

**Completed Acquisition of Macquarie Luxembourg Water Sarl
(now Hastings Luxembourg Water Sarl) by HDF (UK) Holdings Limited
jointly owned by Utilities of Australia Pty Limited (in its capacity as
trustee of Utilities Trust of Australia) and Hastings Funds Management
Limited (in its capacity as responsible entity (trustee) of
Hastings Diversified Utilities Fund)**

Terms of reference

1. Whereas in exercise of its duty under section 32(b) of the Water Industry Act 1991 (the Act)¹ to make a reference to the Competition Commission (the CC) the Office of Fair Trading (the OFT) believes that it is or may be the case that a merger of two or more water enterprises has taken place in that:

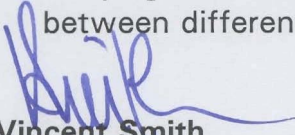
(a) a water enterprise carried on by or under the control of Utilities Trust of Australia (UTA) and Hastings Diversified Utilities Fund (HDUF) has ceased to be distinct from a water enterprise carried on by or under the control of Macquarie Luxembourg Water Sarl (now Hastings Luxembourg Water Sarl); and

(b) the value of the turnover of the water enterprise being taken over and of the water enterprise already belonging to UTA and HDUF both exceed £10 million.

2. Now, therefore, the OFT, in exercise of its duty under section 32(b) of the Act, hereby refers to the CC, for investigation and report within a period ending on 2 May 2007, the following questions in accordance with schedule 4ZA to the Act -

(a) whether a water merger has taken place; and

(b) if so, whether that merger has prejudiced, or may be expected to prejudice, the ability of the Water Services Regulation Authority, in carrying out its functions by virtue of the Act, to make comparisons between different water enterprises.


Vincent Smith
Senior Director Competition
Office of Fair Trading
16 November 2006

¹ As amended by section 70 of the Enterprise Act 2002