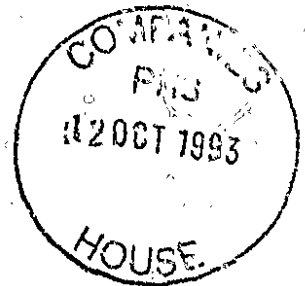


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**DŴR CYMRU
WELSH WATER**

***REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st MARCH 1993***



DWR CYMRU CYFYNGEDIG

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1993

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DWR CYMRU CYFYNGEDIG

REPORT OF THE DIRECTORS

The Directors submit their Report together with the financial statements for the year ended 31 March 1993.

Principal Activities

The principal activity of the Company is the supply of water and the treatment and disposal of waste water under the Instrument of Appointment made by the Secretary of State for Wales under the Water Act 1989.

Trading Results

Profit on ordinary activities before taxation amounted to £139.0m (1992 £139.8m). The profit attributable to shareholders amounted to £140.7m (1992 £129.8m) which, after dividends of £74.7m (1992 £108.4m), resulted in a transfer to reserves of £66.0m (1992 £21.4m).

Dividend

The Directors recommend payment of a final dividend of 128.8 million making a total dividend for the year of £74.7 million.

Share Capital

Details of the Authorised and Issued share capital are reported on page 29.

Directors and Directors Interests

The Directors who have held office during the year ended 31 March 1993 and their interests in the share capital of Welsh Water PLC as the Company's ultimate parent are shown below. No directors have an interest in the share capital of the Company itself.

Messrs G.A.Hawker, B.H.Charles and P.J.Twamley are also Directors of Welsh Water PLC and their interests are disclosed in the Directors' Report of that Company.

Mr J.E.Jones retired as Chairman and as a Director on 31 March 1993.

Mr A.R.Brain resigned as a Director on 5 April 1992 and Messrs. P.J.Twamley and N.R.Hutton resigned as Directors on 26 April 1993.

DWR CYMRU CYFYNGEDIG

REPORT OF THE DIRECTORS

Directors and Directors Interests (continued)

	Ordinary Shares of 11		Executive Share Options		Sharesave Options	
	31.3.92	31.3.93	31.3.92	31.3.93	31.3.92	31.3.93
N. Annett	620	620	20,942	20,942	-	1,613
Dr M.P. Brocker	2,286	28,733	41,170	9,899	3,365	5,776
N.R. Hufton	782	14,524	41,430	6,558	2,045	2,045
T.G. Jones	7,466	34,362	44,817	7,967	6,136	6,136
J.W. Morgan	-	-	23,456	27,456	-	4,719
J.D.R. Williams	1,349	16,986	42,256	10,529	6,136	7,749

Executive options are held at prices between 340p and 382p per share.

Sharesave options are held at prices between 176p and 409p per share.

Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance is arranged on behalf of the Company, directors and certain specified managers. This policy is renewed annually.

Fixed Assets

An analysis of capital expenditure is reported on pages 19, 20 and 21.

Employee Information

The number of employees of the Company is reported on page 17.

The Company is a member of the Welsh Water PLC group of Companies and has adopted the policies set out in the Directors Report of that Company in respect of staff recruitment and training opportunities, financial participation of employees in the Company, the employment of disabled persons and equal opportunities

DWR CYMRU CYFYNGEDIG

REPORT OF THE DIRECTORS

Contributions for Charitable and Political Purposes

There have been no political donations during the year. Charitable donations are made on behalf of the Company by Welsh Water PLC and reported in the Directors Report of that Company.

Research and Development

Research and development remains an important element in the continuing improvement in operational efficiency made by the Company and to the achievement of both national and international standards for potable water and sewage effluent and sludge.

Regulatory Accounts

Condition F of the Instrument of Appointment under which Dwr Cymru Cyfyngedig operates requires specified accounting statements to be published. Copies of these accounts will be available from the Company Secretary after 1 August 1993.

Auditors

Coopers & Lybrand have signified their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting. Until 1 June 1992 the firm practised in the name of Coopers & Lybrand Deloitte.

By Order of the Board

R.G. Curtis

R.G. Curtis LLB ACIS
Secretary
9 July 1993

Registered Office: Plas-y-Ffynnon, Cambrian Way, Brecon,
Powys, LD3 7HP.

Company Number: 2366777

DWR CYMRU CYPYNGEDIG

REPORT OF THE AUDITORS TO THE MEMBERS OF DWR CYMRU CYPYNGEDIG

We have audited the financial statements on pages 5 to 32 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 1993 and of the profit, total recognised gains and cash flows 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
CARDIFF
9 July 1993

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is shown below.

Changes in Accounting Policies and Presentation of Financial Information

Since the previous Annual Report the Accounting Standards Board has issued Financial Reporting Statement FRS3 - Reporting Financial Performance. These financial statements comply with this Standard and comparative figures have been restated accordingly.

FRS3 prescribes a new format for the profit and loss account and virtually eliminates extraordinary items. The definition of a discontinued operation is restricted to a business the sale or termination of which has a material effect on the nature and focus of the Company's activities. In addition, a statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds are required.

Basis of Accounting

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.

Exceptional Items

Exceptional items are those that need to be disclosed by virtue of their size and incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Company, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

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 pipelines 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.

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

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, 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	10-40 years
Vehicles, mobile plant and equipment	4-16 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.

Grants And Contributions

Grants and contributions in respect of specific expenditure on non-infrastructure fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets. Grants, contributions and infrastructure charges relating to infrastructure assets, which are non-depreciating assets, have been offset against fixed assets.

Investments

Long term 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 and net realisable value. Cost includes labour, materials, transport and directly attributable overheads.

Pension Costs

Contributions are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' working lives with the Company. Contribution rates are based on the advice of a professionally qualified actuary. Any difference between the charge to the Profit and Loss Account and the contributions paid is shown as an asset or liability in the Balance Sheet.

Foreign Currencies

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

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 purpose 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 1993

	Note	1993 £m	1992 £m
Turnover			
Continuing operations		362.9	334.0
Acquisitions		0.2	-
Total Turnover	2	<u>363.1</u>	<u>334.0</u>
Net operating costs	3	<u>(230.6)</u>	<u>(212.4)</u>
Operating Profit			
Continuing operations		132.3	121.6
Acquisitions		0.2	-
Total Operating Profit		<u>132.5</u>	<u>121.6</u>
Profit on disposal of fixed assets		2.2	1.4
Profit on Ordinary Activities before Interest		<u>134.7</u>	<u>123.0</u>
Interest receivable		16.3	21.6
Interest payable	5	<u>(12.0)</u>	<u>(4.8)</u>
Profit on Ordinary Activities before Taxation		<u>139.0</u>	<u>139.8</u>
Taxation	6	<u>1.7</u>	<u>(10.0)</u>
Profit on Ordinary Activities after Taxation		<u>140.7</u>	<u>129.8</u>
Dividends	7	<u>(74.7)</u>	<u>(138.4)</u>
Retained Profit for the Year	20	<u><u>66.0</u></u>	<u><u>21.4</u></u>

DWR CYMRU CYFYNGEDIG

BALANCE SHEET AT 31 MARCH 1993

	Note	1993 £m	1992 £m
Fixed Assets			
Tangible assets	8	1045.3	911.6
Investments	9	0.3	0.2
		<u>1045.6</u>	<u>911.8</u>
Current Assets			
Stocks and work in progress	10	6.0	6.3
Debtors	11	80.0	70.1
Current asset investments	12	99.7	152.6
		<u>185.7</u>	<u>229.0</u>
Current Liabilities			
Creditors: Amounts falling due within one year	13(a)	141.5	133.6
Net Current Assets		<u>44.2</u>	<u>95.4</u>
Total Assets Less Current Liabilities		<u>1089.8</u>	<u>1007.2</u>
Creditors: Amounts falling due after more than one year	13(b)	133.8	110.1
Provisions for Liabilities and Charges	18	44.3	51.4
Net Assets		<u>911.7</u>	<u>845.7</u>
Capital and Reserves			
Called up share capital	19	276.1	276.1
Reserves	20	635.6	569.6
Shareholders' Funds		<u>911.7</u>	<u>845.7</u>

The financial statements on pages 5 to 32 were approved by the Board of Directors on the 9 July 1993 and were signed on its behalf by:

G.A.HAWKER
Chairman

J.W.MORGAN
Finance Director

J.W. Morgan

DWR CYMRU CYFYNGEDIG

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1993

	Note	1993 £m	1992 £m
Net cash inflow from operating activities	21	158.2	137.
Returns on investments and servicing of finance			
Interest received		16.4	27.
Interest paid		(3.3)	(3.)
Interest element of finance leases		(9.1)	(0.)
Dividends paid		(71.0)	(118.)
Net cash outflow from returns on investments and servicing of finance		(60.0)	(95.)
Taxation			
UP corporation tax paid		(7.6)	-
Investing activities			
Purchase of tangible fixed assets		(178.6)	(182.)
Purchase of investments		(0.2)	-
Sale of tangible fixed assets		3.2	2.
Sale of fixed asset investments		0.1	-
Grants and contributions received		10.7	12.
Net cash outflow from investing activities		(164.8)	(167.)
Net cash outflow before financing		(74.2)	(129.)
Financing			
New long term loans		-	70.0
Long term loans repaid		(1.1)	(1.5)
New finance leases		25.3	23.1
Capital payments under finance leases		(0.3)	(0.5)
Decrease in deposits and other money market investments	23	71.8	57.5
Net cash inflow from financing	22	95.7	149.2
Increase in cash and cash equivalents	24	21.5	24.1

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 MARCH 1993

	1993 £m	1992 £m
Profit for the Financial Year	140.7	129.8
Unrealised deficit on revaluation of properties	-	-
Total gains and losses recognised since last annual report	140.7	129.8

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR
ENDED 31 MARCH 1993

	1993 £m	1992 £m
At 1 April	845.7	824.3
Profit for the Financial Year	140.7	129.8
Dividends	(74.7)	(108.4)
Net addition to shareholders' funds	66.0	21.4
At 31 March	911.7	845.7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

1. CONSOLIDATED FINANCIAL STATEMENTS

The Company has taken advantage of Section 228 (1) of the Companies Act 1985 not to produce consolidated accounts as it is a wholly owned subsidiary of Welsh Water Plc.

2. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

Turnover

	1993 £m	1992 £m
<u>Continuing Operations:</u>		
Regulated Water and Sewerage activities	348.0	329.7
Non Regulated activities	4.9	4.3
	<u>362.9</u>	<u>334.0</u>

In addition, during the year ended 31 March 1993, the Company had turnover of 10.2m resulting from the acquisition of non regulated activities.

Profit Before Taxation

	1993 £m	1992 £m
<u>Continuing Operations:</u>		
Regulated Water and Sewerage activities	138.4	138.4
Non Regulated activities	0.4	1.4
	<u>138.8</u>	<u>139.8</u>

In addition, during the year ended 31 March 1993 the Company had profit before taxation of 10.2m resulting from the acquisition of non regulated activities.

Net Assets

Regulated Water and Sewerage activities	905.8	841.8
Non Regulated activities	5.9	3.9
	<u>911.7</u>	<u>845.7</u>

Substantially all turnover and profit before taxation, by origin and destination, was attributable to the UK.

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

3. NET OPERATING COSTS

	Note	1993 £m	1992 £m
<u>Continuing Operations:</u>			
Change in stocks and work in progress	10	0.3	(1.1)
Infrastructure renewals expenditure	18 (b)	21.7	19.8
Staff costs	4 (b)	60.1	56.5
Depreciation:			
Own assets		28.0	26.2
Assets held under finance leases		2.1	1.5
Grants and contributions released to the Profit and Loss Account	18 (c)	(3.1)	(0.5)
Research and development		0.8	0.8
Rentals under operating leases:			
Hire of plant and equipment		1.1	1.3
Land and buildings		0.3	0.4
Other		1.7	1.1
Fees to auditors:			
Audit services		0.1	0.1
Consultancy services		0.2	0.6
Other operating charges		117.5	108.1
Other operating income:			
Profits on sale of tangible fixed assets		-	(0.1)
Other		(0.3)	(2.2)
		<u>230.6</u>	<u>212.4</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

4. DIRECTORS AND EMPLOYEES

(a) Directors' Remuneration

The combined emoluments of the directors of Dwr Cymru Cyfyngedig for their services as directors of the Company are set out below:

	1993 £000	1992 £000
Contributions to Pension Schemes	57	56
Other Emoluments	485	461
Compensation for loss of office	-	156
	<u>542</u>	<u>673</u>

Included in the above are amounts (excluding pension contributions) paid to:

	1993 £000	1992 £000
The Chairman	-	-
The highest paid director - emoluments	<u>88</u>	<u>85</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

4. DIRECTORS AND EMPLOYEES (continued)

(a) Directors' Remuneration (continued)

The combined fees and emoluments (excluding pension contributions) were in the following ranges:

	1993 Number	1992 Number
£ 0 - £ 5,000	4	3
£ 10,001 - £ 15,000	-	2
£ 60,001 - £ 65,000	3	-
£ 65,001 - £ 70,000	2	3
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	1	1
£ 85,001 - £ 90,000	1	1

During the year ended 31 March 1993 Mr J.E.Jones, Mr G.A.Hawker and Mr P.J.Twamley had service contracts with Welsh Water PLC. 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.

(b) Staff Costs

	1993 £m	1992 £m
Wages and salaries	60.3	56.6
Social security costs	4.9	4.3
Pension costs	6.2	5.5
	<u>71.4</u>	<u>66.4</u>

Of the above, £11.3m (1992 £9.9m) has been charged to tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

4. DIRECTORS AND EMPLOYEES (continued)

(c) Average weekly number of employees during the year

	1993 Number	1992 Number
Water and sewerage services	<u>3481</u>	<u>3547</u>

5. INTEREST PAYABLE

	1993 £m	1992 £m
Interest payable:		
On bank loans, overdrafts and other loans		
- repayable within five years, not by instalments	0.6	2.0
- repayable wholly or partly in more than five years	<u>8.4</u>	<u>2.7</u>
	9.0	4.7
On finance leases	<u>3.0</u>	<u>0.1</u>
	<u>12.0</u>	<u>4.8</u>

Included in "repayable within five years, not by instalments" is an amount payable to Group undertakings of £0.2m (1992 £1.7m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

6. TAXATION

	1993 £m	1992 £m
UK Corporation Tax at 33%	6.1	9.9
Group Relief	-	0.1
Prior Year Adjustment	(7.8)	-
	<u>(1.7)</u>	<u>10.0</u>

The tax charge has been reduced by £40m (1992 £37m) in respect of excess tax allowances over depreciation and other timing differences on which, in accordance with the Company's accounting policy, no deferred tax has been provided.

The Company's tax charge for the year has not been reduced (1992 £0.7m) for tax losses brought forward from previous years. The tax charge for the year and previous years are still subject to negotiation with the Inland Revenue.

7. DIVIDENDS

	1993 £m	1992 £m
Interim dividends paid	45.9	81.3
Proposed final dividend	28.8	27.1
	<u>74.7</u>	<u>108.4</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

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

	Freehold Land and Buildings £m	Infra- structure Assets £m	Vehicles, Plant and Equipment £m	Opera- tional Structures £m	Total £m
Cost					
At 1 April 1992	42.9	379.1	150.0	545.3	1117.3
Additions	5.3	51.5	15.2	102.2	174.2
Grants & contributions	-	(9.1)	-	-	(9.1)
Amounts written off	(0.3)	-	-	-	(0.3)
Disposals	(0.9)	-	(1.8)	-	(2.7)
At 31 March 1993	<u>47.0</u>	<u>421.5</u>	<u>163.4</u>	<u>647.5</u>	<u>1279.4</u>
Accumulated Depreciation					
At 1 April 1992	10.1	-	63.6	132.0	205.7
Charge for the year	0.9	-	15.5	13.7	30.1
Disposals	(0.2)	-	(1.5)	-	(1.7)
At 31 March 1993	<u>10.8</u>	<u>-</u>	<u>77.6</u>	<u>145.7</u>	<u>234.1</u>
Net Book Value					
At 31 March 1993	<u>36.2</u>	<u>421.5</u>	<u>85.8</u>	<u>501.8</u>	<u>1045.3</u>
At 31 March 1992	<u>32.8</u>	<u>379.1</u>	<u>86.4</u>	<u>413.3</u>	<u>911.6</u>
Utilisation at 31 March 1993					
Owned	36.2	421.5	84.6	454.3	996.6
Finance leased	-	-	1.2	47.5	48.7
	<u>36.2</u>	<u>421.5</u>	<u>85.8</u>	<u>501.8</u>	<u>1045.3</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

8. (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 1992	515.3	483.7	0.8	117.5	1117.3
Reclassification	(0.3)	0.6	-	(0.3)	-
	<u>515.0</u>	<u>484.3</u>	<u>0.8</u>	<u>117.2</u>	<u>1117.3</u>
Additions	79.3	73.2	1.4	20.3	174.2
Grants & Contributions	(4.7)	(4.4)	-	-	(9.1)
Amounts written off	-	-	(0.3)	-	(0.3)
Disposals	-	-	-	(2.7)	(2.7)
	<u>589.6</u>	<u>553.1</u>	<u>1.9</u>	<u>134.8</u>	<u>1279.4</u>
At 31 March 1993					
	<u>589.6</u>	<u>553.1</u>	<u>1.9</u>	<u>134.8</u>	<u>1279.4</u>
Accumulated Depreciation					
At 1 April 1992	75.9	84.6	-	49.6	205.7
Charge for the year	3.8	8.5	-	12.8	30.1
Disposals	-	-	-	(1.7)	(1.7)
	<u>84.3</u>	<u>93.1</u>	<u>-</u>	<u>56.7</u>	<u>234.1</u>
At 31 March 1993					
	<u>84.3</u>	<u>93.1</u>	<u>-</u>	<u>56.7</u>	<u>234.1</u>
Net Book Value					
At 31 March 1993	<u>505.3</u>	<u>460.0</u>	<u>1.9</u>	<u>78.1</u>	<u>1045.3</u>
At 31 March 1992	<u>439.8</u>	<u>399.1</u>	<u>0.8</u>	<u>71.9</u>	<u>911.6</u>
Utilisation at 31 March 1993					
Owned	473.8	444.0	1.9	76.9	996.6
Finance leased	31.5	16.0	-	1.2	48.7
	<u>505.3</u>	<u>460.0</u>	<u>1.9</u>	<u>78.1</u>	<u>1045.3</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

8.(c) TANGIBLE FIXED ASSETS

- (i) Tangible fixed assets at 31 March 1993 include £125.2m (1992 £127.8m) of assets in the course of construction, which are not depreciated until commissioning.
- (ii) Reclassification has arisen as a result of the Company's continuing refinement of its historical fixed asset information.
- (iii) The treatment of accounting for grants, contributions and infrastructure charges in respect of infrastructure assets is described in the Principal Accounting Policies. This treatment has been adopted in accordance with Section 226(5) of the Companies Act 1985 in order to show a true and fair view as, in the opinion of the Directors, it is not appropriate to treat grants, contributions and infrastructure charges on infrastructure assets as deferred income. The fixed assets to which they relate are not depreciated and accordingly no basis exists on which to recognise such contributions as deferred income. The contributions relate directly to investment in infrastructure assets and therefore are deducted directly from their purchase or production cost. As a consequence the net book value amount for fixed assets is £79.0m lower (1992 £69.9m) than it would have been had this treatment not been adopted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

9. FIXED ASSET INVESTMENTS

	Interests in Subsidiary Undertaking £m	Unlisted Investments £m	Total £m
Cost			
At 1 April 1992	-	0.2	0.2
Additions	0.2	-	0.2
Disposal in the year	-	(0.1)	(0.1)
At 31 March 1993	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

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

	Nature of Business	Country of Incorporation	Description of Holding
Water Research Centre (1989) Plc	Water Research	Great Britain	"B" Ordinary Shares of £1

In addition, the Company held 5% Convertible Unsecured Loan Stock 2014 at a cost of £23,326 in Water Research Centre (1989) Plc.

The Company holds equity in the following company:-

	Country of Incorporation	Description of Holding	Proportion Held
The Halkyn District Mines Drainage Company	Great Britain	£10 Ordinary Shares	100%

The Halkyn District Mines Drainage Company was acquired on 5 October 1992 and remains a non trading company. The share capital and reserves of that company at 31 March 1993 were:

	£000
Share Capital	188
Reserves	21
	<u>209</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

10. STOCKS AND WORK IN PROGRESS

	1993 £m	1992 £m
Consumable stores	4.4	4.7
Work in progress	1.6	1.6
	<u>6.0</u>	<u>6.3</u>

11. DEBTORS

	1993 £m	1992 £m
Amounts falling due within one year:		
Trade debtors	32.7	40.7
Amounts due from group undertakings	6.0	0.1
Other debtors	9.8	8.9
Prepayments and accrued income	31.2	20.3
	<u>79.7</u>	<u>70.0</u>

Amount falling due after more than one year:

Other debtors	0.3	0.1
	<u>80.0</u>	<u>70.1</u>

12. CURRENT ASSET INVESTMENTS

	1993 £m	1992 £m
Fixed term and call deposits	99.7	133.6
Other money market investments	-	19.0
	<u>99.7</u>	<u>152.6</u>

None of the above amounts (1992 £36.3m) mature after more than one year, and £32.2 (1992 £13.3m) is regarded as cash equivalents in the cashflow statement.

The market value of investments is not significantly different from cost.

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

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

13. CREDITORS

(a) Amounts falling due within one year:

	Note	1993 £m	1992 £m
Bank loans and overdrafts	14(a)	9.0	11.6
Other loans	14(b)	0.9	0.9
Obligations under finance leases	15	0.3	0.2
Trade creditors		49.2	52.2
Amounts owed to group undertakings		10.1	7.8
Amounts due to subsidiary undertakings		0.2	-
Dividend proposed		28.8	27.1
Corporation Tax		2.0	2.4
Other taxation and social security payable		1.5	1.6
Other creditors		19.0	29.2
Accruals and deferred income		0.5	0.6
		<u>171.5</u>	<u>133.6</u>

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

Other loans	14(b)	81.4	82.5
Obligations under finance leases	15	49.1	24.2
Other creditors:			
Between one and five years		3.3	3.4
		<u>133.8</u>	<u>110.1</u>

DWR CYARU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

14. (a) BANK LOANS AND OVERDRAFTS

	Range of Interest Rates %	Repayable by Instalments		Other than by Instalments		Total	Total
		1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
Within one year	7.0 - 13.0	-	-	9.0	11.0	9.0	11.6
		-	-	9.0	11.6	9.0	11.6

(b) OTHER LOANS

	Range of Interest Rates %	Repayable by Instalments		Other than by Instalments		Total	Total
		1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
Within one year	8.8 - 11.2	0.9	0.9	-	-	0.9	0.9
Between one and two years	8.8 - 11.2	2.7	0.9	-	-	2.7	0.9
Between two and five years	8.8 - 11.2	9.9	8.3	-	-	8.0	8.3
After more than five years	8.8 - 11.2	70.7	73.3	-	-	70.7	73.3
		82.3	83.4	-	-	82.3	83.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

15. FINANCE LEASES

Amounts due under finance leases are payable as follows:

	1993 £m	1992 £m
Within one year	0.5	0.2
Between one and two years	0.7	0.3
Between two and five years	-	0.2
After more than five years	48.9	23.7
	<u>49.4</u>	<u>24.4</u>

16. CAPITAL COMMITMENTS

	1993 £m	1992 £m
Contracted for but not provided in the financial statements	67.6	104.6
Authorised but not yet contracted for	47.3	4.7

Apart from these commitments, in order to meet regulatory and service standards the Company has longer term capital expenditure obligations totalling approximately £1.0 billion at current prices over the next ten years, which include investments to meet shortfalls in performance and condition and to provide for new demands and growth.

17. LEASING COMMITMENTS

	Land and Buildings		Other Operating Leases	
	1993 £m	1992 £m	1993 £m	1992 £m
At 31 March 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:				
Between two and five years	-	-	1.2	1.2
After five years	0.4	0.5	-	-
	<u>0.4</u>	<u>0.5</u>	<u>1.2</u>	<u>1.2</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Note	1993 £m	1992 £m
Infrastructure Maintenance Provision	18 (b)	9.9	11.5
Deferred Income	18 (c)	34.4	35.9
		<u>44.3</u>	<u>51.4</u>

(a) Deferred Taxation

No provision is required for deferred taxation in accordance with the policy described in the principal accounting policies.

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

	Full Potential Liability	
	1993 £m	1992 £m
Accelerated capital allowances	128.3	92.7
Other timing differences	(5.0)	(6.0)
	<u>123.3</u>	<u>86.7</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 1993

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(b) Infrastructure Maintenance Provision

	1993 £m	1992 £m
At 1 April	15.5	13.9
Charge for the year	21.7	19.8
Expenditure in the year	(27.3)	(18.2)
At 31 March	<u>9.9</u>	<u>15.5</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.

(c) Deferred Income

	1993 £m	1992 £m
At 1 April	35.9	34.2
Receivable during the year	1.6	2.3
Released to Profit and Loss Account	(3.1)	(0.6)
At 31 March	<u>34.4</u>	<u>35.9</u>

Deferred income represents grants and contributions received in respect of investment in non-infrastructure fixed assets. Grants on non-infrastructure assets are amortised to the profit and loss account over the estimated useful economic life of the related assets.

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 1993

19. CALLED UP SHARE CAPITAL

	1993 £m	1992 £m
Authorised:		
201,050,000 Ordinary shares of £1 each	<u>301.1</u>	<u>301.1</u>
Allotted, called up and fully paid:		
276,050,000 Ordinary shares of £1 each	<u>276.1</u>	<u>276.1</u>

	1993 £m	1992 £m
20. RESERVES		
At 1 April	569.6	548.2
Profit retained for the year	66.0	21.4
At 31 March	<u>635.6</u>	<u>569.6</u>

DWR CYMRU CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

21. NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	1993 £m	1992 £m
Operating profit	132.5	121.6
Depreciation of tangible fixed assets	30.1	27.7
Infrastructure maintenance accrual	(5.6)	1.6
Amortisation of grants and contributions	(3.1)	(0.6)
Profit on the sale of tangible fixed assets	-	(0.1)
Amounts written off fixed assets	0.3	-
Net decrease/(increase) in stocks	0.3	(1.1)
Net increase in debtors	(4.1)	(11.0)
Net (decrease)/increase in creditors	7.8	(0.6)
Net cash inflow from operating activities	<u>158.2</u>	<u>137.5</u>

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital		Long Term Loans & Finance Lease Obligations	
	1993 £m	1992 £m	1993 £m	1992 £m
Balance at 1 April	276.1	276.1	107.8	16.1
New capital leases	-	-	25.3	23.7
Long term loans	-	-	-	70.0
Loan repayments	-	-	(1.1)	(1.5)
Finance lease repayments	-	-	(0.3)	(0.5)
Balance at 31 March	<u>276.1</u>	<u>276.1</u>	<u>131.7</u>	<u>107.8</u>

23. ANALYSIS OF CHANGES IN DEPOSITS AND INVESTMENTS IN THE YEAR

	At 31 March 1993 £m	At 1 April 1992 £m	Change in Year £m
Fixed term and call deposits and other money market investments	<u>67.5</u>	<u>139.3</u>	<u>(71.8)</u>

Current asset investments which are treated as cash and cash equivalents are available to finance future capital investment and therefore are treated as a financing activity rather than an investing activity, in the cashflow statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

24. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS IN THE YEAR

	At 31 March 1993 £m	At 1 April 1992 £m	Change in Year £m
Short term deposits	32.2	13.3	18.9
Bank overdrafts	(9.0)	(11.6)	2.6
	<u>23.2</u>	<u>1.7</u>	<u>21.5</u>

25. DIRECTORS' AND OFFICERS' LOANS AND TRANSACTIONS

There are no transactions with directors and persons connected with directors which require disclosure under Section 232 of the Companies Act 1985.

26. PENSION SCHEMES

Welsh Water PLC operates as principal employer two funded, defined benefit schemes, the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS), for the benefit of all eligible employees of the Welsh Water Group. The assets of the schemes are held separately from the assets of the Group and are administered by independent trustees.

The employer's contributions and the pension cost have been assessed in accordance with the advice of William M. Mercer Limited using the projected unit method for the WPS and the attained age method for the WMIS. For this purpose the main actuarial assumptions used are based upon investment growth of 9% per annum and pay growth of 7% per annum. 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 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 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 £6.2m (1992 £5.5m).

The first actuarial valuation of the two schemes was carried out as at 31 March 1990. The total market value of the assets at the valuation date was £35.1m. Using the assumptions adopted for Statement of Standard Accounting Practice No 24 "Accounting for Pension Costs" the combined actuarial value of the assets represented 109% of the value of the accrued benefits after allowing for expected future earnings increase. A valuation due as at 31 March 1993 is currently being undertaken.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1993

27. ELAN AQUEDUCT

In 1984 Welsh Water Authority entered into a conditional sale and purchase agreement with Severn Trent Water Authority for the sale of the aqueduct and associated works by which the bulk supply to Severn Trent is conveyed.

The sum of £31.7 million, representing the consideration for the conditional sale, has been invested in a Trust Fund. The principal function of the Fund was 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 assets of the Fund are not included in these financial statements.

28. HOLDING COMPANY

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

The financial statements of Welsh Water PLC can be obtained from The Company Secretary of Welsh Water PLC at Plas-y-Ffynnon, Cambrian Way, Brecon, Powys, LD3 7HP.

DWR CYMRU CYFYNGEDIG
 FIVE YEAR SUMMARY
 PROFIT AND LOSS ACCOUNTS

	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
Turnover					
Continuing operations	219.6	255.0	287.6	334.0	362.9
Acquisitions	-	-	-	-	0.2
Total Turnover	219.6	255.0	287.6	334.0	363.1
Net operating costs	(144.5)	(187.6)	(191.7)	(212.4)	(230.6)
Exceptional net operating costs	(1.0)	(3.3)	-	-	-
Operating Profit	74.1	64.1	95.9	121.6	132.5
Continuing operations	74.1	64.1	95.9	121.6	132.3
Acquisitions	-	-	-	-	0.2
Total Operating Profit	74.1	64.1	95.9	121.6	132.5
Profit on disposal of fixed assets	-	-	0.3	1.4	2.2
Profit on Ordinary Activities before Interest	74.1	64.1	96.2	123.0	134.7
Interest receivable	0.6	2.9	34.8	21.6	16.3
Interest payable	(50.8)	(33.7)	(3.0)	(4.8)	(12.0)
Profit on Ordinary Activities before Taxation	23.9	40.3	128.0	139.8	139.0
Taxation	-	-	-	(10.0)	1.7
Profit on Ordinary Activities after Taxation	23.9	40.3	128.0	129.8	140.7
Dividends	-	(38.7)	(74.5)	(108.4)	(74.7)
Retained Profit for the Year	23.9	1.6	53.5	21.4	66.0

DWR CYMRU CYFYNGEDIG

FIVE YEAR SUMMARY
BALANCE SHEETS

	1989	1990	1991	1992	1993
	£m	£m	£m	£m	£m
Fixed Assets					
Tangible assets	570.0	667.4	779.4	911.6	1045.3
Investments	0.3	0.2	0.2	0.2	0.3
	<u>570.3</u>	<u>667.6</u>	<u>779.6</u>	<u>911.8</u>	<u>1045.6</u>
Current Assets					
Stocks and work in progress	4.0	4.5	5.2	6.3	6.0
Debtors	38.7	59.0	64.5	70.1	80.0
Current asset investments	-	216.6	197.0	152.6	99.7
	<u>42.7</u>	<u>280.1</u>	<u>266.7</u>	<u>229.0</u>	<u>185.7</u>
Current Liabilities					
Creditors: Amounts falling due within one year	148.4	117.9	155.1	133.6	141.5
	<u>(105.7)</u>	<u>162.2</u>	<u>111.6</u>	<u>95.4</u>	<u>44.2</u>
Net Current Assets/ (Liabilities)					
Total Assets Less Current Liabilities	<u>464.6</u>	<u>829.8</u>	<u>891.2</u>	<u>1057.2</u>	<u>1089.8</u>
Creditors: Amounts falling due after more than one year	404.3	19.7	18.8	110.1	133.8
Provisions for Liabilities and Charges	-	39.3	48.1	51.4	44.3
Net Assets	<u>60.3</u>	<u>770.8</u>	<u>824.3</u>	<u>845.7</u>	<u>911.7</u>
Capital and Reserves					
Called up share capital	-	276.1	276.1	276.1	276.1
Reserves	60.3	494.7	548.2	569.6	635.6
	<u>60.3</u>	<u>770.8</u>	<u>824.3</u>	<u>845.7</u>	<u>911.7</u>

(a) Figures for 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 and are therefore unaudited. During the year ended 31 March 1989 Welsh Water Authority had no share capital and paid no dividends.

(b) Grants and contributions on non-infrastructure assets are credited to deferred income in compliance with the Companies Act 1939 and Statement of Standard Accounting Practice No. 4 (revised) "Accounting for Government Grants". Grants and contributions and infrastructure charges relating to infrastructure assets, which are non-depreciating assets, have been offset against fixed assets and the figures for 1990 to 1993 are restated to take account of the change in accounting policy relating to non-infrastructure assets.

(c) Prior year figures have been restated to reflect subsequent changes in accounting policies as noted in the Principal Accounting Policies on Page 5.