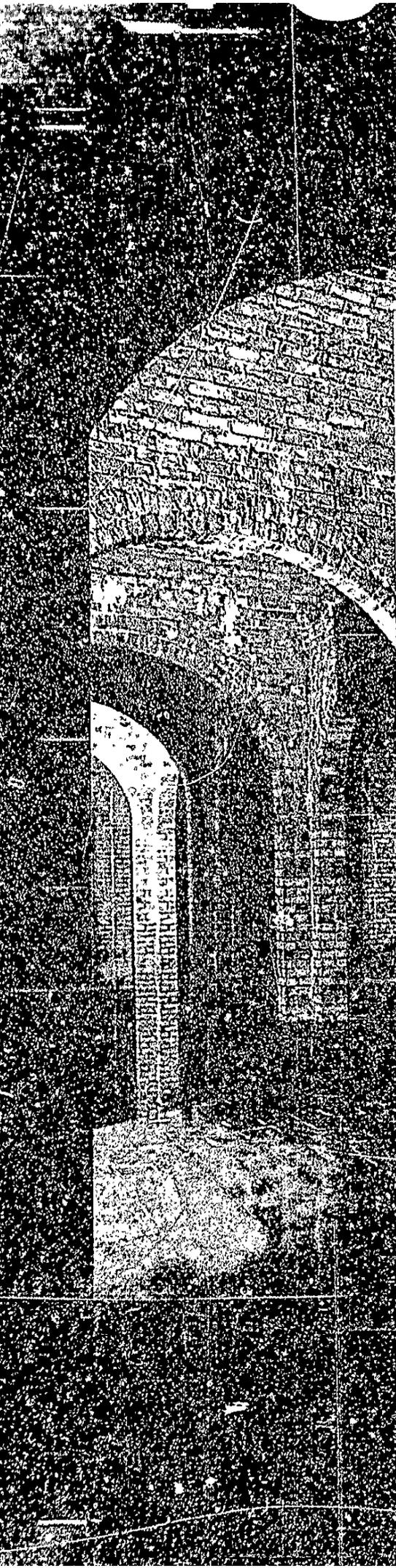


SOUTHERN WATER plc
Registered No: 2306620

3 SEP 1993

Southern Water plc

Annual Report 1993



Span of operations

Southern Water's business includes:

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
- Systems technology
- Waste management
- Property
- Specialist services and products

Contents

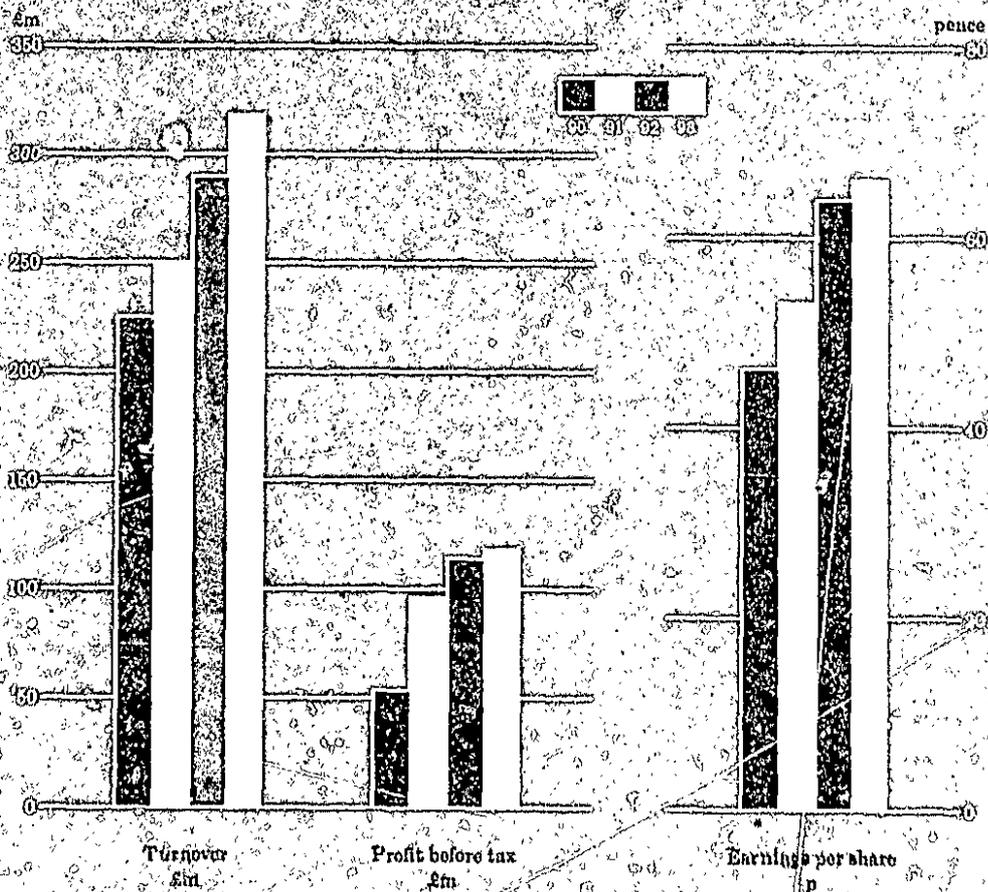
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Cover
Water lilies -
continuing the
series of plants
that flourish in
Southern Water's
aquatic
environment

This page shows a
brick reservoir at
Brighton

Financial highlights

	1991	1992
Turnover	£119.2m	£290.7m
Profit before tax	£10.2m	£115.1m
Earnings per share	60.3p	64.2p
Dividends per share	21.3p	19.5p
Shareholders' funds	£981.5m	£804.1m



Chairman's statement

I am pleased to report on another year of solid growth and achievement. Profits have advanced healthily, our water and wastewater customers are receiving ever higher standards of service and our non-regulated companies have continued to develop successfully. The Group is committed to creating added value for our shareholders at minimum risk by focusing on sound development in areas where we have relevant technology, skills and resources.

Performance

In the year to 31 March 1993 Group turnover increased by almost 10% from £290.7m to £319.2m whilst pre tax profits (excluding an exceptional gain of £6m arising from the disposal of minority investments in three local water companies in 1991/92) advanced from £109.1m to £119.2m – a real underlying increase in profits of 9.3%. Earnings per share, excluding the exceptional gain, rose from 60.5p to 66.3p – an increase of 9.6% – or including the gain, from 64.2p. This profit growth has been achieved against a background of deep recession in the region which affected the demand of our commercial and industrial customers.

The profit improvement is aided by our ongoing drive for further operating efficiencies and the rigorous control of investment expenditure. Arising from these and other measures I am pleased to report that the Group had a positive net cash balance of some £15.5m at the year end.

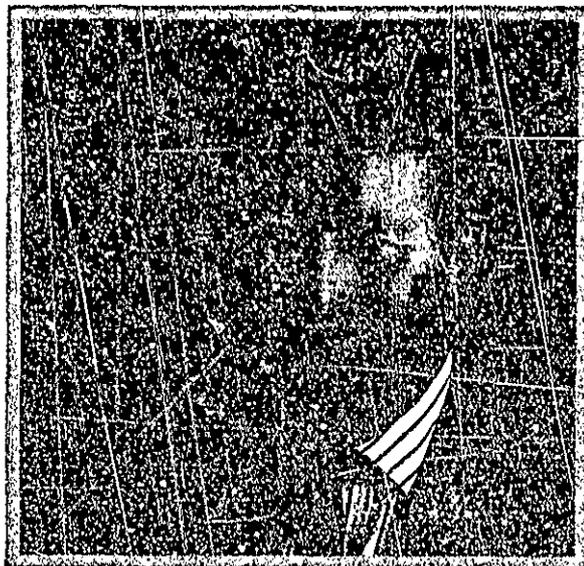
Our commitment to progressively improve the level of service to our customers is demonstrated by the ongoing high level of investment expenditure for the year of over £120m – almost double the pre-privatisation figure. We have again reinvested approximately 70% of post-tax profits during the year to finance new assets. It is pleasing to report that through this expenditure and the dedication of our staff there have been further marked improvements in the already high level of compliance with drinking and wastewater standards provided by Southern Water Services Ltd.

The non-regulated companies have done well and have contributed £8.4m, some 7%, to the Group's trading profits. Our consistent strategy of continuing the organic expansion of the non-regulated companies, augmented by sensibly priced acquisitions, provides a firm foundation for long term growth.

Dividend

The Board is recommending the payment of a final dividend of 14.2p per ordinary share making a total for the year of 21.3p compared with 19.5p for last year – a 9.2% increase. Our shareholders have, in the past, demonstrated their strong support for the scrip dividend alternative and this option will therefore be available for those wishing to build their investment in the Company.

Following the announcement by the Chancellor of the Exchequer to reduce Advance Corporation Tax from 25% to 22.5% in 1993/94 and to 20% in subsequent years, the Board are proposing that



the payment date for next year's interim dividend is changed to 6 April 1994. There is a significant cash flow advantage to the Group from this change.

Investments

I am delighted to report several recent developments which will further strengthen our non-regulated activities.

We have formed a joint venture company, Clinical Waste Ltd, to participate in the growing market for the disposal of medical wastes. This company has already negotiated its first long term management contract with a major hospital and the construction of a highly specialised incineration plant is under way. This will fully comply with the new European Community emission regulations and, I believe, will be the first of many such plants.

After the year end we expanded our regional waste management operation by acquiring E S Taylor (Worthing) Holdings Ltd., a Sussex based group with mineral extraction, landfill, haulage and recycling operations which will complement our existing investment in Greenhill Enterprises Ltd.

A new company, Paperstream Ltd, has been formed to exploit our skills in the field of high volume printing, invoicing and remittance processing. This company has already secured substantial business providing services to cable television, publishing and other companies.

In order to consolidate and market our considerable knowledge in the fields of pipelaying, pipe surveys, renovation, replacement and plumbing services, a new company Pipeworks Ltd has been established. This company is now working for a number of external customers and will offer its services to the Group.

Regulation

Whilst readily acknowledging the need for firm and fair regulation of the water industry I am increasingly concerned about the ever growing requirements of our many regulators.

In particular, the volume, complexity and cost of servicing the information demands of OFWAT give rise to very real concern that some of the widely proclaimed principles justifying privatisation are now being challenged or eroded. We estimate that the cost to Southern Water Services Ltd of servicing OFWAT is now in the region of £2½m per annum and rising, as are the annual levies which increased by 13% in 1991/92, 12% in 1992/93 and are estimated to exceed 30% in 1993/94. The charges from the National Rivers Authority increased by 26% in 1992/93, also far exceeding our increase in charges to customers in the same year.

Corporate Governance was much in the news in 1992 culminating in the report of the Cadbury Committee. I am glad to report that virtually all of the recommendations of the Committee are already in effect in Southern Water plc. These are referred to on page 24 of the Report and Financial Statements.

Board

I welcome the valuable contribution made by the Non-Executive Directors who constitute around half of the Board and exercise considerable influence in the Group's affairs. They chair and fully comprise the Audit and Executive Remuneration Committees of the Board.

Sir David Nicolson retired as a Non-Executive Director of the Board at the end of March 1993 and

Chairman's statement *continued*

I would particularly like to thank him for his valuable contribution to our deliberations over the past four years. As I highlighted in last year's report, Mr Vivian Thomas OBE, until recently Chief Executive of BP Oil UK, joined the Board on the 1st June 1992 as a Non-Executive Director. I am pleased to report that Dr John Westhead, the Chief Executive of Bowthorpe plc, will be re-joining the Board on the 1st July 1993.

After many years service in the water industry Mr Brian Thorpe, CBE, Non-Executive Deputy Chairman, will be retiring from the Board following the Annual General Meeting in August 1993. His contribution as Chief Executive of the Southern Water Authority from 1974 to 1989 and the value of his service to Southern Water plc in the last four years cannot be overstated. We are most grateful to him for all that he has done.

The Group Technical Director, Mr Francis Midmer, will also be retiring following the AGM in August 1993. A long serving and experienced member of the water industry, Mr Midmer became the Executive Group Technical Director in 1989. I am pleased to record that Mr Midmer has accepted an invitation to become a Non-Executive Director and that we will continue to have the benefit of his wide experience.

Important changes to the executive membership of the Board took place on the 1st January 1993 with Mr Martyn Webster becoming Group Managing Director, Mr Raymond King assuming responsibility as Group Finance Director and Mr Keith Tozzi appointed deputy to Mr Francis Midmer all of which have served to strengthen the skills of your Board.

The Future

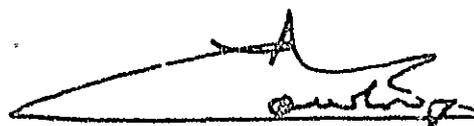
The economic outlook currently remains uncertain but your company is well placed to benefit from any upturn when it arrives.

Our regulated business Southern Water Services has a major capital expenditure programme involving water supply and treatment, inland wastewater treatment and large coastal wastewater schemes stretching to the year 2000 and beyond. We will strive to achieve maximum efficiencies in both capital and operating costs.

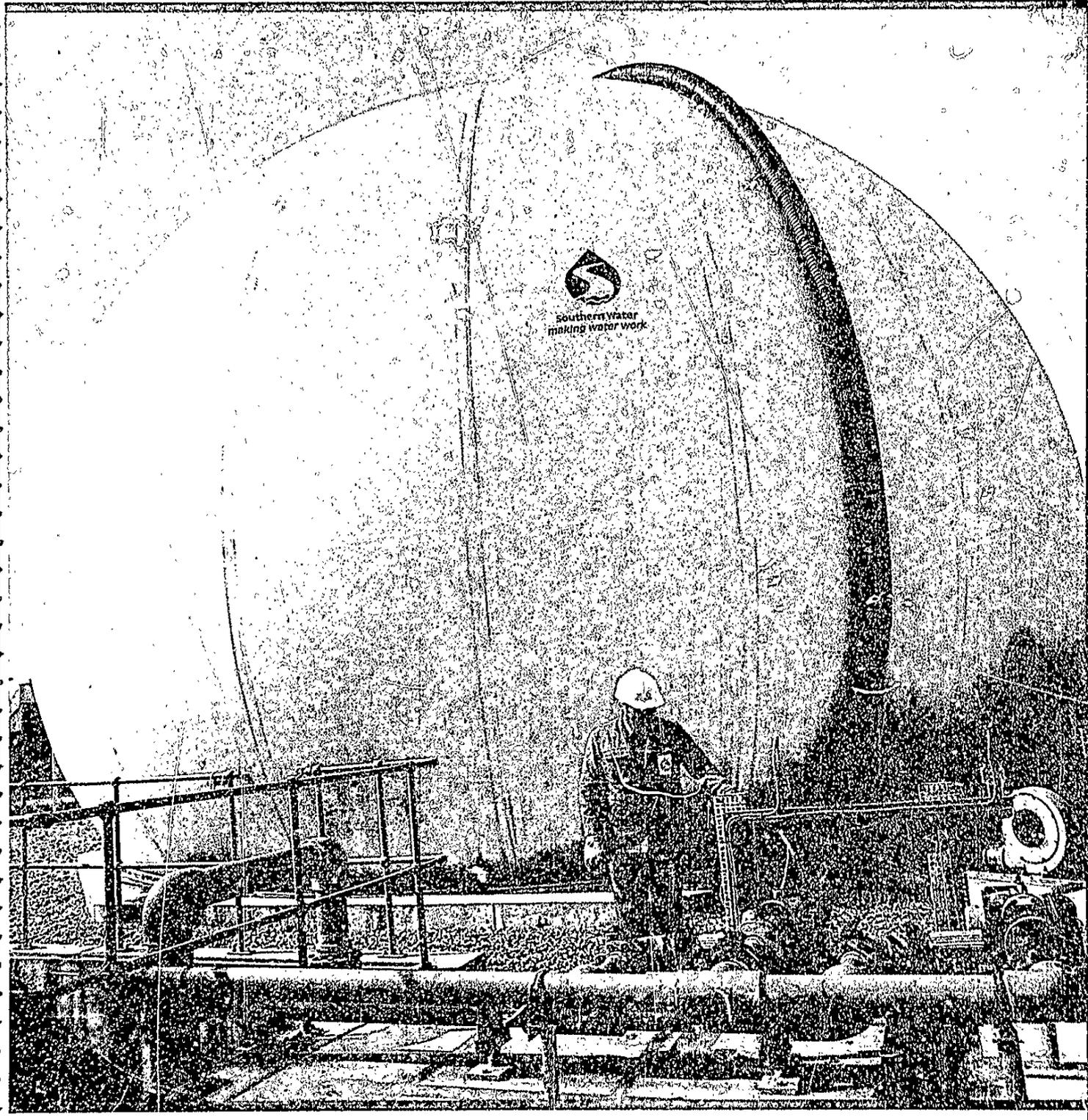
We will continue our successful policy of building a growing profit stream in non-regulated companies at minimum investment cost, fostering organic growth where potential exists and will seek, at all times, to avoid undue risk and exposure.

The success of the Group depends on providing a high quality value for money service to our customers in every business. I am, therefore, particularly pleased to record the Board's appreciation for the ongoing enthusiasm and commitment shown during the past year by all the Group's employees who make such a service possible.

With our financial strength and a clear strategy for developing future business opportunities, I am confident that the Group can look forward to another year of continuing growth and prosperity.



WILLIAM J W COURTNEY CBE
Chairman



Works operator Brian Rye at the Bio-gas holder Canterbury Wastewater Treatment Works (Kent)

The Southern Water Group



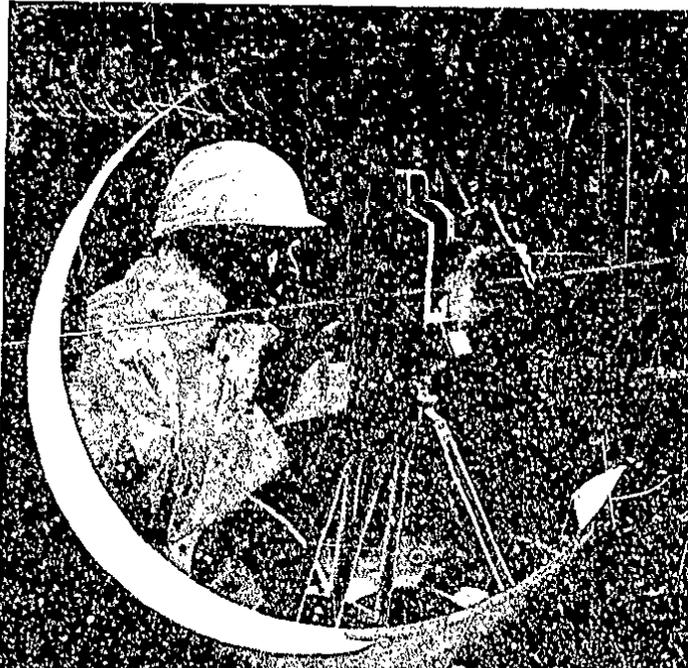
Southern Water Services

provides water supply and wastewater services for the Isle of Wight, Hampshire, Sussex and Kent



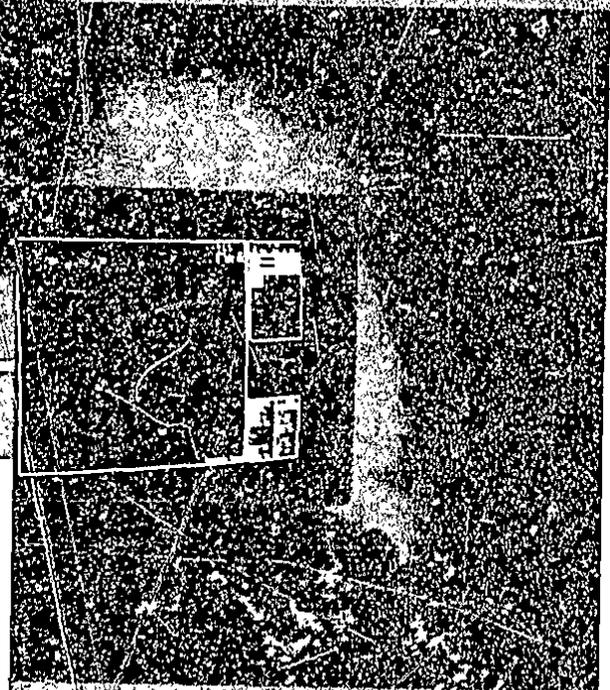
Laboratory analysis and environmental assessment

provides analytical, environmental and water resource expertise



Engineering design

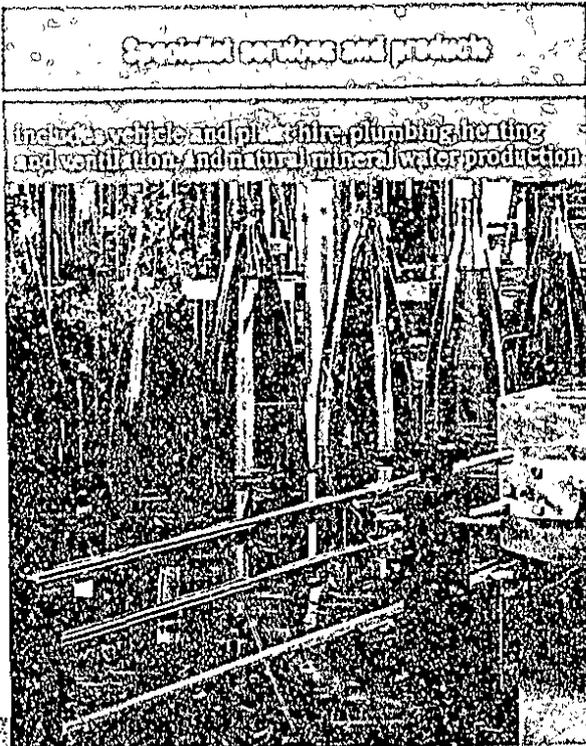
provides design, management and consultancy in civil and environmental engineering



Systems technology

provides information technology, systems engineering and security surveillance

Adding value for shareholders



Managing Director's Review



MATTIE WEBSTER

I am pleased to report that the Southern Water Group has achieved further substantial progress in its operational performance in the last year.

The Group comprises Southern Water plc, the holding company, Southern Water Services Limited, the principal subsidiary providing water and wastewater services, and other subsidiaries with activities in the following fields:

Engineering design

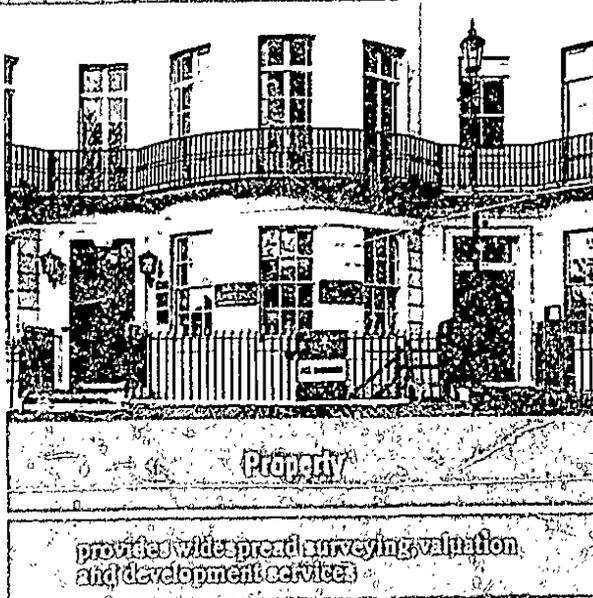
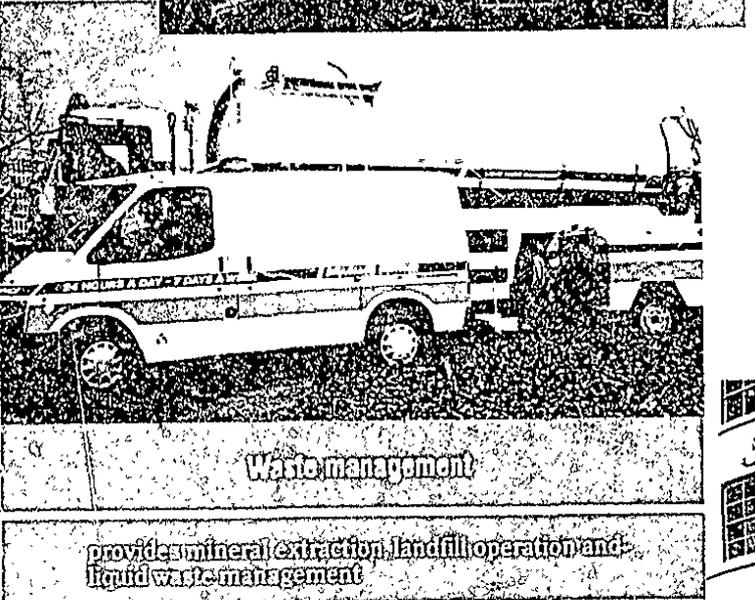
Laboratory analysis and environmental assessment

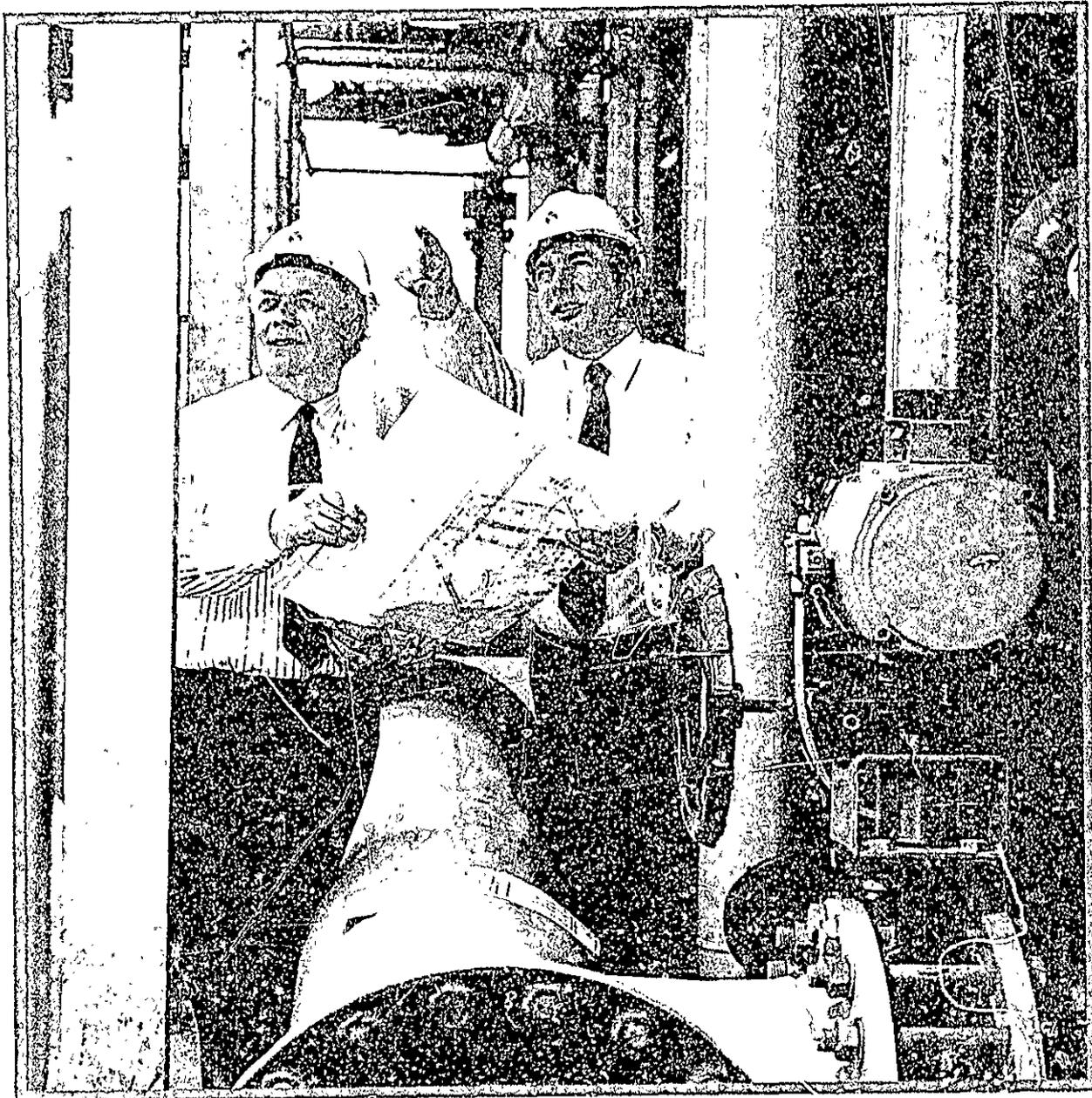
Systems technology

Waste management

Property

Specialist services and products





Martin Webster with William Untch, Managing Director of Southern Water Services Ltd, at the new Wastewater Treatment Works at Lymington (Sussex)

The primary business of the Group is the provision of water and wastewater services to over 4 million customers in Kent, East and West Sussex, Hampshire and the Isle of Wight. The strategic focus of this business is directed at achieving the highest level of customer service in the most cost effective way.

Water supply

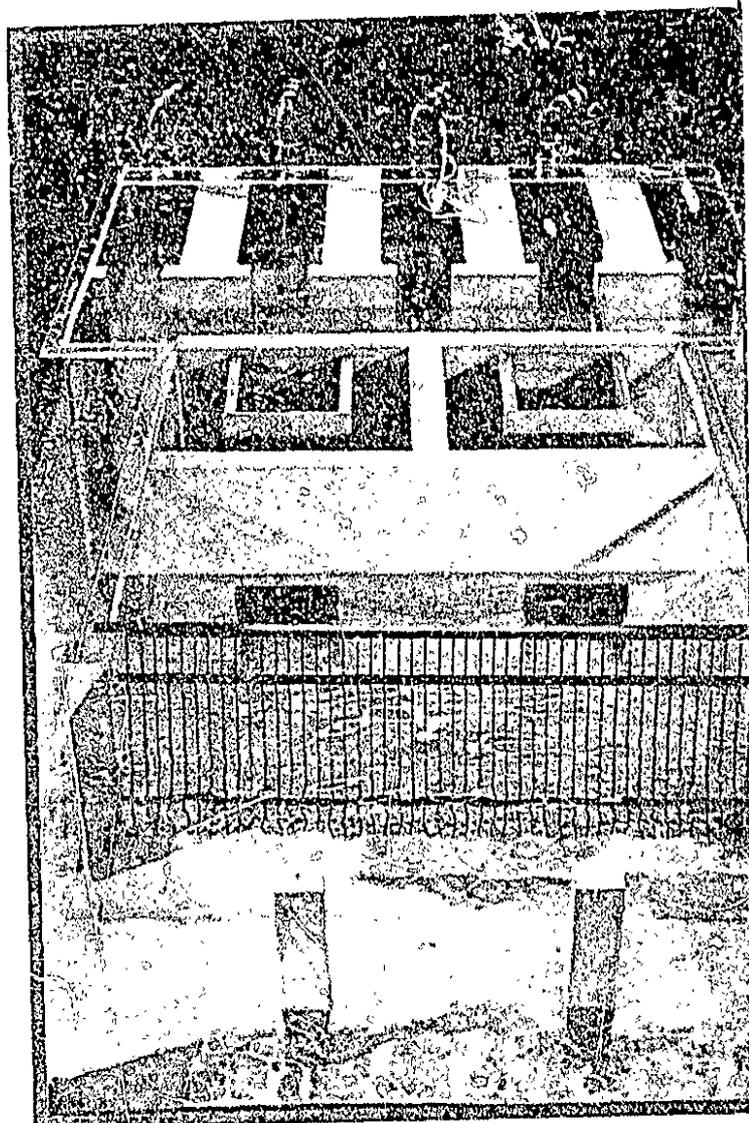
The provision of the highest quality drinking water is of paramount importance. This involves

not only the protection of water sources and the implementation of rigorous operating procedures but also regular monitoring of water quality. Over 275,000 analyses were carried out during the year and in the latest annual report of the Chief Inspector of the Drinking Water Inspectorate it was recorded that Southern Water Services had achieved compliance with the relevant water quality standards for 99.6% of its analyses. This is an outstanding achievement and the Company continues to invest to ensure that this high level of compliance is maintained.

Attention has also been focused on the availability of water resources. The exceptionally dry weather which started in the Autumn of 1988 continued into the early part of the year under review. This necessitated some temporary hosepipe restrictions in Kent, for part of the summer of 1992, but resources held up well and water supplies were maintained to all customers throughout the year. On average some 625 million litres per day of drinking water were put into supply - a small decrease on the previous year. Following the above average rainfall over the winter period 1992/93, resources have recovered well.

A number of important initiatives have been undertaken which will secure the availability of adequate water resources for the future. The first is a much enhanced system for leakage detection and control. This particular initiative, which was reported on last year, is now estimated to have saved enough water to supply a city of the size of Southampton. Improved leakage detection and control also requires the support of our customers and a special free phone 'Leakline' service was established to enable customers to report any signs of water escaping from the distribution system. This resulted in over 4,000 calls being received in the first six months of operation.

A second important initiative has been the implementation of the Yalding water transfer scheme enabling water to be taken from the River Medway at Yalding in Kent for storage in Bewl Water. Construction is now underway and when complete will enable up to 30 million litres of water a day to be added to the reservoir's resources. Further integration of the water supply system is being planned to increase operational flexibility and we have continued to invest in specialist plant and equipment to bring previously problematic sources fully into supply.

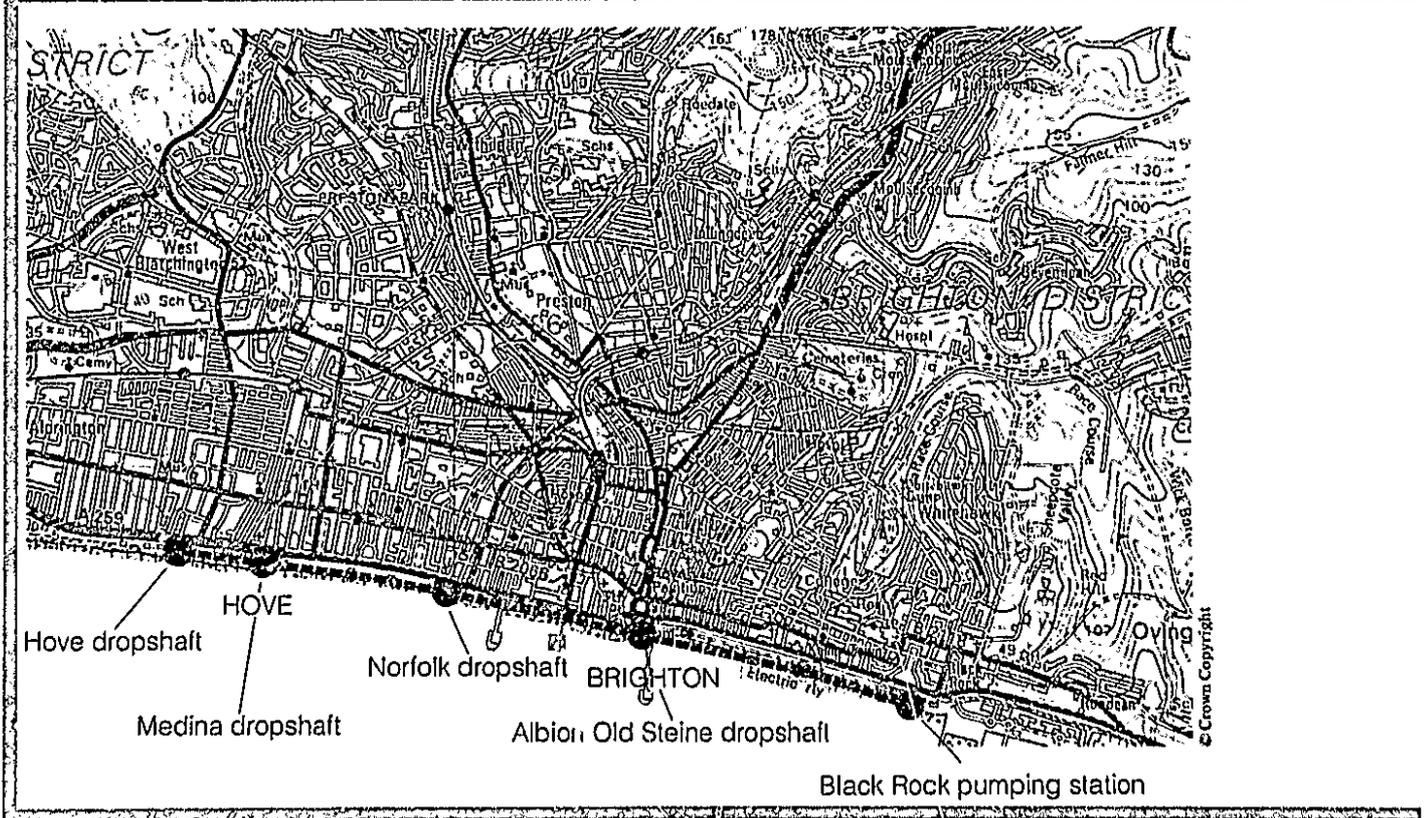


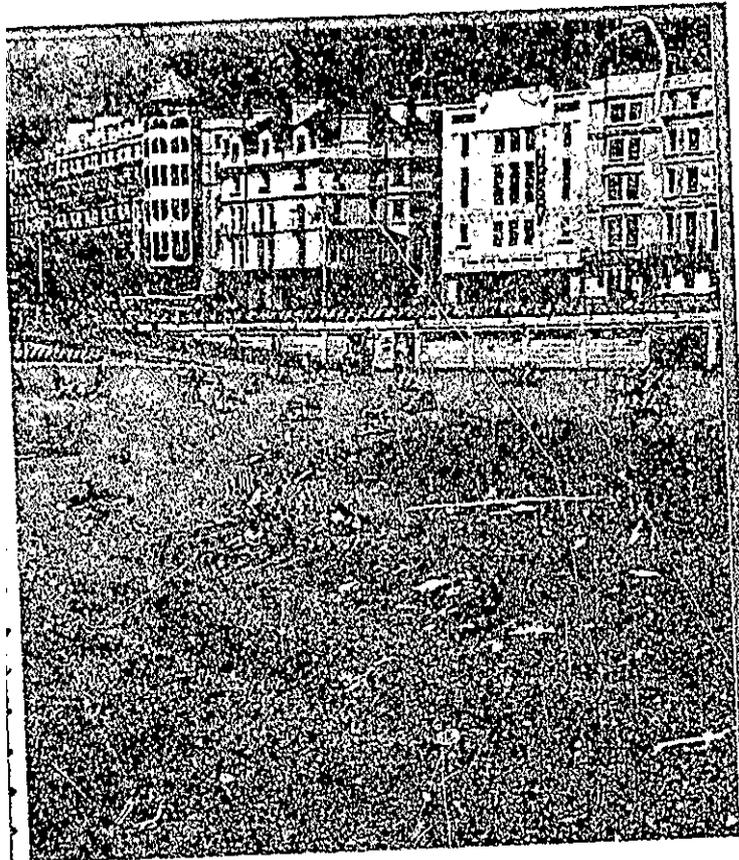
Model of the proposed River Medway intake for the Yalding/Bewl Water scheme

Wastewater treatment

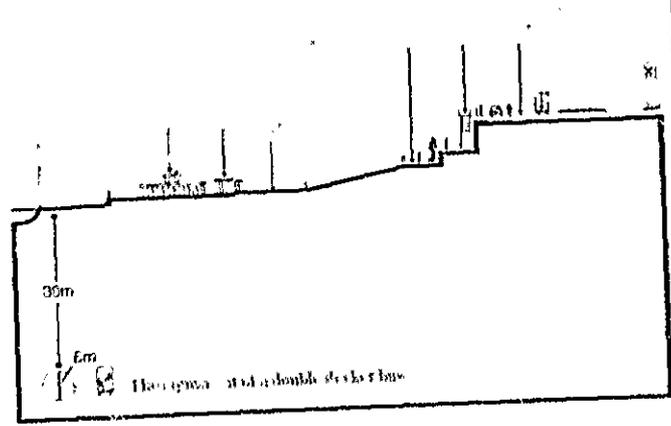
The majority of Southern Water Services' massive capital investment programme has been directed towards further improvements in wastewater operations to achieve compliance with increasingly stringent discharge requirements. Significant progress has already been made and at the end of March 1993, over 98% of our 369 wastewater treatment works were fully complying with their consent standards.

The main focus of the investment programme is now directed towards improvements at coastal





Brighton Beach and the proposed route of the storm water tunnel which is part of Operation Seaclean



wastewater treatment works to ensure compliance with the European Community Bathing Water Directive. "Operation Seaclean" is a £450m commitment to upgrade and construct new coastal wastewater treatment works and to reduce the frequency of storm water discharges into the marine environment. With the exception of the £120m Dover/Folkestone scheme, where planning considerations have delayed commencement, works are on schedule for completion by 1995.

Many of these investment schemes are technically very demanding, such as the £42m scheme at Eastbourne, which will comprise a 3.2km long sea outfall, primary wastewater treatment at Langney Point and flow transfer from the existing short outfall at Pevensey. Similarly some £30m will be spent in Brighton and Hove on a 6 metre diameter tunnel (taller than a double-decker bus) which will run for 5 kilometres from Hove to Brighton Marina. This huge tunnel will have enough capacity to store some 123,000 cubic metres of wastewater to reduce the risk of storm flows discharging directly into the sea during periods of heavy rainfall.

On 1 April 1992 the day-to-day management of our underground sewerage network for most of the Region was transferred from local authority agents, to the direct control of Southern Water Services. Having immediate control of the network has resulted in operational improvements, efficiency savings and enhanced investment planning for the sewerage infrastructure. In particular, the confusion about responsibility that many customers previously experienced has now been removed and they are receiving a much improved service.

Customer service

The key measures of service and compliance continued to improve over the last year. The Office of Water Services' report on levels of service for the water industry, published during the year, illustrated that overall, Southern Water Services compares very favourably with the other nine major water companies. We had:

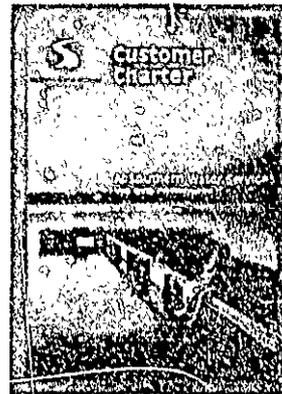
- the lowest percentage of properties at risk from substandard pressure
- the second lowest percentage of properties at risk from interruptions to supply
- the third lowest percentage at risk of flooding from sewers
- a response to billing queries that is rated as good
- a level of customer complaints that is less than half the national average.

Southern Water Services *continued*

A wide range of initiatives have been undertaken to maintain top quality service to all our customers. These include:

- Our Customer Charter was distributed throughout the region in June 1992 with a six point plan detailing our commitment to quality drinking water; a cleaner environment, saving water; helping the elderly and people with disabilities, guaranteed standards and listening to customers.
- A Special Needs Register has been established offering extra services free of charge, such as talking bills, information in large print for the visually handicapped, a priority service for people who use a kidney dialysis machine, special text telephone services for the hearing impaired, a frequent water meter reading service, advice on special water appliances in the home and an option to send accounts to friends or carers.
- Customer Consultative Committees have been established in the county based divisions each comprising 10 members representing domestic customers, local businesses and special interest

Karen Anderson from Customer Accounts answering a query from one of Southern Water Services four million customers



groups to help us to meet our customers' needs in the future.

This year our annual customer satisfaction survey, which is carried out by a leading market research company, was expanded to canvass the views of over 2,000 customers on our services. Questions ranged from the level of satisfaction with current services, expectations for the future, priorities for improvements and willingness to pay. The majority of interviewees were satisfied with the overall level of service and highlighted their priorities as being further improvements in drinking water quality and improving the quality of wastewater discharges, reducing the risk of flooding from sewers and reducing leakage.

The outcome of this survey has been of great value in shaping our consultation document for customers, "Preparing for the future". This outlines the progress that the Company has made since privatisation in implementing the required standards. It describes our proposals for meeting customer preferences and complying with higher standards and new legislation up to the year 2005.

The preferred investment plan will require additional expenditure to comply with existing legislation for both wastewater treatment and enhancements to drinking water quality. As this could result in the average customer's bill rising by over 9% a year above inflation, we are urging Government to consider cushioning customers' future bills by an extended timescale for completion of work associated with the requirements of the Urban Wastewater Directive. Once customers' views on this consultation document have been analysed, they will become an important element in the formulation of our strategic plans for Southern Water Services.

DIVISIONAL HIGHLIGHTS

Hampshire

- Achievement of BS5750 Quality Assurance for South Hampshire water supply operations.
- Wastewater treatment works were completed at Bishops Waltham (£6.3 million), at Morestead near Winchester (£2.7 million) and at Liss near Petersfield (£2.2 million).
- The closure of Bolley wastewater treatment works and the transfer of flows to Peel Common completes a £10 million investment to improve the quality of the River Hamble and its important estuary.
- The water supply to the city of Winchester was reinforced by the completion of a £2.1 million pipeline from the Otterbourne water treatment works.

Isle of Wight

- The Cowes sewerage and wastewater treatment works was commissioned following a £15 million investment with significant improvements to bathing water quality.
- The Newport intercepting trunk sewer which cost £4 million was completed.
- Work has started on the £2.6 million (Lland and Yarmouth) wastewater transfer scheme which will enable three short marine outfalls to be closed.
- Planning applications were submitted for the £11 million Ventnor Operation Seaclean scheme and feasibility studies completed for the £5 million Bembridge marine outfalls scheme.

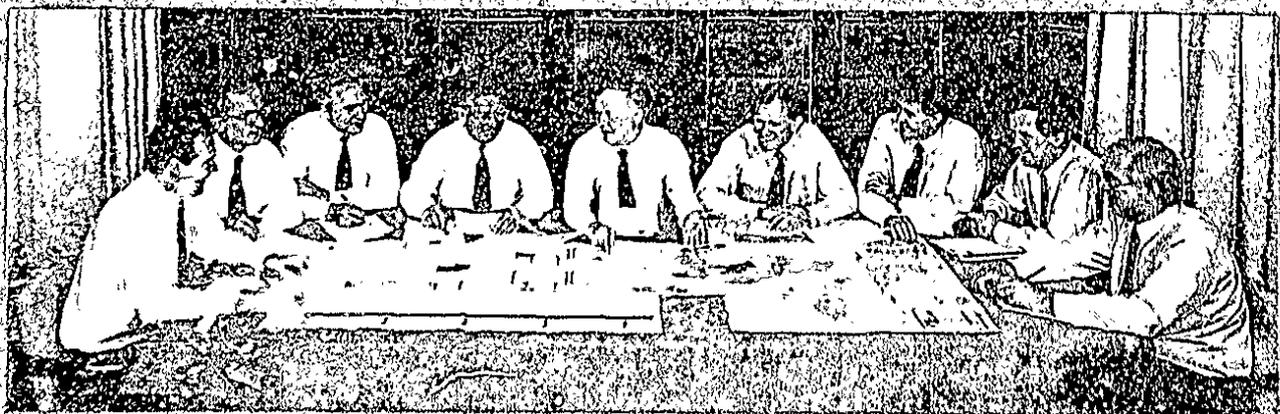
Sussex

- Approvals were obtained for the Operation Seaclean investment in wastewater treatment at Worthing and Eastbourne and work commenced on site in 1993.
- Preliminary work including exploratory site investigations have started on the £30 million stormwater storage scheme for Brighton and Hove.
- Following a £1.4 million investment the major new wastewater treatment works at Goddards Green was opened by David McBean, MP, Minister for the Environment.
- Jacqueline, the MP for Hastings & Rye officially opened the £5 million new high technology water supply works at Breda.

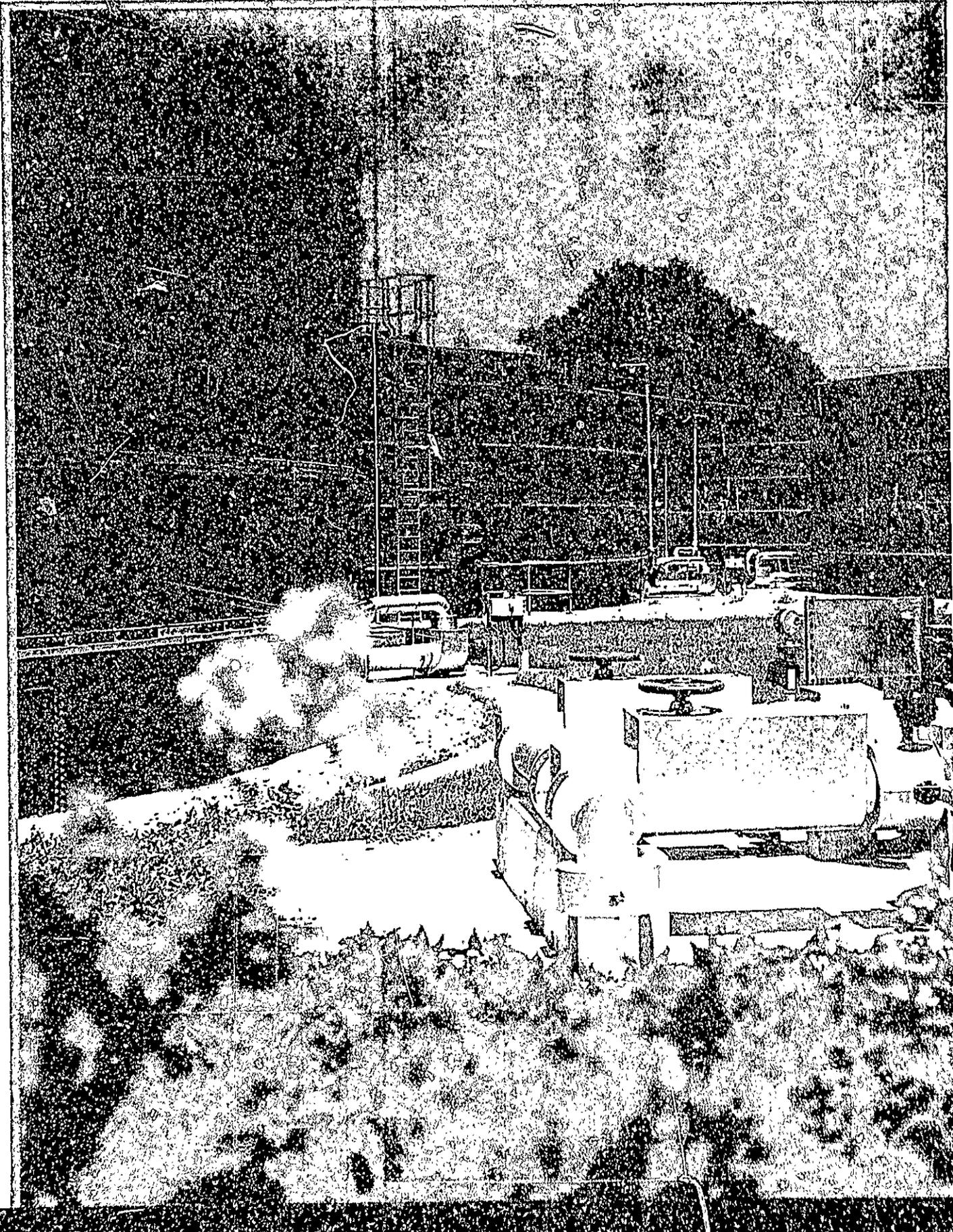
Kent

- Planning approvals were granted for the Operation Seaclean sites at Richborough and Herne Bay. Work has commenced on site for the Swalescliffe scheme. Planning approvals being sought for the proposed £120 million Folkestone/Dover scheme.
- The fine screens and screening removal systems installed at marine wastewater treatment works produced the best ever water quality compliance results on bathing beaches.
- Introduction of a code of practice for East Kent farmers known as Operation Spraywise. The aim is to reduce the use of water by encouraging greater storage and an agreement not to spray crops between 10.00 am and 4.00 pm.
- Work has started on the construction of the £15 million pumping station and raw water trunk main between the River Medway at Maidstone and Bewl Water reservoir to increase the security of supply to customers.

The Water Services Management team - (L-R) Barrie Delacour (Director of Regulation and Planning), Stuart Derwent (Director - Hampshire), Richard Clayton (Technical Director), Graham Heyes (Chief Solicitor), William Cutting (Managing Director), Graham Satterfield (Deputy Managing Director), Eric Hutchinson (Finance Director), Alistair Smith (Director - Sussex), David Stuthorpe (Director of Customer Affairs)

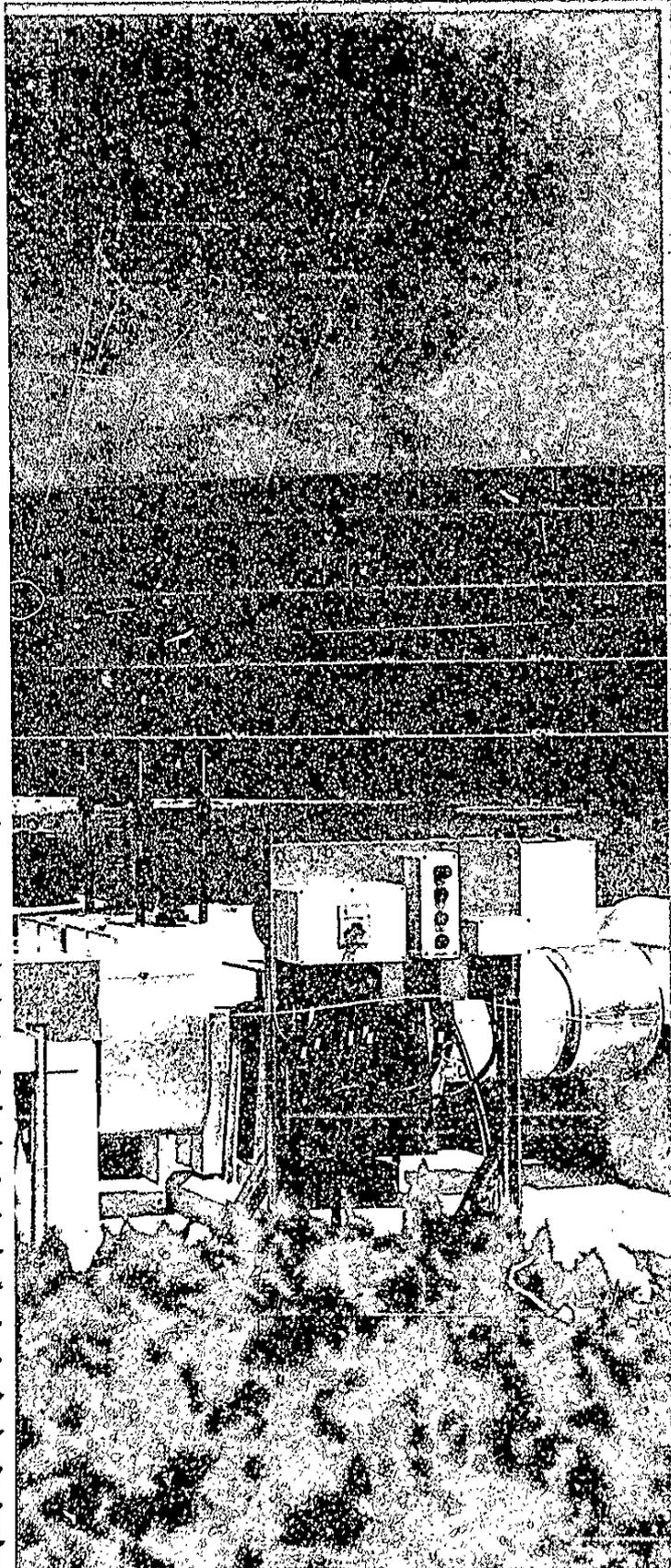
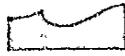


Engineering design



Southern
Projects
Ltd

McDowells



This sector provides a comprehensive engineering design, project management and consultancy service in civil, geotechnical, structural, highway and environmental engineering through Southern Projects Ltd, McDowells Ltd and Coastal Wastewater Consultants Ltd. Their key strengths are professional expertise, quality and cost effectiveness. Subsequent to the year end, Ray Collett, formerly Divisional Director for the Isle of Wight, was appointed Managing Director of this sector.

During the year a large number of projects were completed including Phase 3 of the Pennington Sea Wall, designed for the National Rivers Authority and recently highly commended by the client and Hampshire County Council for its 'sensitivity in design'. An instruction for Phase 4 of the scheme has subsequently been received. The number of external clients continues to grow. Research work has also been carried out into the applicability of new technologies in the design of compact wastewater treatment plants.

McDowell's expertise in contaminated land investigations, complemented by the analytical and site investigation services of Southern Science is proving to be a particularly valuable combination for clients in this growing market sector. These skills have been further expanded during the year by the formation of a geotechnical section and several projects in the UK and overseas were successfully completed.

Laboratory analysis and environmental assessment

SCIENCE

AQUACLEAR

In addition to providing a wide range of analytical services the laboratories of Southern Science are structured into centres of excellence for specific analyses. The Hampshire laboratory specialises in the analyses of pesticides and complex organics, the Sussex laboratory in metals and the Kent laboratory in analytical work associated with waste management. The Company is further increasing the range of services available and now has a very wide customer base. A significant development during the year was the purchase of a flow cytometer in order to provide a rapid analytical capability for the cryptosporidium organism.

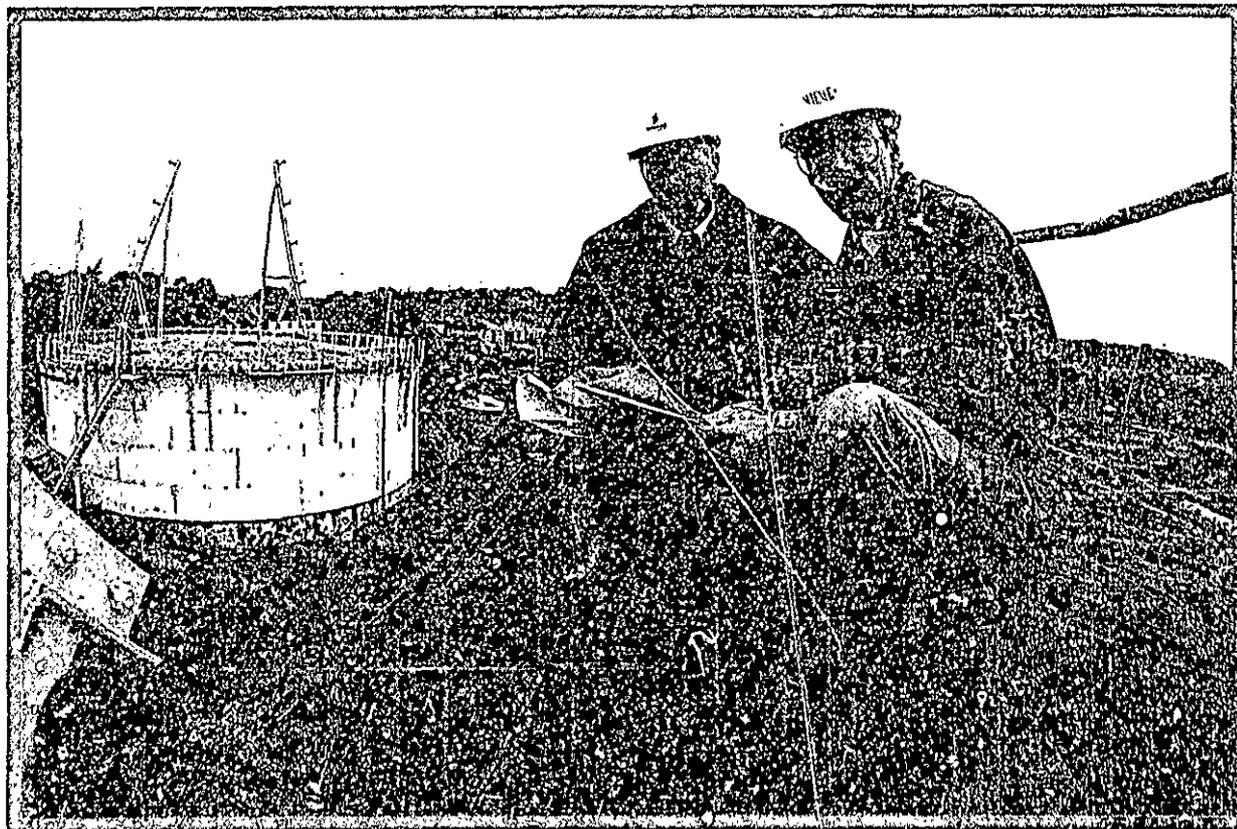
The environmental consultancy section has also developed strongly in response to customer requirements for detailed advice necessitated by the enactment of increasingly stringent environmental legislation. The synergy between the laboratory and consultancy groups provides customers with a comprehensive service of the highest calibre. Customers include other water companies, local authorities, waste management companies and property developers. It is particularly pleasing to report the award of a contract by the National Rivers Authority to train key

professional staff on their new Groundwater Protection Policy.

The mobile drilling rig, Geoprobe, and the associated mobile laboratory, Geolab, are increasingly in demand for on-site analysis, particularly for work associated with contaminated land assessment. The Company has also opened a new regional office in Cheshire, a further phased expansion of its business.

Aquaclear Ltd has continued to gain hygiene maintenance work in the commercial market.

British Gas official with Tony Bear (right) from Southern Science which has been commissioned to undertake the analysis of the chemical residues during the dismantling of a gas works



Systems technology

IT SOUTHERN

TYNEMARCH

SECTRON

IT Southern Ltd has expanded further in the cable television/telephony market, and in the provision of software services to local authorities and other utilities. Significant growth has also been achieved in the provision of training services and the marketing of selected niche software products designed both in-house and in partnership with recognised brand leaders in the IT industry.

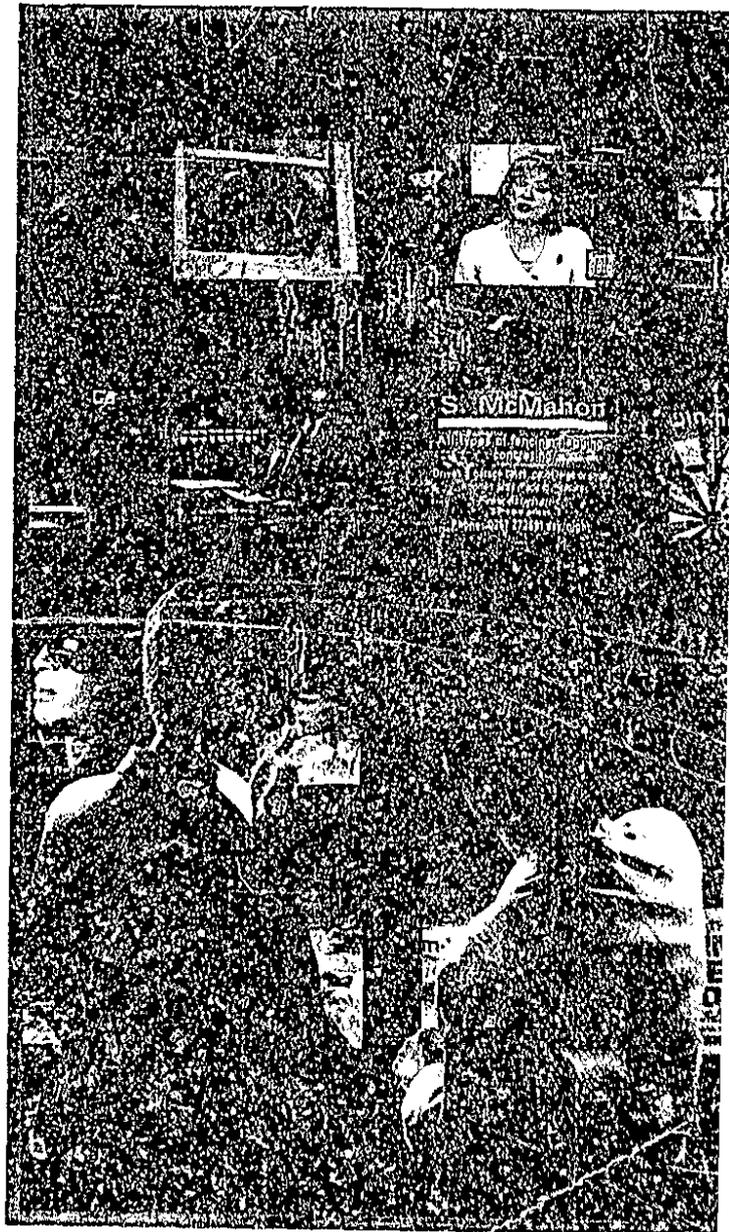
Servicing the cable television sector, IT Southern's CABLECOLLECT billing and payment processing service now issues several million cable television and telephone bills per annum and processes a huge volume of remittances. As a result of this growing success, the service is being extended to new market sectors under the name of CASHCOLLECT.

Sectron Systems Ltd provides high-technology security products and services. While the security industry has been severely affected by the recession, with both equipment and system sales depressed during 1992, Sectron's main monitoring business continues to show substantial growth. New customers are responding to the quality and professionalism of the company's state-of-the-art monitoring facilities and communications networks. The Company's monitoring centre in Hampshire and associated services have now achieved certification to British Quality Assurance Standard 5750. This is in addition to obtaining the British Standard 5979 certification for remote monitoring control stations which was granted by NACCOS, the national approval council for the security industry.

Tynemarch Systems Engineering Ltd specialise in the field of systems analysis and software development with a particular focus on mathematical modelling techniques to develop procedures which minimise operating costs and

maximise the benefits of capital investment. Tynemarch is a market leader in the provision of software and consultancy services for the efficient management of water distribution systems, particularly relating to on-line control, where optimisation techniques are used. In the last year the company has also developed the application of risk analysis techniques to assess the probability of systems failure and to identify remedial measures.

The control room of Cable North West, which uses IT Southern's CABLECOLLECT billing system



Waste management



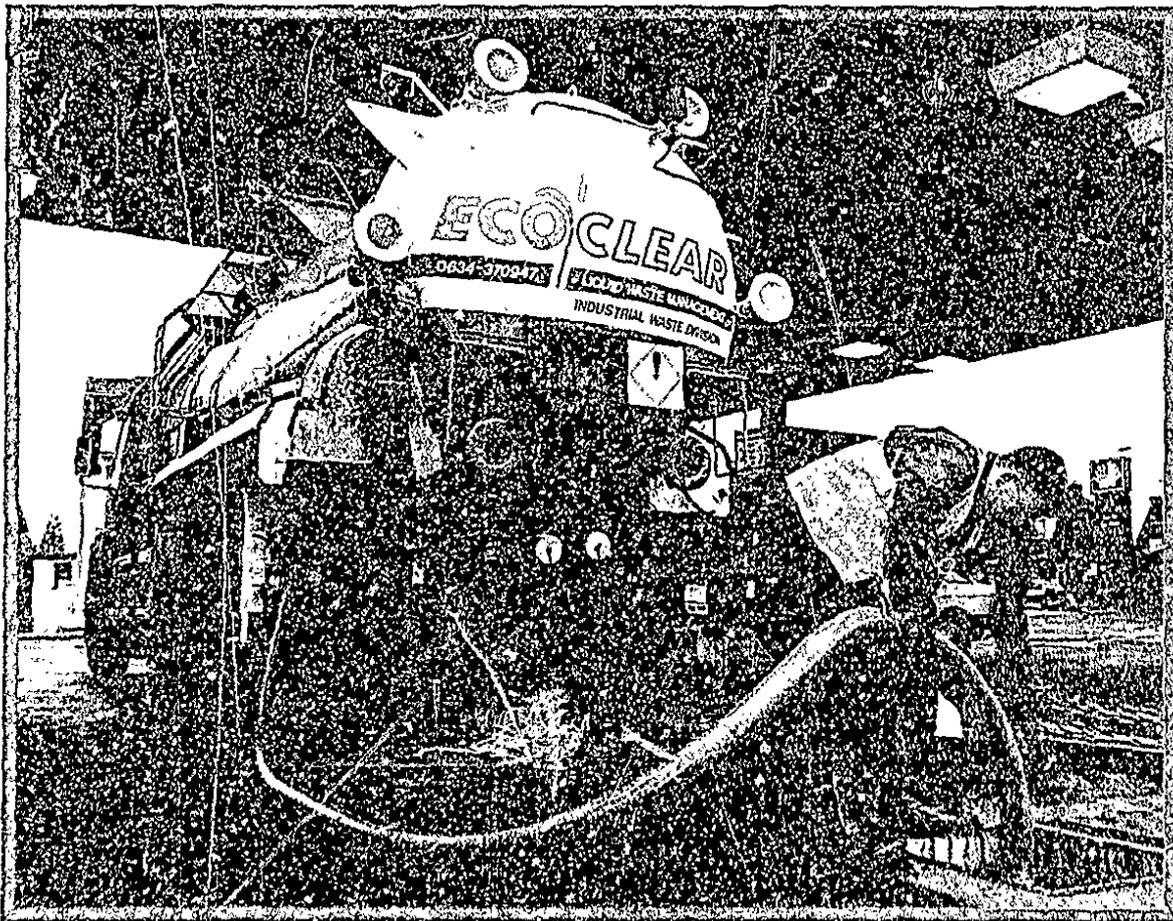
This has been a year of expansion in our waste sector activities. EcoClear Ltd in particular has strengthened its position in the liquid waste collection and disposal market for both domestic and industrial waste. It now carries over 150 million gallons of wastewater every year for a growing number of customers. It has also been granted planning permission for a new industrial wastewater treatment plant in North Kent to be constructed in 1993. This is the first of its kind in the Region and will treat acids, alkalis and oily wastes. The oil will be reclaimed for re-use as industrial boiler fuel. EcoClear's services for unblocking drains and closed-circuit television surveys of sewerage systems have continued to gain new customers.

The activities of Greenhill Enterprises Ltd in gravel extraction and landfill operations have been complemented by the acquisition, subsequent to the year end, of E. S. Taylor (Worthing) Holdings

Ltd. This Sussex based Company operates landfill sites and is also active in mineral extraction and the recycling of construction waste and other materials.

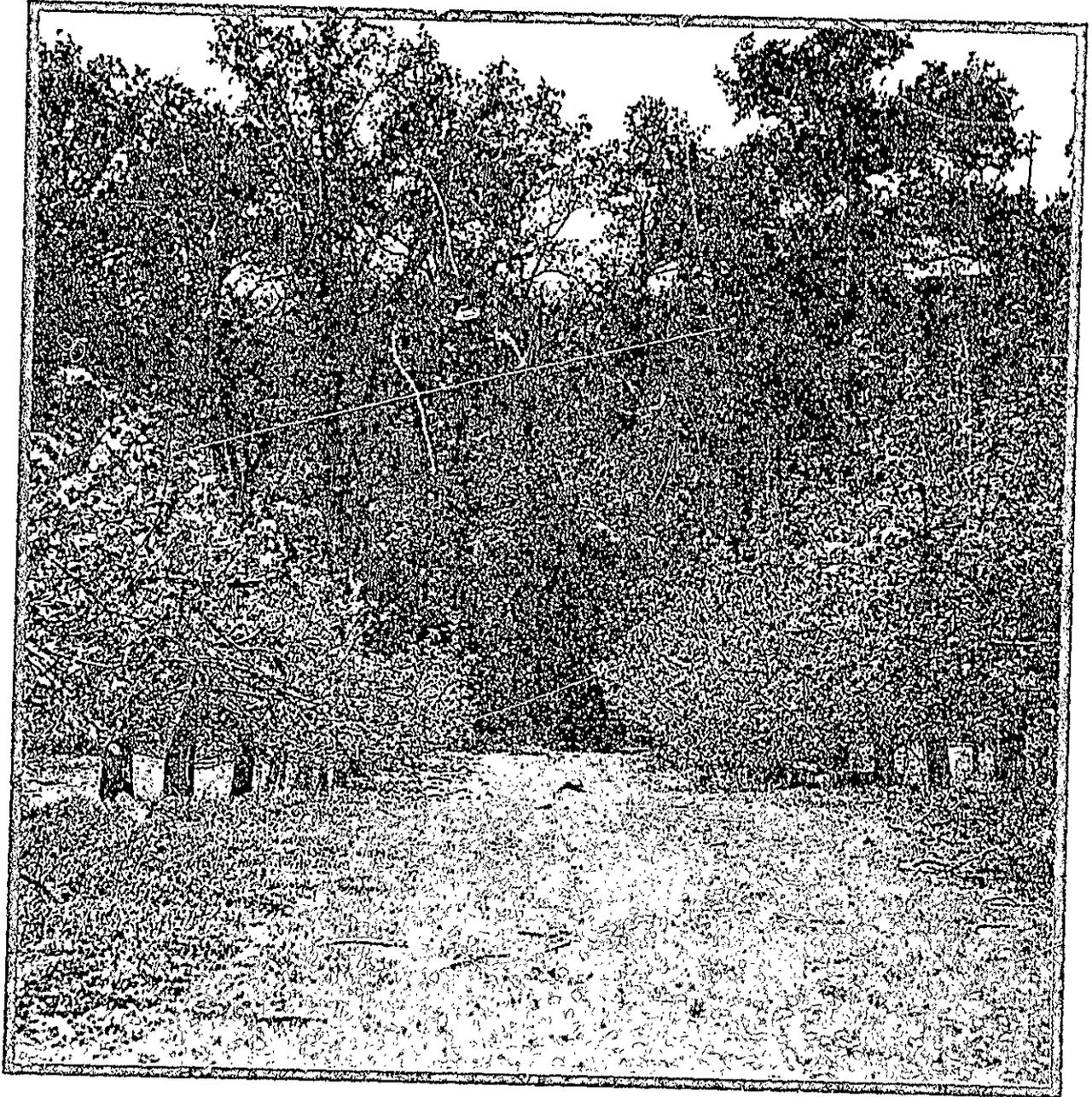
The Group has also formed a joint venture company, Clinical Waste Ltd, in which Southern Water plc holds 55 per cent of the equity. The other shareholder is MediWaste (NZ) Ltd, a New Zealand based company specialising in the collection and disposal of clinical waste. Significant opportunities exist in this market resulting from recent changes in legislation which will require much higher operational and control standards. The Company offers technology which fully complies with the demanding consent standards that must be met by 1995 and it has already been granted a licence to construct and operate an incinerator at a major London hospital. This will be operational by the autumn of 1993 and further opportunities are being pursued.

Kevin Jeavons and Andrew Bird (right) of EcoClear working on a garage forecourt as part of a regular contract



Property

MONK
RAWLING
LIMITED
CHARTERED SURVEYORS



The apple orchard on the Woodstock Green Estate which is managed by Monk Rawling

Monk Rawling Ltd offers a complete range of commercial and professional services, together with agency and estate management expertise for urban and rural properties. While the property market has remained depressed throughout the year, the Company has received a wide variety of commissions. These have included rating assessments, property valuations for lending

institutions and rent reviews or lease renewals for major commercial organisations.

Bowsprit Property Development Ltd identifies and implements property and development opportunities. Planning approvals have been gained for several sites with market potential and these will be developed when the economy emerges from recession.

Specialist services and products

PAPERSTREAM

Topmark
Vehicle Contracts Limited

WATERCARE

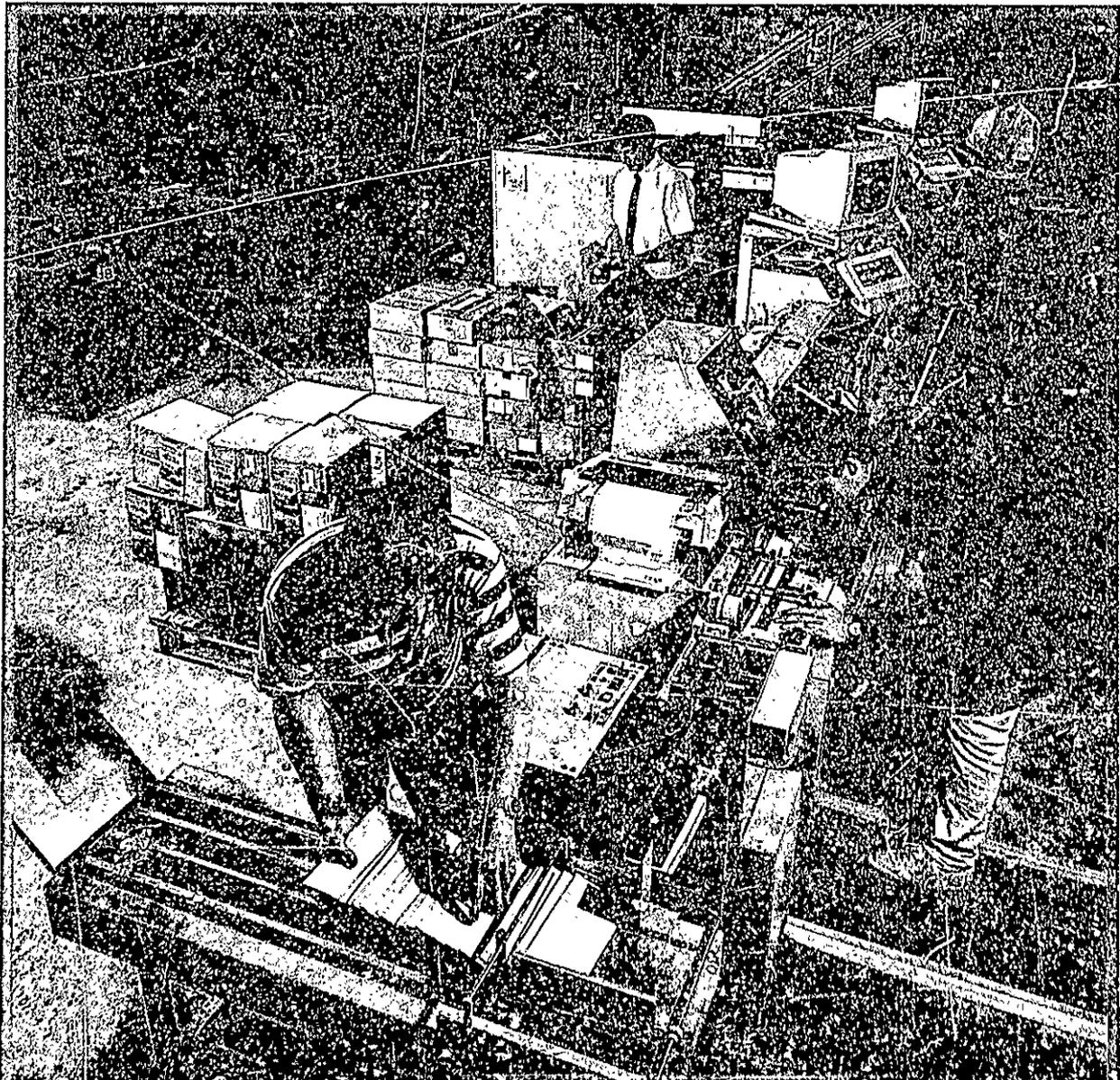
One of the Group's main business development strategies has been to identify skills and resources from within the Group which can be projected into the wider market place. This year, for example, Paperstream Ltd has been established to provide an integrated service comprising printing, paper handling, mailing and remittance processing. Paperstream is also working closely with IT Southern on the application of CASHCOLLECT to provide a totally comprehensive billing despatch and collection service. A number of major customers have been won, including a major publisher and the Company is already handling several million items of mail.

Topmark Vehicle Contracts Ltd has achieved steady

growth over the year, despite the difficult trading environment and now has over 100 customers across a wide spectrum of industries and geographical locations. The Company is closely focused on developing contract hire products which are tailored to meet a customer's specific requirements. The major operating centre of the Company is based in the West Midlands, a key strategic location for exploiting the growth in the heavy commercial vehicle market. The commercial vehicle contract hire interests of Evans Halshaw were acquired during the year.

To optimise the resources of the Company and to gain economies of scale, the plumbing operations of Southern Watercare and the heating, ventilation and

(L-R) Ian Bannell, Mike Tourle, Ian Shaw and Jeti Mills working on one of the mailing machines used by Paperstream



LONGLEY
The Heating and Plumbing Engineers

**HAZELEY
DOWN**

maintenance skills of M W Longley will be integrated with Pipeworks Ltd which has been developed to provide a comprehensive service in the fields of pipe and sewer laying, pipe surveys, renovation, replacement and plumbing services.

Hazeley Down Mineral Water Company Ltd has continued to develop sales outlets to the wholesale trade market, directly to hotels and restaurants and now also has outlets in the retail market. The Company has won the contract to supply Forward, the Civil Service catering organisation for the next two years.

Research and development

Southern Water maintains a strong commitment to Research and Development and in the last year some £6 m was invested. National programmes are funded through such bodies as the Foundation for Water Research and the Water Research Centre. Internal research is undertaken in conjunction with the Group's Scientific and Engineering Divisions as well as with external bodies such as universities, research contractors and consultants.

A large number of projects were undertaken in the year, many of which were directed at improving operational efficiency or safeguarding existing works compliance. These included pilot studies of advanced oxidation processes and methods for the removal of pesticides and other organic contaminants from water sources. Further work was carried out on preparing a comprehensive sludge strategy and evaluation of alternative treatment and disposal methods.

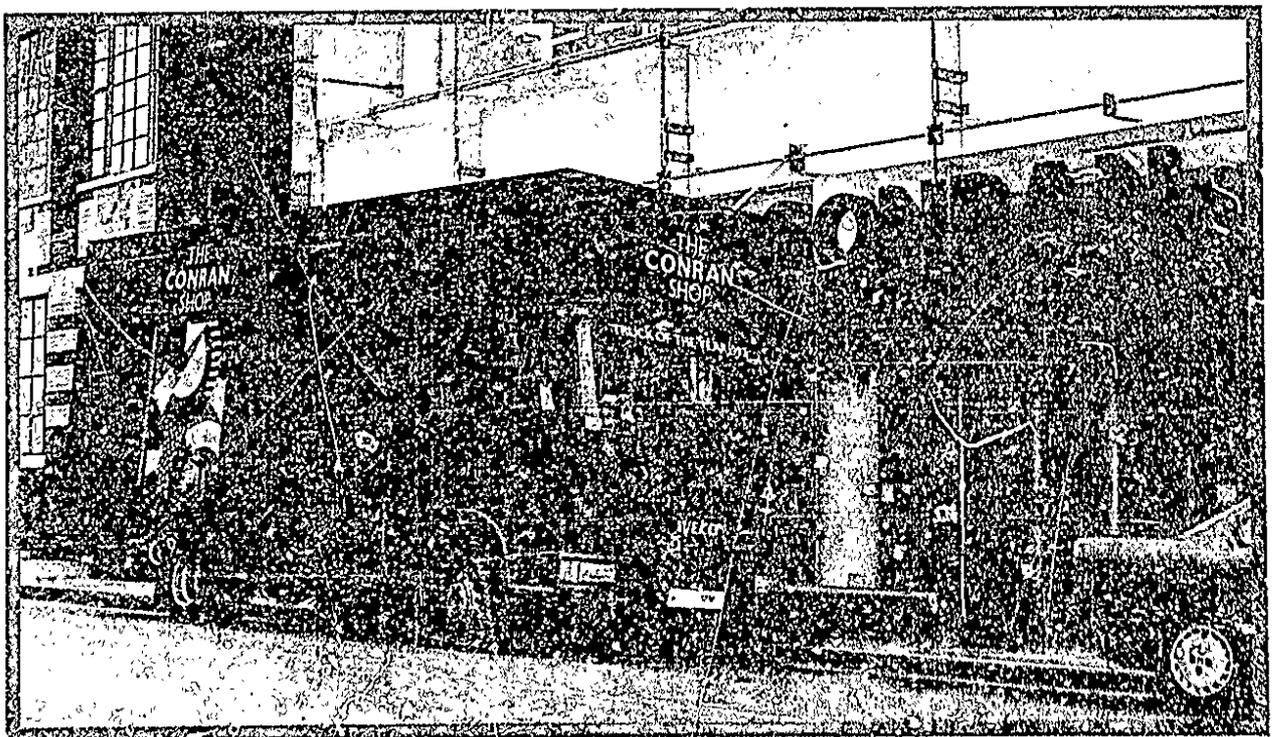
In addition, several major projects were carried out in support of Operation Seaclean. These included trials of the lamella separator process, a compact form of settling tank for wastewater treatment and the evaluation of a full scale ultra-violet disinfection scheme for wastewater effluent.

Investment was made in the development of computer hardware and software applications to improve the Group's business efficiency, including projects on digital mapping, treatment process modelling and network systems modelling.

Research and development is a key strategy component for the successful development of the Group.

Martyn Webster
Group Managing Director

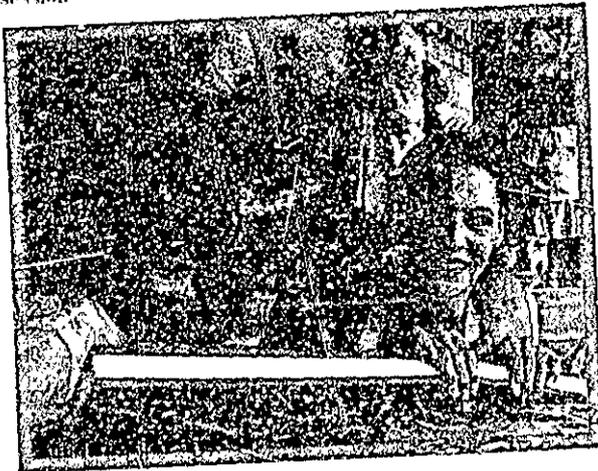
One of the many well known names who are customers of
Topmark Vehicle Contracts Ltd



The community



The Chairman at the launch of another happy 'Learn to Swim' session



As one of the major employers in the area the Group is conscious of its wider influence in the community. Our operating and investment expenditures contribute over £150m to the economy of the region and our successful development enables the Group to continue to provide an increasing number of employment opportunities.

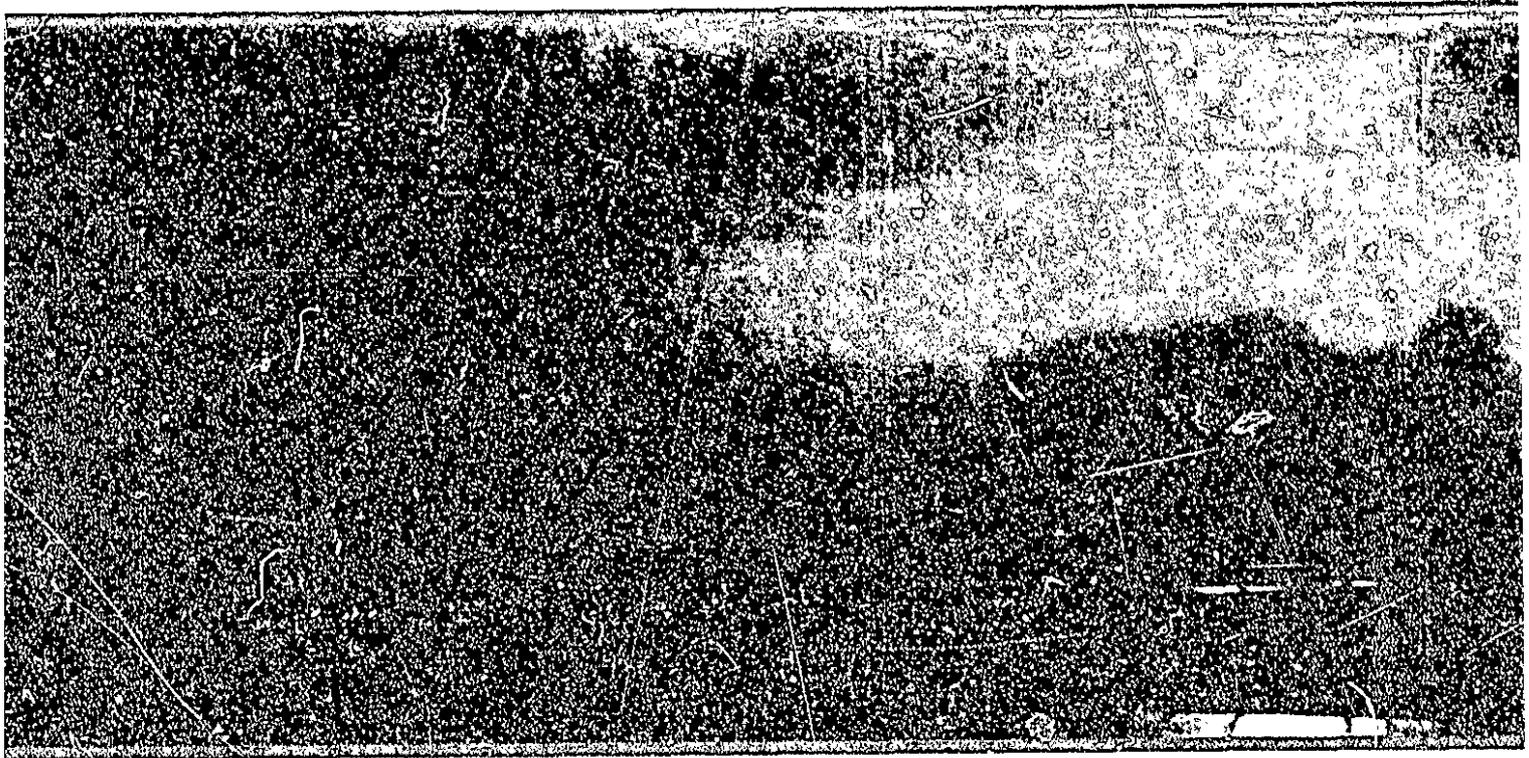
Employees are encouraged to become involved in community activities and we are committed to opening our doors to illustrate the range and complexity of our operations. During the year our on-going programme of "Open Days" attracted over 10,000 shareholders and customers to events at works across the region. Staff have made many presentations to customer groups, schools, community organisations and other bodies to foster an awareness of our role in the community.

Southern Water sponsors the "Learn To Swim" scheme with the Amateur Swimming Association (ASA), aimed at encouraging young children throughout the region to learn to swim. Swimming is a gift for life and we are providing a full range of equipment and swimming aids to over 30 participating centres, as well as supporting special training for the ASA-qualified instructors teaching the children. The three year scheme was launched by our Chairman and the Secretary of the ASA with the assistance of Zara Long, the Olympic swimmer. By the end of the year over 25,000 children had received lessons under the scheme.

During the year staff, shareholders and customers donated over £80,000 to the WaterAid charity. WaterAid projects are aimed at third world countries to ensure a supply of safe water and the prospect of a healthier future. Helping some of the world's poorest people to improve their lives through their own involvement in these projects also produces wider social benefits to those communities. There is still much more to be done and the Group will continue to provide active support.

Many other carefully selected organisations in the sport, arts and education fields have been supported including The Royal Life Saving Society, a relief mission to Romania with vehicles organised by Topmark Vehicle Contracts and the donation of computers to the Citizens Advice Bureau, the Royal Marines Heritage Museum, the St John Ambulance Brigade and several schools.

The environment



Sunset over Bewl Water

Southern Water is dedicated to protecting and enhancing the quality of the environment. In recognition of the importance of our business activities to the environment, the Board are directly advised by the Group Technical Director who has overall responsibility for environmental matters.

Our environmental policy expresses how the Group will conduct its activities so that the environment is protected and, where possible, enhanced. In particular we will:

- minimise environmental impact and the use of raw materials and energy;
- comply with statutory standards;
- provide environmental information in respect of Group activities;
- safeguard the health and safety of Group employees and enhance their environmental awareness;
- protect the aquatic environment and conserve nature;
- undertake environmental impact assessments and audits of compliance.

Each individual subsidiary company has this year prepared its own environmental statement. Audits of the subsidiaries to test their adherence to the

Group policy will be carried out. Our environmental newspaper, Conservation Matters, is widely circulated to staff, shareholders, environmental groups, schools, public libraries and other community groups, to increase environmental awareness and regularly report on our achievements.

In support of the Group's environmental policy to recycle where possible, an extensive market survey was carried out on the possible applications of wastewater sludge. Trials on the most effective use of digested, composted and dried sludge in agriculture and forestry are under way.

Following the success of our "Pond Week" concept on the Isle of Wight, the initiative was launched across the Region in September, in liaison with the British Trust for Conservation Volunteers. Ponds have been renovated and new ones created, often in school grounds, to improve the habitats for wildlife to flourish. Some 17 separate projects, including those at Edenbridge, Maidstone and Scaynes Hill, were completed. On the Isle of Wight, clearing and landscaping work carried out by Southern Water at Carisbrooke Pond, Newport, gained a highly commended award from the Southern Tourist Board in their environmental initiative scheme.



From left to right: Mr Martin Webster, William Courtney, Vivian Thomas, Stanley J. B. P. Ian Dierckx, Philip Girle, Francis M. McNeill, Keith Lozer, Graham Mitchell (Secretary)

Corporate governance

The Board

The Board of Directors meets regularly throughout the year and is responsible for the overall direction of the Group: approving business strategy, acquisitions, major capital expenditure projects and significant financing matters. It also regularly reviews the financial performance of the Group and subsidiary companies. The Board has established a number of standing committees and each committee operates within defined terms of reference. Day to day management of the Group is delegated to an Executive Committee comprising all of the Executive Directors. There are also an Audit Committee and two Remuneration Committees as detailed below.

Audit Committee

The Audit Committee is composed entirely of Non Executive Directors. It meets at least three times a year to monitor the adequacy of the Group's internal controls and to review the internal and external audit activities. It also reviews the half year and annual financial statements before submission to the Board. The external auditors and the Finance Director are invited to attend all Audit Committee meetings although an opportunity is provided for Non Executive Directors and the auditors to meet in private.

Remuneration Committees

There are two remuneration committees. One

meets at least once a year to review the terms and conditions of employment of the Executive Directors and consists entirely of Non Executive Directors. The second committee, consisting of the Chairman and two Executive Directors, meets when required and reviews the terms and conditions of Non Executive Directors. No director plays a part in any discussion involving his own remuneration.

Pensions

The principal scheme has six trustee directors, Mr William Courtney, Mr Philip Girle and four other members who are not directors of the Company. The power of appointment of new directors is vested in Southern Water plc.

Day to day administration is delegated to Hartshead Ltd, a pension fund manager. The assets of the pension schemes established for the benefit of the Group's employees are held separately from those of the Group by the Bank of Scotland acting as custodian trustee. Asset management is delegated to a specialist independent company, Queen Anne's Gate Asset Management Ltd. On 31 March 1993, shares in Southern Water plc represented 3% of the investment portfolio of one of the schemes.

All schemes' accounts are audited annually by auditors other than those of Southern Water plc. Members of the schemes receive an annual statement of their accrued benefits and a special edition of the trustees' annual report.

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 materials producer 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 and was appointed Executive Chairman of the Company in September 1989.

Mr Courtney is also Chairman of the British Board of Agreement which assesses and certifies new building materials.

Martyn Webster BSc(ECON) FCA

Group Managing Director

Martyn Webster was appointed to his present position in January 1993, previously being Group Finance Director since the inception of the Company in 1989. 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.

Francis Midmer

C ENG, FICE FIWEM FBIM

Group Technical Director

Francis Midmer retires from being Group Technical Director in August 1993, having worked in the water industry since 1949. He will remain as a Non Executive Director. He is a member of the Board and Management Committee of the Foundation for Water Research.

Raymond King BSc FCA MCT

Group Finance Director

Raymond King joined the Board in January 1993 having been appointed Group Finance Director designate in June 1992. He had previously worked for ICI plc for fourteen years, most recently as Controller, corporate operations. He joined ICI from Price Waterhouse where he qualified as a chartered accountant.

Keith Tozzi

BSc MA CENG FICE FIWEM FBIM

Deputy Group Technical Director

Keith Tozzi was appointed to the Board in January 1993 and assumes the post of Group Technical Director from 1 September. He has served in the water industry since 1966 and has played an important role developing the company's water and wastewater operations in a number of senior posts.

Brian Thorpe CBE LL.M

*Non Executive Director**

Brian Thorpe has been Deputy Chairman since 1989 and retires as a Director at the close of the Annual General Meeting. He was formerly Chief Executive and Deputy Chairman of Southern Water Authority. 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 Girdle FCIB FBIM

Non Executive Director†*

Philip Girdle was appointed to the Board of Southern Water Authority in 1986 and became a Director of the Company in 1989. He is a former Director and General Manager of National Westminster Bank, and a former Director of the Yorkshire Bank. Mr Girdle is Chairman of the Audit Committee.

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, Chairman of the British Road Federation and a Director of Jaguar Ltd.

John Westhead

MA DPHIL C ENG FIEE CBIM

Non Executive Director†

John Westhead is joining the Board in July 1993 having previously served on the Board of Southern Water Authority from 1988 and as a Director of the Company to 1992 until his appointment as Chief Executive of Bowthorpe plc, a position he still holds. He was previously general manager of GEC Henley and managing director of the Philips subsidiaries, Pye Telecommunications and Pye TMC, before joining Bowthorpe in 1979.

*Member of the Audit Committee

†Member of the Remuneration Committee

Graham Nicholson JPFA
Company Secretary

Southern Water plc

Registered Office:

Southern House

Yeoman Road

Worthing

West Sussex BN13 3NX

Registered in England
No. 2366620

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 March 1993.

Business review

A review of the principal businesses of the Group and of their development in 1993 is contained in the Chairman's Statement and the Managing Director's Review on pages 2 to 21. The financial statements for the year ended 31 March 1993 are on pages 29 to 44 and include in note 1 a segmental analysis of turnover and profit for the year between the principal activity of water supply and wastewater services and other activities.

Profit and dividends

Profit on ordinary activities before taxation was £119.2m (1992 £115.1m including an exceptional profit of £6.0m). Excluding the exceptional profit there was therefore an underlying increase in pre-tax profit of £10.1m (9.3%). Profit attributable to ordinary shareholders amounted to £109.4m (1992 £105.3m). An interim dividend of £11.7m (7.1p per ordinary share) with a scrip alternative was paid on 1 April 1993 and, subject to approval at the Annual General Meeting, a final dividend of £23.6m (14.2p per ordinary share) is proposed which will be paid on 1 October 1993 to shareholders on the register at 5 July 1993. A scrip alternative is being offered for the final dividend. The retained profit for the year, after deduction of dividends, amounts to £74.1m and has been transferred to reserves.

Share capital

The ordinary share capital of the Company increased by £1.5m in the year; details of the movements are given in note 18 to the financial statements. The issued share capital at 31 March 1993 was 165,820,084 ordinary shares of £1 each.

As far as the Directors are aware, no person had a beneficial interest in 3% or more of the issued ordinary share capital at 17 June 1993 except for the following:

Prudential Portfolio Managers Ltd	8.04%
Gartmore Investment Management Ltd	3.75%
Morgan Grenfell Group plc	3.05%

Fixed assets

Details of changes in fixed assets during the year are summarised in notes 9 and 10 to the financial statements.

Investments

During the year the Company acquired 55% of the

ordinary share capital in Clinical Waste Ltd for a consideration of £2.2 million. Subsequent to the end of the year the Company acquired E S Taylor (Worthing) Holdings Ltd for a total consideration in shares and cash of £2.5 million, subject to asset valuation.

Research and development

Expenditure on research and development in 1993 amounted to £6.0m (1992 - £5.8m). Commentary on research and development activities is given in the Managing Director's Review.

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.

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

The 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. Pay is increasingly related to individual performance and employees are encouraged to participate in the Employee Sharesave Scheme. The remuneration of employees included £0.4 million in respect of company shares which were purchased in the market.

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 page 25. The Director retiring by rotation at the Annual General Meeting in accordance with Article 106 is Mr P A Girle, who being eligible, offers himself for re-election. Mr Girle as a Non Executive Director has no service agreement.

Mr R King and Mr K Tozzi were appointed to the Board as executive Directors on 1 January 1993 under Article 89. Dr J M Westhead is being appointed to the Board on 1 July 1993 under the same Article. These Directors will retire and offer themselves for election at the Annual General Meeting. Mr King and Mr Tozzi have service agreements terminable on not less than thirty six months notice. Dr Westhead as a Non Executive Director has no service agreement.

Sir David Nicolson retired from the Board on 31 March 1993 and Mr B R Thorpe will retire at the close of the Annual General Meeting on 19 August 1993. Mr F N Midmer who is retiring on 31 August after over 40 years of full time service in the water industry will remain on the Board as a non executive Director.

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 1993 are set out below, together with their interests as at the date of this report.

	Ordinary Shares			Executive Option Scheme		Sharesave Scheme	
	17 June 1993	31 March 1993	31 March 1992	31 March 1993	31 March 1992	31 March 1993	31 March 1992
W J W Courtney	48,805	48,742	9,378	106,000	190,000	9,160	9,160
M R Webster	49,601	49,440	10,384	57,000	130,000	7,790	7,790
F N Midmer	35,194	35,191	4,759	47,000	130,000	7,790	7,790
R King	250	250	-	40,000	-	4,872	-
K Tozzi	7,442	19,408	1,930	27,000	62,000	17,244	15,296
P A Girle	565	557	540	-	-	-	-
Y E Thomas	250	250	-	-	-	-	-
B R Thorpe	5,994	5,932	5,588	-	-	-	-

Options to purchase fully paid ordinary shares were granted under the Southern Water Sharesave and Executive Share Option Schemes. During the year the following Directors exercised options in

respect of ordinary shares of £1 each: Mr W J W Courtney - 100,000, Mr M R Webster - 85,000, Mr F N Midmer - 85,000, Mr K Tozzi - 40,000.

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. Continuing service contracts are held by Mr W J W Courtney, Mr M R Webster, Mr R King and Mr K Tozzi. Mr F N Midmer's service contract expires on 31 August 1993.

Directors' and officers' liability insurance

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

Donations

Charitable donations during the year amounted to £45,000. No political donations were made by the Company or its subsidiaries.

Close company status

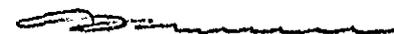
The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Auditors

A resolution to re-appoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The notice of the meeting is contained on pages 46-48 of this Report. The Agenda includes, as an item of special business, the renewal of certain authorities to allot shares.



By Order of the Board
Graham Nicholson
Secretary

17 June 1993

Financial statements

Directors' responsibilities

for the preparation of the financial statements

The Directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and cash flows of the Group for the year. The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

The Directors are also required to maintain adequate accounting records, and are responsible for taking reasonable steps to safeguard the Group's assets and to prevent or detect fraud and other irregularities.

Report of the Auditors

To the members of Southern Water plc

We have audited the financial statements on pages 29 to 44.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1993 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

Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

17 June 1993

Accounting policies

Basis of accounting and consolidation

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

The consolidated Group financial statements include the accounts of the parent company and all its subsidiary undertakings. The accounting year end for all subsidiary undertakings is 31 March with the exception of one subsidiary whose year end is 31 December and 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 financial statements 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 tangible 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 additions to non-infrastructure fixed assets are shown as deferred credits and released to profit over the useful lives of the relevant assets.

Since infrastructure assets are not depreciated, grants and contributions are deducted from the cost of these assets, in order to show a true and fair view. This is in accordance with SSAP4. The Companies Act 1985 provides for such grants and contributions to be shown separately. The effect of this treatment on the value of tangible fixed assets is disclosed in note 9.

Leased assets

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 undertakings is included in the Group profit and loss account, and the Group balance sheet includes the investment in associated undertakings 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 subsidiary undertakings or investments in associated undertakings over the fair value of the net assets acquired, is charged to 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, or at the forward cover rate where forward cover arrangements exist. Foreign currency balances are translated into sterling at the rate of exchange ruling at the balance sheet date.

Deferred taxation

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

Pensions

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 over the expected remaining lives of employees in each scheme. Contributions to the schemes are determined on the basis of professional actuarial advice in accordance with statutory requirements.

Financial Reporting Standard No 3 -

Reporting Financial Performance

The Group has adopted Financial Reporting Standard Number 3, issued by the Accounting Standards Board. This has involved minor presentational changes to the figures for the year ended 31 March 1992.

Group profit and loss account

for the year ended 31 March 1993

	Notes	1993 £m	1992 £m
Turnover - continuing operations	1	<u>319.2</u>	<u>290.7</u>
Trading profit - continuing operations	1,2	119.4	106.1
Exceptional items - profit on disposal of investments	4	<u>—</u>	<u>6.0</u>
Profit on ordinary activities before interest		119.4	112.1
Net interest	5	<u>(0.2)</u>	<u>3.0</u>
Profit on ordinary activities before taxation		119.2	115.1
Taxation	6	<u>(9.8)</u>	<u>(9.8)</u>
Profit attributable to ordinary shareholders		109.4	105.3
Dividends	7	<u>(35.3)</u>	<u>(32.1)</u>
Retained profit for the year	19	<u>74.1</u>	<u>73.2</u>
Earnings per share	8	66.3p	64.2p
Earnings per share before exceptional items	8	66.3p	60.5p

In both financial years profit attributable to ordinary shareholders is equal to the total recognised gains as defined in Financial Reporting Standard No. 3.

Balance sheets

at 31 March 1993

	Notes	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
Fixed assets					
Tangible assets	9	955.8	892.4	0.9	0.8
Investments	10	1.4	1.4	298.5	277.2
		<u>957.2</u>	<u>893.8</u>	<u>299.4</u>	<u>278.0</u>
Current assets					
Stocks	11	4.7	4.9	—	—
Debtors	12	59.9	59.9	50.3	48.5
Deposits and cash		173.1	141.0	194.0	160.0
		<u>237.7</u>	<u>205.8</u>	<u>244.3</u>	<u>208.5</u>
Current liabilities					
Amounts falling due within one year:					
Short term borrowings	13	(7.5)	(8.3)	—	—
Other creditors	14	(131.6)	(138.0)	(47.2)	(42.0)
		<u>(139.1)</u>	<u>(146.3)</u>	<u>(47.2)</u>	<u>(42.0)</u>
Net current assets		<u>98.6</u>	<u>59.5</u>	<u>197.1</u>	<u>166.5</u>
Total assets less current liabilities		<u>1055.8</u>	<u>953.3</u>	<u>496.5</u>	<u>444.5</u>
Creditors					
Amounts falling due after more than one year:					
Bank and other loans	15	(150.1)	(131.0)	—	—
Grants and contributions	16	(17.0)	(11.8)	—	—
		<u>(167.1)</u>	<u>(142.8)</u>	<u>—</u>	<u>—</u>
Provision for liabilities and charges	17	(6.2)	(6.4)	(4.5)	(4.5)
Minority interest		(1.0)	—	—	—
		<u>881.5</u>	<u>804.1</u>	<u>492.0</u>	<u>440.0</u>
Capital and reserves					
Called up share capital	18	165.8	164.3	165.8	164.3
Share premium account	19	2.1	1.6	2.1	1.6
Profit and loss account	19	713.6	638.2	324.1	274.1
	21	<u>881.5</u>	<u>804.1</u>	<u>492.0</u>	<u>440.0</u>

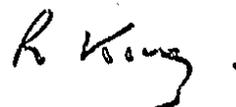
The financial statements on pages 29 to 44 were approved by the Board on 17 June 1993 and signed on its behalf by:

W J W Courtney CBE

Chairman

R King

Group Finance Director

Group cash flow statement

for the year ended 31 March 1993

	Note	1993 £m	1992 £m
Net cash flow from operating activities	26	144.0	156.3
Returns on investment and servicing of finance:			
Interest received		18.1	15.0
Interest paid		(16.0)	(13.0)
Interest element of finance leases rentals		—	(0.1)
Dividends received		0.2	—
Dividends paid		(29.7)	(17.9)
Net cash outflow from returns on investment and servicing of finance		(27.4)	(16.0)
Taxation:			
Advance corporation tax paid		(9.9)	(9.1)
Investing activities:			
Purchase of tangible fixed assets		(109.9)	(161.7)
Purchase of fixed asset investment		—	(0.5)
Sale of tangible fixed assets		1.6	3.4
Sale of fixed asset investments		—	10.7
Investment in subsidiary undertakings		—	(4.5)
Capital contributions		13.4	17.1
Decrease/(increase) in deposits maturing after three months		10.0	(10.0)
Net cash outflow from investing activities		(84.9)	(145.5)
Net cash inflow/(outflow) before financing		21.8	(14.3)
Financing:			
Issue of new shares		2.0	—
New loans		20.0	90.0
Principal repayments under finance leases		(0.9)	(0.3)
Net cash inflow from financing	27	21.1	89.7
Increase in cash and cash equivalents	29	42.9	75.4
Increase in cash and deposits maturing within three months		42.1	75.5
Decrease/(increase) in short term borrowing	13	0.8	(0.1)
		42.9	75.4

Notes to the financial statements

Note 1 Segmental information	1993			1992		
	Turnover £m	Profits £m	Net Assets £m	Turnover £m	Profits £m	Net Assets £m
Principal activity	298.9	111.0	842.2	275.3	99.1	783.9
Other activities	20.3	8.4	22.0	15.4	7.0	17.5
	<u>319.2</u>	<u>119.4</u>	<u>864.2</u>	<u>290.7</u>	<u>106.1</u>	<u>801.4</u>
Exceptional items		—	—		6.0	—
Net interest		(0.2)	15.5		3.0	1.7
		<u>119.2</u>	<u>879.7</u>		<u>115.1</u>	<u>803.1</u>
Unallocated assets			1.8			1.0
			<u>881.5</u>			<u>804.1</u>

Turnover is stated after eliminating inter company transactions of £57.4m (1992 £44.5m).

During the years ended 31 March 1993 and 31 March 1992 all material activities were conducted in the United Kingdom.

Note 2 Analysis of trading profit	Group	
	1993 £m	1992 £m
Turnover	319.2	290.7
Cost of sales	(163.6)	(149.7)
Gross profit	155.6	141.0
Administration expenses	(38.0)	(36.0)
Other operating income	1.8	1.1
Trading profit	<u>119.4</u>	<u>106.1</u>
Trading profit is stated after charging		
Depreciation on:		
Own fixed assets	32.5	29.1
Fixed assets held under finance leases	0.4	0.4
	<u>32.9</u>	<u>29.5</u>
Infrastructure renewals expenditure	16.6	16.1
Rentals under operating leases	0.2	0.2
Research and development	6.0	5.8

Audit fees charged in the Group financial statements for the year ended 31 March 1993 were £0.2m (1992 £0.2m), of which £37,000 (1992 £36,000) related to the Parent Company. Fees payable to the auditors for services other than statutory audit totalled £0.1m.

Notes to the financial statements *continued*

Notes 3 Directors and employees		Group	
		1993 £m	1992 £m
	<i>(a) Staff costs (including Directors' emoluments)</i>		
	Wages and salaries	62.3	53.6
	Social security costs	4.8	4.1
	Pension contributions	6.2	5.4
		<u>73.3</u>	<u>63.1</u>
		1993 Number	1992 Number
	<i>(b) Average number of persons employed</i>		
	Principal activity	2,373	2,229
	Other activities	1,012	874
		<u>3,385</u>	<u>3,103</u>
		1993 £000	1992 £000
	<i>(c) Directors' emoluments</i>		
	Fees	70	65
	Salary (including benefits in kind)	381	310
	Pension contributions	84	73
	Performance bonus	63	77
		<u>598</u>	<u>525</u>

At 31 March 1993, the Board consisted of 5 Executive Directors and 4 Non Executive Directors (1992 3 Executive Directors and 4 Non Executive Directors).

	1993 £000	1992 £000
The emoluments of the Executive Chairman who was also the highest paid Director (excluding pension contributions) were:		
Salary (including benefits in kind)	142	134
Performance bonus	28	35
	<u>170</u>	<u>169</u>

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

£	1993 Number	1992 Number
10001 - 15000	1	3
15001 - 20000	2	—
20001 - 25000	2	—
25001 - 30000	1	1
100001 - 105000	—	1
105001 - 110000	1	—
110001 - 115000	1	—
165001 - 170000	1	1

The performance related bonus for Executive Directors is determined by the Remuneration Committee which is comprised entirely of Non Executive Directors, and is based on the increase in the Company's earnings per share.

Note 4 Exceptional Items	Group	
	1993 £m	1992 £m
Profit on disposal of investments in statutory water companies	—	6.9
Provision against remaining investment in statutory water company	—	(0.9)
	<u>—</u>	<u>6.0</u>

The exceptional item in 1992 did not give rise to a charge for taxation in the Group financial statements.

Note 5 Interest	Group	
	1993 £m	1992 £m
Interest payable on bank loans, overdrafts and other loans:		
Repayable within five years by instalments	(2.0)	(0.8)
Repayable within five years not by instalments	(1.2)	(1.6)
Repayable after five years by instalments	(13.6)	(10.6)
Finance lease obligations	—	(0.1)
	<u>(16.8)</u>	<u>(13.1)</u>
Interest receivable	<u>16.6</u>	<u>16.1</u>
	<u>(0.2)</u>	<u>3.0</u>

Note 6 Taxation	Group	
	1993 £m	1992 £m
United Kingdom taxation:		
Advance corporation tax on dividends for the year	<u>9.8</u>	<u>9.8</u>

The charge for taxation in the profit and loss account is wholly in respect of advance corporation tax on dividends declared. No liability arose in the year in respect of mainstream corporation tax.

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

	Group	
	1993 £m	1992 £m
Accelerated capital allowances (non-infrastructure assets)	82.0	58.4
Losses and other timing differences	(18.3)	(20.2)
Advance corporation tax	(34.8)	(25.0)
	<u>28.9</u>	<u>13.2</u>

Notes to the financial statements *continued*

Note 7 Dividends	Group	
	1993 £m	1992 £m
Interim dividend of 7.1p (1992 6.5p) per ordinary share	11.7	10.7
Final proposed dividend of 14.2p (1992 13.0p) per ordinary share	<u>23.6</u>	<u>21.4</u>
	<u>35.3</u>	<u>32.1</u>

A scrip alternative was offered for the interim dividend and will be offered for the final dividend.

Note 8
Earnings per ordinary share

Earnings per share were 66.3p (1992 64.2p), based on profit after taxation of £109.4m (1992 £105.3m) and the weighted average number of shares in issue during the year of 164.9m (1992 164.0m).

Earnings per share before exceptional items were 66.3p (1992 60.5p). Earnings in 1992 for this purpose are stated after eliminating the effect of the exceptional net profit of £6.0m which arose from the disposal of investments.

Earnings per share on the nil basis were 72.3p (1992 70.2p) and are 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 land and buildings £m	Plant and machinery £m	Group Infra- structure assets £m	Other £m	Total £m	Company Other £m
<i>Cost</i>						
Balance at 1 April 1992	362.6	232.9	372.1	99.2	1066.8	1.2
Additions	27.2	32.8	27.7	17.5	105.2	0.5
Grants and contributions	—	—	(7.5)	—	(7.5)	—
Disposals	—	(6.5)	—	(2.3)	(8.8)	(0.1)
Balance at 31 March 1993	<u>389.8</u>	<u>259.2</u>	<u>392.3</u>	<u>114.4</u>	<u>1155.7</u>	<u>1.6</u>
<i>Depreciation</i>						
Balance at 1 April 1992	57.6	74.8	—	42.0	174.4	0.4
Charge for year	9.9	15.0	—	8.0	32.9	0.4
Disposals	—	(5.4)	—	(2.0)	(7.4)	(0.1)
Balance at 31 March 1993	<u>67.5</u>	<u>84.4</u>	<u>—</u>	<u>48.0</u>	<u>199.9</u>	<u>0.7</u>
<i>Net book value</i> 31 March 1993	<u>322.3</u>	<u>174.8</u>	<u>392.3</u>	<u>66.4</u>	<u>955.8</u>	<u>0.9</u>
<i>Net book value</i> 31 March 1992	<u>305.0</u>	<u>158.1</u>	<u>372.1</u>	<u>57.2</u>	<u>892.4</u>	<u>0.8</u>

Note 9 (continued)

Tangible fixed assets at 31 March 1993 included £84.1m (1992 £75.2m) of assets in the course of construction which are not depreciated until commissioning. The net book value of tangible fixed assets held under finance leases at 31 March 1993 was £8.5m (1992 £9.0m). The net book value of infrastructure assets is stated after deducting grants and contributions since privatisation of £48.9m (1992 £41.4m).

Note 10
Fixed asset investments

	1993 £m	1992 £m
<i>(a) Group</i>		
Cost at 31 March	2.3	2.3
Less amounts provided	(0.9)	(0.9)
Balance at 31 March	<u>1.4</u>	<u>1.4</u>

In the opinion of the Directors the value of investments at 31 March 1993 was not less than the book value.

Details of the fixed asset investments of the Group are shown on page 44.

<i>(b) Company</i>	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Other investments £m	Total £m
Balance at 1 April 1992	48.4	227.4	1.4	277.2
Additions	<u>2.2</u>	<u>19.1</u>	<u>—</u>	<u>21.3</u>
Balance at 31 March 1993	<u>50.6</u>	<u>246.5</u>	<u>1.4</u>	<u>298.5</u>

The principal subsidiary undertakings of the Company are listed on pages 43 and 44.

Note 11
Stocks

	Group	
	1993 £m	1992 £m
Materials and consumables	3.6	3.8
Work in progress	<u>1.1</u>	<u>1.1</u>
	<u>4.7</u>	<u>4.9</u>

At 31 March 1993, the net replacement cost of stocks was not materially different from the above figures.

Note 12
Debtors

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Trade debtors	53.0	50.9	—	—
Amounts owed by subsidiary undertakings	5.7	8.6	46.7	44.8
Other debtors	<u>1.2</u>	<u>0.4</u>	<u>0.2</u>	<u>0.1</u>
Prepayments	<u>59.9</u>	<u>59.9</u>	<u>50.3</u>	<u>48.5</u>

Notes to the financial statements *continued*

Note 13

Short-term borrowings

	Bank loans and overdrafts £m	Obligations under finance leases £m	Group Total £m
Balance at 1 April 1992	7.5	0.8	8.3
Net repayments	(0.8)	—	(0.8)
Balance at 31 March 1993	<u>6.7</u>	<u>0.8</u>	<u>7.5</u>

Note 14

Other creditors

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Trade creditors	32.5	37.1	0.1	0.9
Amounts owed to subsidiary undertakings			4.9	1.6
Proposed dividend	35.3	32.1	35.3	32.1
Advance corporation tax	10.3	10.4	0.8	0.6
Other taxation and social security	1.8	1.0	0.1	—
Other creditors	5.1	4.3	0.2	0.1
Accruals and deferred revenue	46.6	53.1	5.8	6.7
	<u>131.6</u>	<u>138.0</u>	<u>47.2</u>	<u>42.0</u>

Note 15

Bank and other loans

	Group	
	1993 £m	1992 £m
Bank loans	150.0	130.0
Obligations under finance leases	0.1	1.0
	<u>150.1</u>	<u>131.0</u>
Repayable as follows:		
Bank loans:		
Between two and five years	18.6	7.9
After five years	131.4	122.1
Finance leases:		
Between one and two years	0.1	0.9
Between two and five years	—	0.1
	<u>150.1</u>	<u>131.0</u>

Bank loans are unsecured and repayable by instalments for periods up to 15 years. The rates of interest payable on loans due after 5 years range from 9.4% to 11.5%.

Note 16

Grants and contributions

	Group £m
Balance at 1 April 1992	11.8
Receivable in year	5.7
Released to profit and loss account	(0.5)
Balance at 31 March 1993	<u>17.0</u>

Grants and contributions relate to non-infrastructure fixed assets.

Note 17
Provision for
liabilities and charges

	Group				Company
	Infra- structure renewal	Share schemes	Other	Total	Share schemes and other
	£m	£m	£m	£m	£m
Balance at 1 April 1992	1.9	3.5	1.0	6.4	4.5
Provided in year	16.6	—	—	16.6	—
Utilised in year	(16.8)	—	—	(16.8)	—
Balance at 31 March 1993	<u>1.7</u>	<u>3.5</u>	<u>1.0</u>	<u>6.2</u>	<u>4.5</u>

Note 18
Called-up share capital

	1993 £m	1992 £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	164.3	163.8
Issued during the year	1.5	0.5
At 31 March	<u>165.8</u>	<u>164.3</u>

Allotments in the year consisted of scrip dividends 660,129, sharesave scheme 9,681, and executive share options exercised 845,000.

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 at 31 March 1993 were as follows:

	Date of grant	Number of shares 000	Price per share
Executive share option scheme	February 1990	80	281p
	January 1991	278	295p
	January 1992	312	310p
	January 1993	362	466p
Sharesave scheme	December 1989	1293	176p
	January 1991	758	236p
	February 1992	785	248p
	January 1993	588	372p

In normal circumstances the Executive share options may be exercised between three and ten years from the date of grant. During the year 845,000 ordinary shares of £1 each were allotted under the scheme for a consideration of £2.3m.

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

Notes to the financial statements *continued*

Note 19
Share premium account
and reserves

	Group		Company	
	Share Premium Account £m	Profit & Loss Account £m	Share Premium Account £m	Profit & Loss Account £m
At 1 April 1992	1.6	638.2	1.6	274.1
Retained profit for the year	—	74.1	—	47.7
Premium on allotments	1.5	—	1.5	—
Capitalisation of scrip dividend shares	(0.7)	—	(0.7)	—
Value of dividends taken as scrip shares	—	2.3	—	2.3
Expenses of issues of scrip dividend shares	(0.3)	—	(0.3)	—
Goodwill on acquisition	—	(1.0)	—	—
At 31 March 1993	<u>2.1</u>	<u>713.6</u>	<u>2.1</u>	<u>324.1</u>

Cumulative goodwill arising from acquisitions amounts to £8.0m (1992 £7.0m).

The profit of the Company attributable to shareholders for the financial year was £83.0m (1992 £78.6m). No separate profit and loss account is provided as permitted by S230 of the Companies Act 1985.

Note 20
Acquisitions

During the year, the Group acquired 55% of a new company Clinical Waste Limited, for a cash consideration of £2.2m. Goodwill of £1.0m arose on this acquisition.

Note 21
Reconciliation of movements in
shareholders' funds

	Group	
	1993 £m	1992 £m
Profit attributable to ordinary shareholders	109.4	105.3
Dividends	<u>(35.3)</u>	<u>(32.1)</u>
Retained profit for the year	74.1	73.2
Allotments for cash	2.3	—
Value of dividends taken as scrip shares	2.3	1.6
Other shares issued	—	0.1
Expenses of issues of scrip dividend shares	(0.3)	—
Goodwill charged	<u>(1.0)</u>	<u>(6.7)</u>
Net addition to shareholders' funds	77.4	68.2
Shareholders' funds at 1 April	<u>804.1</u>	<u>735.9</u>
Shareholders' funds at 31 March	<u>881.5</u>	<u>804.1</u>

Note 22
Contingent liabilities

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Contingent liabilities in connection with contractors' claims on capital schemes and road reinstatements	<u>1.4</u>	<u>0.6</u>	<u>—</u>	<u>—</u>

Note 22 (continued)

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 1993 amounted to £150.0m.

All wholly owned Group companies registered in England have provided mutual cross guarantees for borrowings from National Westminster Bank Plc which at 31 March 1993 amounted to £6.7m.

**Note 23
Capital commitments**

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Outstanding contracts placed for capital expenditure	57.2	63.0	—	—
Capital expenditure authorised by directors but not contracted	118.8	104.1	—	—

**Note 24
Other financial commitments**

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Annual commitments under non-cancellable operating leases:				
Expiring between two and five years	0.1	0.1	—	—
Expiring after five years	0.1	0.1	—	—
	0.2	0.2	—	—

**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 either the 'projected unit' method or the 'attained age' method. The last completed actuarial valuation of the main scheme, which covers over 80% of the Group's employees, was carried out as at 31 March 1992. At that date, the estimated market value of the scheme's assets was £87.7m, which covered approximately 107% of the benefits accrued to members, after allowing for expected increases in earnings. The employer's average contribution is being maintained at 11.7% of pensionable pay with members paying standard contributions of 6% and 5% and starter contributions of 3% for young employees.

An actuarial valuation of the scheme operating for approximately 10% of the Group employees was undertaken as at 31 March 1990. At that date the estimated market value of the scheme's assets was £10.6m and exceeded the value of members' accrued benefits by 22%. The actuary's recommendation of reducing the employer contribution to 10% in respect of all members has been implemented. A full valuation of this scheme as at 31 March 1993 is currently being undertaken.

The first full actuarial valuation of a third scheme will be carried out as at 31 March 1993. It is expected, however, that the 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.

Notes to the financial statements *continued*

Note 25 (continued)

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 £6.2m (1992 £5.4m).

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.

Note 26

Reconciliation of trading profit to net cash flow from operating activities

	1993 £m	1992 £m
Trading profit	119.4	106.1
Depreciation charge	32.9	29.5
Other items	(1.0)	0.3
Movement in provisions	(0.2)	1.3
(Increase)/Decrease in stocks	0.2	(1.1)
(Increase)/Decrease in debtors	(1.7)	6.4
Increase/(Decrease) in creditors	(5.6)	13.8
Net cash flow from operating activities	<u>144.0</u>	<u>156.3</u>

Note 27

Changes in financing during the year

	Share capital (including premium) £m	Loans £m	Finance lease obligations £m	Total £m
Balance at 1 April 1992	165.9	130.0	1.8	297.7
Cash inflow/(outflow) from financing	<u>2.0</u>	<u>20.0</u>	<u>(0.9)</u>	<u>21.1</u>
Balance at 31 March 1993	<u>167.9</u>	<u>150.0</u>	<u>0.9</u>	<u>318.8</u>

Note 28

Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet

	1993 £m	1992 £m
Deposits and cash	173.1	141.0
Short term borrowings	(7.5)	(8.3)
	<u>165.6</u>	<u>132.7</u>
Less: Deposits exceeding three months to maturity when acquired	(55.0)	(65.0)
Cash and cash equivalents	<u>110.6</u>	<u>67.7</u>

Note 29

Analysis of changes in cash and cash equivalents during the year

	1993 £m	1992 £m
At 1 April	67.7	(7.7)
Net cash inflow	<u>42.9</u>	<u>75.4</u>
At 31 March (see note 28)	<u>110.6</u>	<u>67.7</u>

The 1992 comparative amounts have been re-presented to show deposits maturing after three months as part of investing activities.

Subsidiary undertakings and investments in other companies

At 31 March 1993

Subsidiary undertakings

The Company's principal subsidiary undertakings at 31 March 1993 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
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 (year end 31 December)	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
Clinical Waste Limited	Ordinary	55%	Clinical 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
Paperstream Limited	Ordinary	100%	Mailing and printing services
Waterline Insurance Company Limited	Ordinary	100%	Insurance

Subsidiary undertakings and investments in other companies *continued*
at 31 March 1993

Company	Class of capital	Proportion of class held	Nature of business		
Bowsprit Holdings Limited	Ordinary	100%	Property investment		
Monk Rawling Limited	Ordinary	100%	Estates management and property consultancy		
Bowsprit Property Development Limited	Ordinary	100%	Property development		
Fixed asset investments					
Company	Class of capital	Proportion of class held	Nature of business	Total capital and reserves £m	Profit for the period £m
<i>Associated undertaking</i>					
Coastal Wastewater Consultants Limited	Ordinary	50.0%	Marine treatment engineering design and consultancy	0.1	—
<i>Other investments</i>					
Folkestone & Dover Water Services Limited	3.5% Ord 4.9% Ord 4.9% Ord (1953) 7.0% Ord	19.9% 25.0% 25.4% 27.2%	Water supply	6.1	1.1

Both companies are registered in England

Group five year summary

	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Turnover -					
continuing operations	319.2	290.7	251.2	225.8	204.1
Trading profit -					
continuing operations	119.4	106.1	90.5	78.3	93.3
Exceptional items	—	6.0	—	(5.8)	(0.6)
Net interest	(0.2)	3.0	6.6	(18.2)	(28.2)
Profit on ordinary activities					
before taxation	119.2	115.1	97.1	54.3	64.5
Taxation	(9.8)	(9.8)	(9.7)	(5.5)	—
Profit attributable to ordinary					
shareholders	109.4	105.3	87.4	48.8	64.5
Dividends	(35.3)	(32.1)	(29.0)	(16.4)	—
Retained profit for the year	74.1	73.2	58.4	32.4	64.5
	p	p	p	p	p
Earnings per share	66.3	64.2	53.4	—	—
Earnings per share before					
exceptional items	66.3	60.5	53.4	—	—
Dividends per ordinary share	21.3	19.5	17.7	10.02	—
	£m	£m	£m	£m	£m
Assets employed					
Fixed assets	957.2	893.8	787.0	710.6	634.1
Net current assets (liabilities)	98.6	59.5	1.3	(24.5)	(74.9)
Long term creditors	(167.1)	(142.8)	(47.3)	(6.7)	(223.0)
Provision for liabilities and charges	(6.2)	(6.4)	(5.1)	(2.4)	—
Minority interest	(1.0)	—	—	—	—
Net assets	881.5	804.1	735.9	677.0	336.2
Capital and reserves					
Called up share capital	165.8	164.3	163.8	163.7	—
Share premium account	2.1	1.6	0.4	0.3	—
Profit and loss account	713.6	638.2	571.7	513.0	336.2
	881.5	804.1	735.9	677.0	336.2

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 of 1993, 1992 and 1991 with prior years is limited and care should be taken in relating these figures.

Amounts for prior years have been restated to comply with FRS3. The effect of this restatement has been to reclassify as exceptional items treated as extraordinary in 1990 and 1989 of £5.8m and £0.6m respectively.

SCAN UPON DEMAND

**We apologise that due
to the poor quality of the fiche,
some of the images scanned
were also of poor quality**