

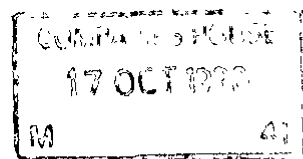


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DŴR CYMRU
WELSH WATER

DŴR CYMRU CYFYNGEDIG

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990



DWR CYMRU CYFYNGEDIG

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1990

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DWR CYMRU CYFYNGEDIG

ADRODDIAD Y CYFARWYDDWYR

Y Cyfarwyddwyr yn cyflwyno eu hadroddiad am y flwyddyn yn diweddu 31 Mawrth 1990.

Prif Weithgareddau Masnachu

Cyflenwi dŵr a gwaredu dŵr gwastraff yw prif weithgareddau masnachu'r Cwmni.

Dyddiad Ymgorffori

Ymgorfforwyd y Cwmni ar 1 Ebrill 1989 ac fe ddechreuodd masnachu ar 1 Medi 1989.

Cwmni Dal

Mae'r Cwmni yn un o is-gwmnïau Welsh Water PLC sy'n berchen ar y cyfan ohono.

Canlyniadau a Throsglwyddo i Adnoddau Wrth Gefn

Roedd yr elw cyn treth yn £43.6m. Roedd yr elw i'w briodoli i'r cyfranddalwyr yn £40.3m ac ar ôl difidendau o £38.7m trosglwyddwyd £1.6m i'r adnoddau wrth gefn.

Difidend

Mae'r Cyfarwyddwyr yn argymhell difidend cyffredin terfynol o 8.40c am bob cyfranddaliad gan wneud difidend cyfan o 14.00c am bob cyfranddaliad am y flwyddyn yn gorffen 31 Mawrth 1990.

Cyfalaf Cyfranddaliadau

Ceir manylion y cyfalaf cyfranddaliadau a awdurdodwyd ac a ddyroddwyd ar dudalen 27.

Y Cyfarwyddwyr

Penodwyd Mr A.H.H.Jones a Mr P.R.Marsden fel Cyfarwyddwyr ar 1 Ebrill 1989 ac ymddiswyddodd y ddau ar 1 Medi 1989. Penodwyd Mr J.E. Jones, Mr D.A.Jeffrey, Mr G.A.Hawker, Dr M.P.Brooker, Mr B.H. Charles, Mr N.R.Hufton, Mr T.G.Jones a Mr J.D.R.Williams yn Gyfarwyddwyr ar 31 Awst 1989.

Ar ddyddiad eu penodi nid oedd gan unrhyw un o'r Cyfarwyddwyr fuddiannau mewn unrhyw gyfranddaliadau cyffredin £1 yng nghwmni dal y Cwmni. Roedd eu buddiannau ar 31 Mawrth 1990 fel a ganlyn:-

DŴR CYMRU CYFYNGEDIG

Roedd gan Mr T.G.Jones, Mr J.D.R.Williams, Dr M.P.Brooker, Mr B.H. Charles a Mr N.R.Hufton ddiddordeb buddiannol mewn 8,340, 4,100, 2,000, 2,000 a 500 o gyfranddaliadau yn y drefn honno. Roedd gan Mr T.G.Jones, Mr J.D.R.Williams, Mr N.R.Hufton a Dr M.P.Brooker fuddiannau mewn dewisiadau i brynu 6,136, 6,136, 2,045 a 2,045 o gyfranddaliadau yn y drefn honno o dan ddarpariaethau Cynllun Sharesave Welsh Water PLC. Caniatawyd yr holl ddewisiadau hyn ar 12 Rhagfyr 1989 am bris o £1.76c y cyfranddaliad a gellir eu hymarfer fel rheol ar bumed pen-blwydd dyddiad y caniatâd.

Roedd gan Mr T.G.Jones, Mr J.D.R.Williams, Dr M.P.Brooker, a Mr B.H. Charles fuddiannau mewn dewisiadau i brynu 36,845, 31,727, 34,875, 35,271 a 38,357 o gyfranddaliadau yn y drefn honno o dan ddarpariaethau Cynllun Dewis Cyfranddaliadau i Weithredwyr Welsh Water PLC. Caniatawyd yr holl ddewisiadau hyn ar 16 Ionawr 1990 am bris o £2.81c y cyfranddaliad a gellir eu hymarfer fel rheol rhwng trydydd a degfed pen-blwydd dyddiad y caniatâd.

Roedd gan Mr T.G.Jones, Mr J.D.R.Williams, Dr M.P.Brooker, Mr B.H. Charles a Mr N.R.Hufton fuddiannau mewn 286, 286, 286, 295 a 282 o gyfranddaliadau yn y drefn honno. O'r cyfranddaliadau hyn, dyroddwyd 203, 203, 203, 212 a 199 ohonynt yn rhad ac am ddim ac 83, 83, 83, 83 ac 83 yn y drefn honno am dâl o £2.40c y cyfranddaliad. Delir yr holl gyfranddaliadau hyn gan Ymddiriedolwyr ar eu rhan ac fel rheol gellir eu trosglwyddo i'w perchenogaeth fuddiannol ddwy flynedd ar ôl eu dyrannu.

Mae'r Cyfarwyddwyr eraill hefyd yn Gyfarwyddwyr cwmni dal y Cwmni hefyd a dangosir eu buddiannau mewn cyfranddaliadau yn Adroddiad a Chyfrifon y cwmni hwnnw.

Gweithwyr

Ceir dadansoddiad o nifer y gweithwyr yn y Cwmni a chostau staff ar dudalennau 16 a 17. Polisi'r Cwmni yw y dylai gwybodaeth briodol fod ar gael i weithwyr y Cwmni er mwyn iddynt allu cymryd diddordeb ehangach yn y Cwmni ac, ynghyd â hyfforddiant, helpu i wella ei berfformiad a'u bodddhad yn eu gwaith. Gwneir hyn mewn sawl ffordd gan gynwys rhagdrafodaeth staff a phapur newydd a fideo'r Cwmni yn ogystal ag adroddiadau am y Cwmni. Anogir hwy i gymyrd diddordeb ariannol yn y Cwmni drwy gymryd rhan mewn Gynlluniau Cyfranddaliadau i'r Gweithwyr.

Rhoddir ystyriaeth lawn a theg i geisiadau am waith gan bobl anabl. Os daw gweithiwr yn anabl tra bo'n gweithio i'r Cwmni gwneir pob ymdrech i gael gwaith addas yn y Cwmni iddo/iddi, a'i hyfforddi yn ôl yr angen. Rhoddir cyfle cyfartal o ran hyfforddiant, datblygu gyrfa a dyrchafiad i bobl anabl.

Mae'r Cwmni wedi sefydlu ei bolisiau a'i arferion fel cyflogwr cyfle cyfartal ac mae'n parhau i'w datblygu.

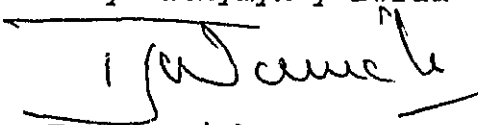
DWR CYMRU CYFYNGEDIG

Yr Archwilwyr

Mae'r archwilwyr, Deloitte Haskins & Sells, wedi'u busnes a Coopers & Lybrand ac erbyn hyn yn gweithio o dan yr enw Coopers & Lybrand Deloitte. Maent wedi llofnodi'r Adroddiad Archwilwyr yn eu henw newydd. Caiff penderfyniad i ail-benodi Coopers & Lybrand Deloitte fel archwilwyr ariannol y Cwmni ei gynnig yn y Cyfarfod Cyffredinol Blyneddol.

Plas-y-Ffynnon,
Ffordd Cambria,
Aberhonddu,
Powys,
LD3 7Hp.

Drwy Orchymyn y Bwrdd


T.J. Warwick MBA FCIS
Ysgrifennydd
27 Mehefin 1990

DWR CYMRU CYFYNGEDIG

REPORT OF THE DIRECTORS

The Directors submit their report for the year ended 31 March 1990.

Principal Trading Activities

The principal trading activities of the Company are the supply of water and the disposal of waste water.

Date of Incorporation

The Company was incorporated on 1 April 1989 and commenced trading on 1 September 1989.

Holding Company

The Company is a wholly owned subsidiary of Welsh Water PLC.

Results and Transfer to Reserves

Profit before taxation amounted to £43.6m. The profit attributable to shareholders was £40.3m which, after dividends of £38.7m, resulted in a transfer to reserves of £1.6m.

Dividend

The Directors recommend a final ordinary dividend of 8.40p per share making a total dividend of 14.00p per share for the year ended 31 March 1990.

Share Capital

Details of the authorised and issued share capital are shown on page 27.

Directors

Mr A.H.H.Jones and Mr P.R.Marsden were appointed as Directors on 1 April 1989 and both resigned on 1 September 1989. Mr J.E. Jones, Mr D.A.Jeffrey, Mr G.A.Hawker, Dr M.P.Brooker, Mr B.H. Charles, Mr N.R.Hufton, Mr T.G.Jones and Mr J.D.R.Williams were all appointed Directors on 31 August 1989.

At the date of their appointment none of the Directors were interested in any ordinary shares of £1 in the Company's holding company. The interest as at 31 March 1990 was as follows:-

Mr T.G.Jones, Mr J.D.R.Williams, Dr M.P.Brooker, Mr B.H.Charles and Mr N.R.Hufton were beneficially interested in 8,340, 4,100, 2,000, 2,000 and 500 shares respectively. Mr T.G.Jones, Mr J.D.R.Williams, Mr N.R.Hufton and Dr M.P.Brooker were interested in options for the purchase of 6,136, 6,136, 2,045 and 2,045 shares respectively under the provisions of the Welsh Water PLC Sharesave Scheme. All of these options were granted on 12 December 1989 at a price of £1.76p per share and are normally exercisable on the fifth anniversary of the date of grant.

Mr T.G.Jones, Mr J.D.R.Williams, Mr N.R.Hufton, Dr M.P.Brooker and Mr B.H.Charles were interested in options for the purchase of 36,845, 31,727, 34,875, 35,271 and 38,357 shares respectively under the provision of the Welsh Water PLC Executive Share Option Scheme. All of these options were granted on 16 January 1990 at a price of £2.81p per share and are normally exercisable between the third and tenth anniversary of the date of grant.

Mr T.G.Jones, Mr J.D.R.Williams, Dr M.P.Brooker, Mr B.H.Charles and Mr N.R.Hufton were interested in 286, 286, 286, 295 and 282 shares respectively. Of these 203, 203, 203, 212 and 199 shares were issued for a nil consideration and 83, 83, 83, 83 and 83 respectively for a consideration of £2.40p per share. All of these shares are held by Trustees on their behalf and are normally transferable into their beneficial ownership two years from the date of allocation.

The other Directors are also Directors of the Company's holding company and their interest in shares are shown in that company's Report and Accounts.

Employees

An analysis of the number of employees of the Company and of staff costs is shown on pages 16 and 17. It is Company policy that appropriate information should be readily available to employees of the Company so that they can take a wider interest in the Company and, taken together with training, help to improve its performance and their own job satisfaction. This is done in a variety of ways including staff briefings and a Company newspaper and video in addition to reports of the Company. Financial involvement in the Company is encouraged through participation in Employee Share Schemes.

Full and fair consideration is given to applications for employment made by disabled persons. If an employee becomes disabled whilst employed by the Company every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities for training, career development and promotion.

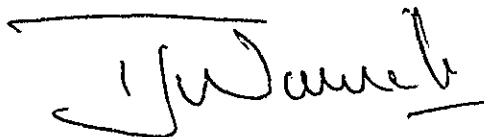
The Company has established and continues to develop its policies and practices as an equal opportunity employer.

Auditors

Our auditors, Deloitte Haskins & Sells, have merged their practice with Coopers & Lybrand and now practise in the name of Coopers & Lybrand Deloitte. They have signed the Audit Report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the Annual General Meeting.

Plas-y-Ffynnon,
Cambrian Way,
Brecon,
Powys,
LD3 7HP

By Order of the Board



T.J. Warwick MBA FCIS
Secretary
27 June 1990

DŴR CYMRU CYFYNGEDIG

REPORT OF THE AUDITORS TO THE MEMBERS OF DŴR CYMRU CYFYNGEDIG

We have audited the financial statements on pages 8 to 30 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1990 and of the profit and the source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

COOPERS & LYBRAND DELOITTE
Chartered Accountants
CARDIFF
27 June 1990

ACCOUNTING POLICIES

Basis of Accounting

(i) Formation Of The Company

On 1 April 1989 Dŵr Cymru Cyfyngedig ("the Company") was formed to continue the business of Welsh Water Authority ("the Authority") other than the part of business which was vested in the National Rivers Authority ("the NRA"). Under the provisions of the Water Act 1989 the property rights and liabilities of the Authority, other than those applicable to the NRA, are to be treated as having vested in Dŵr Cymru Cyfyngedig on 1 April 1989. Consequently, this year's financial statements include the results of the Authority from 1 April 1989 to 31 August 1989. On 1 September 1989 certain assets and liabilities, not relating to activities subject to regulation by the Director General of Water Services, were transferred to fellow subsidiaries in the Welsh Water Group.

(ii) Corresponding Amounts

The corresponding amounts are those of the Authority after elimination of the activities, property rights and liabilities vested in the NRA.

(iii) Accounting Convention

These financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the income receivable in the ordinary course of business for services provided, and excludes where appropriate Value Added Tax.

Tangible Fixed Assets And Depreciation

Tangible fixed assets comprise:

(i) Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipe lines and sea outfalls); and

(ii) Other assets (including properties, overground plant and equipment and fixtures and fittings).

Infrastructure assets:

Infrastructure assets comprise a network of systems. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as additions which are included at cost after deducting grants and contributions.

Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost.

Tangible Fixed Assets And Depreciation (continued)

No depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

Other assets:

Other assets are included at cost, after deducting grants and contributions, less accumulated depreciation.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated useful economic lives, which are principally as follows:

Buildings	30-60 years
Operational structures	40-80 years
Fixed plant	20-40 years
Vehicles, mobile plant and equipment	4-10 years

Assets in the course of construction are not depreciated until commissioning.

Leased Assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charges being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the written down amount. The assets are depreciated over the shorter of their estimated useful lives and the lease periods. All other leases are regarded as operating leases. Rental costs arising under operating leases are charged to the profit and loss account in the year to which they relate.

Investments

Investments held as fixed assets are stated at cost less amounts written off or provided to reflect permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks And Work In Progress

Stocks are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost or net realisable value. Cost includes labour, materials, transport and directly attributable overheads.

Pension Costs

As described in note 25 most employees of the Company are members of the two defined benefit pension schemes operated by Welsh Water PLC. The cost of providing pensions is charged to the profit and loss account on a basis which spreads the cost over the service lives of the employees. Variations from regular cost are spread over the expected remaining service lives of employees in the scheme. The contributions to the schemes are based on the advice of a professionally qualified actuary.

Foreign Currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Research And Development

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Deferred Taxation

Deferred taxation is provided to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes to the extent that it is probable that a liability for taxation will crystallise as a result of the reversal of those timing differences.

DWR CYMRU CYFYNGEDIG

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1990

	Notes	1990 £m	1989 £m
Turnover	1	255.0	219.6
Net Operating Costs	2	(187.6)	(144.5)
Operating Profit		67.4	75.1
Interest receivable		9.9	0.6
Interest payable	5	(33.7)	(50.8)
Profit on Ordinary Activities before Taxation		43.6	24.9
Taxation	6	-	-
Profit on Ordinary Activities after Taxation		43.6	24.9
Extraordinary item	7	(3.3)	(1.0)
Profit for the Year		40.3	23.9
Dividends	8	(38.7)	-
Retained Profit for the Year	21	1.6	23.9

DWR CYMRU CYFYNGEDIG

BALANCE SHEET AT 31 MARCH 1990

	Note	1990 £m	1989 £m
Fixed Assets			
Tangible assets	9	638.6	570.0
Investments	10	0.2	0.3
		<u>638.8</u>	<u>570.3</u>
Current Assets			
Stocks and work in progress	11	4.5	4.0
Debtors	12	59.0	38.7
Current asset investments	13	216.6	-
		<u>280.1</u>	<u>42.7</u>
Current Liabilities			
Creditors: Amounts falling due within one year	14(a)	117.9	148.4
Net Current Assets/(Liabilities)		<u>162.2</u>	<u>(105.7)</u>
Total Assets Less Current Liabilities		<u>801.0</u>	<u>464.6</u>
Creditors: Amounts falling due after more than one year	14(b)	19.7	404.3
Provisions for Liabilities and Charges	19	10.5	-
Net Assets		<u>770.8</u>	<u>60.3</u>
Capital and Reserves			
Called up share capital	20	276.1	-
Reserves	21	494.7	60.3
Shareholders' Funds		<u>770.8</u>	<u>60.3</u>

The financial statements on pages 8 to 30 were approved by the Board of Directors on the 27 June 1990 and were signed on its behalf by:

JOHN E. JONES, CBE, DL

Chairman

D. A. JEFFREY

Managing Director

G. A. HAWKER

Finance Director

DWR CYMRU CYFYNGEDIG

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1990**

	1990 £m	1989 £m
Source of Funds		
Profit on ordinary activities before taxation	43.6	24.9
Extraordinary item	(3.3)	(1.0)
	<u>40.3</u>	<u>23.9</u>
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	18.6	15.5
Profit on sale of tangible fixed assets	(2.3)	(0.7)
Infrastructure maintenance provision	10.5	-
	<u>67.1</u>	<u>38.7</u>
Funds generated from operations		
Funds from other sources:		
Proceeds from the sale of tangible fixed assets	4.9	1.0
Proceeds from the sale of fixed asset investments	0.2	-
Proceeds from the issue of shares	276.1	-
Loans	40.6	76.5
New finance leases	-	4.2
	<u>321.8</u>	<u>81.7</u>
Total funds from other sources		
	<u>321.8</u>	<u>81.7</u>
Total source of funds	<u>388.9</u>	<u>120.4</u>
Application of funds		
Purchase of tangible fixed assets	(89.8)	(64.3)
Purchase of fixed asset investments	(0.1)	(0.1)
Loan repayments	(59.6)	(68.0)
Finance lease capital repayments	(0.3)	(4.2)
Other creditors falling due after more than one year	(0.5)	(0.8)
Dividends paid	(15.5)	-
	<u>(165.8)</u>	<u>(137.4)</u>
Net source/(application) of funds	<u>223.1</u>	<u>(17.0)</u>
The net source/(application) of funds is represented by the following increases/(decreases) in working capital:		
Stocks and work in progress	0.5	(0.4)
Debtors	20.3	(7.1)
Current asset investments	216.6	-
Creditors: Amounts falling due within one year	10.6	(8.0)
	<u>248.0</u>	<u>(15.5)</u>
Movement in liquid funds:		
Bank overdraft	(24.9)	(1.5)
	<u>223.1</u>	<u>(17.0)</u>
Increase/(Decrease) in working capital		

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES

	Turnover		Operating Profit	
	1990 £m	1989 £m	1990 £m	1989 £m
Water Services	144.7	120.7	25.5	28.1
Sewerage Services	110.2	98.6	41.9	46.9
Other Trading Activities	0.1	0.3	-	0.1
	<u>255.0</u>	<u>219.6</u>	<u>67.4</u>	<u>75.1</u>
Interest receivable			9.9	0.6
Interest payable			(33.7)	(50.8)
Profit on ordinary activities before taxation			<u>43.6</u>	<u>24.9</u>

2. NET OPERATING COSTS

	1990 £m	1989 £m
(a) Change in stocks and work in progress	(0.5)	0.4
Infrastructure renewals expenditure (see note 19)	17.8	9.6
Other operating income (see note 2(b))	(2.5)	(0.9)
Staff costs (see note 4(b))	45.8	42.2
Depreciation:		
Own assets	17.2	14.6
Assets held under finance leases	1.4	0.9
Other operating charges	108.4	77.7
	<u>187.6</u>	<u>144.5</u>

	1990 £m	1989 £m
(b) Other operating income comprises:		
Profits on sale of tangible fixed assets	2.3	0.7
Net rents receivable	0.2	0.2
	<u>2.5</u>	<u>0.9</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

3. OPERATING PROFIT	1990	1989
	£m	£m
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	0.1	0.1
Research and development	0.9	1.8
Rentals under operating leases:		
Hire of plant and equipment	1.3	1.1
Other operating leases	0.4	0.4
Exceptional items:		
Voluntary severance and restructuring costs	6.5	5.4
(Discount)/Penalty arising from early repayment of loans	<u>(1.4)</u>	<u>1.1</u>

4. DIRECTORS AND EMPLOYEES

(a) Directors' Remuneration

The directors of the Company were appointed with effect from 1 September 1989. Prior to their appointment a number of them served as members of the Welsh Water Authority.

The remuneration paid to the directors of Dŵr Cymru Cyfyngedig for the period from 1 September 1989, the date of their appointment, to 31 March 1990 was:

	1990
	£000
Fees	-
Other emoluments	154
	<u>154</u>
Fees and other emoluments described above (excluding pension contributions) include amounts paid to:	
The Chairman	-
The highest paid director	<u>29</u>

The emoluments of the directors (excluding pension contributions) were in the following bands:

	Number
£25001 - £30000	5

The Chairman, Managing Director and Finance Director have service contracts with Welsh Water PLC. Since 1 September 1989 no emoluments have been paid to these directors by the Company. However, the Company has borne a management charge from Welsh Water PLC which includes a charge for services of those directors provided to the Company.

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

4. DIRECTORS AND EMPLOYEES (continued)

(a) Directors' Remuneration

Of the Authority:

Members' Emoluments

	1990 £000	1989 £000
Fees	32	68
Other emoluments	83	185
	<u>115</u>	<u>253</u>

Fees and other emoluments described above
(excluding pension contributions) include
amounts paid to:

	1990 £000	1989 £000
The Chairman	23	46
The highest paid member	30	71

The emoluments of the members
(excluding pension contributions)
were in the following bands:

	Number	Number
£0 - £5000	14	9
£5001 - £10000	-	3
£10001 - £15000	-	1
£20001 - £25000	2	-
£25001 - £30000	1	-
£45001 - £50000	-	1
£50001 - £55000	-	1
£70001 - £75000	-	1

Included in the above bands are emoluments for certain members who
subsequently became directors of the Company and the Holding
Company. The corresponding amounts have been restated onto a
comparable basis and therefore include the emoluments of the members
for their service whether in the capacity as a member or as a higher
paid employee.

(b) Staff Costs	1990 £m	1989 £m
Wages and salaries	47.0	44.3
Social security costs	3.5	3.3
Other pension costs	4.4	3.3
	<u>54.9</u>	<u>50.9</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

(b) Staff Costs (continued)

Total staff costs have been charged as follows:

	1990 £m	1989 £m
Tangible fixed assets	8.5	8.4
Operating Costs: - infrastructure assets maintenance	0.6	0.3
- other	45.8	42.2
	<u>54.9</u>	<u>50.9</u>

(c) Average weekly number of employees during the year

	1990 Number			1989 Number		
	Non Manual	Manual	Total	Non Manual	Manual	Total
Full time	1631	1687	3318	1718	1785	3503
Part time	35	44	79	149	103	252
	<u>1666</u>	<u>1731</u>	<u>3397</u>	<u>1867</u>	<u>1888</u>	<u>3755</u>

(d) Higher paid employees

The number of employees of the Company, including the predecessor Authority, other than directors of the Company, whose emoluments exceeded £30,000 (excluding pension contributions), was as follows:

	1990 Number	1989 Number
£30,001 - £35,000	14	14
£35,001 - £40,000	7	6
£40,001 - £45,000	2	2
£45,001 - £50,000	1	-

5. INTEREST PAYABLE

	1990 £m	1989 £m
Interest payable:		
On Government loans extinguished during the year (see note 21(a))	30.5	48.6
On bank loans, overdrafts and other loans		
- repayable within five years, not by instalments	1.3	0.2
- repayable wholly or partly in more than five years	1.8	1.9
	<u>33.6</u>	<u>50.7</u>
On finance leases	0.1	0.1
	<u>33.7</u>	<u>50.8</u>

DŴR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

6. TAXATION

The Company effectively became liable to Corporation Tax on 1 September 1989 on which date it was agreed with the Inland Revenue that the assets of Welsh Water Authority which vested in Dŵr Cymru Cyfyngedig were eligible to capital allowances of £499.7m. These capital allowances can be used in accordance with normal taxation principles.

No liability to Mainstream Corporation Tax arises due to the availability of these taxation allowances.

Taxation losses are available to the Company for carry forward to reduce future trading profits. The amount available for carry forward is subject to negotiation with the Inland Revenue and is estimated to be not less than £30m.

7. EXTRAORDINARY ITEM

	1990 £m	1989 £m
Privatisation and restructuring costs	<u>3.3</u>	<u>1.0</u>
	<u>3.3</u>	<u>1.0</u>

8. DIVIDENDS

	£m	£m
Interim dividend paid of 5.60p per share	15.5	-
Proposed final dividend of 8.40p per share	<u>23.2</u>	<u>-</u>
	<u>38.7</u>	<u>-</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

9. (a) TANGIBLE FIXED ASSETS - ANALYSIS BY ASSET TYPE

	Freehold Land and Buildings £m	Infra- structure Assets £m	Vehicles, Opera- Plant and -tional Equipment Structures £m	£m	Total £m
Cost					
At 1 April 1989	17.5	255.8	99.3	335.3	707.9
Additions	3.1	33.9	32.8	20.0	89.8
Disposals	-	-	(1.2)	(0.1)	(1.3)
Transfers to group companies	-	-	(3.9)	-	(3.9)
At 31 March 1990	<u>20.6</u>	<u>289.7</u>	<u>127.0</u>	<u>355.2</u>	<u>792.5</u>
Accumulated Depreciation					
At 1 April 1989	2.6	-	28.5	106.8	137.9
Charge for the year	0.4	-	10.1	8.1	18.6
Disposals	-	-	(1.1)	-	(1.1)
Transfers to group companies	-	-	(1.5)	-	(1.5)
At 31 March 1990	<u>3.0</u>	<u>-</u>	<u>36.0</u>	<u>114.9</u>	<u>153.9</u>
Net Book Value					
At 31 March 1990	<u>17.6</u>	<u>289.7</u>	<u>91.0</u>	<u>240.3</u>	<u>638.6</u>
At 31 March 1989	<u>14.9</u>	<u>255.8</u>	<u>70.8</u>	<u>228.5</u>	<u>570.0</u>
Utilisation at 31 March 1990					
Owned	17.6	289.7	86.4	240.3	634.0
Finance leased	-	-	4.6	-	4.6
	<u>17.6</u>	<u>289.7</u>	<u>91.0</u>	<u>240.3</u>	<u>638.6</u>

Notes:

(i) Tangible fixed assets at 31 March 1990 include £76.7m (1989 £52.8m) of assets in the course of construction, which are not depreciated until commissioning.

(ii) Additions for the year are shown after crediting capital grants and contributions received of £7.8m (1989 £10.0m).

(iii) The net book value at 31 March 1989 of £570.0m has been reduced by £0.4m compared to the figure in the Prospectus dated 22 November 1989 of £570.4m. This followed the transfer during the year of additional assets to the National Rivers Authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

9.(b) TANGIBLE FIXED ASSETS - ANALYSIS BY SERVICE

	Water Services £m	Sewerage Services £m	Other Trading Activities £m	General £m	Total £m
Cost					
At 1 April 1989	317.6	311.9	0.8	77.6	707.9
Additions	39.6	31.7	-	18.5	89.8
Disposals	(0.1)	-	-	(1.2)	(1.3)
Transfers to group companies	-	-	-	(3.9)	(3.9)
At 31 March 1990	<u>357.1</u>	<u>343.6</u>	<u>0.8</u>	<u>91.0</u>	<u>792.5</u>
Accumulated Depreciation					
At 1 April 1989	53.8	61.7	-	22.4	137.9
Charge for the year	4.8	5.8	-	8.0	18.6
Disposals	(0.1)	-	-	(1.0)	(1.1)
Transfers to group companies	-	-	-	(1.5)	(1.5)
At 31 March 1990	<u>58.5</u>	<u>67.5</u>	<u>-</u>	<u>27.9</u>	<u>153.9</u>
Net Book Value					
At 31 March 1990	<u>298.6</u>	<u>276.1</u>	<u>0.8</u>	<u>63.1</u>	<u>638.6</u>
At 31 March 1989	<u>263.8</u>	<u>250.2</u>	<u>0.8</u>	<u>55.2</u>	<u>570.0</u>
Utilisation at 31 March 1990					
Owned	298.6	276.1	0.8	58.5	634.0
Finance leased	-	-	-	4.6	4.6
	<u>298.6</u>	<u>276.1</u>	<u>0.8</u>	<u>63.1</u>	<u>638.6</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

10. FIXED ASSET INVESTMENTS

	Loan to Related Company	Other Investments	Total
	£m	£m	£m
Cost			
At 1 April 1989	0.2	0.1	0.3
Additions	-	0.1	0.1
Eliminated by transfer to group companies	(0.2)	-	(0.2)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 1990	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>

None of the above are listed investments.

The Company holds more than 10% of the equity of the following
unlisted company:-

	Nature of Business	Country of Incorporation	Description of Holding	Proportion Held
WPF (Holdings) Limited	Pensions	Great Britain	'A' Shares of 80 pence	12.5%

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

	1990 £m	1989 £m
11. STOCKS AND WORK IN PROGRESS		
Consumable stores	3.0	3.0
Work in progress	1.5	1.0
	<u>4.5</u>	<u>4.0</u>

	1990 £m	1989 £m
12. DEBTORS		
Amounts falling due within one year:		
Trade debtors	39.5	27.9
Amounts due from group companies	3.1	-
Other debtors	13.4	8.7
Prepayments and accrued income	2.6	1.5
	<u>58.6</u>	<u>38.1</u>

Amount falling due after more than one year:		
Other debtors	0.4	0.6
	<u>59.0</u>	<u>38.7</u>

	1990 £m	1989 £m
13. CURRENT ASSET INVESTMENTS		
Current asset investments represent monies on deposit maturing as follows:		
Within one year	201.6	-
After more than one year	15.0	-
	<u>216.6</u>	<u>-</u>

Investments are managed on behalf of Dŵr Cymru Cyfyngedig by Welsh Water PLC under an agency agreement.

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

14. CREDITORS

(a) Amounts falling due within one year:

	Note	1990 £m	1989 £m
Bank loans and overdrafts	15(a)	30.4	5.5
Other Loans	15(b)	1.0	69.0
Obligations under finance leases	16	0.3	0.3
Trade creditors		34.7	29.9
Amounts owed to group companies		2.9	-
Other taxation and social security payable		0.4	1.5
Other creditors		24.5	40.2
Accruals and deferred income		0.5	2.0
Dividend payable		23.2	-
		<u>117.9</u>	<u>148.4</u>

(b) Amounts falling due after more than one year:

Other loans	15(b)	14.9	398.7
Obligations under finance leases	16	0.5	0.8
Other creditors		4.3	4.8
		<u>19.7</u>	<u>404.3</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

15. (a) BANK LOANS AND OVERDRAFTS

	Interest Rate %	Repayable by Instalments		Other than by Instalments		Total 1990 £m	Total 1989 £m
		1990 £m	1989 £m	1990 £m	1989 £m		
Within one year	16.0	-	-	30.4	5.5	30.4	5.5
		-	-	30.4	5.5	30.4	5.5

(b) OTHER LOANS

	Range of Interest Rates %	Repayable by Instalments		Other than by Instalments		Total 1990 £m	Total 1989 £m
		1990 £m	1989 £m	1990 £m	1989 £m		
Within one year	9.25 - 12.75	1.0	36.3	-	32.7	1.0	69.0
Between one and two years	9.25 - 12.75	1.0	34.9	-	-	1.0	34.9
Between two and five years	9.25 - 12.75	2.8	90.7	-	-	2.8	90.7
After more than five years	9.25 - 12.75	11.1	267.5	-	5.6	11.1	273.1
		15.9	429.4	-	38.3	15.9	467.7

For explanation of extinguishment of Government loans see Note 21(a).

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

16. FINANCE LEASES

Amounts due under finance leases are payable as follows:

	1990 £m	1989 £m
Within one year	0.4	0.3
Between one and two years	0.4	0.4
Between two and five years	0.2	0.7
	<u>1.0</u>	<u>1.4</u>
LESS: finance charges allocated to future periods	(0.2)	(0.3)
	<u>0.8</u>	<u>1.1</u>

17. CAPITAL COMMITMENTS

	1990 £m	1989 £m
Contracted for but not provided in the financial statements	<u>15.5</u>	<u>23.8</u>
Authorised but not yet contracted for	<u>11.3</u>	<u>11.7</u>

Apart from these commitments, in order to meet regulatory and service standards the Company has longer term capital expenditure obligations, which include investments to meet shortfalls in performance and condition and to provide for new demand and growth.

18. LEASING COMMITMENTS

	Land and Buildings	
	1990 £m	1989 £m
At 31 March 1990 there were revenue commitments, in the ordinary course of business in the next year, to the payment of rentals on non-cancellable operating leases expiring:		
After five years	<u>0.4</u>	<u>0.4</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

19. PROVISIONS FOR LIABILITIES AND CHARGES

(a) Deferred Taxation

In accordance with the Company's accounting policy no provision is required for deferred taxation.

The full potential liability to deferred taxation at 31 March 1990 comprises the following:

	Full Potential Liability	
	1990	
	£m	
Accelerated capital allowances	22.2	
Other timing differences	(2.9)	
	<u>19.3</u>	
less: Losses	(10.8)	
Advance Corporation Tax	(5.4)	
	<u>3.1</u>	

(b) Other Provisions

	Infrastructure Maintenance Provision	
	1990	1989
	£m	£m
Charge for the year	17.8	9.6
Expenditure in the year	(7.3)	(9.6)
	<u>10.5</u>	<u>-</u>
At 31 March 1990	<u>10.5</u>	<u>-</u>

As part of their obligations to the Director General of Water Services the directors have determined a programme of expenditure for the maintenance and enhancement of the infrastructure asset system. This programme is set out in an Asset Management Plan effective from 1 April 1989. The above provision represents the difference between the annual anticipated expenditure requirement in the Asset Management Plan for infrastructure maintenance and that actually incurred. Prior to 1 April 1989 there was no Asset Management Plan in place and consequently no provision was required.

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

20. SHARE CAPITAL

	1990 £m	1989 £m
Authorised:		
301,050,000 Ordinary shares of £1 each	<u>301.1</u>	<u>-</u>
Allotted and fully paid:		
276,050,000 Ordinary shares of £1 each	<u>276.1</u>	<u>-</u>

On the 1 April 1989 two Ordinary shares of £1 were issued. On the 1 September 1989 49,998 Ordinary shares of £1 were issued and on the 12 March 1990 276,000,000 Ordinary shares of £1 were issued.

21. RESERVES	1990 £m	1989 £m
At 1 April 1989	60.3	36.4
Government debt written off (see note (a))	432.8	-
Retained profit for the year	1.6	23.9
At 31 March 1990	<u>494.7</u>	<u>60.3</u>

(a) Dŵr Cymru Cyfyngedig inherited on vesting the outstanding loans of Welsh Water Authority. On 1 September 1989 Government loans amounting to £438.8m were transferred to Welsh Water PLC in return for the issue of a debenture of £438.8m in accordance with a direction made by the Secretary of State for Wales under section 85(1) of the Water Act 1989.

Between 1 September 1989 and 15 November 1989 Welsh Water PLC repaid Government loans of £6.0m and at the same time Dŵr Cymru Cyfyngedig repaid to Welsh Water PLC £6.0m of the outstanding debenture.

On 15 November 1989 the outstanding Government loans of Welsh Water PLC and the outstanding debenture of Dŵr Cymru Cyfyngedig, both amounting to £432.8m, were extinguished in accordance with an order made by the Secretary of State for Wales under sections 86(1) and 86(2) of the Water Act 1989. As a result of this extinguishment order £432.8m has been credited to the reserves of Dŵr Cymru Cyfyngedig.

(b) The balance of reserves at 31 March 1989 previously disclosed in the Prospectus dated 22 November 1989 as £60.7m has been reduced by £0.4m to reflect an additional transfer of assets to the National Rivers Authority as explained in note 9(a)(iii).

DWR CYMRU CYFYNGEDIG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

22. DIRECTORS' AND OFFICERS' LOANS AND TRANSACTIONS

In accordance with the requirements of section 232 of the Companies Act 1985, the following information is given for directors and persons connected with directors:

(i) During the year a temporary interest free loan of £40,000 was made to D.A.Jeffrey as part of a relocation package. This loan was fully repaid by 1 September 1989, on which date he became a director of Dŵr Cymru Cyfyngedig, having previously served as a member of Welsh Water Authority.

23. ELAN AQUEDUCT

In 1984 Welsh Water Authority transferred to Severn Trent Water Authority the aqueduct and associated works by which the bulk supply to Severn Trent reservoirs is conveyed.

The sum of £31.7m representing the consideration for the transfer, plus accrued interest has been invested in a Trust Fund, the principal function of which is to provide an income to Welsh Water Authority, whilst preserving the capital value of the Fund in real terms.

Welsh Water Authority's interest in this Fund was vested in Dŵr Cymru Cyfyngedig under the provisions of the Water Act 1989. The relevant assets and the Fund are not included in these financial statements.

24. THE WELSH WATER ELAN TRUST

The Welsh Water Elan Trust is a charitable foundation established on 13 October 1989 and granted a 999 year lease on approximately 43,000 acres of land in the Elan Valley, which was transferred from Dŵr Cymru Cyfyngedig, to be held for the benefit and enjoyment of the general public.

The lease contains restrictions to protect the flow of water and prevent commercial development within the Elan Valley, but Dŵr Cymru Cyfyngedig has reserved the right to resume possession of areas of land up to a maximum of 10,000 acres for purposes connected with its business, such as the extension of reservoirs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

25. PENSION SCHEMES

Employees of the Company are members of one or other of the defined benefit final salary schemes operated for the benefit of all employees of the Welsh Water Group ("the Group"). Full details of these pension schemes are as follows:-

The Group operates two defined benefit final salary schemes, the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS).

Prior to 1 September 1989, employees were members of either the Water Authorities Superannuation Fund (WASF) or the WPS which was established in 1988 as an optional alternative to the WASF. As part of the reorganisation of pension arrangements effective from 1 September 1989 the WASF was no longer available and employees who were members of the WASF at that time were transferred to the WMIS which was established on that date to replicate the existing arrangements of the WASF for members' contributions and benefits.

With effect from 1 September 1989, actuarially determined transfer payments have been made from the WASF to the WPS and the WMIS in respect of members of WASF who have decided to transfer their past service rights into their new scheme. Although the first formal actuarial valuations have not been completed, the consulting actuary to both schemes, William M. Mercer Fraser Limited, has confirmed that transfer values calculated on this basis will be sufficient to meet the accrued liabilities assumed for each scheme (including allowance for future salary increases and increases to pensions) in respect of service prior to 1 September 1989. Future actuarial valuations of both funds will take place at intervals of three years.

Pensions in payment and deferred pensions under the WMIS have been assumed to increase by 6% per annum. This assumption has been chosen to reflect the increases under the scheme which are guaranteed to be in line with the Retail Prices Index (RPI). For the WPS, the corresponding assumption used is 5.25% per annum. This reflects increases under the scheme which are guaranteed at 5% per annum (or the increase in the RPI if less) with the intention to pay more up to the level of the RPI if the resources of the scheme so permit.

The pension cost for the period was £4.4m (1989 £3.3m)

DWR CYMRU CYFYNGEDIG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

25. PENSION SCHEMES (continued)

The pension cost in respect of the WPS and the WMIS is the annual regular cost of providing benefits. In respect of the WASF the pension cost has been taken as the contribution paid including both normal contributions based on members' pay and recharges of supplementary pensions and pension increases. Although these actual contributions would have been insufficient to fund pension increases and supplementary discretionary benefits no unfunded liability for these now remains with the Company or its schemes. With effect from 1 September 1989 these liabilities and the liability for supplementary pensions payable under the WPS and WMIS at that date were transferred to the National Rivers Authority. For other benefits the full liability relating to service up to the date of each member's transfer to the WPS or WMIS, including the liability for future pension increases, is intended to be met within the transfers from the WASF as described above.

26. HOLDING COMPANY

The ultimate Holding Company is Welsh Water PLC which is registered in England and Wales.

DWR CYMRU CYFYNGEDIG

FIVE YEAR SUMMARY
PROFIT AND LOSS ACCOUNTS

	1986 £m	1987 £m	1988 £m	1989 £m	1990 £m
Turnover by Service					
Water Services	93.7	103.5	112.5	120.7	144.7
Sewerage Services	77.3	87.0	90.3	98.6	110.2
Other Trading Activities	-	-	-	0.3	0.1
	<u>171.0</u>	<u>190.5</u>	<u>202.8</u>	<u>219.6</u>	<u>255.0</u>
Operating Profit by Service					
Water Services	17.7	24.5	23.5	28.1	25.5
Sewerage Services	30.7	40.4	45.5	46.9	41.9
Other Trading Activities	-	-	-	0.1	-
	<u>48.4</u>	<u>64.9</u>	<u>69.0</u>	<u>75.1</u>	<u>67.4</u>
Interest receivable	0.1	0.1	0.1	0.6	9.9
Interest payable	(52.0)	(53.1)	(52.7)	(50.8)	(33.7)
Profit/(Loss) on Ordinary Activities before Taxation	(3.5)	11.9	16.4	24.9	43.6
Taxation	-	-	-	-	-
Profit/(Loss) on Ordinary Activities after Taxation	(3.5)	11.9	16.4	24.9	43.6
Extraordinary items	-	-	-	(1.0)	(3.3)
Profit/(Loss) for the Year	(3.5)	11.9	16.4	23.9	40.3
Dividends	-	-	-	-	(38.7)
Retained Profit/(Loss) for the Year	<u>(3.5)</u>	<u>11.9</u>	<u>16.4</u>	<u>23.9</u>	<u>1.6</u>

DWR CYMRU CYFYNGEDIG

FIVE YEAR SUMMARY
BALANCE SHEETS

	1986 £m	1987 £m	1988 £m	1989 £m	1990 £m
Fixed Assets					
Tangible assets	464.2	496.1	521.9	570.0	638.6
Investments	-	-	0.2	0.3	0.2
	<u>464.2</u>	<u>496.1</u>	<u>522.1</u>	<u>570.3</u>	<u>638.8</u>
Current Assets					
Stocks and work in progress	4.9	5.0	4.4	4.0	4.5
Debtors	34.2	40.2	45.8	38.7	59.0
Current asset investments	-	-	-	-	216.6
	<u>39.1</u>	<u>45.2</u>	<u>50.2</u>	<u>42.7</u>	<u>280.1</u>
Current Liabilities					
Creditors: Amounts falling due within one year	91.3	103.4	126.8	148.4	117.9
	<u>91.3</u>	<u>103.4</u>	<u>126.8</u>	<u>148.4</u>	<u>117.9</u>
Net Current Assets/ (Liabilities)	<u>(52.2)</u>	<u>(58.2)</u>	<u>(76.6)</u>	<u>(105.7)</u>	<u>162.2</u>
Total Assets Less Current Liabilities	<u>412.0</u>	<u>437.9</u>	<u>445.5</u>	<u>464.6</u>	<u>801.0</u>
Creditors: Amounts falling due after more than one year	403.5	417.5	408.7	404.3	19.7
Provisions for Liabilities and Charges	-	-	-	-	10.5
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.5</u>
Net Assets	<u>8.5</u>	<u>20.4</u>	<u>36.8</u>	<u>60.3</u>	<u>770.8</u>
Capital and Reserves					
Called up share capital	-	-	-	-	276.1
Reserves	8.5	20.4	36.8	60.3	494.7
	<u>8.5</u>	<u>20.4</u>	<u>36.8</u>	<u>60.3</u>	<u>770.8</u>

Figures for 1986 to 1989 are those shown in the listing particulars published on 22 November 1989 and exclude financial information attributable to functions which have since been transferred to the National Rivers Authority. The figures are therefore unaudited. During the years ended 31 March 1986 to 1989 Welsh Water Authority had no share capital and paid no dividends.