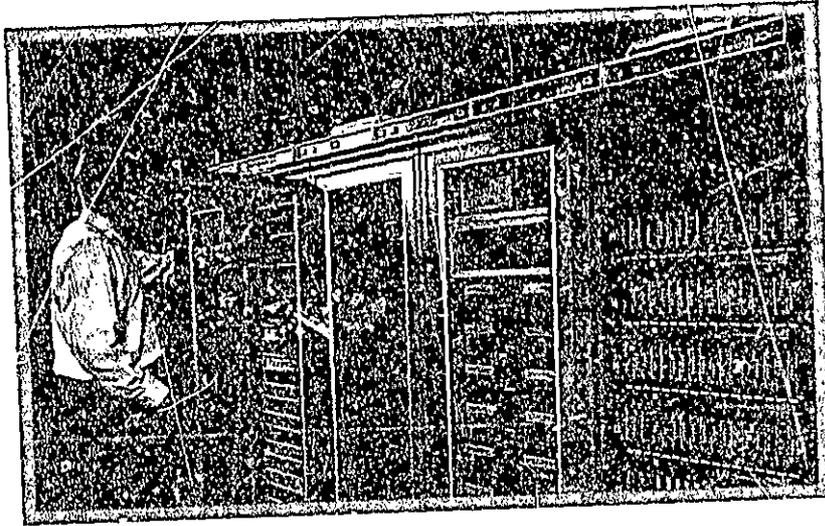
Group withdrew from the municipal refuse collection market in order to concentrate on the treatment and disposal areas of the waste management sector. Its holding in Stalwart

Environmental Services Limited has therefore been sold to the joint venture partner, SAUR (UK) Limited.

Mineral extraction, processing and landfill site at Romsey, Hampshire.



## SYSTEMS TECHNOLOGY



Telecom link used for billing service.

Systems Technology comprises three distinct but inter-related activities:

- Information technology
- Systems engineering
- Security surveillance

All are based on computer and communications technologies and are represented respectively by I T Southern Limited, Tynemarch

Systems Engineering Limited and Sectron Systems Limited.

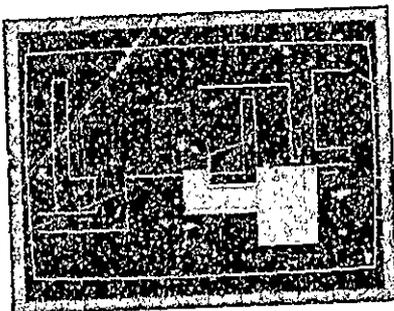
A particular success during the year has been the CABLECOLLECT billing service, a computer based system specifically developed by I T Southern to serve the rapidly growing Cable TV and telephony industry. CABLECOLLECT is the market leader

in this field with a market share of over 25%.

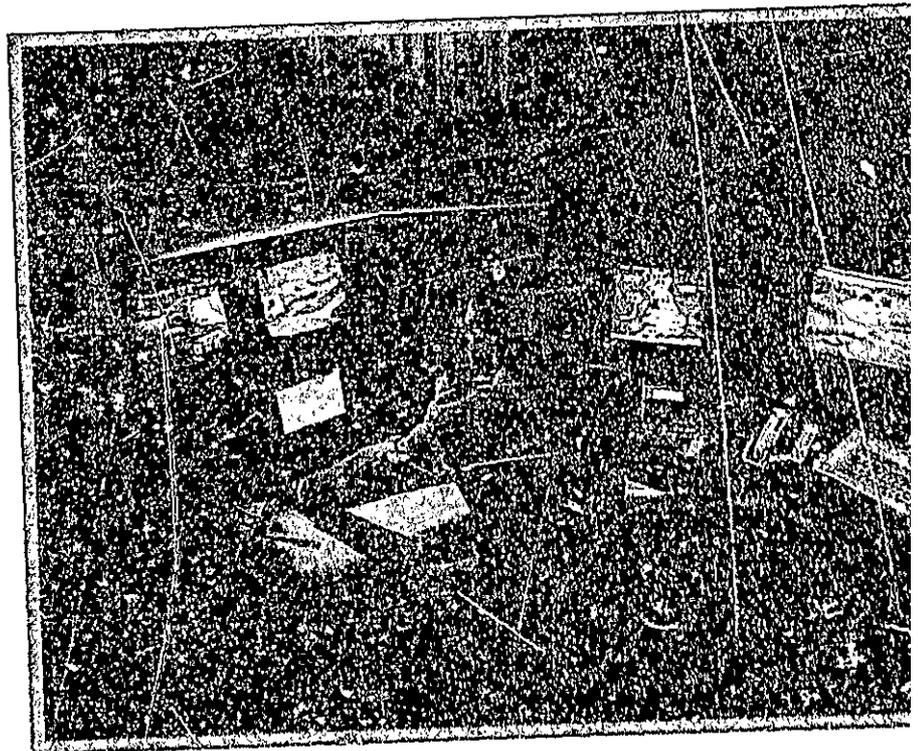
An important contract has been awarded to Tynemarch for an operational management information system involving the application of advanced relational data-base programming. In addition a particular breakthrough has been made regarding the validation of tele-metered data. Other areas of growth include risk analysis and the use of expert systems in process diagnosis together with state-of-the-art applications in mathematical process modelling.

The Sectron Control and Monitoring Centre located in Hampshire was opened during the year and is recognised as among the most technically sophisticated in the UK Security Industry. The Centre has already received accreditation from NACCOS the national approval council for the security industry. Sectron has developed its service during the year to several blue chip organisations.

RIGHT:  
High technology security surveillance at Sectron's underground nerve centre.



Hydraulic modelling in wastewater treatment - one of the many services offered by Tynemarch.



## SPECIALIST SERVICES AND PRODUCTS

### *Vehicle and Plant Hire*

Topmark Vehicle Contracts Limited (formerly Topmark Vehicle Leasing Limited) has expanded during the year with the establishment of a significant base in the Midlands and

a substantial increase in its externally managed fleet of commercial vehicles. The company has also introduced vehicle rental facilities and the retail selling of used vehicles and plant.

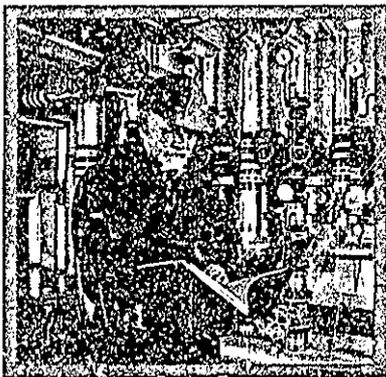
Topmark service centre in the Midlands.



### *Plumbing, Heating and Ventilation*

Southern Watercare has substantially increased its domestic customer base for contract plumbing services and is now penetrating commercial markets. In addition significant progress has been made in its supply pipe replacement activity.

Heating and ventilation expertise is provided by M W Longley Limited. The company has completed a number of large projects during the year ranging from a major contract in Sheerness to renovating

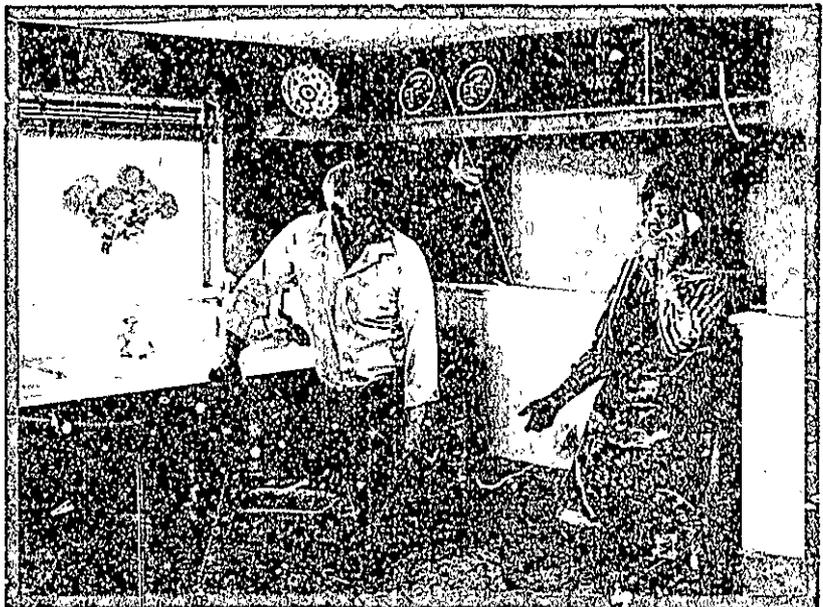


the heating system for the reptile house at Howletts Zoo. In addition progress has been achieved in developing the firm's maintenance services.

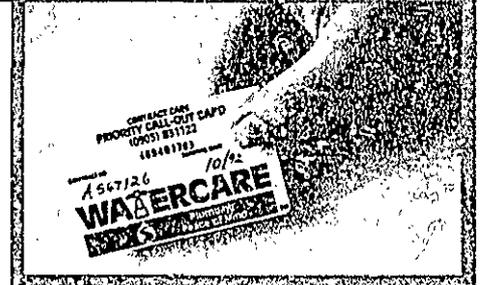
### *Natural Mineral Water*

Following the successful pilot scheme reported last year, Hazeley Down is now in full production on a bottling line that supplies still and sparkling varieties in a variety of sizes from 250 ml to 2 litres.

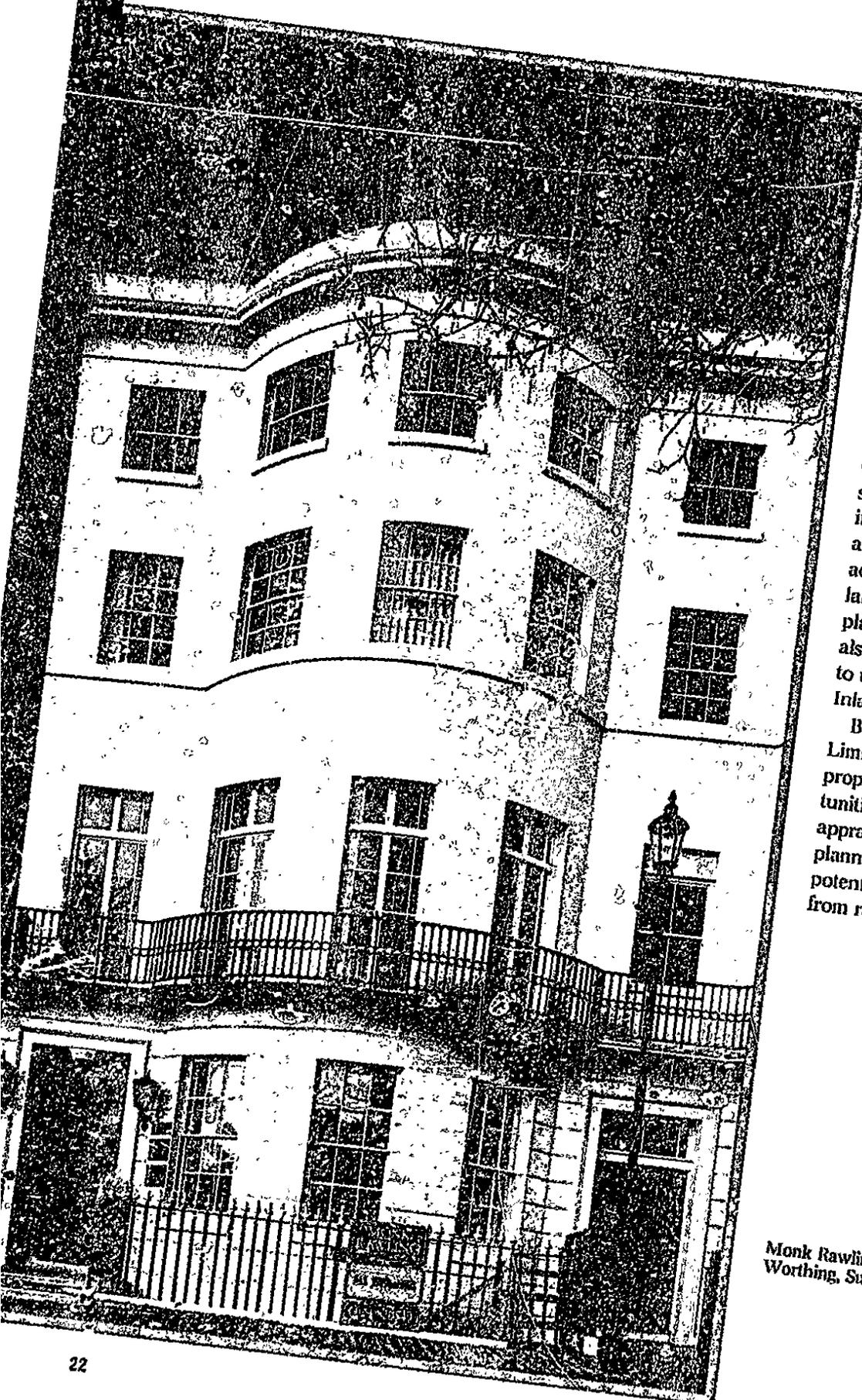
Distribution has grown from being predominantly Hampshire based, to covering 50% of the country, in addition to the Channel Islands.



Watercare 1991 TV campaign.



## PROPERTY



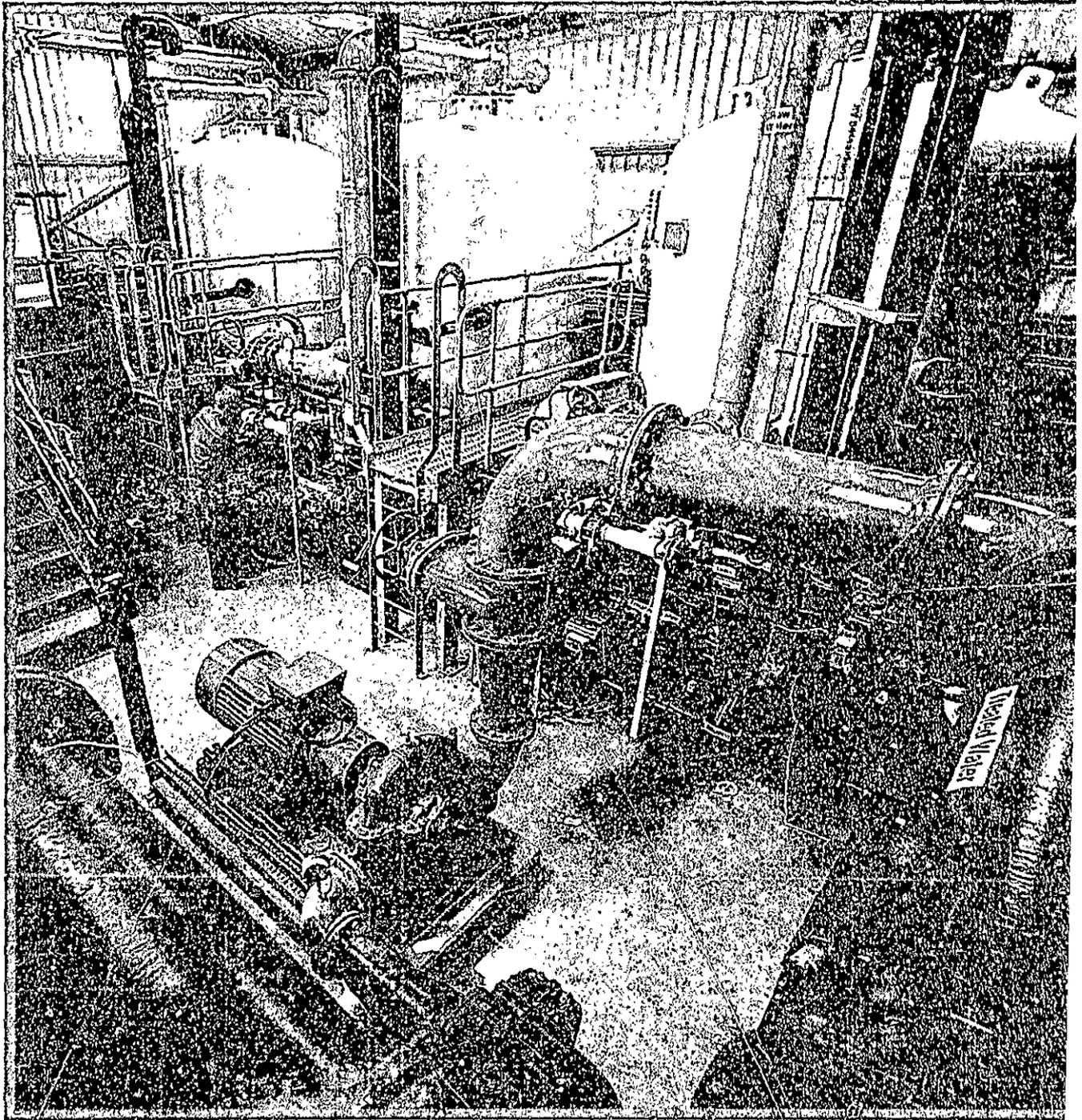
The Property sector comprises Bowsprit Holdings Limited, Monk Rawling Limited and Bowsprit Property Development Limited.

With effect from 1 October 1991 this sector was expanded by the acquisition of a practice of commercial surveyors which was merged with the former Bowsprit Estates Limited to form a new trading company - Monk Rawling Limited. Incorporating the symbol and designation of The Royal Institution of Chartered Surveyors, the Company provides a professional service for all types of commercial, industrial, agricultural, residential and investment properties as well as advising on development proposals, land acquisition, disposals and planning matters. The company was also commissioned during the year to undertake valuation work for the Inland Revenue.

Bowsprit Property Development Limited identifies and implements property and development opportunities. Several sites are being appraised with a view to securing planning permission and market potential as the economy emerges from recession.

Monk Rawling's head office at  
Worthing, Sussex.

## Research and Development



Lord of the Manor, Kent - the largest de-nitrification plant in the UK.

Southern Water is committed to Research and Development as a key strategy component for the successful development of the Group. Research projects are primarily focused on process development and underpin our ongoing drive

to enhance the quality of service for customers, seek continuous improvement in operating efficiency, and develop new business opportunities. Projects are undertaken internally through specific schemes and experimental sites and

Research and Development *continued*

in the Group's laboratories and engineering facilities which operate as centres of excellence. Funding is also provided to external bodies, particularly the Water Research Centre and the Foundation for Water Research.

Expenditure on Research and Development in the current year was £5.8m, and included activities in the following key areas:

Treatment options for water sources affected by persistent pesticides

Micro-filtration trials at several sites involving the use of membrane technology to improve the quality of water supplies and wastewater effluents

Development of process models and expert systems to optimise the operation of wastewater treatment works

Research into new treatment processes aimed at enhancing the quality of discharges from coastal wastewater works

Studies to optimise the ability of the sewerage network to deal with peak flow conditions after heavy rain and to seek economic means of renovating old trunk sewers

Trials to assess the feasibility and viability of various sludge treatment and disposal options.

Micro-filtration trials at Burpham, Sussex.

# The Environment

Southern Water is dedicated to protecting and enhancing the quality of the Environment.

The Group policy is as follows:

## *Activities*

Without prejudice to our obligations to safeguard public health, we will seek to use materials and processes which have no undue environmental impact and are safe for their intended use, which are efficient in their consumption of energy and natural resources and which can be recycled, re-used and disposed of safely.

## *Standards and compliance*

We are dedicated to maintaining full compliance with statutory standards in respect of all our

activities and achieving the highest quality of service consistent with sound practice.

## *Information*

We will provide information to the public and our employees as to the potential health and environmental effects of our activities and facilitate ready access to the information required to be maintained on our public registers.

## *Employees*

We encourage the active commitment of our employees to our environmental policy by stimulating greater environmental awareness and promoting health and safety at work.

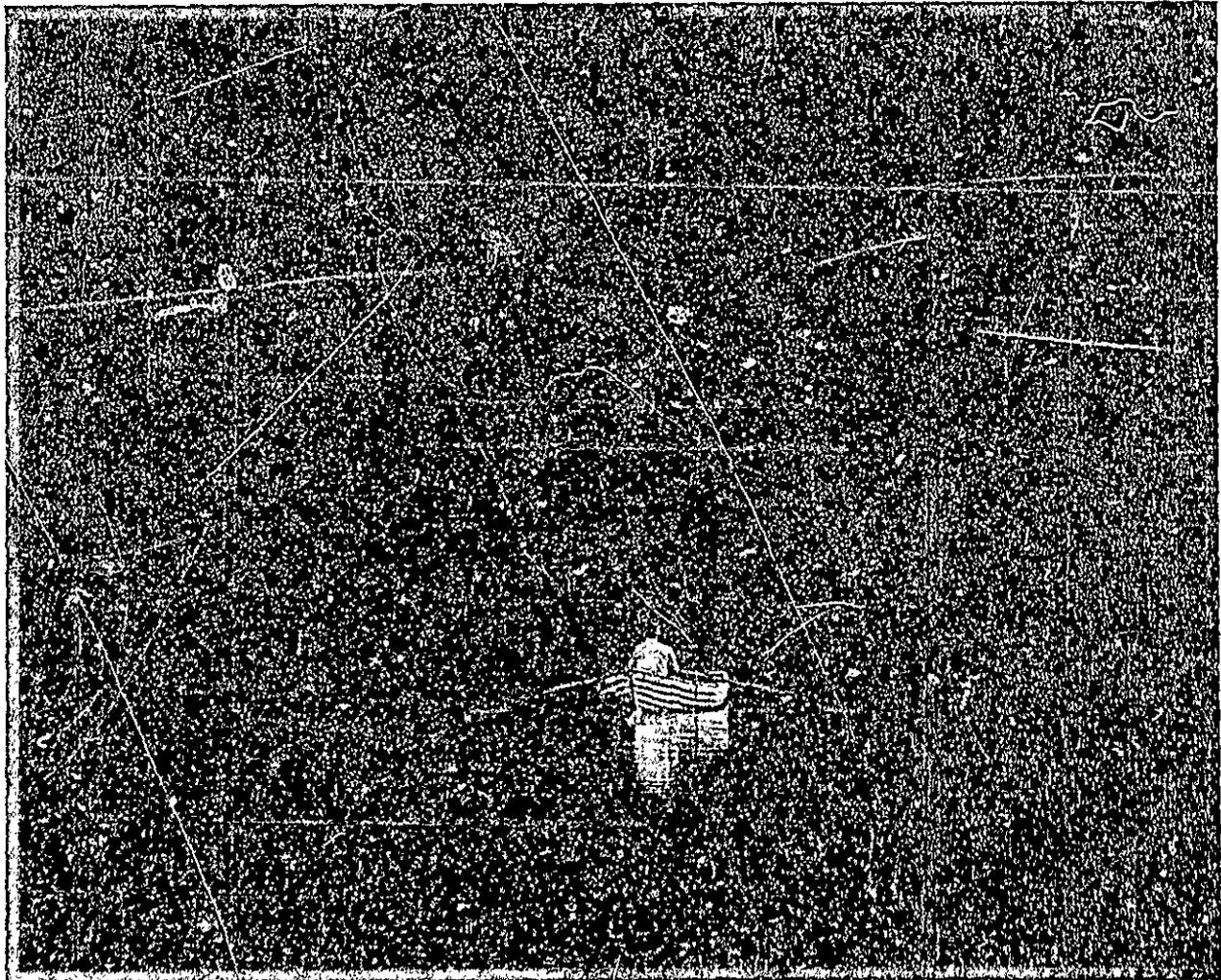
## *Nature Conservation*

We are committed to the protection of the aquatic environment and to nature conservation generally. Our plans and actions are directed at avoiding pollution caused by the collection, treatment and disposal of wastewater and solid waste matter.

## *Environmental audits and assessments*

We will carry out environmental impact assessments of major new schemes and conduct regular environmental audits of compliance with company and statutory requirements.

Powdermill Reservoir, Sussex.



## The Environment *continued*

The Group's contribution to environmental matters has been recognised by four awards during the year.

### **Industry in Kent Awards**

The Energy Conservation Award was received by Southern Water Services Limited and at the same ceremony the Company received a highly commended award for its significant improvement in Wastewater Treatment Works across the county.

### **Institution of Civil Engineers' Merit Award**

This was awarded for the work done by Southern Water Services and Southern Projects Limited as part of the Cowes Wastewater Transfer Scheme in the Isle of Wight. A pedestrian zone was completed after the sewers were renewed with other utilities encouraged to take advantage of the facility for renewing their own services.

### **Butterfly Conservation Award**

As part of our continuing work in protecting habitats for rare species Southern Water Services has won

an award for its work in creating a suitable habitat for the rare Chalkhill Blue Butterfly in Sussex.

### **Wildfowl and Wetlands Trust Award**

As a result of our campaign to protect and improve ponds in the South East, the Company has won commendations in the Isle of Wight and in Sussex.

The Group Technical Director has overall responsibility for environmental matters and for ensuring the Group's environmental policy is implemented.

Isle of Wight Pond Week 1991.



# Directors' Report and Accounts 1992

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# Report of the Directors

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31 March 1992.

## Principal activities

The principal activity of the Southern Water Group is the provision of water supply and wastewater services. In addition, the Group provides a range of services and products in the areas of engineering design, laboratory analysis and environmental assessment, waste management, systems technology, property management and specialist services and products.

## Review of operations

A detailed review of the Group's operations is provided on pages 8 to 22 and a segmental analysis of turnover and pre-tax profit, between the principal activity and other activities, is provided in note 1 on page 36.

## Profit and dividends

Profit on ordinary activities before taxation for the year was £115.1m (1991 £97.1m) including an exceptional profit of £6.0m (1991 £ nil). Profit attributable to ordinary shareholders amounted to £105.3m (1991 £87.4m). An interim dividend of £10.7m (6.5p per ordinary share) with a scrip alternative was paid on 1 April 1992 and, subject to approval at the Annual General Meeting, a final dividend of £21.4m (13.0p per ordinary share) is proposed which will be paid on 1 October 1992 to shareholders on the register at 15 July 1992. A scrip alternative is being offered for the final dividend. The retained profit for the year, after deduction of dividends, amounts to £73.2m and has been transferred to reserves.

## Share capital

New ordinary shares have been issued during the year in respect of:

|                   | <i>Number of shares</i> |
|-------------------|-------------------------|
| Acquisitions      | 10,830                  |
| Scrip Dividends   | 544,456                 |
| Sharesave Options | 2,339                   |
|                   | <hr/>                   |
|                   | 557,625                 |
|                   | <hr/>                   |

The issued share capital at 31 March 1992 was £164,324,274.

As far as the Directors are aware, no person had a beneficial interest in 3% or more of the issued ordinary

share capital at 26 June 1992 except for the following:

|                                    |       |
|------------------------------------|-------|
| Friends Provident Life Office      | 4.05% |
| Norwich Union Managers Ltd         | 3.69% |
| Gartmore Investment Management Ltd | 3.11% |
| Prudential Portfolio Managers Ltd  | 3.16% |

## Fixed assets

Details of changes in fixed assets during the year are summarised in note 9 on page 39.

## Acquisitions, investments and disposals

During the year the Company acquired the following businesses for a total consideration in shares and cash of £4.6m:

|                               |
|-------------------------------|
| McDowells Limited             |
| Aquaclear Limited             |
| Greenhill Enterprises Limited |
| Monk-Rawling Partnership      |

In addition a joint venture company, Coastal Wastewater Consultants Limited, was formed with Mott MacDonald Group Limited.

During the year the Company disposed of its minority holdings in the Eastbourne Water Company, the Mid-Sussex Water Company and the West Kent Water Company for a consideration of £10.7 million. Subsequent to the year end the Company disposed of its 50% investment in Stalwart Environmental Services Ltd for a nominal consideration to its joint venture partner, SAUR (UK) Ltd.

## Research and development

A commentary on the Group's research and development activities is provided on page 23.

## Employment policies

The Group 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 Group wherever possible.

The future prosperity of the Group depends on the skills of its employees and 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 Group 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 newspaper, 'Southern Water News'. All employees are made aware of the objectives of the business and the contribution they themselves can make. To a large extent, pay increases are now closely 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 Group's expense.

#### Directors

The Directors of the Company at the date of this report are shown on pages 6 and 7. The Director retiring by rotation at the Annual General Meeting in accordance with Article 106 is Mr M R Webster, who being eligible, offers himself for re-election. Mr Webster has a service agreement terminable on not less than thirty six months notice.

Mr V E Thomas was appointed to the Board on 1 June 1992 under Article 89. He will retire and offer himself for election at the Annual General Meeting.

Dr John Westhead resigned as a Director on 31 March 1992.

The remuneration of executive directors is controlled by the Remuneration Committee which consists entirely of non-executive directors.

#### Directors' share interests

The interests of the Directors shown in the register maintained under the provisions of the Companies Act 1985 as at 31 March 1992 are set out below together with their interests as at the date of this report.

|                    | Ordinary Shares |               |               | Executive Option Scheme |               | Sharesave Scheme |               |
|--------------------|-----------------|---------------|---------------|-------------------------|---------------|------------------|---------------|
|                    | 26 June 1992    | 31 March 1992 | 31 March 1991 | 31 March 1992           | 31 March 1991 | 31 March 1992    | 31 March 1991 |
| W J W Courtney     | 9,572           | 9,378         | 9,032         | 190,000                 | 140,000       | 9,160            | 6,136         |
| P A Girdle         | 540             | 540           | 540           | -                       | -             | -                | -             |
| F N Midmer         | 4,851           | 4,759         | 4,595         | 130,000                 | 105,000       | 7,790            | 4,766         |
| Sir David Nicolson | 260             | 260           | 260           | -                       | -             | -                | -             |
| V E Thomas         | 250             |               |               |                         |               |                  |               |
| B R Thorpe         | 5,588           | 5,588         | 5,560         | -                       | -             | -                | -             |
| M R Webster        | 10,583          | 10,384        | 10,000        | 130,000                 | 105,000       | 7,790            | 4,766         |

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

None of the directors holds shares beneficially in any subsidiary company.

#### Directors' interests in contracts

The Board is not aware of any contract of significance (other than service contracts) in relation to the Company or its subsidiaries in which any Director has or has had a material interest. Service contracts are held by Mr W J W Courtney, Mr F N Midmer and Mr M R Webster.

#### Directors' and officers' liability insurance

The Company purchases liability insurance covering the directors and officers of the Company and its subsidiaries.

#### Donations

Charitable donations during the year amounted to £26,000. No political donations were made by the Company or its subsidiaries.

#### Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

#### Auditor

A resolution to re-appoint Coopers & Lybrand (formerly Coopers & Lybrand Deloitte) as auditor and to authorise the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

By Order of the Board

Graham Nicholson

Secretary

26 June 1992

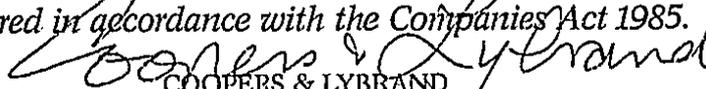
## Report of the Auditor

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TO THE MEMBERS OF SOUTHERN WATER PLC

*We have audited the accounts on pages 31 to 48  
in accordance with Auditing Standards.*

*In our opinion the accounts give a true and fair view of  
the state of affairs of the Company and of the Group at  
31 March 1992 and of the profit and cash flows of the  
Group for the year then ended and have been properly  
prepared in accordance with the Companies Act 1985.*

  
COOPERS & LYBRAND  
Chartered Accountants and Registered Auditor

London 26 June 1992

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PROFESSIONAL ADVISERS:

|                               |                         |
|-------------------------------|-------------------------|
| N M Rothschild & Sons Limited | <i>Merchant Bankers</i> |
| Rowe & Pitman                 | <i>Stockbrokers</i>     |
| Herbert Smith                 | <i>Legal Advisers</i>   |
| Coopers & Lybrand             | <i>Auditor</i>          |
| National Westminster Bank Plc | <i>Bankers</i>          |
| Lloyds Bank Plc               | <i>Registrars</i>       |

## Accounting policies

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### Basis of accounting and consolidation

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The consolidated Group accounts include the accounts of the parent company and all its subsidiaries. The accounting year end for all subsidiaries is 31 March with the exception of two subsidiaries whose results and net assets are not material in the Group context.

The results of businesses acquired or sold during the year are included in the Group accounts from or to their respective dates of acquisition or disposal.

### Turnover

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

### Depreciation of fixed assets

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 non-infrastructure fixed assets are shown as deferred credits and released to profit over the useful lives of the relevant assets.

Grants and contributions received for new connections to the infrastructure network are accounted for as non-specific capital receipts and credited to fixed assets in order to show a true and fair view.

### Leased assets

Fixed assets leased to Southern Water Services Limited under finance leases are capitalised and depreciated in line with the Group's depreciation policy.

Fixed assets leased to all other Group companies under finance leases are capitalised and depreciated over the shorter of their estimated useful lives or the lease period. 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 expensed as incurred.

### Fixed asset investments

The Group's share of the results of associated companies is included in the consolidated profit and loss account, and the consolidated balance sheet includes the investment in associated companies at the Group's share of their net assets.

Other investments held as fixed assets are stated at the lower of cost or market value (or directors' valuation where no market value is available). Dividends from other investments are accounted for on receipt.

### Goodwill

Goodwill representing the excess of the acquisition cost of subsidiaries, or investments in associated companies, over the fair value of the net assets acquired is written off against reserves.

### Stocks and work in progress

Stocks used internally for operational and engineering 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 expensed in the year in which it is incurred.

### Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date. 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.

### Deferred taxation

Provision is made for deferred taxation on the liability method to the extent that it is considered probable that a liability to taxation will occur in the foreseeable future.

### Pensions

The Group operates defined benefit pension schemes which cover almost all employees. The expected cost of these schemes is charged against profit over the period benefiting from employees' service. Variations from the regular cost are charged against profit on a straight line basis over the expected remaining service lives of employees in each scheme. Contributions to these schemes are determined on the basis of professional actuarial advice in accordance with statutory requirements.

# Consolidated profit and loss account

for the year ended 31 March 1992

|  | Notes | 1992<br>£m    | 1991<br>£m    |
|--|-------|---------------|---------------|
| <b>Turnover</b>                                      | 1     | <u>290.7</u>  | 251.2         |
| <b>Profit before interest</b>                        | 2     | 106.1         | 90.5          |
| Interest (net)                                       | 4     | <u>3.0</u>    | 6.6           |
| <b>Profit before exceptional items</b>               |       | 109.1         | 97.1          |
| Exceptional items                                    | 5     | <u>6.0</u>    | —             |
| <b>Profit on ordinary activities before taxation</b> |       | 115.1         | 97.1          |
| Taxation   | 6     | <u>(9.8)</u>  | <u>(9.7)</u>  |
| <b>Profit attributable to ordinary shareholders</b>  |       | 105.3         | 87.4          |
| Dividends  | 7     | <u>(32.1)</u> | <u>(29.0)</u> |
| Retained profit                                      | 20    | <u>73.2</u>   | <u>58.4</u>   |
| <br>   |       |               |               |
| Earnings per share                                   | 8     | <u>64.2p</u>  | <u>53.4p</u>  |

Movements of reserves during the year are shown in note 20.

## Consolidated balance sheet

at 31 March 1992

|   | Notes | 1992           |              | 1991    |              |
|---|-------|----------------|--------------|---------|--------------|
|   |       | £m             | £m           | £m      | £m           |
| <b>Fixed assets</b>                           |       |                |              |         |              |
| Tangible assets                               | 9     | 892.4          |              | 781.0   |              |
| Investments                                   | 11    | <u>1.4</u>     |              | (0.0)   |              |
|   |       |                | 893.8        |         | 787.0        |
| <b>Current assets</b>                         |       |                |              |         |              |
| Stocks  | 12    | 4.9            |              | 3.7     |              |
| Debtors                                       | 13    | 59.9           |              | 65.2    |              |
| Deposits and cash                             |       | <u>141.0</u>   |              | 55.5    |              |
|   |       | 205.8          |              | 124.4   |              |
| <b>Current liabilities</b>                    |       |                |              |         |              |
| Amounts falling due within one year:          |       |                |              |         |              |
| Short term borrowings                         | 14    | (8.3)          |              | (8.1)   |              |
| Other creditors                               | 15    | <u>(138.0)</u> |              | (115.0) |              |
|   |       | (146.3)        |              | (123.1) |              |
| <b>Net current assets</b>                     |       |                | 59.5         |         | 1.3          |
| <b>Total assets less current liabilities</b>  |       |                | <u>953.3</u> |         | <u>788.3</u> |
| <b>Creditors</b>                              |       |                |              |         |              |
| Amounts falling due after more than one year: |       |                |              |         |              |
| Bank and other loans                          | 16    | (131.0)        |              | (41.4)  |              |
| Grants and contributions                      | 17    | <u>(11.8)</u>  |              | (5.9)   |              |
|   |       |                | (142.8)      |         | (47.3)       |
| <b>Provision for liabilities and charges</b>  | 18    |                | <u>(6.4)</u> |         | <u>(5.1)</u> |
|   |       |                | <u>804.1</u> |         | <u>735.9</u> |
| <b>Capital and reserves</b>                   |       |                |              |         |              |
| Called up share capital                       | 19    |                | 164.3        |         | 163.8        |
| Share premium account                         | 20    |                | 1.6          |         | 0.4          |
| Profit and loss account                       | 20    |                | <u>638.2</u> |         | <u>571.7</u> |
|   |       |                | <u>804.1</u> |         | <u>735.9</u> |

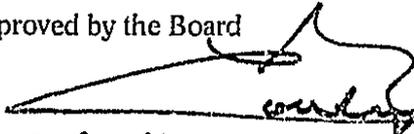
The financial statements on pages 31 to 48 were approved by the Board on 26 June 1992 and signed on its behalf by:

W J W Courtney CBE

Chairman

M R Webster

Director


## Company balance sheet

at 31 March 1992

|  | Notes | 1992         | 1991         |
|--|-------|--------------|--------------|
|  |       | £m           | £m           |
| <b>Fixed assets</b>                          |       |              |              |
| Tangible assets                              | 9     | 0.8          | 0.7          |
| Investments                                  |       |              |              |
| Subsidiary companies                         | 10    | 275.8        | 295.1        |
| Other investments                            | 11    | 1.4          | 6.0          |
|  |       | <u>278.0</u> | <u>299.8</u> |
| <b>Current assets</b>                        |       |              |              |
| Debtors                                      | 13    | 48.5         | 71.0         |
| Deposits and cash                            |       | 160.0        | 65.1         |
|  |       | <u>208.5</u> | <u>136.1</u> |
| <b>Current liabilities</b>                   |       |              |              |
| Amounts falling due within one year:         |       |              |              |
| Other creditors                              | 15    | (42.0)       | (40.6)       |
| <b>Net current assets</b>                    |       | <u>166.5</u> | <u>95.5</u>  |
| <b>Total assets less current liabilities</b> |       | <u>444.5</u> | <u>395.3</u> |
| <b>Provision for liabilities and charges</b> | 18    | (4.5)        | (1.5)        |
|  |       | <u>440.0</u> | <u>393.8</u> |
| <b>Capital and reserves</b>                  |       |              |              |
| Called up share capital                      | 19    | 164.3        | 163.8        |
| Share premium account                        | 20    | 1.6          | 0.4          |
| Profit and loss account                      | 20    | 274.1        | 227.6        |
|  |       | <u>440.0</u> | <u>391.8</u> |

The financial statements on pages 31 to 48 were approved by the Board on 26 June 1992 and signed on its behalf by:

W J W Courtney CBE

Chairman

M R Webster

Director



M. R. Webster

# Consolidated cash flow statement

for the year ended 31 March 1992

|  | Note | 1992    |         | 1991    |        |
|--|------|---------|---------|---------|--------|
|  |      | £m      | £m      | £m      | £m     |
| Net cash flow from operating activities                              | 26   |         | 156.3   |         | 95.5   |
| Returns on investment and servicing of finance:                      |      |         |         |         |        |
| Interest received  |      | 15.0    |         | 6.7     |        |
| Interest paid  |      | (13.0)  |         | (1.1)   |        |
| Interest element of finance lease rentals                            |      | (0.1)   |         | (0.1)   |        |
| Dividends paid   |      | (17.9)  |         | (25.8)  |        |
| Net cash outflow from returns on investment and servicing of finance |      |         | (16.0)  |         | (20.3) |
| Taxation:  |      |         |         |         |        |
| Advance corporation tax paid   |      |         | (9.1)   |         | (5.5)  |
| Investing activities:  |      |         |         |         |        |
| Purchase of tangible fixed assets                                    |      | (161.7) |         | (115.6) |        |
| Purchase of fixed asset investment                                   | 11   | (0.5)   |         | (0.1)   |        |
| Sale of tangible fixed assets  |      | 3.4     |         | 1.1     |        |
| Sale of fixed asset investments                                      |      | 10.7    |         | —       |        |
| Purchase of subsidiary undertakings                                  | 21   | (4.5)   |         | (0.4)   |        |
| Capital contributions  |      | 17.1    |         | 26.0    |        |
| Net cash outflow from investing activities                           |      |         | (135.5) |         | (89.0) |
| Net cash outflow before financing                                    |      |         | (4.3)   |         | (19.3) |
| Financing:   |      |         |         |         |        |
| New loans  |      | 90.0    |         | 40.0    |        |
| Principal repayments under finance leases                            |      | (0.3)   |         | (2.2)   |        |
| Net cash inflow from financing                                       | 27   |         | 89.7    |         | 37.8   |
| Increase in cash/cash equivalents                                    |      |         | 85.4    |         | 18.5   |
| Increase in deposits and cash  |      |         | 85.5    |         | 25.9   |
| Increase in short term borrowing                                     | 14   |         | (0.1)   |         | (7.4)  |
|  |      |         | 85.4    |         | 18.5   |

## Notes to the accounts

| Note 1<br>Segmental information | (a) Segmental information<br>Southern Water Group | 1992           | 1991          | 1992             | 1991           | 1992          | 1991             |
|---------------------------------|---|----------------|---------------|------------------|----------------|---------------|------------------|
|                                 |   | Turnover<br>£m | Profits<br>£m | Net Assets<br>£m | Turnover<br>£m | Profits<br>£m | Net Assets<br>£m |
|                                 | Principal activity                                | 275.3          | 99.1          | 783.9            | 242.4          | 84.5          | 687.0            |
|                                 | Other activities                                  | 15.4*          | 7.0           | 17.5             | 8.8            | 6.0           | 10.7             |
|                                 |   | <u>290.7</u>   | <u>106.1</u>  | <u>801.4</u>     | <u>251.2</u>   | <u>90.5</u>   | <u>697.7</u>     |
|                                 | Interest (net)                                    |                | 3.0           | 1.7              |                | 6.6           | 6.0              |
|                                 | Exceptional items                                 |                | 6.0           | —                |                | —             | —                |
|                                 |   |                | <u>115.1</u>  | <u>803.1</u>     |                | <u>97.1</u>   | <u>703.7</u>     |
|                                 | Unallocated assets                                |                |               | 1.0              |                |               | 52.2             |
|                                 |   |                |               | <u>804.1</u>     |                |               | <u>735.9</u>     |

\*After eliminating inter company transactions of £44.5m (1991 £42.2m)

## (b) Geographical information

During the years ended 31 March 1991 and 31 March 1992 all material activity was conducted in the United Kingdom.

| Note 2<br>Profit before interest   | 1992         | Group | 1991        |
|--|--------------|-------|-------------|
|  | £m           | £m    | £m          |
| Turnover   | 290.7        |       | 251.2       |
| Cost of sales  | (149.7)      |       | (129.2)     |
| Gross profit   | 141.0        |       | 122.0       |
| Administration expenses  | (36.0)       |       | (33.6)      |
| Other operating income   | 1.1          |       | 2.1         |
| Profit before interest   | <u>106.1</u> |       | <u>90.5</u> |
| Profit before interest is stated after charging:                                   |              |       |             |
| Depreciation on:   |              |       |             |
| Own fixed assets   | 29.1         |       | 26.2        |
| Fixed assets held under finance leases   | 0.4          |       | 1.6         |
|  | <u>29.5</u>  |       | <u>27.8</u> |
| Infrastructure renewals expenditure  | <u>16.1</u>  |       | <u>15.4</u> |
| Audit fees –<br>including audit fee of holding company £36,000<br>(1991 – £36,000) | <u>0.2</u>   |       | <u>0.1</u>  |
| Rentals under operating leases   | <u>0.2</u>   |       | <u>0.2</u>  |
| Research and development   | <u>5.8</u>   |       | <u>3.1</u>  |

**Note 3****Directors and employees***(a) Staff costs  
(including Directors' emoluments)*Wages and salaries  
Social security costs  
Other pension costs

1992

£m

Group:

1991

£m

53.6

4.1

5.4

63.1

45.5

3.5

5.1

54.11992  
Number1991  
Number*(b) Average number of persons employed*Principal activity  
Other activities

2229

874

3103

2259

669

2928

1992

£000

1991

£000

*(c) Directors' emoluments*Fees  
Other emoluments  
(including pension contributions)

65

460

525

£000

65

368

433

£000

The emoluments of the Executive Chairman who was also the highest paid Director (excluding pension contributions) were:

Salary  
Performance bonus  
Other

123

35

11

169

120

13

9

142*(d) Directors*

The remuneration (excluding pension contributions) of all Directors was within the following bands:

| £               | 1992<br>Number | 1991<br>Number |
|-----------------|----------------|----------------|
| 10001 - 15000   | 3              | 3              |
| 25001 - 30000   | 1              | 1              |
| 80001 - 85000   | -              | 1              |
| 85001 - 90000   | -              | 1              |
| 100001 - 105000 | 1              | -              |
| 105001 - 110000 | 1              | -              |
| 140001 - 145000 | -              | 1              |
| 165001 - 170000 | 1              | -              |

The performance related bonus scheme for Executive Directors is based on the increase in the Company's earnings per share.

Notes to the accounts *continued*

| <b>Note 4</b>  | 1992        | Group | 1991        |
|--|-------------|-------|-------------|
| <b>Interest</b>  | £m          |       | £m          |
| Bank loans, overdrafts and other loans:  |             |       |             |
| Repayable within five years by instalments   | (0.8)       |       | --          |
| Repayable within five years not by instalments   | (1.6)       |       | (0.4)       |
| Repayable after five years by instalments  | (10.6)      |       | (0.7)       |
| Finance lease obligations  | (0.1)       |       | (0.1)       |
| Interest payable   | (13.1)      |       | (1.2)       |
| Interest receivable  | 16.1        |       | 7.8         |
|  | <u>3.0</u>  |       | <u>6.6</u>  |
| <b>Note 5</b>  | 1992        | Group | 1991        |
| <b>Exceptional items</b>   | £m          |       | £m          |
| Profit on disposal of investments in statutory water companies   | 6.9         |       | --          |
| Less provision against remaining investment in statutory water company   | (0.9)       |       | --          |
|  | <u>6.0</u>  |       | <u>--</u>   |
| <b>Note 6</b>  | 1992        | Group | 1991        |
| <b>Taxation</b>  | £m          |       | £m          |
| United Kingdom taxation:   |             |       |             |
| Advance corporation tax on dividends for the year  | 9.8         |       | 9.7         |
| <p>The Group has available £25.0m (1991 £15.2m) of unrelieved advance corporation tax and substantial unutilised capital allowances. At 31 March 1992 unutilised allowances existed in respect of expenditure of approximately £598m qualifying for plant and machinery allowances and £38m qualifying for industrial building allowances.</p> <p>Until such time as a foreseeable liability to mainstream corporation tax arises, the only tax charge to the profit and loss account will be in respect of advance corporation tax.</p> |             |       |             |
| <b>Note 7</b>  | 1992        | Group | 1991        |
| <b>Dividends</b>   | £m          |       | £m          |
| Interim dividend of 6.5p (1991 5.9p) per ordinary share  | 10.7        |       | 9.7         |
| Final proposed dividend of 13.0p (1991 11.8p) per ordinary share   | 21.4        |       | 19.3        |
|  | <u>32.1</u> |       | <u>29.0</u> |
| <p>A scrip alternative was offered for the interim dividend and will be offered for the final dividend.</p>  |             |       |             |

**Note 8**  
**Earnings per**  
**ordinary share**

Earnings per share for the year ended 31 March 1992 is based on profit after taxation of £105.3m (1991 £87.4m) and the weighted average number of shares in issue during the year of 163,975,507 (1991 163,733,000).

Earnings per share on the nil basis is 70.2p (1991 59.3p) and is calculated on profit on ordinary activities before taxation.

There would be no significant dilution of earnings if the outstanding share options were exercised.

**Note 9**  
**Tangible fixed assets**

|                             | Freehold<br>land and<br>buildings<br>£m | Plant and<br>machinery<br>£m | Group<br>Infra-<br>structure<br>assets<br>£m | Other<br>£m | Total<br>£m | Company<br>Other<br>£m |
|-----------------------------|---|------------------------------|--|-------------|-------------|------------------------|
| <i>Cost</i>                 |   |                              |  |             |             |                        |
| At 1 April 1991             | 302.6                                   | 187.3                        | 352.3  | 90.0        | 932.2       | 0.9                    |
| Additions                   | 60.0                                    | 52.2                         | 30.1   | 12.5        | 154.8       | 0.5                    |
| Grants and<br>contributions | -                                       | -                            | (10.3)                                       | -           | (10.3)      | -                      |
| Disposals                   | -                                       | (6.6)                        | -  | (3.3)       | (9.9)       | (0.2)                  |
| At 31 March 1992            | 362.6                                   | 232.9                        | 372.1  | 99.2        | 1066.8      | 1.2                    |
| <i>Depreciation</i>         |   |                              |  |             |             |                        |
| At 1 April 1991             | 48.5                                    | 64.7                         | -  | 38.0        | 151.2       | 0.2                    |
| Charge for year             | 9.1                                     | 13.4                         | -  | 7.0         | 29.5        | 0.3                    |
| Disposals                   | -                                       | (3.3)                        | -  | (3.0)       | (6.3)       | (0.1)                  |
| At 31 March 1992            | 57.6                                    | 74.8                         | -  | 42.0        | 174.4       | 0.4                    |
| <i>Net book value</i>       |   |                              |  |             |             |                        |
| 31 March 1992               | 305.0                                   | 158.1                        | 372.1  | 57.2        | 892.4       | 0.8                    |
| <i>Net book value</i>       |   |                              |  |             |             |                        |
| 31 March 1991               | 254.1                                   | 122.6                        | 352.3  | 52.0        | 781.0       | 0.7                    |

Tangible fixed assets at 31 March 1992 include £75.2m (1991 £79.0m) 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 at 31 March 1992 was £9.0m (1991 £9.0m).

Notes to the accounts *continued*

**Note 10**

**Fixed assets investments –  
Group companies**

|                               | Company  |   | Total<br>£m  |
|-------------------------------|--|---|--------------|
|                               | Investment in<br>subsidiary<br>companies<br>£m | Loans to<br>subsidiary<br>companies<br>£m |              |
| Balance at 1 April 1991       | 48.1   | 245.0                                     | 293.1        |
| Additions (net of provisions) | 0.3  | 5.2                                       | 5.5          |
| Repayment of loans            | —  | (22.8)                                    | (22.8)       |
| Balance at 31 March 1992      | <u>48.4</u>                                    | <u>227.4</u>                              | <u>275.8</u> |

The principal subsidiary companies are listed on pages 47 and 48.

**Note 11**

**Fixed asset investments –  
Other investments**

|                          | Group<br>£m | Company<br>£m |
|--------------------------|-------------|---------------|
| Balance at 1 April 1991  | 6.0         | 6.0           |
| Additions                | 0.5         | 0.5           |
| Disposals                | (3.7)       | (3.7)         |
| Amounts provided         | (1.4)       | (1.4)         |
| Balance at 31 March 1992 | <u>1.4</u>  | <u>1.4</u>    |

In the opinion of the Directors the value of investments at 31 March 1992 was not less than the book value.

Details of companies in which the Group owns more than 20% of the equity are shown on page 48.

Information on the disposals in the year are shown in note 5.

**Note 12  
Stocks**

|                           | Group      |            |
|---------------------------|------------|------------|
|                           | 1992<br>£m | 1991<br>£m |
| Materials and consumables | 3.8        | 2.7        |
| Work in progress          | 1.1        | 1.0        |
|                           | <u>4.9</u> | <u>3.7</u> |

At 31 March 1992, the net replacement cost of stocks was not materially different from the above figures.

**Note 13**  
**Debtors**

|                              | Group       |             | Company     |             |
|------------------------------|-------------|-------------|-------------|-------------|
|                              | 1992<br>£m  | 1991<br>£m  | 1992<br>£m  | 1991<br>£m  |
| Trade debtors                | 50.9        | 57.3        | —           | —           |
| Amounts owed by subsidiaries |             |             | 44.8        | 67.0        |
| Other debtors                | 7.6         | 6.5         | 3.5         | 5.8         |
| Employee loans               | 1.0         | 1.0         | 0.1         | 0.1         |
| Prepayments                  | 0.4         | 0.4         | 0.1         | 0.1         |
|                              | <u>59.9</u> | <u>65.2</u> | <u>48.5</u> | <u>71.0</u> |

**Note 14**  
**Short-term borrowings**

|                                | Bank<br>loans and<br>overdrafts<br>£m | Group<br>obligations<br>under finance<br>leases<br>£m | Total<br>£m |
|--------------------------------|---------------------------------------|---|-------------|
| Balance at 1 April 1991        | 7.4                                   | 0.7   | 8.1         |
| Net advances                   | 0.1                                   | —   | 0.1         |
| Transfer from long-term leases | —                                     | 0.1   | 0.1         |
|                                | <u>7.5</u>                            | <u>0.8</u>  | <u>8.3</u>  |

**Note 15**  
**Other creditors**

|                                    | Group        |              | Company     |             |
|------------------------------------|--------------|--------------|-------------|-------------|
|                                    | 1992<br>£m   | 1991<br>£m   | 1992<br>£m  | 1991<br>£m  |
| Trade creditors                    | 37.1         | 39.2         | 0.9         | 0.1         |
| Amounts owed to subsidiaries       |              |              | 1.6         | 2.3         |
| Proposed dividend                  | 32.1         | 19.3         | 32.1        | 19.3        |
| Advance corporation tax            | 10.4         | 9.7          | 0.6         | 9.7         |
| Other taxation and social security | 1.0          | 1.1          | —           | —           |
| Other creditors                    | 4.3          | 4.2          | 0.1         | 0.1         |
| Accruals and deferred revenue      | 53.1         | 41.5         | 6.7         | 9.1         |
|                                    | <u>138.0</u> | <u>115.0</u> | <u>42.0</u> | <u>40.6</u> |

Notes to the accounts *continued*

**Note 16**

**Bank and other loans**

|   | Group        |             |
|---|--------------|-------------|
|   | 1992<br>£m   | 1991<br>£m  |
| Bank loans  | 130.0        | 40.0        |
| Obligations under finance leases  | 1.0          | 1.4         |
|   | <u>131.0</u> | <u>41.4</u> |
| Loans and obligations under<br>finance leases are repayable as follows: |              |             |
| Finance leases:   |              |             |
| Between one and two years   | 0.9          | 0.7         |
| Between two and five years  | 0.1          | 0.7         |
| Bank loans:   |              |             |
| Between two and five years  | 7.9          | —           |
| After five years  | 122.1        | 40.0        |
|   | <u>131.0</u> | <u>41.4</u> |

Bank loans are unsecured and repayable by instalments for periods of up to 15 years. The rates of interest payable on loans due after 5 years range from 10.4% to 11.5%.

**Note 17**

**Grants and contributions**

|                                     | Group<br>£m |
|-------------------------------------|-------------|
| Balance at 1 April 1991             | 5.9         |
| Receivable in year                  | 6.2         |
| Released to Profit and Loss Account | (0.3)       |
| Balance at 31 March 1992            | <u>11.8</u> |

**Note 18**

**Provision for  
liabilities and charges**

|                          | Infra-<br>structure<br>renewal<br>£m | Group<br>Share<br>Schemes<br>£m | Other<br>£m | Total<br>£m | Company<br>Share<br>Schemes<br>and Other<br>£m |
|--------------------------|--------------------------------------|---------------------------------|-------------|-------------|--|
| Balance at 1 April 1991  | 3.6                                  | 1.5                             | —           | 5.1         | 1.5  |
| Provided in year         | 16.1                                 | 2.0                             | 1.0         | 19.1        | 3.0  |
| Utilised in year         | (17.8)                               | —                               | —           | (17.8)      | —  |
| Balance at 31 March 1992 | <u>1.9</u>                           | <u>3.5</u>                      | <u>1.0</u>  | <u>6.4</u>  | <u>4.5</u>                                     |

| <b>Note 19</b>                                     |  | 1992         | 1991         |
|--|--|--------------|--------------|
| <b>Called-up share capital</b>                     |  | £m           | £m           |
| <i>Authorised</i>                                  |  |              |              |
| 225,000,000 ordinary shares of £1 each             |  | 225.0        | 225.0        |
| 1 special rights redeemable preference share of £1 |  |              |              |
|  |  | <u>225.0</u> | <u>225.0</u> |
| <i>Allotted, called-up and fully paid</i>          |  |              |              |
| Ordinary shares of £1 each:                        |  |              |              |
| At 1 April   |  | 163.8        | 163.7        |
| Issued during the year                             |  | 0.5          | 0.1          |
| At 31 March  |  | <u>164.3</u> | <u>163.8</u> |

Details of allotments during the year are contained in the Directors' Report.

The special rights redeemable preference share of £1 is held by HM Secretary of State for the Environment.

Outstanding options to subscribe for ordinary shares in the Company are as follows:

|                               | Date of grant | Number of shares<br>000 | Price per share |
|-------------------------------|---------------|-------------------------|-----------------|
| Executive share option scheme | February 1990 | 932                     | 2.81p           |
|                               | January 1991  | 295                     | 2.95p           |
|                               | January 1992  | 322                     | 3.10p           |
| Sharesave scheme              | December 1989 | 1,432                   | 1.76p           |
|                               | January 1991  | 797                     | 2.36p           |
|                               | February 1992 | 805                     | 2.48p           |

In normal circumstances the Executive share options may be exercised between three and ten years from the date of grant.

Options under the Sharesave scheme may be exercised after either five or seven years from the date of grant.

**Note 20**  
**Share premium account and reserves**

|                               | Group                       |                             | Company                     |                             |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                               | Share Premium Account<br>£m | Profit & Loss Account<br>£m | Share Premium Account<br>£m | Profit & Loss Account<br>£m |
| At 1 April 1991               | 0.4                         | 571.7                       | 0.4                         | 227.6                       |
| Premium on allotments in year | 1.2                         |                             | 1.2                         |                             |
| Retained profit for the year  |                             | 73.2                        |                             | 46.5                        |
| Goodwill                      |                             | (6.7)                       |                             |                             |
| At 31 March 1992              | <u>1.6</u>                  | <u>638.2</u>                | <u>1.6</u>                  | <u>274.1</u>                |

Cumulative goodwill arising from acquisitions amounts to £7.0m (1991 £0.3m).

The profit for the financial year of the Company was £78.6m (1991 £70.9m). No separate profit and loss account is provided as permitted by S230 of the Companies Act 1985.

Notes to the accounts *continued*

**Note 21**  
**Acquisitions**

Four acquisitions were made during the year as set out in the Directors' Report. The fair value of the assets acquired and the resulting goodwill are set out below:

|                                       | Book values<br>acquired | Adjustments<br>to accord<br>with Group<br>policies | Fair value    |
|---------------------------------------|-------------------------|--|---------------|
|                                       | £'000                   | £'000  | £'000         |
| Fixed assets                          | 1392                    | (310)  | 1082          |
| Stocks                                | 123                     |  | 123           |
| Debtors                               | 688                     |  | 688           |
| Creditors                             | (4012)                  |  | (4012)        |
|                                       | <u>(1809)</u>           | <u>(310)</u>                                       | <u>(2119)</u> |
| Goodwill offset against reserves      |                         |  | <u>6697</u>   |
|                                       |                         |  | <u>4578</u>   |
| Cost of acquisitions<br>satisfied by: |                         |  |               |
| Issue of shares                       |                         |  | 11            |
| Premium on allotment                  |                         |  | 25            |
| Cash                                  |                         |  | 4542          |
|                                       |                         |  | <u>4578</u>   |

At 31 March 1992 there were no acquisition related provisions.

**Note 22**  
**Contingent liabilities**

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 1992  | 1991 | 1992    | 1991 |
|  | £m    | £m   | £m      | £m   |
| Contingent liabilities in connection with contractors' claims on capital schemes and road reinstatements | 0.6   | 4.8  | —       | —    |

The Company has provided guarantees in respect of all monies borrowed by Southern Water Services Limited from the European Investment Bank, which at 31 March 1992 amounted to £130.0m.

All Group companies except those acquired during the year have provided mutual cross guarantees for any monies owed to National Westminster Bank Plc which at 31 March 1992 was £7.5m.

**Note 23**  
**Capital commitments**

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 1992  | 1991 | 1992    | 1991 |
|  | £m    | £m   | £m      | £m   |
| Outstanding contracts placed for capital expenditure           | 63.0  | 50.3 | —       | —    |
| Capital expenditure authorised by directors but not contracted | 104.1 | 54.0 | —       | —    |

**Note 24**  
**Other financial**  
**commitments**

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 1992<br>£m | 1991<br>£m | 1992<br>£m | 1991<br>£m |
| Annual commitments under non-cancellable operating leases: |            |            |            |            |
| Expiring within one year                                   | 0.1        | —          | —          | —          |
| Expiring between two and five years                        | 0.7        | 0.7        | —          | —          |
| Expiring after five years                                  | 0.1        | —          | —          | —          |
|  | <u>0.9</u> | <u>0.7</u> | <u>—</u>   | <u>—</u>   |

**Note 25**  
**Pensions**

The Group operates a number of funded defined benefit pension schemes providing benefits based on final pensionable earnings and years of service. All schemes are administered by trustees and operate independently of the Group.

The schemes are valued by independent consulting actuaries using the 'projected unit' method. The last actuarial valuation of the main scheme, which covers over 80% of the Group's employees, was carried out as at 31 March 1989. At that date the estimated market value of the scheme's assets was £56.7m which covered approximately 107% of the benefits accrued to members, after allowing for expected increases in earnings. A further valuation, showing the position at 31 March 1992 is currently in progress. Preliminary indications confirm that the market value of the scheme's assets should exceed the accrued benefits of members; pending the completion of this valuation the employer's contribution has been maintained at 12% and 11.75% of pensionable pay for members paying contributions of 6% and 5% respectively.

An actuarial valuation of the scheme operating for approximately 14% of the Group employees was undertaken as at 31 March 1990. At that date the value of the scheme's assets was £12.1m and exceeded the estimated value of members' accrued benefits by £2.2m. The actuary's recommendation of reducing the employer's contribution to 10% in respect of all members has been implemented.

A third scheme is awaiting its first full actuarial valuation. It is expected, however, that the market value of the scheme's assets will show a surplus over the benefits accrued to members, after allowing for expected earnings increases. Contributions to the scheme have continued at the provisional rates recommended by the actuary.

The principal assumptions used in all actuarial valuations are those related to the differentials between the rates of return on investments and the rates of increases in earnings and pensions. It has been assumed that the investment return per annum will be 2% higher than wage and salary increases and 3½% higher than pension increases.

Total pension costs for the year were £5.4m (1991 £5.1m).

All the schemes are able to accommodate, insofar as currently understood, the implications of the European Court judgement in 'Barber v Guardian Royal Exchange' without change to the contribution rates currently in force.

Notes to the accounts *continued*

| <b>Note 26</b>   |   | 1992         | 1991        |
|--|---|--------------|-------------|
| <b>Reconciliation of profit to net cash flow from operating activities</b> |   | £m           | £m          |
|  | Profit before interest                  | 106.1        | 90.5        |
|  | Depreciation                            | 29.5         | 27.8        |
|  | Other items                             | 0.3          | (0.3)       |
|  | Movement on provisions                  | 1.3          | 2.7         |
|  | (Increase)/Decrease in stocks*          | (1.1)        | (0.5)       |
|  | (Increase)/Decrease in debtors*         | 6.4          | (22.4)      |
|  | Increase/(Decrease) in other creditors* | 13.8         | (2.3)       |
|  | Net cash flow from operating activities | <u>156.3</u> | <u>95.5</u> |

\*Adjusted for movements arising from the acquisition of subsidiaries (see note 21)

| <b>Note 27</b>                              | Share Capital       | Loans        | Finance lease | Total        |
|---|---------------------|--------------|---------------|--------------|
| <b>Changes in financing during the year</b> | (including premium) |              | obligations   |              |
|   | £m                  | £m           | £m            | £m           |
| Balance at 1 April 1991                     | 164.2               | 40.0         | 2.1           | 206.3        |
| Shares issued for non-cash consideration    | 1.7                 | —            | —             | 1.7          |
| Cash inflow/(outflow) from financing        | —                   | 90.0         | (0.3)         | 89.7         |
| Balance at 31 March 1992                    | <u>165.9</u>        | <u>130.0</u> | <u>1.8</u>    | <u>297.7</u> |

## Subsidiary companies and investments in other companies

at 31 March 1992

### Subsidiary companies

The Company's principal subsidiary companies are listed below. With the exception of Waterline Insurance Company Limited, registered and trading in the Isle of Man, all companies are registered in England which is also the country of operation.

| Company                                    | Class of capital | Proportion of class held | Nature of business                                |
|--|------------------|--------------------------|---|
| Southern Water Services Limited            | Ordinary         | 100%                     | Provision of water supply and wastewater services |
| Southern Projects Limited                  | Ordinary         | 100%                     | Civil engineering design and consultancy          |
| McDowells Limited                          | Ordinary         | 100%                     | Civil and structural engineering consultants      |
| Contract Services (SE) Limited             | Ordinary         | 100%                     | Specialist surveying                              |
| Southern Science Limited                   | Ordinary         | 100%                     | Laboratory analysis and environmental assessment  |
| Aquaclear Limited                          | Ordinary         | 100%                     | Commercial water systems consultancy              |
| IT Southern Limited                        | Ordinary         | 100%                     | Information technology services                   |
| Tynemarch Systems Engineering Limited      | Ordinary         | 100%                     | Process control and engineering software services |
| Sectron Systems Limited                    | Ordinary         | 100%                     | Security services                                 |
| Ecoclear Limited                           | Ordinary         | 100%                     | Liquid waste management                           |
| Greenhill Enterprises Limited              | Ordinary         | 100%                     | Waste management                                  |
| Southern Watercare Limited                 | Ordinary         | 100%                     | Contract plumbing                                 |
| M. W. Longley Limited                      | Ordinary         | 100%                     | Heating and ventilation contractors               |
| Topmark Vehicle Contracts Limited          | Ordinary         | 100%                     | Vehicle and specialist plant hire                 |
| Hazeley Down Mineral Water Company Limited | Ordinary         | 100%                     | Bottled mineral water                             |
| Bowsprit Holdings Limited                  | Ordinary         | 100%                     | Property investment                               |
| Monk Rawling Limited                       | Ordinary         | 100%                     | Estates management and property consultancy       |

Subsidiary companies and investments in other companies *continued*

| Company                               | Class of capital | Proportion of class held | Nature of business   |
|---------------------------------------|------------------|--------------------------|----------------------|
| Bowsprit Property Development Limited | Ordinary         | 100%                     | Property development |
| F Houghton Limited                    | Ordinary         | 100%                     | Property investment  |
| Waterline Insurance Company Limited   | Ordinary         | 100%                     | Insurance            |

**Other fixed asset investments**

Principal trading companies in which the Group holds more than 20% of the equity are listed below. All companies are registered in England which is also the country of operation.

| Company   | Class of capital | Proportion of class held | Nature of business                                  | Total capital and reserves<br>£m | *Profit for the period<br>£m |
|---|------------------|--------------------------|---|----------------------------------|------------------------------|
| Folkestone & District Water Company   | 3.5% Ord         | 19.9%                    | Water supply  | 5.2                              | 1.3                          |
|   | 4.9% Ord         | 25.0%                    |   |                                  |                              |
|   | 4.9% Ord (1953)  | 25.4%                    |   |                                  |                              |
|   | 7.0% Ord         | 27.2%                    |   |                                  |                              |
| Stalwart Environmental Services Limited   | Ordinary         | 50.0%                    | Waste management                                    | 0.0                              | (0.2)                        |
| (Stalwart Environmental Services Limited has been disposed of subsequent to the year end) |                  |                          |   |                                  |                              |
| <i>Associate company</i>  |                  |                          |   |                                  |                              |
| Coastal Wastewater Consultants Limited  | Ordinary         | 50%                      | Marine treatment engineering design and consultancy | 0.1                              | 0.1                          |

\*Profit is after charging tax and extraordinary items (if any)

## Group five year summary

|                                     | 1992<br>£m | 1991<br>£m | 1990<br>£m | 1989<br>£m | 1988<br>£m |
|-------------------------------------|------------|------------|------------|------------|------------|
| <b>Turnover</b>                     | 290.7      | 251.2      | 225.8      | 204.1      | 189.5      |
| <b>Profits</b>                      |            |            |            |            |            |
| Profit before interest              | 106.1      | 90.5       | 78.3       | 93.3       | 96.1       |
| Interest (net)                      | 3.0        | 6.6        | (18.2)     | (28.2)     | (36.8)     |
| Exceptional items                   | 6.0        | —          | —          | —          | —          |
| Profit before taxation              | 115.1      | 97.1       | 60.1       | 65.1       | 59.3       |
| Taxation                            | (9.8)      | (9.7)      | (5.5)      | —          | —          |
| Profit after taxation               | 105.3      | 87.4       | 54.6       | 65.1       | 59.3       |
|                                     | p          | p          | p          | p          | p          |
| <b>Earnings per share</b>           | 64.2       | 53.4       | —          | —          | —          |
| <b>Dividends per ordinary share</b> | 19.5       | 17.7       | 10.02      | —          | —          |
|                                     | £m         | £m         | £m         | £m         | £m         |
| <b>Assets employed</b>              |            |            |            |            |            |
| Fixed assets                        | 892.4      | 781.0      | 704.6      | 628.2      | 579.8      |
| Investments                         | 1.4        | 6.0        | 6.0        | 5.9        | 0.3        |
| Net current assets (liabilities)    | 59.5       | 1.3        | (24.5)     | (74.9)     | (69.0)     |
| Long term liabilities               | (149.2)    | (52.4)     | (9.1)      | (223.0)    | (239.4)    |
| Net assets                          | 804.1      | 735.9      | 677.0      | 336.2      | 271.7      |
| <b>Capital and reserves</b>         |            |            |            |            |            |
| Share capital                       | 164.3      | 163.8      | 163.7      | —          | —          |
| Share premium                       | 1.6        | 0.4        | 0.3        | —          | —          |
| Profit and loss account             | 638.2      | 571.7      | 513.0      | 336.2      | 271.7      |
|                                     | 804.1      | 735.9      | 677.0      | 336.2      | 271.7      |

Significant changes took place during the year ended 31 March 1990 arising from capital restructuring, the regulatory regime and the conversion to plc status. Accordingly, the comparability of the results for the years ended 31 March 1992 and 1991 and prior years is limited and care should be taken in relating these figures.

# Shareholder information

## FINANCIAL CALENDAR

### 1992

|           |   |
|-----------|---|
| 26 June   | Announcement of final results             |
| 29 June   | Ex dividend date for final dividend       |
| 15 July   | Record date for dividend                  |
| 20 August | Annual General Meeting                    |
| 1 October | Final dividend payable                    |
| December  | Announcement of unaudited interim results |

### 1993

|          |                          |
|----------|--------------------------|
| 31 March | Financial year end       |
| 1 April  | Interim dividend payable |

## SHAREHOLDERS' INTERESTS

At 26 June 1992

Number of Shareholders 95,588

| Shareholdings Range | Shareholders % | Shares %      | Category of Shareholders | Shareholders % | Shares %      |
|---------------------|----------------|---------------|--------------------------|----------------|---------------|
| 300 and under       | 49.90          | 4.64          | Pension funds            | 0.04           | 1.91          |
| 301 to 1000         | 48.06          | 11.57         | Insurance companies      | 0.04           | 9.35          |
| 1001 to 10000       | 1.49           | 1.90          | Banks                    | 0.03           | .30           |
| 10001 to 50000      | .23            | 3.45          | Nominee companies        | 1.89           | 64.53         |
| Over 50000          | .32            | 78.44         | Other corporate bodies   | 0.37           | 6.88          |
|                     |                |               | Other shareholders       | 97.63          | 17.03         |
|                     | <u>100.00</u>  | <u>100.00</u> |                          | <u>100.00</u>  | <u>100.00</u> |

## Notice of Annual General Meeting

NOTICE is hereby given that the third Annual General Meeting of Southern Water plc will be held at the Dome Theatre, Church Street, Brighton, East Sussex, on Thursday 20 August 1992 at 11.00 am, for the transaction of the following business:

### Ordinary business

- 1 To receive the Report of the Directors and the audited accounts for the year ended 31 March 1992.
- 2 To declare a final dividend for the year ended 31 March 1992 of 13.0p per Ordinary Share.
- 3 To re-elect Mr M R Webster as a Director.
- 4 To elect Mr V E Thomas as a Director.
- 5 To re-appoint Coopers & Lybrand as auditor of the Company and to authorise the Directors to fix their remuneration.

### Special business

- 6 To propose the following resolution as a Special Resolution:

THAT the Directors be authorised pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of the said Act) pursuant to the authority conferred by a special resolution passed at the Extraordinary General Meeting of the Company held on 20 November 1989 as if Section 89 (1) of the said Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of the Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or any stock exchange or any other matter whatsoever);
- (b) the allotment of Ordinary Shares pursuant to elections under any scrip dividend option given to shareholders under Article 135 of the Company's Articles of Association; and
- (c) the allotment (otherwise than pursuant to subparagraph (a) or (b) hereof) of equity securities up to an aggregate nominal amount of £8,216,213;

and provided further that this power shall expire fifteen months from the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may prior to such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements notwithstanding the expiry of any power conferred by this resolution.

- 7 To propose the following resolution as an Ordinary Resolution:  
THAT the Directors be authorised;  
(i) to exercise the power contained in Article 135 of the Company's Articles of Association (as

## Notice of Annual General Meeting *continued*

amended from time to time) to offer shareholders, on the basis determined by the Directors in accordance with the Articles of Association, the right to elect to receive Ordinary Shares of £1 each in the capital of the Company credited as fully paid instead of cash in respect of any dividend or any part thereof declared or payable at any time after the commencement of the meeting at which this resolution is passed and prior to the date of the next Annual General Meeting of the Company;

(ii) to capitalise out of the amount standing to the credit of the Company's reserves, as the Directors may determine, a sum equal to the aggregate nominal value of the Ordinary Shares to be allotted pursuant to elections made as aforesaid and to apply that sum in paying up in full those ordinary shares;

(iii) to allot such Ordinary Shares pursuant to elections validly so made;

and generally to take such steps (whether before or after the passing of this resolution) as the Directors consider expedient for any such purpose.

8 To propose the following resolution as a Special Resolution:

THAT the Articles of Association of the Company be amended as set out in Appendix A to the Chairman's letter to shareholders dated 24 July 1992, and produced to this meeting and signed for the purposes of identification by the Chairman thereof.

9 To propose the following resolution as a Special Resolution:

THAT any securities of the Company may be converted into uncertificated form and, where units of a security (existing or future) are at any time to be issued by the Company, they may be issued in such form rather than certificated form, should the Directors think fit.

*By Order of the Board*

Graham Nicholson

Secretary

24 July 1992

Registered office:  
Southern House  
Yeoman Road  
Worthing  
West Sussex  
BN13 3NX

### Notes

1 Subject to it being duly declared at the Annual General Meeting, the final ordinary dividend will be paid on 1 October 1992 to shareholders on the register at close of business on 15 July 1992.

2 A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.

3 Completion of the enclosed proxy form does not preclude a shareholder from attending the meeting and voting in person. Any instrument appointing a proxy, with the authority (if any) under which it is signed, or a certified or office copy of such authority, must be deposited with the Registrars not later than 48 hours before the time fixed for the meeting, or any adjournment thereof.

4 The following documents will be available for inspection at the registered office during normal business hours on any week day, excluding Saturdays and public holidays from the date of this notice until the date of the meeting and at the place of the meeting from 10.00 am until the conclusion of the meeting.

- (a) The Directors' service contracts,
- (b) The register of Directors' interests in shares in the Company,
- (c) The existing and proposed Articles of Association of the Company.

# SOUTHERN WATER GROUP OF COMPANIES

SOUTHERN WATER PLC  
 Southern House  
 Yeoman Road  
 Worthing, Sussex BN13 3NX  
 Tel 0903 264444  
 Registered in England No 2366620

## Engineering design

**SOUTHERN PROJECTS LTD**  
 Southern House, Lewes Road  
 Falmer, Brighton, Sussex BN1 9PY  
 Tel 0273 606766

**Southern Projects Ltd**

**IT SOUTHERN LTD**

## Systems technology

IT SOUTHERN LTD  
 Southern House, Lewes Road  
 Falmer, Brighton, Sussex BN1 9PY  
 Tel 0273 600444

**McDOWELLS LTD**  
 Bailey House, 215 Barnett Wood Lane  
 Ashted, Surrey KT21 2DH  
 Tel 0372 277771



**TYNEMARCH**

TYNEMARCH SYSTEMS ENGINEERING LTD  
 Abinger House, Church Street  
 Dorking, Surrey RH4 1DF  
 Tel 0306 742772

**COASTAL WASTEWATER CONSULTANTS LTD**  
 Southern House, Capstone Road  
 Chatham, Kent ME5 7QA  
 Tel 0634 818444



SECTRON SYSTEMS LTD  
 The Roundhouse, Newgate Lane  
 Fareham, Hampshire PO14 1JD  
 Tel 0329 664224

## Laboratory analysis and environmental assessment

**SOUTHERN SCIENCE LTD**  
 Premium House, Brighton Road  
 Worthing, Sussex BN11 2EN  
 Tel 0903 823328

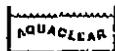
**SOUTHERN SCIENCE**

**Topmark**  
 VEHICLE CONTRACTS LIMITED

## Specialist services and products

TOPMARK VEHICLE CONTRACTS LTD  
 Southern House, Lewes Road  
 Falmer, Brighton, Sussex BN1 9PY  
 Tel 0273 686867

**AQUACLEAR LTD**  
 1st Floor, North Barn, Appledram Barns  
 Birdham Road, Chichester, Sussex PO20 7EQ  
 Tel 0243 531478



**WATERCARE**

SOUTHERN WATERCARE LTD  
 Arundel Road, Worthing  
 Sussex BN13 3ET  
 Tel 0903 831122

**LONGLEY**  
 THE HOUSE AND SPECIALIST SERVICES

M W LONGLEY LTD  
 Christ Church Road  
 Folkestone, Kent CT20 2SR  
 Tel 0303 850707

## Waste management

**ECOCLEAR LTD**  
 Whitenap House, Whitenap Lane  
 Romsey, Hampshire SO51 8RR  
 Tel 0794 518519



**HAZELEY DOWN**

HAZELEY DOWN  
 MINERAL WATER COMPANY LTD  
 Hazeley Road, Twyford  
 Winchester, Hampshire SO21 1QA  
 Tel 0962 713355

**GREENHILL ENTERPRISES LTD**  
 Whitenap House, Whitenap Lane  
 Romsey, Hampshire SO51 8RR  
 Tel 0794 830830



## Property

MONK RAWLING LTD  
 Sussex Chambers, 5 Liverpool Terrace  
 Worthing, Sussex BN11 1TA  
 Tel 0903 217070



## Water and wastewater services

SOUTHERN WATER SERVICES LTD  
 Southern House  
 Yeoman Road  
 Worthing, Sussex BN13 3NX  
 Tel 0903 264444

**KENT DIVISION**  
 Southern House  
 Capstone Road  
 Chatham, Kent ME5 7QA  
 Tel 0634 830655

**SUSSEX DIVISION**  
 Southern House  
 Lewes Road, Falmer  
 Brighton, Sussex BN1 9PY  
 Tel 0273 606766

**HAMPSHIRE DIVISION**  
 Southern House  
 Sparrowgrove  
 Otterbourne, Winchester  
 Hampshire SO21 2SW  
 Tel 0962 714585

**ISLE OF WIGHT DIVISION**  
 Southern House  
 58 St John's Road  
 Newport, IOW PO30 1LT  
 Tel 0983 526611



**Southern Water plc** *Annual Report 1992*

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