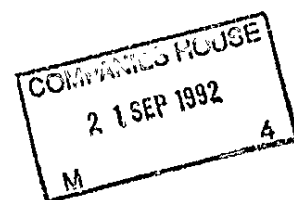


Severn Trent Water Limited

**Report & Accounts for
the Year Ended 31 March 1992**

COMPANY NUMBER 2366686



Financial statements

Year ended 31 March 1992

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Company Information

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Managing Director's review

Vic Cocker *Managing Director of Severn Trent Water*

I am pleased to report that our carefully laid plans to increase capital investment, improve product quality and provide better customer service paid off in 1991-2

Compliance with drinking water standards was achieved for 99.6% of the 10 million tests carried out during the year

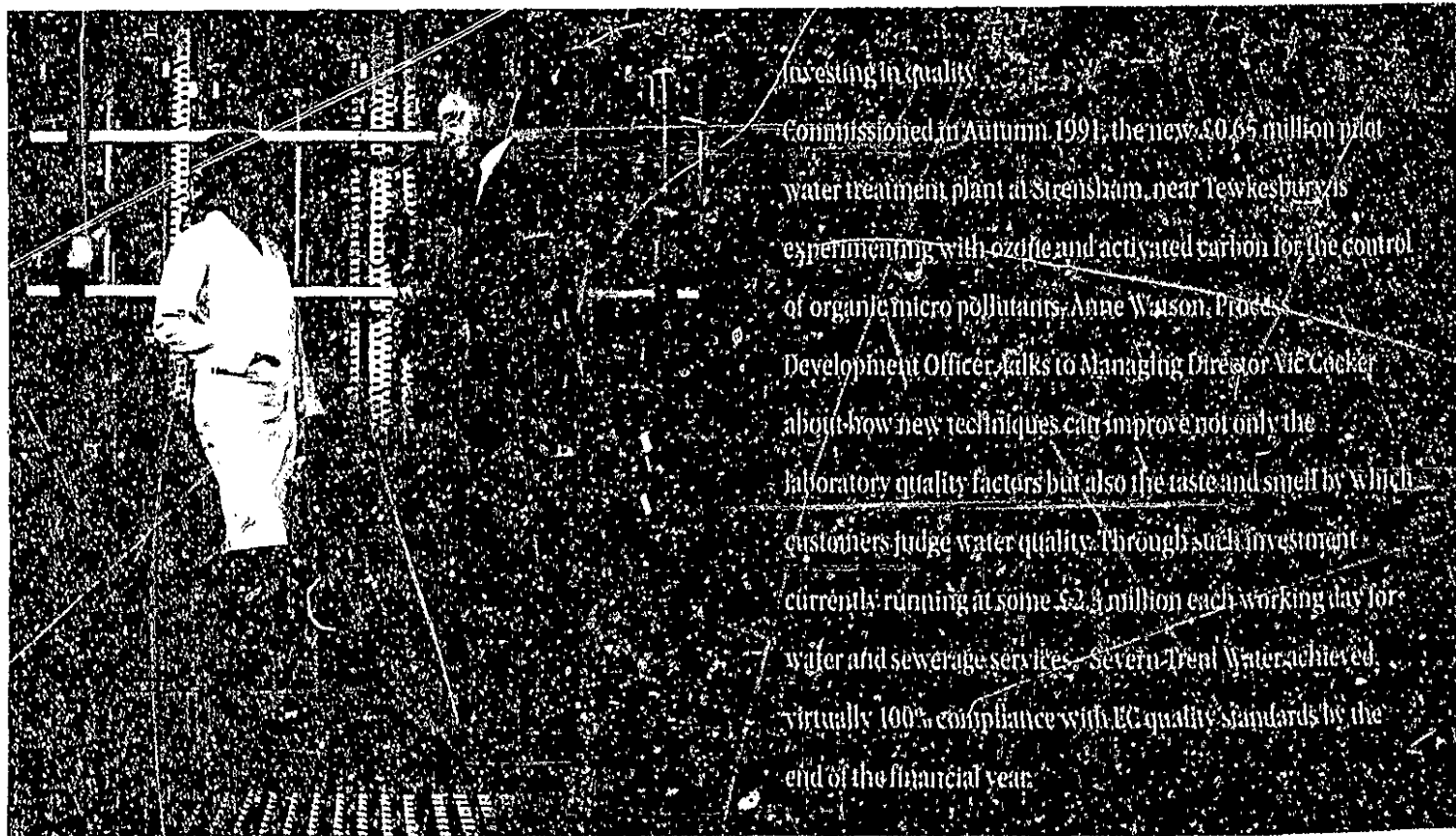
Over 99% of our sewage treatment effluent now complies with its sanitary consent.

Over 99% of customer contacts were successfully handled within OFWAT's agreed response times

Our charges averaged £138 per household and were the second lowest of the ten Companies

Overall, our income fell below budget by only £3 million on a total turnover of nearly £700 million, mainly as a result of the recession

Operating costs rose by 2% in real terms despite significant productivity gains. The net increase is primarily due to the cost of running newly installed process plant, expansion of the Research and Development programme, customer accounting service



Investing in quality

Commissioned in Autumn 1991, the new £0.65 million pilot water treatment plant at Strensham, near Tewkesbury is experimenting with ozonite and activated carbon for the control of organic micro pollutants. Anne Watson, Process Development Officer talks to Managing Director Vic Cocker about how new techniques can improve not only the laboratory quality factors but also the taste and smell by which customers judge water quality. Through such investment, currently running at some £2.3 million each working day for water and sewerage services, Severn Trent Water achieved virtually 100% compliance with EC quality standards by the end of the financial year.

improvements and costs of employee training and development

The investment programme of £585 million compares with some £260 million spent only two years ago. The programme is delivering excellent value for money in the current market conditions and has now peaked in terms of the annual rate of investment.

Some 99% of our customers now receive water services at standards above the service levels laid down by the Director General.

The heavy capital investment programme has led to a significant reduction in the original cash balances, as planned. The consequent reduction in interest earnings means a modest increase in profits before tax of 7.9%, compared with an increase of 23.1% in operating profits.

Staff are responding magnificently to the new customer service and quality culture. We are making rapid progress with the removal of barriers to change. Training, the introduction of formal qualification awards, and improvements in internal communications are all playing their part. We will be focusing our efforts during the next twelve months on achieving further significant improvements in customer service and in the customers' perception of drinking water quality.

Communication with our customers is vital. During the year we sent a leaflet to all our customers

containing FACTS about the quality of our drinking water and its value, compared with Europe. Our tracking market research showed that it has been highly effective. We are also opening a number of local visitors' centres at our works so that we can invite customers from the local community to 'Come and See' what they are getting for their money. This is being further backed by an integrated communications programme involving an Education Unit working with schools throughout the Company. Finally, our flagship visitor centre was opened at Carsington by Her Majesty The Queen on 22 May 1992.

These initiatives have involved some additional costs, but are justified by the need to inform our customers about the efforts which all of us at Severn Trent Water are making to provide a service which will meet the expectations of our customers.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 1992

Principal activities

The principal activities of the Company are the supply of water and the treatment and disposal of sewage

Business review

The Company's turnover in 1991-92 was £692.4 million. Operating profit was £244.5 million. Profit on ordinary activities after interest was £262.9 million.

The increase in turnover was 1.5% below our increase in charges mainly as a result of the recession. Much of this was anticipated in our budgeting process.

Further efficiency savings during the year have gone some way towards absorbing the planned increases in costs associated with quality and customer service improvements.

Our continuing profitability and the resultant high level of retained profit is essential to fund our major investment programme. We have spent three and a half times the profit retained on investment expenditure. Investment has again increased by almost 50% over the previous year, and during 1991-92 has reached its peak level of £585 million. The ten largest schemes accounted for £85 million, about 14% of the expenditure for the year. At Frankley Water Treatment Works in Birmingham we spent £29 million on a scheme which will have cost £60 million when it is completed.

However, this level of investment means that despite the high retained profit, we have now utilised the 'Green Dowry' of £361 million provided at privatisation. Our net outflow of cash during the year was £98 million and we are now a net borrower. This significant movement from being a net lender to a net borrower is reflected in the lower level of interest received in the year.

By the end of the financial year we had achieved 99.6% compliance with water quality standards and 99.6% compliance with sewage treatment standards.

We have also invested in major improvements to customer services. Investment in image processing technology has significantly reduced our response times to customer enquiries and complaints. Easier payment facilities have been introduced in our continuing drive to improve our relationship with our customers and reduce our level of debtors.

We have continued to achieve productivity gains at a time of significant upward pressures on costs, particularly those associated with the operation and maintenance of our new water and sewage treatment works. We have also made important moves towards greater professionalism through the introduction of the National Vocational Qualifications (NVQs) and by the restructuring of craft and industrial pay arrangements.

Whilst we are the most profitable water company in the UK, our charges to customers continued to be the lowest in the country for drinking water, the combined water and sewerage charges remained the second lowest. In 1992-93 the average household will pay about 41 pence a day for both services.

A complete review of the Company's activities is contained within the Annual Report and Accounts of Severn Trent Plc. A copy of this report can be obtained on written request to the Director of Corporate Communications at the address on page 1. There is no charge for this publication.

Future developments

Although substantial progress has been made we cannot relax our guard, and we will strive to maintain not only the high quality standards now being achieved, but also to improve them in those areas where new standards apply.

Efficiency savings will continue to be vigorously pursued in order to improve our profit levels and therefore reduce the borrowing required, as we continue with our major investment programme. Our intention is to maintain virtually 100% compliance with drinking water standards but at the same time improve the taste and appearance – the factors on which our customers judge water.

The new reservoir at Carsington which is now over 50% full will ensure our resources exceed peak demand and enable us to

and sewerage business in our region.

We will continue to treat sewage and sludge to a very high standard, where the effluent by wastewater is returned to rivers and more than half of the sludge produced is used on land as soil conditioner. Unlike most of the other water companies in the UK, we have no investment to make to terminate the disposal of sewage and sludge to sea.

We already provide a wide range of payment facilities for our customers. Where appropriate we will expand these and with the agreement of the Director General of Water Services, we are about to introduce our newly developed budget meter.

The levels of service agreed with the Director General of Water Services have been achieved in all key areas, with over 99% of properties above the target levels for pressure and supply. Very few customers remain at risk of foul flooding of properties, but we believe it is necessary to continue to invest to eliminate the remaining problems. This programme of improvements underlines our constant focus on customer service. Further information on customer service is provided in the financial and operating statistics included on pages 38 and 39.

We place great importance on our relationships with the Director General of Water Services and the Customer Services Committee, they are the guardians of our contract with our customers.

Dividend and reserves

Dividends of £100 million were paid during the year. Proposed transfers to reserves are set out in note 14 to the financial statements on page 18.

Directors

The Directors of the Company who served during the year are listed below.

J G Bellak	Chairman	I J Hislop
J K Banyard		R S Paul
V Cocker		J A Stephens
B Duckworth		M P Upton
F Earnshaw	retired 31 October 1991	D R Woods
G Fisher	resigned 24 April 1992	

Mr A O'Hood was appointed a Director on 24 April 1992. Messrs Bellak, Cocker, Paul and Upton are also Directors of Severn Trent Plc, the ultimate parent undertaking and their interests in the share capital of that company are disclosed in its Directors report for the year ended 31 March 1992. The interests of the other Directors at the year end in the Ordinary Share Capital of Severn Trent Plc, according to the register maintained under the provisions of the Companies Act 1985, were as follows.

	Beneficial holdings in Ordinary Shares	Share options under approved schemes	Share options granted during the year
J K Banyard	795	27,025	15,594
B Duckworth	1,591	69,113	16,177
G Fisher	1,553	72,727	12,676
I J Hislop	1,269	26,596	14,426
J A Stephens	1,270	24,741	14,256
D R Woods	1,045	29,705	12,069

Share Options were granted in accordance with the Severn Trent Executive Share Scheme and the Severn Trent Employee Sharesave Scheme.

No options were exercised by Directors during the year.

Fixed assets

The changes in tangible fixed assets during the year are shown in Note 7 to the financial statements on page 14.

Research and development

The Company is fully committed to research and development and has significantly increased its programme from £3.7 million in 1990-91 to £5.2 million in 1991-92. It is directing investment into those areas which can contribute to continuing improvements in operational efficiency and the achievement of national and international standards for potable water, sewage effluent and sewage sludge.

The Company is developing appropriate technologies, captured from around the world, to meet these objectives. The aim is successfully to apply these technologies to the water business.

Employees

The number of people working on the regulated activities of the Company at 31 March 1992 was 7,400 (1991 6,985). Including other activities the numbers were 7,529 (1991 7,182). During the course of the year much work has been undertaken with the craft and industrial employee groups to develop training programmes leading to accreditation at NVQ levels 1, 2 and 3 in a number of activity and skill areas. These standards of performance contribute to the Company's drive towards quality working methods.

Substantial progress has been achieved in the training and certification of supervisors and operatives in the skills necessary to reinstate highways to the new standards.

Management development and supervisory training arrangements also continued to involve significant numbers of staff across the Company.

The Company values its developing relationship with the Warwick University Business School running joint seminars throughout the year, and accepting their invitation to join the Centre for Corporate Strategy and Change.

Equal opportunities

The Company remains committed to equal opportunities, and policies and practices are operated to ensure that no employee or job applicant receives less favourable treatment whatever their sex, race, religion, marital status or disability.

Health and safety

The Company has continued its commitment to health and safety, and for the third year in succession we have received a British Safety Council award for our achievements. Safety training continues to be a high priority and forms the major part of level 1 of our industry NVQs.

This year we have introduced a comprehensive occupational health package. This includes hazard based medical screenings, using mobile facilities, to employees at their local workplace. This package dovetails with our existing accident prevention measures to reduce further time lost due to accidents

and illness as well as minimising risks to the health and welfare of our employees.

European Safety Initiatives published during the year will provide us with both a challenge and an opportunity to improve further our already high standards.

Disabled persons

The Company has a policy of employing disabled people in suitable posts. We have established links with the Employers' Network on Disability to further develop our awareness of current best practice and we are actively pursuing positive initiatives within our working environment. In addition, during the year we have made a commitment to the Director General of Water Services to improve facilities for elderly and disabled customers by developing better access facilities at offices and improving communications with such groups.

'Ring fencing'

In accordance with the requirements of the Director General of Water Services, the Company confirms that as at 31 March 1992 it had available to it sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company in order that the purposes of a special administration order could be achieved if such an order were made.

Directors' and Officers' liability insurance

The Company maintains insurance under Section 310(3) of the Companies Act 1985 for its Directors and Officers against liabilities in relation to the Company.

Auditors

A resolution proposing the re-appointment of Price Waterhouse as auditors will be put to the Annual General Meeting.

By order of the Board



B W Martin Secretary

26 June 1992

Profit and loss account

Notes 1 to 6 apply

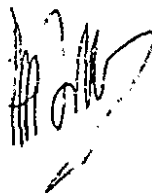
	Notes	1991 £m	1990 £m
Turnover		692.1	608.6
Operating costs		(147.8)	(410.1)
Operating profit before interest	2	244.3	198.5
Net interest	4	18.6	46.3
Profit on ordinary activities before taxation		262.9	244.8
Taxation on profit on ordinary activities	5	—	—
Profit on ordinary activities after taxation		262.9	244.8
Dividends	6	(100.0)	(96.0)
Retained profit for the financial year	14	162.9	148.8

Balance sheet

at 31 March 1992

	Notes	1992 £m	1991 £m
Fixed assets			
Tangible assets	7	2,266.0	1,805.2
Investments	8	2.8	2.4
		2,208.8	1,805.6
Current assets			
Stocks and work in progress		10.7	11.0
Debtors	9	111.1	99.1
Cash at bank and in hand		185.1	283.4
		310.2	393.5
Creditors: amounts falling due within one year	10	(230.6)	(194.0)
Net current assets		79.6	199.5
Total assets less current liabilities		2,288.4	2,005.1
Creditors: amounts falling due after more than one year	11	(21.5)	(91.2)
Provisions for liabilities and charges	12	(63.7)	(79.8)
Provision for deferred credits	12	(30.1)	(17.2)
		1,970.8	1,816.9
Capital and reserves			
Called up share capital	13	400.0	400.0
Reserves and retained profits	14	1,570.8	1,416.9
		1,970.8	1,816.9

Signed on behalf of the Board who approved the accounts on 26 June 1992.



J.G. Bellak

Chairman



B. Duckworth

B. Duckworth

B. Duckworth

Director of Finance

Cash flow statement

Year ended 31 March 1992

	Notes	1992 £m	1991 £m
Net cash inflow from operating activities	16a	268.6	257.3
Returns on investments and servicing of finance			
Interest received		48.3	54.8
Interest paid		(11.6)	(5.7)
Interest element of finance lease rental payments		(4.3)	(3.5)
Dividends paid		(116.0)	(131.7)
Net cash outflow from returns on investments and servicing of finance		(83.6)	(86.1)
Taxation			
UK Corporation tax paid			
Investing activities			
Purchase of tangible fixed assets		(426.4)	(310.3)
Grants received		25.1	21.0
Purchase of investment in and loans advanced to associated undertaking		(0.4)	(2.0)
Disposal of assets		5.6	6.4
Transfer of investment to parent undertaking		—	0.2
Net cash outflow from investing activities		(396.1)	(284.7)
Net cash outflow before financing		(211.1)	(113.5)
Financing			
Disposal of current asset investments		—	292.7
Repayment of amounts borrowed		(0.3)	(0.3)
Increase in amounts borrowed		117.9	34.2
Capital element of finance lease rental payments		(4.8)	(3.4)
Net cash inflow from financing		112.8	323.2
(Decrease)/increase in cash and cash equivalents	16c	(98.3)	209.7

Notes to the financial statements

1 Accounting policies

a) Accounting convention

The financial information has been prepared under the historical cost convention, and in accordance with applicable accounting standards except as indicated in note e) below

b) Turnover

Turnover represents the income receivable in the ordinary course of business for services provided.

c) Tangible fixed assets and depreciation

Tangible fixed assets comprise:

Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipe lines) and
Other assets (including properties, overground plant and equipment)

i) Infrastructure assets

Infrastructure assets comprise a network of systems.

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

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

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

ii) Other assets

Other assets are included at cost less accumulated depreciation. Additions are included at cost.

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

Buildings	30-60 years
Operational structures	40-80 years
Fixed plant	20-40 years
Vehicles, mobile plant and computers	3-10 years

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

iii) 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 expensed in the year they are incurred.

d) Infrastructure renewals accounting

The charge for infrastructure renewals expenditure takes account of planned expenditure on maintaining the operating capability of infrastructure assets in accordance with the operational policies and standards underlying Severn Trent Water Limited's "K" Investment Programme, and reflects the impact of price changes by indexation since the programme was prepared. The timing of the "K" Investment Programme and other operational considerations may result in uneven patterns of infrastructure renewals expenditure. Charges to the

profit and loss account are adjusted by way of accruals or deferrals as appropriate, to take account of any significant fluctuations in actual or planned expenditure

e) Grants and contributions

Grants and contributions received in respect of non infrastructure assets are treated as deferred credits and are transferred to the profit and loss account in accordance with the asset lives of those assets

Grants and contributions received relating to infrastructure assets have been deducted from the cost of fixed assets. These grants and contributions are a contribution towards capital expenditure which is intended to ensure that the cost of extending the infrastructure system does not fall upon customers generally. In the opinion of the directors the accounting treatment adopted is appropriate in order to show a true and fair view.

f) Investments

Investments held as fixed assets are stated at cost less amounts written off. Those held as current assets are stated at the lower of cost and net realisable value

g) 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 an element of overheads

h) Pension costs

Pension costs are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' pensionable service with the Company.

i) Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions. Foreign currency balances on which the exchange movements are covered are translated into sterling at the covered rates. Other foreign currency balances are translated at the rates ruling at the balance sheet date.

j) Research and development

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

k) Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is provided for to the extent that it is probable that a liability will crystallise

Notes to the financial statements

2 Operating profit before interest is stated after charging (crediting)

	1992 Am	1991 £m
Employee costs (note 3)	107.5	99.4
Infrastructure renewals charge (note 12a)	83.1	82.2
Depreciation (note 7 (vi))	53.1	47.6
Hire of plant and machinery	1.9	1.1
Audit fees	0.2	0.1
Research and development expenditure	5.2	3.7
Operating lease payments	3.3	3.2
Profit on disposal of fixed assets	(3.6)	(2.8)

Note:

A more detailed analysis of turnover and operating costs is included within the regulatory accounts on pages 29 and 30.

3 Information regarding directors and employees

	1992 £000	1991 £000
Directors:		
Emoluments including pension contributions (note III)	557.6	240.3
Performance payments (notes II and III)	45.7	38.1
	603.3	278.4
Emoluments (excluding pension contributions) of the Chairman	-	-
Emoluments (excluding pension contributions) of the highest paid director	83.6	74.9

Emoluments (excluding pension contributions) of other directors of the Company were within the following bands:

	1992 No	1991 No
£ 0 -- 5,000	4	5
£ 15,001 -- 20,000	-	4
£ 60,001 -- 65,000	1	-
£ 65,001 -- 70,000	1	-
£ 70,001 -- 75,000	3	1

Notes:

(i) Non cash benefits included in the total emoluments consist mainly of the provision of cars and health care insurance.

(ii) The directors performance payments are based upon the level of achievement against profit targets and achievements against levels of service, water supply and sewage treatment quality targets set by external regulators.

(iii) The 1992 figures include the full year effect of the emoluments and performance payments for the four new directors appointed during 1991. The 1991 comparative figures include only the emoluments and performance payments from 9 January 1991 (their date of appointment) to 31 March 1991.

Employees:	1992 £m	1991 £m
Staff costs	119.0	103.2
Social security costs	9.1	7.9
Pension costs (note 17)	13.0	13.4
	141.1	124.5

Charged as follows:

Capital and infrastructure renewals	53.0	25.1
Operating costs	107.5	99.4
	141.1	124.5

Average number of employees during year on regulated activities (full time equivalent)

	1992 No	1991 No
Staff	4,252	3,885
Industrial staff	3,002	2,983
	7,254	6,868

In addition 202 (1991 186) were involved in other activities

4 Net interest receivable	1992 £m	1991 £m
Interest receivable		
External	36.1	57.1
Group undertakings	—	0.3
	36.1	57.4
Interest payable		
Bank loans, overdrafts and other loans repayable within five years	(3.9)	(3.0)
repayable in more than five years	(8.2)	—
Finance charges in respect of finance leases	(4.2)	(4.0)
Group undertakings	—	(4.1)
Other	(0.5)	—
	18.6	46.3

5 Taxation on profit on ordinary activities

UK Corporation tax at 33% (1991 34%)

At 31 March 1992 the Company had tax losses of approximately £87 million (1991 £30 million) which will be available for offset against future trading profits of the Company.

Notes to the financial statements

b Dividends

	1992 £m	1991 £m
Interim dividend paid	100.0	80.0
Further interim dividend payable	-	16.0
	100.0	96.0

Tangible fixed assets Movements for the year analysed by asset-type:	Specialised operational properties and structures £m	Non- specialised operational properties £m	Infrastructure assets £m	Plant machinery and vehicles £m	Other £m	Total £m
Cost:						
Balance 1 April 1991	708.3	66.4	947.2	350.3	104.4	2,176.6
Reclassification	(18.8)	2.0	5.7	7.3	3.8	-
Additions	120.2	15.3	162.1	146.9	37.5	482.0
Grants and contributions	-	-	(23.3)	-	-	(23.3)
Assets sold or written out	(0.6)	(1.8)	(0.1)	(5.6)	(0.7)	(8.8)
Balance 31 March 1992	809.1	81.9	1,091.6	498.9	144.0	2,625.5
Depreciation:						
Balance 1 April 1991	237.1	8.6	-	88.0	39.7	373.4
Reclassification	-	-	-	(0.3)	0.3	-
Provision for year	14.5	2.0	-	20.9	15.7	53.1
Assets sold or written out	(0.3)	(0.2)	-	(5.0)	(0.5)	(6.0)
Balance 31 March 1992	251.3	10.4	-	103.6	55.2	420.5
Net book value:						
At 31 March 1992	557.8	71.5	1,091.6	395.3	88.8	2,206.0
At 31 March 1991	471.2	57.8	947.2	262.3	64.7	1,803.2

Notes:

i) Tangible fixed assets at 31 March 1992 includes £442.7 million (1991: £279.9 million) of assets in the course of construction, which are not depreciated until commissioning.

ii) The book value of tangible fixed assets held under finance leases at 31 March 1992 was £71.2 million and accumulated depreciation thereon was £35.9 million (1991 net book value £36.1 million).

iii) The net book value of land and buildings included in specialised and non specialised operational properties and structures is analysed as follows:

	1992 £m	1991 £m
Freehold land and buildings	628.5	528.2
Leasehold land and buildings - short lease	0.8	0.8
	629.3	529.0

iv) Depreciation incurred during the year has been charged as follows:

	1992 £m	1991 £m
On owned assets	19.1	44.4
On assets held under finance lease	3.7	3.2
Profit and loss account	53.1	47.6
Capital, rechargeable works and other		0.3
	53.1	47.9

v) Included in the above are the following tangible fixed assets not subject to depreciation.

	1992 £m	1991 £m
Land	17.8	14.4
Infrastructure assets	1,091.6	947.2
	1,109.4	961.6

vi) Specialised operational properties and structures principally comprise intake works, pumping stations, treatment works and boreholes.

vii) Non-specialised operational properties comprise offices, depots, workshops, residential properties directly connected with water and sewerage services and land held for the purpose of protecting the wholesomeness of water supplies.

viii) Grants and contributions received relating to infrastructure assets have been deducted from the cost of fixed assets in order to show a true and fair view. As a consequence the net book value of fixed assets is £42.4 million (1991: £19.1 million) lower than it would have been had this treatment not been adopted.

Notes to the financial statements

8 Investments

	Associated undertakings		Other investments	Total
	Loans	Share of retained earnings		
Cost:	£m	£m	£m	£m
At 1 April 1991	2.3	—	0.1	2.4
Additions	0.3	0.1	—	0.4
At 31 March 1992	2.6	0.1	0.1	2.8

	Country of registration or incorporation (and operation)	Class of share capital held	Nature of business
Associated undertakings			
Graham Carbons Limited (Cost of investment £20,000)	England	50% ordinary	Carbon Regeneration
Biogas Generation Limited (Cost of investment £19,999)	England	50% ordinary	Power Generation

9 Debtors

	1992 £m	1991 £m
Trade		
Amounts owed by group undertakings	62.0	44.5
Loans due from group undertakings	2.8	16.0
Other	—	1.0
Prepayments and accrued income	12.0	10.0
	37.6	27.6
	111.4	99.1

10 Creditors: amounts falling due within one year

	1992 £m	1991 £m
Loans		
Obligations under finance leases (note 15c)	0.9	0.4
Trade	6.9	4.0
Amounts owed to group undertakings	56.3	41.9
Other	2.3	1.1
Taxation and social security	1.5	2.1
Proposed dividend payable to parent undertaking	1.1	4.0
Accruals and deferred income		16.0
	158.4	124.5
	230.6	194.0

11 Creditors: amounts falling due after more than one year

	Average rate of interest %	1992 £m	1991 £m
European Investment Bank loans - 1993	11.5	30.0	30.0
European Investment Bank loans - 1996	10.9	21.3	-
European Investment Bank loans - 50bn Italian lira - 1997	11.0	22.8	-
European Investment Bank loans - 50bn Italian lira - 2000	11.55	22.8	-
European Investment Bank loans - 2002	10.77	16.5	-
Local authority loans - 1992-2035	9.3-15.0	10.6	16.9
Water annuities	4.0-5.0	0.1	0.1
		163.1	47.0
Obligations under finance leases (note 15c)		15.1	35.9
Other		8.3	8.3
		211.5	91.2

Loans outstanding are repayable as follows:

	1992 £m	1991 £m
Between one and two years	30.0	0.4
Between two and five years	32.0	31.0
After five years - by instalments	51.5	15.5
- other than by instalments	15.7	0.1
	163.1	47.0

12 Provisions

a) Liabilities and charges

	Balance at 1 April 1991 £m	Charged to profit and loss account £m	Used £m	Balance at 31 March 1992 £m
Infrastructure renewals provision	72.5	83.1	100.0	51.7
Reorganisation provision	7.3	3.8	2.1	9.0
	79.8	86.9	102.0	63.7

The application of the infrastructure renewals provision is shown net of grants and contributions of £1.8 million.

Notes to the financial statements

b) Deferred credits

	Balance at 1 April 1991 £m	Transferred to profit or loss Account £m	Reversed £m	Balance at 31 March 1992 £m
	17.2	1.2	14.4	30.4

c) Deferred taxation

The potential liability for deferred taxation calculated at 33% under the liability method is:

	1992 £m	1991 £m
Accelerated capital allowances	326.0	229.6
Other timing differences	(51.8)	(32.7)
Available tax losses	(28.6)	(10.0)
	266.5	186.9

13 Share capital

Authorised

	1992 £m	1991 £m
500,000,000 Ordinary Shares of £1 each	500.0	500.0

Issued and fully paid

400,000,000 Ordinary Shares of £1 each	400.0	400.0
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The ultimate parent undertaking is Severn Trent Plc which is registered in England

14 Reserves and retained profits

	Total £m
At 1 April 1991	1,416.9
Profit retained for the year	162.9
At 31 March 1992	1,579.8

15 Commitments and contingent liabilities

	1992 £m	1991 £m
a) Investment expenditure commitments		
Contracted for but not provided in the financial statements	170.5	165.7
Authorised but not yet contracted for	416.5	214.1

In addition to these commitments, the Company has longer term expenditure plans which include investments to meet improvements in performance and to provide for new demand and growth.

b) Operating lease commitments

At 31 March 1992 the Company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings £m	Other £m
Leases which expire:		
Within one year	0.1	0.5
Within 2 to 5 years	0.4	1.0
After 5 years	0.8	-
	1.3	1.5

c) Finance lease commitments

Amounts due under finance leases are payable as follows:

	1992 £m	1991 £m
Within one year	9.6	7.5
Between one and two years	12.5	9.5
Between two and five years	27.8	31.8
After more than five years	36.0	3.3
	85.9	52.1
Less: finance charges allocated to future periods	(35.9)	(12.2)
	50.0	39.9

d) Banking arrangements of the Company operate on a pooled basis with certain group undertakings and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies. At 31st March 1992 the Company's bank balances of £185.1 million were included under these arrangements.

Notes to the financial statements

16 Cash Flow Statement

	1992 £m	1991 £m
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit before interest	244.3	198.5
Profit on sale of assets	(3.6)	(2.8)
Depreciation	53.1	47.6
Deferred credits received	14.4	11.9
Deferred credits written back	(1.2)	(0.8)
Infrastructure provision charge (note 12a)	83.1	82.2
Utilisation of infrastructure provision (note 12a)	(102.7)	(46.9)
Working capital (note 16b)	(21.3)	(30.5)
Other	2.5	(1.9)
	268.6	257.3

b) Working capital movement (increase)/decrease

	1992 £m	1991 £m
Stocks and work-in-progress	0.3	(2.7)
Debtors	(25.8)	(33.3)
Creditors	4.2	5.5
	(21.3)	(30.5)

c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1992 £m	1991 £m	Change in year £m
Cash at bank and in hand	185.1	283.4	(98.3)

d) Analysis of changes in financing during year

	1992		1991		Current asset Investments £m
	Share capital £m	Loans & finance lease obligation £m	Share capital £m	Loans & finance lease obligation £m	
Balance 1 April	400.0	86.3	400.0	47.0	(292.7)
Cash inflow from financing	—	112.8	—	30.5	292.7
Inception of new finance leases	—	14.9	—	9.8	—
Balance 31 March	400.0	214.0	400.0	87.3	—

57 Pensions

The Company operates two schemes, the Severn Trent Mirror Image Scheme (STMIS) and the Severn Trent Water Pension Scheme (STWPS), both of which are of the defined benefit type and are fully funded to cover future salary and pension increases. The assets of the schemes are held in separate trustee administered funds. Employer's contributions during the year were £13.0 million (1991 £13.4 million).

STWPS

The most recent actuarial valuation of STWPS was carried out at 31 March 1989 by an independent actuary, using the attained age method. The principal assumption used was that the investment return would exceed future salary increases by 2% per annum.

The valuation showed that the market value of the scheme's assets was £0.5 million, and that transfer values were expected from the Water Authorities Superannuation Fund (WASF) totalling £120.3 million in respect of the scheme members at the valuation date; together these exceeded by 5% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings. The total transfer values received amounted to £137.3 million. Members of STWPS contribute to the scheme at the rate of 6%, 5% or 3% of pensionable pay according to their choice. The actuary has recommended that Employers' contributions to STWPS continue unchanged at the rate of 15.8%, 13.2% and 7.9% of pensionable pay of STWPS members whose contributions are at the rate of 6%, 5% or 3% respectively.

STMIS

The first actuarial valuation of STMIS was carried out at 31 March 1991 by an independent actuary, using the attained age method. The principal assumption used was that the investment return would exceed future salary and wage increases by 2% per annum.

The actuarial value of the scheme's assets was £97.3 million, which exceeded by 24% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings.

Members of STMIS contribute to the scheme at the rate of either 6% or 5% of pensionable pay, according to their choice. The actuary has recommended that with effect from 1 April 1991 Employers' contributions to STMIS be reduced as follows in order to utilise the valuation surplus over twelve years, being the remaining average service lives of the scheme's members:

Members' contribution rate	Employers' contribution rate
6%	reduced from 15.8% to 7.7%
5%	reduced from 13.2% to 6.4%

As a consequence the charge to the profit and loss account for the year has been reduced by £2.3 million and this amount is included within prepayments and accrued income (note 9).

Report of the Auditors to the Members of Severn Trent Water Limited

We have audited the financial statements set out on pages 7 to 21 in accordance with Auditing Standards.

In our opinion the financial statements, give a true and fair view of the state of the affairs of the Company at 31 March 1992 and of the profit and cash flows of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse *Price Waterhouse*

Price Waterhouse

Chartered Accountants and Registered Auditor

Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

26 June 1992

Price Waterhouse



Regulatory Accounts

Year ended March 1992

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Basis of preparation

The regulatory accounts have been prepared in accordance with the requirements contained in condition 'F' of the Instrument of Appointment of the Water and Sewerage Undertakers, and Regulatory Accounting Guideline 3.02 issued by the Director General of Water Services in May 1992.

The accounting policies and notes supporting the amounts in the historical cost statements contained in the regulatory accounts, are the same as those outlined in the statutory historical cost accounts on pages 10 to 21.

The historical cost statements and reconciliation of operating profit to net cash flow from operating activities, are presented in the regulatory accounts to meet the requirement of the Director General of Water Services.

Historical cost profit and loss account

1992-93 March 1992

	1992 £m	1991 £m
Turnover	692.1	608.6
Operating costs	(451.4)	(412.9)
Operating income	3.6	2.8
Operating profit	244.3	198.5
Interest receivable	18.6	46.3
Profit on ordinary activities before taxation	262.9	244.8
Taxation on profit on ordinary activities	—	—
Profit on ordinary activities after taxation	262.9	244.8
Dividends	(100.0)	(96.0)
Retained profit for the financial year	162.9	148.8

Historical cost balance sheet

At 31 March 1992

	1992 £m	1991 £m
Fixed Assets		
Tangible assets	2,206.0	1,803.2
Investments	2.8	2.4
	<u>2,208.8</u>	<u>1,805.6</u>
Current assets		
Stocks and work in progress	10.7	11.0
Debtors	114.4	99.1
Cash at bank and in hand	185.1	283.4
	<u>310.2</u>	<u>393.5</u>
Creditors: amounts falling due within one year	(230.6)	(194.0)
Net current assets	<u>79.6</u>	<u>199.5</u>
Total assets less current liabilities	<u>2,288.4</u>	<u>2,005.1</u>
Creditors: amounts falling due after more than one year	(214.5)	(91.2)
Provisions for liabilities and charges	(63.7)	(79.8)
Provision for deferred credits	(30.4)	(17.2)
	<u>1,979.8</u>	<u>1,816.9</u>
Capital and reserves		
Called up share capital	400.0	400.0
Reserves and retained profits	1,579.8	1,416.9
	<u>1,979.8</u>	<u>1,816.9</u>

Historical cost cash flow statement

Year ended 31 March 1992

	Notes	1992 £m	1991 £m
Net cash inflow from operating activities	6	268.6	257.3
Returns on investments and servicing of finance			
Interest received		48.3	54.8
Interest paid		(11.6)	(5.7)
Interest in finance lease rentals		(4.3)	(3.5)
Dividends paid		(116.0)	(131.7)
Net cash flow from returns on investments and servicing of finance		(83.6)	(86.1)
Taxation			
UK Corporation tax paid		-	-
Investing activities			
Purchase of fixed assets		(401.3)	(289.3)
Purchase of subsidiaries		(0.4)	(2.0)
Disposal of fixed assets		5.6	6.6
Net cash outflow from investing activities		(396.1)	(284.7)
Net cash outflow before financing		(211.1)	(113.5)
Financing			
Disposal of current asset investments		-	292.7
Capital in finance lease rentals		(4.8)	(3.4)
New medium/long term bank loans		117.6	33.9
Net cash inflow from financing		112.8	323.2
(Decrease)/increase in cash and cash equivalents		(98.3)	209.7

Current cost financial information — profit and loss account

Year ended 31 March 1992

	Notes	1992 £m	1991 £m
Turnover	2	692.1	608.6
Current cost operating costs	2	(530.9)	(458.8)
Operating income	2	1.6	4.0
		162.8	153.8
Working capital adjustment	2	6.1	9.4
Current cost operating profit	2	168.9	163.2
Interest receivable		18.6	46.3
Financing adjustment		(7.6)	(24.8)
Current cost profit before taxation		179.9	184.7
Taxation		—	—
Current cost profit on ordinary activities		179.9	184.7
Dividends		(100.0)	(96.0)
Current cost profit retained		79.9	88.7

Current cost financial information — balance sheet

At 31 March 1992

	Notes	1992 £m	1991 £m
Fixed Assets			
Tangible assets	3	20,359.4	19,750.5
Third party contributions since 1989-90		(167.1)	(72.5)
Working capital	4	(153.7)	(151.9)
Net operating assets		20,038.6	19,526.1
Cash and investments		187.9	285.8
Non-trade debtors		2.2	14.2
Non-trade creditors due within one year		(13.3)	(24.1)
Creditors due after one year		(214.5)	(91.2)
Provisions for liabilities and charges		(9.0)	(7.3)
Net assets employed		19,991.9	19,703.5
Capital and reserves			
Called up share capital		400.0	400.0
Profit and loss account		986.3	906.4
Current cost reserve	5	18,605.6	18,397.1
		19,991.9	19,703.5

Notes to the supplementary current cost financial information

1 Accounting policies

a) General

These accounts have been prepared in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance, in the context of assets which are valued at their current cost value to the business, with the exception of certain assets.

The accounting policies used are the same as those adopted in the statutory historical cost accounts, except as set out below.

b) Tangible fixed assets

Assets in operational use are valued at the replacement cost of their operating capability. To the extent that the regulatory regime does not allow such assets to earn a return high enough to justify that value, this represents a modification of the value to the business principle. Also, no provision is made for possible funding of future replacements of assets by contributions from third parties and, to the extent that some of the tangible fixed assets would on replacement be so funded, replacement cost again differs from value to the business. Redundant assets are valued at their recoverable amounts.

i) Non infrastructure assets

Specialised operational assets

During the year the gross replacement cost of specialised operational assets as at 31 March 1991 has been derived using unit cost price information and applied to the latest asset survey data. This value has been adjusted for inflation during the year as measured by changes in the Retail Price Index (RPI).

The specialised operational assets acquired since 31 March 1991 are valued at the lower of depreciated replacement cost and recoverable amount restated annually between periodic Asset Management Plan (AMP) reviews by adjusting for inflation, using RPI. The unamortised portion of third party contributions received is deducted in arriving at net operational assets (as described below in note 1c).

Non-specialised operational assets

Non specialised operational assets were valued on the basis of open market value for existing use at 31 March 1991 and have been expressed in real terms by indexing using RPI since that date.

ii) Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipelines are valued at replacement cost, determined principally on the basis of September 1987 unit cost data provided by the AMP.

A process of continuing refinement of asset records is expected to produce adjustment to existing values when periodic reviews of the AMP take place. In intervening years, values are restated to take account of changes in the general level of inflation, as measured by changes in the RPI over the year, and any other significant changes in asset records identified during the year.

Other assets

All other assets are valued periodically at depreciated replacement cost. Between periodic AMP reviews, values are restated for inflation as measured by changes in the RPI.

Surplus land

Surplus land is valued at current market values. Any proceeds on disposal to be passed onto customers will be taken into account, in accordance with the requirement contained in condition 'B' of the Instrument of Appointment of the Water and Sewerage Undertakers.

c) Grant and other third party contributions

Grants, infrastructure charges and other third party contributions received since 31 March 1990 are carried forward to the extent that any balance has not been credited to revenue. The balance carried forward is restated for the change in the RPI for the year and treated as for deferred income.

d) Real financial capital maintenance adjustments

These adjustments are made to historical cost operating profit in order to arrive at profit after the maintenance of financial capital in real terms.

Working capital adjustment - this is calculated by applying the change in the RPI over the year to the opening total of trade debtors and stock, less trade creditors.

Financing adjustment - this is calculated by applying the change in the RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

Notes to the supplementary current cost financial information

2 Analysis of current cost operating profit

1992

Turnover	Water	Sewerage		Appointed
	services	services	treatment	business
	£m	£m	and disposal	£m
			£m	
Measured	159.6		36.9	141.5
Unmeasured	167.1		323.1	490.2
Trade effluent	—		32.4	32.4
Revenue grants	0.2		0.7	0.9
Other sources	18.7		8.4	27.1
Total turnover	390.6		401.5	692.1
Operating costs	£m	£m	£m	£m
Manpower costs	53.6	6.3	47.6	53.9
Other costs of employment	1.6	0.3	1.2	1.5
Power	20.0	0.8	9.6	10.4
Rates	19.0	0.1	12.9	13.0
Hired and contracted	16.4	2.7	14.3	17.0
Associated companies	9.5	1.1	8.2	9.5
Materials and consumables	11.5	1.3	12.4	13.7
Service charges	10.4	—	3.3	3.3
Sewerage agencies	—	17.2	—	17.2
Other operating costs	11.2	1.9	8.0	9.9
Doubtful debts	4.6	2.7	2.7	5.4
Current cost depreciation	36.2	14.0	82.4	96.4
Infrastructure renewals:				
Expenditure	58.2	40.6	2.1	42.7
Accrual	(26.1)	10.1	(2.1)	8.3
Total operating costs	228.9	99.4	202.6	302.0
Operating income				
Current cost profit on fixed assets	0.8			0.8
Exceptional items	—			—
Total operating income	0.8			0.8
Working capital adjustment	1.3			4.8
Current cost operating profit	63.8			105.1
				168.9

1991

Turnover	Water services £m	Sewerage services £m	Appointed business £m
Measured	91.1	32.2	123.3
Unmeasured	148.2	280.9	429.1
Trade effluent	-	29.9	29.9
Revenue grants	0.2	0.7	0.9
Other sources	18.1	7.3	25.4
Total turnover	257.6	351.0	608.6

Operating costs	Sewerage		Sewage treatment and disposal		£m
	£m	£m	£m	£m	
Manpower costs	50.5	5.7	43.2	48.9	99.4
Other costs of employment	2.9	0.5	1.8	2.3	5.2
Power	18.0	0.7	8.3	9.0	27.0
Rates	18.5	0.1	10.8	10.9	29.4
Hired and contracted	15.6	2.3	12.6	14.9	30.5
Associated companies	6.6	0.8	5.7	6.5	13.1
Materials and consumables	12.9	1.0	10.8	11.8	24.7
Service charges	9.7	-	-	-	9.7
Sewerage agencies	-	16.4	-	16.4	16.4
Other operating costs	9.6	1.5	5.5	7.0	16.6
Doubtful debts	5.1	3.0	3.0	6.6	11.1
Current cost depreciation	33.9	6.7	52.9	59.6	93.5
Infrastructure renewals:					
Expenditure	24.4	20.6	-	20.6	45.0
Accrual	3.6	33.6	-	33.6	37.2
Total operating costs	211.3	92.9	154.6	247.5	458.8
Operating income					
Current cost profit on fixed assets	2.0	-	-	2.0	4.0
Exceptional items	-	-	-	-	-
Total operating income	2.0	-	-	2.0	4.0
Working capital adjustment	2.1	-	-	7.3	9.4
Current cost operating profit	50.4	-	-	112.8	163.2

Notes to the supplementary current cost financial statements

2 Analysis of current cost operating profit (continued)

The Company has not identified for the purpose of its 1992 accounts any businesses or activities other than the Appointed Business. The accounts in respect of the non-appointed businesses are not material under the guidelines issued by the Office of Water Services

In determining materiality levels, areas of non-appointed business identified include:

- Maintenance and construction services for third parties
- Mailing services for third parties
- Sales of stores to third parties
- External sales of energy
- Computing and payroll services to the National Rivers Authority

3a Tangible fixed assets analysis by service

	Water supply	Sewerage	Sewage treatment and disposal	Total
	£m	£m	£m	£m
Gross replacement cost				
Balance 1 April 1991	6,172.5	13,096.9	2,281.2	21,550.6
AMP adjustment	(70.5)	(461.3)	317.1	(214.7)
RPI adjustment	238.6	504.1	98.8	841.5
Disposals	(13.1)	(4.6)	(45.7)	(63.4)
Additions	249.6	131.5	149.5	530.6
Balance 31 March 1992	6,577.1	13,266.6	2,800.9	22,644.6
Depreciation				
Balance 1 April 1991	647.4	117.1	1,035.6	1,800.1
AMP adjustment	(49.8)	69.1	333.4	352.7
RPI adjustment	17.8	5.0	35.7	58.5
Disposals	(10.3)	(4.3)	(44.1)	(58.7)
Charge for year	37.0	13.1	82.5	132.6
Balance 31 March 1992	642.1	200.0	1,443.1	2,285.2
Net book value:				
At 31 March 1992	5,935.0	13,066.6	1,357.8	20,359.4
At 31 March 1991	5,525.1	12,979.8	1,245.6	19,750.5

3b Tangible fixed assets analysis by asset type

	Specialised operational assets	Non specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
Gross replacement cost					
Balance 1 April 1991	3,493.4	202.6	17,695.4	160.2	21,550.6
AMP adjustment	376.2	(40.6)	(546.4)	(3.9)	(214.7)
RPI adjustment	149.2	6.1	683.3	2.9	841.5
Disposals	(50.0)	(4.5)	(0.7)	(8.2)	(63.4)
Additions	213.5	10.1	255.0	52.0	530.6
Balance 31 March 1992	4,181.3	173.7	18,086.6	203.0	22,694.6
Depreciation					
Balance 1 April 1991	1,655.7	72.2		72.2	1,800.1
AMP adjustment	385.6	(30.5)		(2.4)	352.7
RPI adjustment	58.5	1.4		(1.4)	58.5
Disposals	(50.0)	(1.4)		(7.3)	(58.7)
Charge for year	105.4	2.2		25.0	132.6
Balance 31 March 1992	2,155.2	43.9		86.1	2,285.2
Net book value:					
At 31 March 1992	2,026.1	129.8	18,086.6	116.9	20,359.4
At 31 March 1991	1,836.7	130.4	17,695.4	88.0	19,750.5

3c Tangible fixed assets net book value
by service and by asset type

	Specialised operational assets	Non- specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
Water supply	573.7	80.9	5,217.5	62.9	5,935.0
Sewerage	186.5	2.0	12,868.9	9.2	13,066.6
Sewage treatment and disposal	1,265.9	46.9	0.2	44.8	1,357.8
At 31 March 1992	2,026.1	129.8	18,086.6	116.9	20,359.4
At 31 March 1991	1,836.7	130.4	17,695.4	88.0	19,750.5

Notes to the supplementary current cost financial information

4 Working capital	1992 £m	1991 £m
Stocks	10.7	11.0
Trade debtors	62.0	44.5
Working cash balances	-	-
Trade creditors	(12.7)	(14.3)
Short term capital creditors	(38.0)	(23.9)
Infrastructure renewals accrual	(54.7)	(72.5)
Accruals	(119.4)	(92.8)
Payments in advance	(39.1)	(31.7)
Tax and social security	(1.4)	(4.0)
Group inside debtors, (creditors)	0.5	4.0
Other trade debtors, (creditors)	5.0	2.5
Prepayments	35.4	25.3
	(155.7)	(151.9)

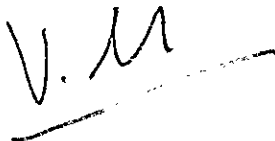
5 Reserves - current cost reserve	1992 £m	1991 £m
Balance 1 April	18,397.1	4,959.8
AMP, SIR adjustment	(567.1)	11,879.5
RPI adjustments:		
Fixed assets	755.0	1,440.5
Working capital	(6.1)	(9.4)
Financing	7.6	24.8
Other adjustments	(8.6)	101.9
Balance 31 March 1992	18,605.6	18,397.1

6 Reconciliation of operating profit to net cash flow from operating activities	1992 £m	1991 £m
Operating profit before interest	241.5	198.5
Depreciation	53.1	47.6
Profit on sale of assets	(3.6)	(2.8)
Increase in debtors and prepaid expenses	(25.8)	(33.3)
Increase in creditors and accrued expenses	1.2	5.5
Release of provisions	(10.6)	35.3
Effect of other deferrals and accruals on operating activity cash flow	16.0	6.5
Net cash flow from operating activities	268.6	257.3

Diversification and the protection of the core business — Condition F6a

Severn Trent Water Limited hereby advise:

- 1 that in the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- 2 that in the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions



V Cocker

Managing Director
For and on behalf of the board

26 June 1992

Report of the Auditors to the Director General of Water Services

We have audited the financial statements on pages 24 to 32 in accordance with Auditing Standards

In our opinion, the financial statements contain the information for the year to 31 March 1992 required to be published and submitted to you by Severn Trent Water Limited to comply with Condition F of the Instrument of Appointment by the Secretary of State for the Environment of the Company as a water and sewerage undertaker under the Water Act 1989

In respect of this information, we report that in our opinion:

- a Proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument.
- b The information is in agreement with the Appointee's accounting records, complies with the requirements of Condition F of the Instrument and has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services;
- c The financial statements on pages 23 to 25 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointed Business;
- d The current cost financial information on pages 26 to 32 has been properly prepared in accordance with the Regulatory Accounting Guideline 1.02, Accounting for Current Costs issued in May 1992 by the Office of Water Services

Price Waterhouse *Price Waterhouse*

Price Waterhouse

Chartered Accountants and Registered Auditor

Cornwall Court
19 Cornwall Street
Birmingham B3 2DZ

26 June 1992



SCAN UPON DEMAND

**We apologise that due
to the poor quality of the fiche,
some of the images scanned
were also of poor quality**