



DŴR CYMRU
WELSH WATER

Dŵr Cymru Cyfyngedig

Directors' report and financial statements
for the year ended 31 March 2005

Registered No: 2366777

Registered Office:-
Pentwyn Road
Nelson
Treharris
Mid Glamorgan
CF46 6LY



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COMPANIES HOUSE 31/10/2005

Preface

This document comprises the Statutory & Regulatory Accounts of Dŵr Cymru Cyfyngedig filed with the Registrar of Companies as required under the Companies Act 1985.

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Foreword

These financial statements for Dŵr Cymru Cyfyngedig cover the year to 31 March 2005. The company's immediate parent company is Dŵr Cymru (Holdings) Limited. The entire share capital of Dŵr Cymru (Holdings) Limited is owned by Glas Cymru (Securities) Cyfyngedig. The ultimate holding company and controlling party is Glas Cymru Cyfyngedig, a company registered in England and Wales.

Full details and analysis of the operational performance of Dŵr Cymru during the year to 31 March 2005 is included in the published report and accounts for Glas Cymru Cyfyngedig.

Directors and advisors

Directors

Lord Burns

C A Jones

A J Hobson

M P Brooker

relinquished Managing Director duties 31 December 2004, retired 31 March 2005

N C Annett

appointed Managing Director 1 January 2005

Dame D J Hine

A Carnwath

G Talfan-Davies

J M Bryant

Company secretary

R G Curtis

Auditors

PricewaterhouseCoopers LLP

Solicitors

Linklaters & Alliance

Edwards Geldard

Principal bankers

National Westminster Bank Plc

Directors' report

The directors have pleasure in presenting their annual report to the shareholders, together with the audited financial statements for the year ended 31 March 2005 on pages 7 to 33.

Principal activity and business review

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.

The directors expect that the present level of activity will be sustained for the foreseeable future.

Full details and analysis of the operational performance of the company during the year to 31 March 2005 is included in the published report and accounts for Glas Cymru Cyfyngedig.

Trading results

Profit on ordinary activities before taxation amounted to £19.5m (2004 £16.5m loss). The profit attributable to ordinary shareholders amounted to £15.5m (2004 loss of £27.1m).

Overall the business has performed satisfactorily during the year.

Dividend

During the year, the company has declared and paid nil in ordinary dividends and £14m in preference dividends.

Fixed assets

Freehold land and buildings are carried in the accounts at historical cost at a net book value of £18.0m (2004 £18.4m). In the opinion of the directors there was no significant difference between book values of property capable of disposal within the foreseeable future and market values at 31 March 2005.

Directors' interests

The directors who held office during the year are listed on page 2. There were no significant contracts subsisting with the company during or at the end of the year, in which any director is or was materially interested (other than service contracts).

Policy on the payment of creditors

It is company policy to comply with terms of payment negotiated with suppliers. Where payment terms are not negotiated the company endeavours to adhere to the suppliers' standard terms. The average payment period in the year was 70 days (2004 88 days).

The company has included within trade creditors retention of monies held in respect of capital contracts.

Employment policies

The success of the company lies in its ability to manage and develop the skills and potential of the people it employs. This process depends on effective communication, ongoing training and development opportunities for all, as well as direct involvement of employees in mainstream business activities.

There is a great need for direct and responsive systems of communication. Efforts are being made to focus employees' attention on items directly relevant to their area of operation. Electronic mailing has become the most direct method of communicating messages of common interest simultaneously to large numbers of employees. Team briefings, workshops and roadshows combine

Directors' report cont'd

to provide an open and participative approach to communication where questions can be answered and ideas exchanged.

The company continues to work with its employee representatives to communicate matters jointly both at local and at regional levels.

The company is committed to achieving a balanced workforce by recruiting and developing employees in a fair and equitable way. Working closely with organisations in the community, the company is seeking to create opportunities for training and work experience for disabled people and seeking to encourage more active participation from people from ethnic minority backgrounds. This is in addition to work in place to assist employees with special needs who are already in the company's employment.

Research and development

The company continues to monitor and selectively participate in industry research and development initiatives with a view to maintaining the company's achievements in improving operational efficiency and to ensure continuing achievement of appropriate national and international standards for potable water, waste water effluent and sludge.

Contributions for charitable and political purposes

During the year, there have been no political donations, and charitable donations amounting to £22,394 (2004 £24,570) of which those over £200 are as follows:

Wateraid	£5,250
Herefordshire Waterworks Museum	£5,000
Handicapped Anglers Trust	£1,949
Keep Wales Tidy	£10,000

Regulatory accounts

Condition F of the Instrument of Appointment, under which Dŵr Cymru Cyfyngedig operates, requires specified accounting statements to be published.

Welsh language policy

The company welcomes dealings with its customers in Welsh or English and aims to provide an equally effective standard of service in both languages.

Auditors

A resolution to reappoint Pricewaterhouse Coopers LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board



R Curtis LLB ACIS
Company Secretary
7 June 2005

Directors' responsibilities for the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the year. In preparing the financial statements, the directors ensure that appropriate accounting policies have been adopted and applied consistently, and that reasonable and prudent judgements have been made. The directors also confirm that applicable accounting standards have been followed and that reasonable and prudent judgements and estimates have been made.

It is the directors' responsibility to maintain adequate accounting records and to institute and maintain systems and controls designed to safeguard the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Dwr Cymru website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

By order of the Board



R Curtis LLB ACIS
Company Secretary
7 June 2005

Independent auditors' report to the members of Dŵr Cymru Cyfyngedig

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of movements in shareholder's funds and the related notes, which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

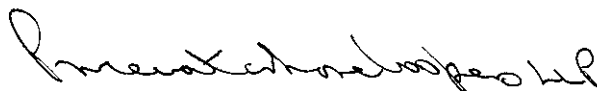
Basis of audit opinion

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 company's circumstances, 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 at 31 March 2005 and of its profit and cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff
7 June 2005

Principal accounting policies

A summary of the principal accounting policies, which have been consistently applied, is shown below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and with applicable accounting standards in the UK and, except for the treatment of certain capital contributions, with the Companies Act 1985. An explanation of this departure from the requirements of the Companies Act 1985 is given in the "Grants and customers contributions" section overleaf and note 9(c).

Turnover

Turnover represents the income receivable in the ordinary course of business for services provided and excludes 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 pipelines and sea outfalls); and
- (ii) other assets (including properties, aboveground operational structures and equipment and fixtures and fittings).

Tangible fixed assets are stated at cost including cost of construction or purchase price and directly attributable costs.

The carrying value of tangible fixed assets is reviewed for impairment if circumstances indicate that it may not be recoverable.

Infrastructure assets

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

The depreciation charge for infrastructure assets is the estimated level of annual expenditure required to maintain the operating capability of the network, which is based on the company's independently certified asset management plan.

Other assets

Other assets are included at cost less accumulated depreciation. Freehold land is not depreciated.

Other assets are depreciated over their estimated useful economic lives, which are principally as follows:

Freehold buildings	up to 60 years
Leasehold properties	over the lease period
Operational structures	40-80 years
Fixed plant	20-40 years
Vehicles, mobile plant, equipment and computer hardware & software	7-15 years

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

Principal accounting policies cont'd

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 life and the lease period. 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 customer contributions

Grants and customer contributions relating to infrastructure assets have been offset against fixed assets (see note 9(c)). Grants and customer contributions in respect of expenditure on other 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.

Capital expenditure programme incentive payments

The company's agreement with its construction partners involved in delivering capital expenditure programmes incorporates incentive bonuses payable after completion of the programmes. The cost of fixed asset additions include an accrual for incentive bonuses earned to date, relating to projects substantially completed at the year end, where the likelihood of making the incentive payment is considered probable. Amounts recoverable from contract partners, relating to targets not being achieved are only recognised on substantially completed projects.

Pension costs

The majority of the company's employees belong to a group pension scheme, which is funded by both employers' and employees' contributions and which is of the defined benefit type. 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 contributions paid is shown as an asset or liability in the balance sheet.

Debt and debt issue costs

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. Debt issue costs are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

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.

Principal accounting policies cont'd

Financial instruments

Derivative instruments utilised by the company are currency swaps, currency forward exchange contracts and interest rate swaps. Derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the company. Underlying instruments to which currency swap agreements and currency forward exchange contracts relate are translated at the rates ruling in the agreements and contracts.

Interest differentials, under swap arrangements used to manage interest rate exposure on borrowings and current asset investments, are recognised by adjusting interest payable or receivable as appropriate.

Research and development

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

Taxation

The charge for current taxation is based on the profit for the period as adjusted for disallowable and non taxable items. In accordance with FRS19 "Deferred Tax", full provision is made for all deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. Deferred tax assets are only recognised to the extent that they are considered recoverable. Recoverability is defined as when it can be regarded as more likely than not that there will be sufficient taxable profits from which future reversal of the timing differences can be deducted. In adopting FRS19, the Company has chosen to discount deferred tax assets and liabilities.

Provision for liabilities

Provision is made for all known and estimated liabilities of the company where there is a present obligation and it is probable that a transfer of economic benefits will be required.

Profit and loss account for the year ended 31 March 2005

	Note	2005 £m	2004 £m
Turnover	2	494.1	469.7
Net operating costs	3	(336.6)	(338.4)
Operating profit		157.5	131.3
Profit on disposal of fixed assets	5	4.3	1.4
Profit on ordinary activities before interest		161.8	132.7
Net interest payable	6	(142.3)	(149.2)
Profit/(loss) on ordinary activities before taxation		19.5	(16.5)
Taxation	7	10.0	3.4
Profit/(loss) on ordinary activities after taxation		29.5	(13.1)
Dividends on preference shares	8	(14.0)	(14.0)
Retained profit/(loss) for the year	21	15.5	(27.1)

All operations are continuing.

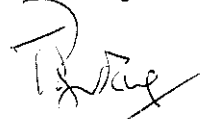
The Company has no recognised gains and losses other than shown above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the above results and their historic cost equivalents.

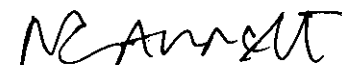
Balance sheet at 31 March 2005

	Note	2005 £m	2004 £m
Fixed assets			
Tangible assets	9	2,744.7	2,636.7
Investments	10	0.1	0.1
		<u>2,744.8</u>	<u>2,636.8</u>
Current assets			
Debtors-due within one year	11(a)	65.9	61.9
Debtors-due after one year	11(b)	371.4	392.6
Current asset investments	12	320.3	314.4
Cash at bank and in hand		3.7	2.1
		<u>761.3</u>	<u>771.0</u>
Current liabilities			
Creditors: amounts falling due within one year	13(a)	(239.9)	(170.1)
Net current assets		<u>521.4</u>	<u>600.9</u>
Total assets less current liabilities		<u>3,266.2</u>	<u>3,237.7</u>
Creditors: amounts falling due after more than one year	13(b)	(2,509.3)	(2,480.0)
Provisions for liabilities and charges	18	(90.8)	(104.8)
Deferred income	19	(33.6)	(35.9)
Net assets		<u>632.5</u>	<u>617.0</u>
Capital and reserves			
Called up share capital	20	309.9	309.9
Capital redemption reserve	21	166.2	166.2
Profit and loss account	21	156.4	140.9
Equity shareholder's funds		<u>432.5</u>	<u>417.0</u>
Preference shareholders' funds		<u>200.0</u>	<u>200.0</u>
Total shareholders' funds		<u>632.5</u>	<u>617.0</u>

The financial statements on pages 7 to 33 were approved by the Board of directors on 7 June 2005 and were signed on its behalf by:



Lord Burns
Chairman



N C Annett
Managing Director



C A Jones
Finance Director

Cashflow statement for the year ended 31 March 2005

	Note	2005 £m	2004 £m
Cash inflow from operating activities	22	271.9	253.4
Returns on investments and servicing of finance			
Interest received		24.4	20.8
Interest paid		(140.9)	(131.8)
Preference dividends paid		(14.0)	(21.0)
Interest element of finance lease rental payments		(18.3)	(8.8)
		(148.8)	(140.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(274.2)	(277.7)
Sale of tangible fixed assets		0.4	2.8
Grants and contributions received		11.2	11.4
		(262.6)	(263.5)
Cash outflow before use of liquid resources and financing		(139.5)	(150.9)
Management of liquid resources			
Net increase in deposits		(5.9)	(6.9)
Cash outflow before financing		(145.4)	(157.8)
Financing			
Loan repaid to group undertaking		(100.0)	-
Loan received from group undertaking		35.0	84.3
New finance leases received		273.9	61.2
Loan repaid from parent undertaking		21.2	14.0
Other loan repayments		(0.3)	(0.5)
Capital element of finance repayments		(82.8)	(2.5)
		147.0	156.5
Increase/(decrease) in cash in the year	23	1.6	(1.3)

Reconciliation of movements in shareholder's funds for the year ended 31 March 2005

	2005 £m	2004 £m
At 1 April	617.0	644.1
Profit/(loss) for the year attributable to ordinary shareholders	15.5	(27.1)
At 31 March	<u>632.5</u>	<u>617.0</u>

Notes to the financial statements

1 Consolidated financial statements

The company has taken advantage of Section 228 (1) of the Companies Act 1985 not to produce consolidated financial statements as it is a wholly owned subsidiary of Glas Cymru Cyfyngedig.

2 Segmental analysis by class of business

(a) Turnover

	2005 £m	2004 £m
Regulated water and sewerage activities	486.4	463.1
Non regulated activities	7.7	6.6
	<u>494.1</u>	<u>469.7</u>

(b) Profit/(loss) on ordinary activities before taxation

	2005 £m	2004 £m
Regulated water and sewerage activities		
Operating profit	155.7	130.4
Profit on disposal of fixed assets	4.3	1.4
Net interest payable	(143.4)	(150.0)
	<u>16.6</u>	<u>(18.2)</u>
Non-regulated activities		
Operating profit	1.8	0.9
Interest receivable	1.1	0.8
	<u>2.9</u>	<u>1.7</u>

(c) Net assets

	2005 £m	2004 £m
Regulated water and sewerage activities	608.2	595.6
Non-regulated activities	24.3	21.4
	<u>632.5</u>	<u>617.0</u>

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

Notes to the financial statements cont'd

3 Net operating costs

	Note	2005 £m	2004 £m
Operating charges from outsourced activities:			
- Operating services agreement		89.9	94.1
- Customer services agreement		19.3	18.9
- Laboratories and analytical services		7.5	8.0
- Other contracts		28.4	24.5
		145.1	145.5
Staff costs	4(b)	13.0	9.0
Research and development		0.2	0.1
Charge for bad and doubtful debts		8.0	9.0
Rates		17.6	20.4
Environment Agency charges		12.6	11.7
Fees paid to auditors	3(a)	0.2	0.3
Own work capitalised		(4.3)	(3.4)
Net rents payable		0.2	1.1
Other operating charges		25.9	24.0
		218.5	217.7
Depreciation:			
- Own assets		45.7	55.5
- Assets held under finance leases		24.3	20.8
Amortisation of grants and contributions	19	(1.4)	(1.6)
Infrastructure renewal charge		49.5	46.0
		336.6	338.4

(a) Auditors' remuneration

Auditors during the period were PricewaterhouseCoopers LLP. They were used primarily for audit services, including regulatory audit services carried out to meet Ofwat reporting requirements.

	2005 £'000	2004 £'000
Audit services		
- Statutory audit services	59	59
- Regulatory audit services	75	152
- Other audit services	55	1
Tax advisory services	19	34
Other non-audit advisory services	-	32
	208	278

Regulatory audit services includes work on the Regulatory Accounts, June Return and Principal Statement and also certification of the company's submissions as part of the Periodic Review.

Notes to the financial statements cont'd

3 Net operating costs cont'd**(a) Auditors' remuneration cont'd**

Other audit services includes work on transition to International Financial Reporting Standards and the audit of grant applications. The Board has adopted a formal policy with respect to services received from external auditors. The external auditor will not be used for internal audit services and all non-audit work above a threshold of £25,000 will be subject to prior competitive tendering and approval by the Audit Committee.

In addition to the above services, PricewaterhouseCoopers LLP acted as auditor to the DCWW Pension Scheme. The appointment of auditors to the pension scheme and the fees paid in respect of the audit are agreed by the trustees of the scheme, who act independently from the management of the company. The fees paid in respect of audit services to the pension scheme during the year were £7,000 (2004: £8,000).

4 Directors and employees**(a) Directors' emoluments**

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

	2005 £'000	2004 Restated £'000
Salary (including benefits in kind)	790	759
Fees	362	344
	<u>1,152</u>	<u>1,103</u>
Long term incentive plan	758	-
Highest paid director: (MP Brooker)		
Aggregate emoluments	<u>323</u>	<u>310</u>
Accrued pension under defined benefit scheme	124	117
Long term incentive plan	<u>312</u>	-

Retirement benefits are accruing to three directors (2004 - three) under defined benefit schemes.

- i) The financial statements for the year ended 31 March 2005 include a provision of £288k (2004: £225k) for the company's best estimate of the bonus potentially payable to Executive Directors for performance in the financial year 2004/05. The final amount to be paid to each Director will be determined when Ofwat publishes its Overall Performance Assessment (OPA) results for 2004/05 in the Autumn of 2005 and could be higher or lower. An amount of £758k has also been provided under the terms of the Executive Directors' Long Term Incentive Plan.
- ii) The comparatives have been restated to reflect the final performance bonus for 2003/04. The actual performance bonus in respect of 2003/04 was paid in September 2004 following the publication of Ofwat's OPA report for 2003/04 and amounted to £275k compared to the amount accrued at 31 March 2004 of £225k. The aggregate emoluments of the highest paid director increased by £21k to £310k, and total emoluments increased by £50k to £1,103k.

Notes to the financial statements cont'd

4 Directors and employees cont'd**(b) Staff costs**

	2005	2004
	£m	£m
Severance programme and termination costs	2.7	-
Wages and salaries	8.3	7.1
Social security costs	0.8	0.7
Pension costs (see Note 26)	1.2	1.2
	<u>13.0</u>	<u>9.0</u>

Of the above, £2.5m (2004 £2.3m) has been charged to capital. The severance programme and termination costs include £2.2m in respect of pension costs (see note 26).

**(c) Average monthly number of employees during the year
(including executive directors)**

	2005	2004
	Number	Number
Regulated water and sewerage activities	<u>146</u>	<u>144</u>

5 Profit on disposal of fixed assets

	2005	2004
	£m	£m
Profit on disposal of fixed assets	<u>4.3</u>	<u>1.4</u>

The profit disclosed above relates to the disposal of certain infrastructure assets during the year.

Notes to the financial statements cont'd

6 Net interest payable

	2005 £m	2004 £m
Interest receivable	23.5	20.1
Interest payable:		
On loans	(148.3)	(148.3)
On finance leases	(22.3)	(12.8)
Exceptional item:- termination cost on early redemption of swap	-	(6.9)
Exceptional item:- termination profit on closure of Finance lease	6.1	-
Amortisation of bond issue costs	(1.3)	(1.3)
	(165.8)	(169.3)
Net interest payable	(142.3)	(149.2)

Interest payable on loans includes amounts payable to group undertakings of £141.9m (2004 £140.7m).

7 Taxation

	Note	2005 £m	2004 £m
(a) Analysis of charge in period			
Current tax:			
Adjustments in respect of previous periods		-	-
Total current tax	7(b)	-	-
Deferred tax:			
Origination and reversal of timing differences		4.7	14.8
Increase/(decrease) in discount	18(a)	5.3	(11.4)
Total deferred tax		10.0	3.4
Tax credit on profit on ordinary activities		10.0	3.4

	2005 £m	2004 £m
(b) Factors affecting current tax charge for period		
Profit/(loss) on ordinary activities before tax	19.5	(16.5)
Profit/(loss) on ordinary activities multiplied by the corporation tax rate in the UK of 30%	5.9	(5.0)
Effects of:		
Expenses not deductible for tax purposes	(10.3)	1.8
Capital allowances in excess of depreciation	2.2	(0.5)
Other timing differences	(1.8)	0.4
Tax losses carried forward	3.9	3.2
Group relief surrendered for no consideration	0.1	0.1
Tax charge for current period	-	-

Notes to the financial statements cont'd

8 Dividends

	2005 £m	2004 £m
Dividend on 7% preference shares	<u>14.0</u>	<u>14.0</u>

9 Tangible fixed assets

(a) analysis by type

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures £m	Vehicles, plant, equipment & computer hardware & software £m	Total £m
Cost					
At 1 April 2004	32.8	1,685.3	1,860.4	224.5	3,803.0
Additions	-	129.6	99.4	9.9	238.9
Grants and contributions	-	(11.2)	-	-	(11.2)
Disposals	-	(1.2)	-	-	(1.2)
At 31 March 2005	<u>32.8</u>	<u>1,802.5</u>	<u>1,959.8</u>	<u>234.4</u>	<u>4,029.5</u>
Accumulated depreciation					
At 1 April 2004	14.4	443.0	533.0	175.9	1,166.3
Charge for the year	0.4	49.5	56.1	13.5	119.5
Eliminated on disposals	-	(1.0)	-	-	(1.0)
At 31 March 2005	<u>14.8</u>	<u>491.5</u>	<u>589.1</u>	<u>189.4</u>	<u>1,284.8</u>
Net book value					
At 31 March 2005	<u>18.0</u>	<u>1,311.0</u>	<u>1,370.7</u>	<u>45.0</u>	<u>2,744.7</u>
At 31 March 2004	18.4	1,242.3	1,327.4	48.6	2,636.7
Analysis of net book value at 31 March 2005					
Owned	18.0	886.3	937.1	45.0	1,886.4
Held under finance leases	-	424.7	433.6	-	858.3
	<u>18.0</u>	<u>1,311.0</u>	<u>1,370.7</u>	<u>45.0</u>	<u>2,744.7</u>

Tangible fixed assets at 31 March 2005 include £91.1m (2004 £274.4m) of assets in the course of construction, which are not depreciated until completed.

The cost of fixed assets includes a net accrual of £nil (2004: £15.0m) in respect of capital expenditure programme incentive payments.

Notes to the financial statements cont'd

9 Tangible fixed assets cont'd
(b) analysis by service

	Water Services £m	Sewerage Services £m	General £m	Total £m
Cost				
At 1 April 2004	1,556.0	2,043.4	203.6	3,803.0
Additions	76.5	152.5	9.9	238.9
Grants and contributions	(6.4)	(4.8)	-	(11.2)
Disposals	(1.2)	-	-	(1.2)
At 31 March 2005	1,624.9	2,191.1	213.5	4,029.5
Accumulated depreciation				
At 1 April 2004	495.9	507.5	162.9	1,166.3
Charge for the year	52.2	54.0	13.3	119.5
Eliminated on disposals	(1.0)	-	-	(1.0)
At 31 March 2005	547.1	561.5	176.2	1,284.8
Net book value				
At 31 March 2005	1,077.8	1,629.6	37.3	2,744.7
At 31 March 2004	1,060.1	1,535.9	40.7	2,636.7
Analysis of net book value at 31 March 2005				
Owned	945.9	903.2	37.3	1,886.4
Held under finance leases	131.9	726.4	-	858.3
	1,077.8	1,629.6	37.3	2,744.7

(c) The accounting treatment for grants and customer contributions in respect of infrastructure assets is described in the principal accounting policies on page 8. This treatment is not in accordance with Schedule 4 to the Companies Act 1985, which requires fixed assets to be shown at the purchase price or production cost and hence grants and contributions would be presented under the Act as deferred income. The treatment explained on page 8 has been adopted in accordance with section 227(6) 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 and contributions on infrastructure assets as deferred income. The fixed assets to which they relate do not have determinable finite lives and therefore no basis exists for releasing any deferred income to the profit and loss account. As a consequence, the net book value of fixed assets and deferred income is £178.3m (2004 £167.1m) lower than they would have been the case had grants and contributions been treated as deferred income indefinitely.

Notes to the financial statements cont'd

10 Fixed asset investments

	2005	2004
	£m	£m
At Cost and net book value		
At 1 April and 31 March	0.1	0.1

The company owns 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 holds 5% Convertible Unsecured Loan Stock 2014 at a cost of £23,326 in Water Research Centre (1989) Plc.

The Company has a 100% interest in the following subsidiary:

	Nature of Business	Country of Incorporation	Description of Holding
Welsh Water Utilities Finance Plc	Raising finance	Great Britain	Ordinary Shares of £1

11 Debtors

	2005	2004
	£m	£m
(a) Amounts falling due within one year:		
Trade debtors	21.4	19.1
Amounts owed by group undertakings	0.1	0.1
Other debtors	7.6	11.7
Prepayments and accrued income	36.8	31.0
	65.9	61.9
(b) Amounts falling due after more than one year:		
Amounts owed by group undertakings	371.3	392.5
Other debtors	0.1	0.1
	371.4	392.6

Interest of £45.9m for the year (2004: £48.1m) has been waived by the company on the amounts owed by group undertakings.

Notes to the financial statements cont'd

12 Current asset investments**Management of liquid resources**

	2005	2004
	£m	£m
Investments in:		
Fixed term and call deposits-due within one year	320.3	215.2
Fixed term and call deposits-due after one year	-	99.2
	<u>320.3</u>	<u>314.4</u>

Cash generated from operating activities and from long-term borrowings in advance of future capital expenditure obligations is invested. These investments include long-term deposits and corporate bonds. It is group policy that investments are restricted to deposits and securities, which have a recognised investment grade credit rating.

Treasury activities are managed under policies, procedures and authorities approved by the Glas Cymru Cyfyngedig board.

13 Creditors

	Note	2005	2004
		£m	£m
(a) Amounts falling due within one year:			
Loans	14	0.4	0.4
Obligations under finance leases	15	3.0	2.0
Trade creditors		38.3	38.7
Capital creditors		39.0	58.2
Loans due to group undertakings	14	100.0	-
Amounts owed to group undertakings		3.7	4.0
Taxation and social security		0.5	0.4
Other creditors		55.0	66.4
		<u>239.9</u>	<u>170.1</u>
(b) Amounts falling due after more than one year			
Loans	14	3.7	4.0
Obligations under finance leases	15	628.5	438.3
Loans due to group undertakings	14	1,866.6	2,013.0
Creditors - between one and five years		10.5	24.7
		<u>2,509.3</u>	<u>2,480.0</u>

As part of the Glas group's bond programme a security package was granted by the Company for the benefit of holders of senior bonds, finance lessors and other senior financial creditors. The obligations of the Company are guaranteed by Glas Cymru Cyfyngedig, Glas Cymru (Securities) Limited and Dŵr Cymru (Holdings) Limited.

Notes to the financial statements cont'd

13 Creditors cont'd

The main elements of the security package are:

- (i) a first fixed and floating security over all of the Company's assets and undertaking, to the extent permitted by the Water Industry Act, other applicable law and its licence;
- (ii) fixed and floating security given by the guarantors referred to above which are secured on each of the company's assets, including, in the case of Dŵr Cymru (Holdings) Limited, a first fixed charge over its shares in the Company.

14 Loans due to group undertakings and other loans

	2005 £m	2004 £m
Repayable as follows:		
Within one year	100.4	0.4
Between one and two years	1.5	100.4
Between two and five years	439.2	526.2
After more than five years	1,429.6	1,390.4
	1,970.7	2,017.4
Repayable wholly within five years	525.0	625.0
Repayable wholly after five years	1,406.6	1,388.0
Repayable by instalments of which some repayments are after five years	39.1	4.4
	1,970.7	2,017.4
	2005	2004
Interest rates on these loans ranged as follows:		
Index linked debt (pre indexation)	3.52% to 4.39%	3.52% to 4.39%
Other debt	4.99% to 11.46%	6.03% to 11.46%

Notes to the financial statements cont'd

15 Finance leases

	2005	2004
	£m	£m
Amounts due under finance leases within one year	3.0	2.0
Amounts due under finance leases between two and five years inclusive	20.2	28.9
Amounts due under finance leases after more than five years	608.3	409.4
Total	<u>631.5</u>	<u>440.3</u>

16 Capital commitments

	2005	2004
	£m	£m
Contracted for but not provided in the financial statements	<u>56.9</u>	<u>55.0</u>

In order to meet additional quality and service standards, together with growth and new demands, the company has capital investment obligations for the period to 31 March 2006 amounting to approximately £240.5m (2004: £219.7m) in the regulated water and sewerage business.

17 Leasing commitments

	Land and buildings	
	2005	2004
	£m	£m
At 31 March there were revenue commitments, in the ordinary course of business in the next year for the payment of rentals on non cancellable operating leases expiring:		
after five years	<u>0.4</u>	<u>0.4</u>
	<u>0.4</u>	<u>0.4</u>

Notes to the financial statements cont'd

18 Provisions for liabilities and charges

	Note	2005 £m	2004 £m
Deferred taxation	(a)	72.9	82.9
Restructuring provision	(b)	4.9	5.1
Contract management provision	(c)	-	0.8
Provision for uninsured losses	(d)	4.9	7.2
Provision for loss on swap closure	(e)	8.1	8.8
		90.8	104.8

(a) Deferred taxation

	2005 £m	2004 £m
<i>Tax effect of timing differences</i>		
Excess of tax allowances over depreciation	322.2	324.6
Other timing differences	(9.1)	(6.8)
Undiscounted provision for deferred tax	313.1	317.8
Discount	(240.2)	(234.9)
Discounted provision for deferred tax	72.9	82.9
Provision at start of year	82.9	86.3
Deferred tax credit for year	(10.0)	(3.4)
Provision at end of year	72.9	82.9

The undiscounted provision for deferred tax represents the tax effect of timing differences, which are expected to crystallise over periods of up to 85 years. This provision has been discounted using UK Government gilt rates to reflect the impact of such long time periods on the value of the liability to the company.

No provision has been made for deferred tax on the sale of property during the year. It is envisaged that any potential taxable gain will be rolled over into assets qualifying for rollover relief. The total deferred tax unprovided is estimated to be £1.0m, however this may be a higher or lesser amount depending upon the outcome of valuation for tax purposes. It is not envisaged that tax will become payable in the foreseeable future.

Notes to the financial statements cont'd

18 Provisions for liabilities and charges cont'd**(b) Restructuring provision**

This provision at 31 March 2005 is in respect of payments to be made relating to surplus property and estimated dilapidation costs, which will be utilised over the next four years.

	2005 £m
At 1 April	5.1
Charged to the profit and loss account	0.2
Utilised in the year	<u>(0.4)</u>
At 31 March	<u>4.9</u>

(c) Management contract provision

This provision was in respect of the expected costs of terminating sewerage management contracts on 31 March 2001 and in relation to the TUPE arrangements of the employees within those contracts. It is not anticipated that any further costs will be incurred and the provision has been released.

	2005 £m
At 1 April	0.8
Released to the profit and loss account	<u>(0.8)</u>
At 31 March	<u>-</u>

(d) Provision for uninsured losses

This provision is in respect of uninsured losses and its utilisation period is uncertain due to the nature of insurance claims.

	2005 £m
At 1 April	7.2
Utilised in the year	<u>(2.3)</u>
At 31 March	<u>4.9</u>

18 Provisions for liabilities and charges cont'd**(e) Provision for loss on swap closure**

This provision is in respect of a liability that arose on the cancellation of certain interest rate swap contracts. These contracts were redeemed early and the loss arising on redemption was

Notes to the financial statements cont'd

settled by setting a higher rate on another swap contract. This provision is being released to the profit and loss account over the life of the revised swap, which expires on 31 March 2031.

	2005 £m
At 1 April	8.8
Utilised in the year	(0.7)
At 31 March	8.1

19 Deferred income

Deferred income relates to grant income received and receivable upon completion of assets under construction and will be credited to the profit and loss account over the lifetime of those assets.

	2005 £m	2004 £m
At 1 April	35.9	37.5
Received and receivable during the year	0.2	-
Reclassified as capital creditors	(1.1)	-
Released to profit and loss account	(1.4)	(1.6)
At 31 March	33.6	35.9

20 Called up share capital

	2005 £m	2004 £m
Authorised:		
301,050,000 ordinary shares of £1 each	301.1	301.1
200,000,000 7% preference shares of £1 each	200.0	200.0
	501.1	501.1
Allotted, called up and fully paid:		
109,876,374 ordinary shares of £1 each	109.9	109.9
200,000,000 7% preference shares of £1 each	200.0	200.0
	309.9	309.9

The 7% cumulative preference shares carry a fixed cumulative preference dividend at the rate of 7% per annum, payable ½ yearly in arrears on 31 March and 30 September. The shares have no redemption entitlement. On a winding up, the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have no voting rights unless the dividend is in arrears by 6 months or more.

Notes to the financial statements cont'd

21 Reserves

	Profit and Loss Account £m	Capital Redemption Reserve £m
At 1 April 2004	140.9	166.2
Profit retained for the year	15.5	-
At 31 March 2005	156.4	166.2

22 Cash inflow from operating activities

	2005 £m	2004 £m
Operating profit	157.5	131.3
Depreciation of tangible fixed assets	70.0	76.3
Infrastructure renewal charge	49.5	46.0
Amortisation of grants and contributions	(1.4)	(1.6)
(Decrease)/increase in provision for uninsured losses	(2.2)	1.7
Increase in debtors	(5.0)	(2.0)
Increase in creditors	4.5	1.1
(Decrease)/increase in restructuring provisions	(1.0)	0.6
Cash inflow from operating activities	271.9	253.4

23 Reconciliation of net cash flow to movement in net debt

	2005 £m	2004 £m
Increase/(decrease) in cash	1.6	(1.3)
Increase in current asset investments	5.9	6.9
Decrease in group receivables	(21.2)	(14.0)
Increase in loans and finance leases	(125.9)	(142.5)
Write off of bond issue costs	(1.3)	(1.3)
Write off of bond premium	0.5	0.5
Indexation of index-linked debt	(17.8)	(17.4)
Movement in accrued interest	10.4	(11.8)
	(147.8)	(180.9)
Net debt at start of year	(1,776.8)	(1,595.9)
Net debt at end of year	(1,924.6)	(1,776.8)

Notes to the financial statements cont'd

24 Analysis of net debt

	At 1 April 2004 £m	Cash Flow £m	Non-Cash Items £m	At 31 March 2005 £m
Net cash:				
Cash at bank and in hand	2.1	1.6	-	3.7
	<u>2.1</u>	<u>1.6</u>	<u>-</u>	<u>3.7</u>
Liquid resources:				
Current asset investments	314.4	5.9	-	320.3
	<u>314.4</u>	<u>5.9</u>	<u>-</u>	<u>320.3</u>
Group receivables:				
Debt owed by parent company after one year	392.5	(21.2)	-	371.3
	<u>392.5</u>	<u>(21.2)</u>	<u>-</u>	<u>371.3</u>
Debt:				
Finance leases	(440.3)	(191.2)	-	(631.5)
Debts falling due within one year	(0.4)	0.3	(100.3)	(100.4)
Debts falling due after one year	(2,017.0)	65.0	81.7	(1,870.3)
Accrued interest	(28.1)	-	10.4	(17.7)
	<u>(2,485.8)</u>	<u>(125.9)</u>	<u>(8.2)</u>	<u>(2,619.9)</u>
Net debt	<u>(1,776.8)</u>	<u>(139.6)</u>	<u>(8.2)</u>	<u>(1,924.6)</u>

25 Directors' and officers' loans and transactions

No loans or credit transactions with any directors, officers or connected persons subsisted during the year or were outstanding at the year end.

26 Pensions

Following the acquisition of Dwr Cymru Cyfyngedig by Glas Cymru Cyfyngedig, a new funded defined benefit pension scheme for current employees was introduced on 1 December 2001.

Disclosures required by SSAP24 "Accounting for pension costs"

An actuarial valuation of the scheme was undertaken as at 31 March 2003 by Barnett Waddingham, an independent, professionally qualified actuary using the projected unit method. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. The key assumptions made were a rate of return on investments of 6.7%, a rate of increase in salaries of 3.5% and a rate of pension increase of 2.5%.

At the valuation date, scheme assets amounted to £15.6m and this represented 76% of the value of benefits accrued to members as at 31 March 2003. The next actuarial valuation is due at 31 March 2006.

The total pension cost for the Company during the year ended 31 March 2005 was £3.4m (2004: £1.2m). The regular cost of benefits amounted to £0.9m or 16% of pensionable salaries, and the SSAP24 treatment of spreading the deficit over the remaining service lives of the employees has led to a variation cost of £0.3m (5%).

Notes to the financial statements cont'd

26 Pensions cont'd

A further £2.2m of pension costs were incurred in relation to a voluntary severance programme in operation during the year.

At 31 March 2005 a SSAP24 provision of £2.3m is included within creditors (2004: £0.7m).

Disclosures required by FRS17 "Retirement benefits"

Additional disclosures regarding the defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. They provide information which will be necessary for the full implementation of FRS 17.

Taking into account the characteristics of the scheme, the use of discount rates prescribed by FRS17 would be expected to generate a significant difference between the FRS17 valuation of the scheme and an actuarial valuation.

Major assumptions

Investments have been valued at 31 March 2005, for this purpose, at fair value. The major assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in pensionable salaries	3.75%	3.75%	4.0%
Rate of increase in pensions in payment	2.75%	2.75%	2.5%
Discount rate	5.40%	5.50%	5.5%
Inflation assumption	2.75%	2.75%	2.5%

Scheme assets

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000	Long term rate of return expected at 31 March 2004	Value at 31 March 2004 £'000	Long term rate of return expected at 31 March 2003	Value at 31 March 2003 £'000
Equities	6.7%	12,500	7.0%	11,251	7.5%	8,904
Bonds	5.4%	9,807	5.5%	3,607	6.0%	1,484
Cash	4.8%	130	4.0%	4,015	5.0%	4,454
Other	-	2,200	-	-	-	-
		<u>24,637</u>		<u>18,873</u>		<u>14,842</u>

Net pension liability

The following amounts at 31 March 2005 were measured in accordance with the requirements of FRS 17 "Retirement Benefits".

Notes to the financial statements cont'd

26 Pensions cont'd

	2005 £'000	2004 £'000	2003 £'000
Total market value of assets	24,637	18,873	14,842
Present value of scheme liabilities	(32,406)	(26,710)	(24,111)
Deficit in scheme	(7,769)	(7,837)	(9,269)
Related deferred tax asset	2,331	2,351	2,781
Net pension liability	(5,438)	(5,486)	(6,488)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve would be as follows:

	2005 £m	2004 £m
Net assets excluding pension liability	632.5	617.0
Pension liability	(5.4)	(5.5)
Elimination of SSAP24 balance	2.3	0.7
Net assets including pension liability	629.4	612.2
Profit and loss reserve excluding pension liability	156.4	140.9
Pension liability	(5.4)	(5.5)
Elimination of SSAP24 balance	2.3	0.7
Profit and loss reserve including pension liability	153.3	136.1

Amounts recognised as FRS17 adopted

Additionally, if the pension costs had been recognised in accordance with FRS17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 March 2005.

Notes to the financial statements cont'd

26 Pensions cont'd

	2005	2004
	£'000	£'000
Analysis of amount charged to operating profit		
Current service cost	1,348	1,020
Past service cost	395	-
Settlements and curtailments	1,807	-
Total operating charge	<u>3,550</u>	<u>1,020</u>
Analysis of amount charged to other finance income/(expense)		
Expected return on pension scheme assets	1,191	1,013
Interest on pension scheme liabilities	(1,558)	(1,358)
Net expense	<u>(367)</u>	<u>(345)</u>
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	920	2,028
Experience gains arising on the scheme liabilities	(305)	12
Changes in assumptions underlying present value of the scheme liabilities	(609)	(99)
Total gain recognised	<u>6</u>	<u>1,941</u>
Movement in deficit during the year		
Deficit on scheme at 1 April	(7,837)	(9,269)
Movement in the year:		
- current service cost	(1,348)	(1,020)
- contributions	1,779	856
- past service cost, settlements and curtailments	(2,202)	-
- other finance expense	(367)	(345)
- actuarial gain	6	1,941
- special contribution incurred at the year end	2,200	-
Deficit on scheme at 31 March	<u>(7,769)</u>	<u>(7,837)</u>

Notes to the financial statements cont'd

26 Pensions cont'd

History of experience gains and losses	2005 £'000	2004 £'000
Difference between the actual and expected return on scheme assets:		
- Amount	920	2,028
- Percentage of scheme assets	4%	11%
Experience gains/(losses) on scheme liabilities:		
- Amount	(305)	12
- Percentage of present value of scheme liabilities	(1%)	-%
Total amount recognised in statement of total recognised gains and losses:		
- Amount	6	1,941
- Percentage of present value of scheme liabilities	-%	7%

27 Elan Valley Trust Fund

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 reservoirs is conveyed.

The sum of £31.7m, representing the consideration for the conditional sale, was 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.

Interest receivable includes £2.4m (2004: £4.3m) in respect of Elan Valley Trust Fund.

28 Related party transactions

In accordance with the exemption afforded by FRS 8 there is no disclosure in these financial statements of transactions with entities that are part of the Glas Cymru Cyfyngedig group.

29 Immediate and ultimate holding company

The company's immediate parent company is Dŵr Cymru (Holdings) Limited, which is registered in England and Wales.

The smallest and largest group within which the results of this company are consolidated is headed by Glas Cymru Cyfyngedig, whose consolidated financial statements can be obtained from the Company Secretary at Pentwyn Road, Nelson, Treharris, Caerphilly CF46 6LY.

Five Year Summary - not forming part of the financial statements

	Year ended 31 March				
	2005 £m	2004 £m	2003 £m	2001 £m	2000 £m
Turnover	494.1	469.7	462.9	458.7	441.0
Operating profit	157.5	131.3	137.9	155.1	131.0
Profit/(loss) on disposal of fixed assets	4.3	1.4	4.2	1.3	(0.3)
Profit on ordinary activities - before interest and taxation	161.8	132.7	142.1	156.4	130.7
Net interest payable	(142.3)	(149.2)	(129.6)	(114.7)	(89.1)
Profit/(loss) on ordinary activities - before taxation	19.5	(16.5)	12.5	41.7	41.6
Taxation	10.0	3.4	(7.0)	(0.3)	5.3
Profit/(loss) on ordinary activities - after taxation	29.5	(13.1)	5.5	41.4	46.9
Preference dividends	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)
Ordinary dividends	-	-	-	(33.5)	-
Retained profit/(loss) for the year	15.5	(27.1)	(8.5)	(6.1)	32.9
Fixed assets	2,744.8	2,636.8	2,500.8	2,358.3	2,252.9
Net current assets/(liabilities)	521.4	600.9	607.0	626.9	(1,288.1)
Total assets less current liabilities	3,266.2	3,237.7	3,107.8	2,985.2	964.8
Creditors: amounts falling due after more than one year	(2,509.3)	(2,480.0)	(2,319.6)	(2,194.5)	(178.7)
Provisions for liabilities and charges	(90.8)	(104.8)	(106.6)	(99.5)	(88.0)
Deferred income	(33.6)	(35.9)	(37.5)	(38.6)	(39.4)
Net assets	632.5	617.0	644.1	652.6	658.7
Capital and reserves					
Called up share capital	309.9	309.9	309.9	309.9	309.9
Capital redemption reserve	166.2	166.2	166.2	166.2	166.2
Profit and loss account	156.4	140.9	168.0	176.5	182.6
Equity shareholder's funds	432.5	417.0	444.1	452.6	458.7
Preference shareholders' funds	200.0	200.0	200.0	200.0	200.0
Total shareholders' funds	632.5	617.0	644.1	652.6	658.7