

**COMPLETED WATER MERGER BETWEEN
SOUTH EAST WATER LIMITED AND MID KENT WATER LIMITED**

**Notice of acceptance of Final Undertakings pursuant to section 82 of the
Enterprise Act 2002 (the Act) (as modified by Regulation 23 of the Water
Mergers (Modification of Enactments) Regulations 2004) and Schedule 10 to
the Act 2002**

IN THE MATTER of the reference to the Competition Commission dated 16 November 2006 relating to the acquisition by of Macquarie Luxembourg Water Sarl (now Hastings Luxembourg Water Sarl) by HDF (UK) Holdings Limited, which is jointly owned by Utilities of Australia PTY Limited (in its capacity as trustee of Utilities Trust of Australia (UTA)) and Hastings Funds Management Limited (in its capacity as responsible entity of Hastings Diversified Utilities Fund (HDUF));

1. On 16 November 2006 the Office of Fair Trading (OFT) made the reference to the Competition Commission (CC) under section 32(b) of the Water Industry Act 1991 (WIA).
2. In its report *South East Water Limited and Mid Kent Water Limited: a report on the completed water merger of South East Water Limited and Mid Kent Water Limited*, dated 1 May 2007, the CC concluded that:
 - (a) The merger may be expected to prejudice the ability of Ofwat, in carrying out its functions by virtue of the WIA, to make comparisons between different water enterprises.
 - (b) The CC should take action to remedy the prejudice and/or the adverse effects expected to result from the prejudice.
 - (c) The prejudice and/or the adverse effects should be remedied by a requirement upon Mid Kent Water Limited (MKW) and South East Water Limited (SEW) to reduce prices to customers of their companies by a total amount of £4 million on a 'one-off' basis, to be given effect through bills issued to customers for the year 2008/09 ("the price reduction").
 - (d) The price reduction remedy described above should be accompanied by requirement on MKW and SEW to accept a price determination at the next quinquennial price review that reflects £3.1 million annual merger savings in operating expenditure (as compared with current operating expenditure costs and projections).
3. The CC has reached agreement with SEW, MKW, UTA and HDUF as to the terms of Final Undertakings to be accepted by the CC in accordance with section 82 of the Act as modified. Separate forms of undertakings have been agreed with SEW and MKW on the one hand and UTA and HDUF on the other hand.
4. On 6 November 2007, the CC gave notice of the proposed Final Undertakings in accordance with Schedule 10 of the Act. The CC received no representations on the proposed Final Undertakings.

5. SEW, MKW, UTA and HDUF have now given Final Undertakings to the CC for the purposes of remedying the prejudice and/or the resulting adverse effects. Copies of the Final Undertakings given by SEW, MKW, UTA and HDUF are annexed to this notice.
6. Now the CC accepts the Final Undertakings pursuant to, and they come into force in accordance with, section 82 of the Act as modified.

Therefore the reference is finally determined in accordance with section 79 of the Act as modified by regulation 23 of the Water Mergers (Modification of Enactments) Regulations 2004.

(signed) PETER DAVIS
Group Chair
29 November 2007