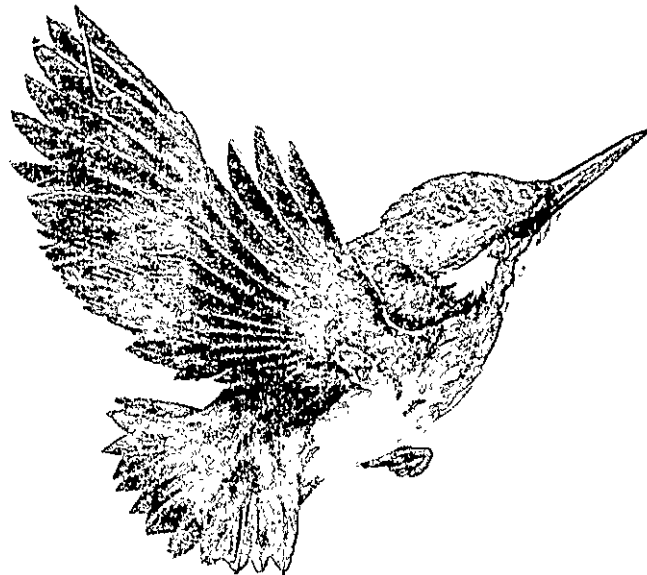
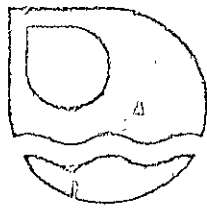


North
West
Water



ANNUAL REPORT 1992

2010



North West Water

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Water and wastewater - worldwide





FINANCIAL HIGHLIGHTS

	1992	1991
Turnover	£789m	£599m
Pre-tax profit	£230m	£215m
Earnings per ordinary share	57.9p	54.3p
Dividends	19.67p	18.0p
Dividend cover	2.5 times	2.5 times
Investment expenditure	£512m	£408m

BOARD OF DIRECTORS

† Dennis Grove – Chairman

*† Sir Desmond Pitcher – Deputy Chairman

Robert Thian – Chief Executive

Brian Alexander

*† Clare Bolton

Alan Dean

*† Dr Rodney Leach

Stephen McAdam

*† Alan Pendleton

* Archibald Ramsay

*† Frank Sanderson

* Non-executive director

† Member of the Audit Committee

John Tetlow – Secretary

CHAIRMAN'S STATEMENT



Dennis Grove, Chairman

Our momentum of improvement and development in both the regulated business in the North West of England and the non-regulated businesses in the UK and overseas has been continued through the year for the benefit of customers and shareholders.

Turnover increased to £789 million, 31.8 per cent up on 1991. Profit before tax rose to £230 million, an increase of 7.3 per cent. £136 million, 66 per cent of profit after tax, is being retained in the business, to contribute directly to financing our massive investment in improving water and wastewater services in the North West

Sustained improvements in operating costs and efficiencies have contributed to our strong overall financial performance, offsetting a reduction in demand by industrial customers of the regulated business, North West Water Limited.

Our most recent acquisitions, Wallace & Tiernan and Edwards & Jones, are being successfully integrated into the process engineering division, which contributed £3.7 million to profit before tax and has made a promising contribution to earnings per share.

We completed our planned investment of £512 million in water and wastewater in the North West, representing an increase of 25.4 per cent over 1991 and 93.9 per cent above 1990. More importantly this sustained high level of investment enabled us to fulfil required quality outputs and higher standards and achieve our compliance targets, meeting our commitments to customers and the community.

With these achievements we are building a substantial international water and wastewater company, focused on attaining skill and technology leadership.

During the year we welcomed to the Board Stephen McAdam, who succeeded Archibald Ramsay as Group Financial Director. The directors are recommending the appointment to the Board of Derek Green, who is succeeding Brian Alexander as Managing Director of North West Water Limited. Derek was previously Aggregates Group Chief Executive, BTR plc.

We offer Brian Alexander our best wishes on his retirement. He has made a major contribution to water services in the region and nationally, as a senior executive with the former Water Authority from its inception and as a Group director.

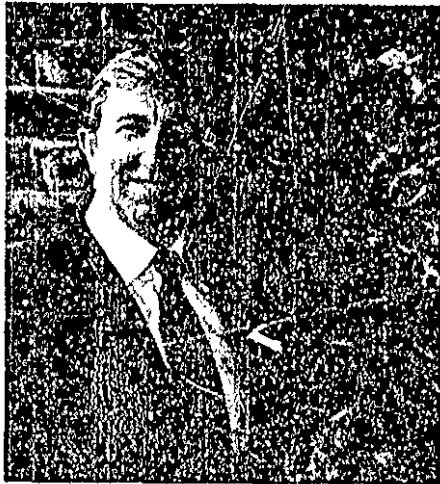
We congratulate Desmond Pitcher on his Knighthood just conferred in the Birthday Honours List.

We are committing considerable resources to the training and development of employees throughout the Group to underpin our determination to be a leading force in the world water and wastewater industry. I congratulate and thank them all for their contributions during the year to the Group's continuing strong performance, benefiting customers and shareholders.

D. Dennis Grove



CHIEF EXECUTIVE'S REVIEW



Robert Thian, Chief Executive

North West Water Group has sustained the *impetus of its development during this, its second full year post privatisation:*

- ⊙ we have accelerated the growth of our international business, particularly in the USA, and
- ⊙ we have carried on vigorous restructuring of the utility in the North West of England.

We have met the commitments we made to our stakeholders and have done much to ensure continued delivery of those pledges through the decade:

- ⊙ quality products and better service for our customers;
- ⊙ real growth in earnings and returns for our shareholders;
- ⊙ challenging and rewarding jobs for our employees;
- ⊙ higher environmental standards for the communities we serve.

We have remained entirely focused on water and wastewater. By doing so we have developed global businesses in environmental and process engineering and we are breaking into the international markets for infrastructure

engineering, and water and wastewater systems operation

HIGHLIGHTS OF 1991/92

North West Water Limited improved its standards and made further productivity gains

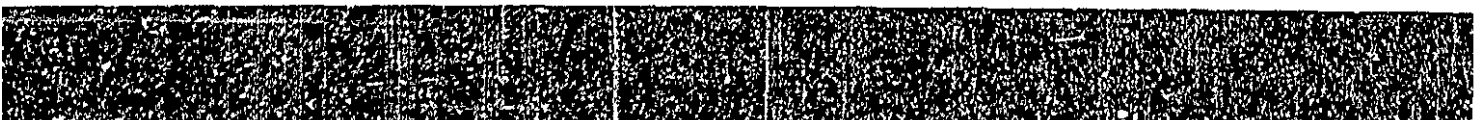
- ⊙ in both respects we saw benefits from our five year Quality and Efficiency Strategy,
- ⊙ our customers received much better drinking water and the community is benefiting from the environmental programme,
- ⊙ by being efficient and keeping costs down through innovative restructuring we have delivered higher standards than had been foreseen; and
- ⊙ we have safeguarded shareholders' interests by agreeing with Ofwat, the UK economic regulator, a formula which ensures a proper rate of return on the £360 million investment additional to the £378 million envisaged at privatisation for our quality and efficiency upgrades, designed to bring substantial benefits in improved service for customers.

We completed the restructuring of our environmental engineering resources, on one site and strengthening the key specialist areas of water and wastewater engineering

Interest worldwide in privatising utilities is growing rapidly. North West Water International Limited has recently been appointed preferred tenderer for a water treatment works project in Melbourne. It has also successfully prequalified for other major opportunities – new water treatment works in Sydney and the privatisation of water and wastewater services for Buenos Aires

Our process engineering division has advanced with the acquisitions of Wallace & Tiernan in the USA and Edwards & Jones in the UK.

We strengthened our management by a number of key senior appointments:



CHIEF EXECUTIVE'S REVIEW

- ensuring the smooth succession to two retiring directors;
- appointing high calibre managers to head up growth potential businesses like process engineering and international.

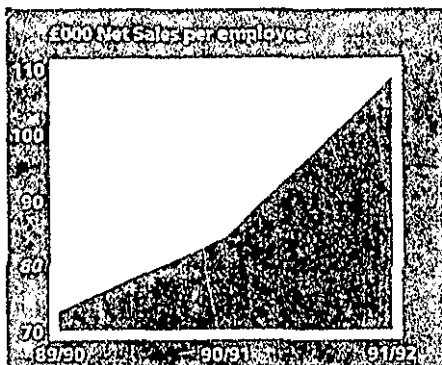
QUALITY AND EFFICIENCY IN NORTH WEST WATER LIMITED

North West Water Limited has continued to meet rising quality standards, whilst improving the productivity of its employees, as shown by the steep increases in net sales, operating profit and fixed assets per employee.

We ended the year with 5,450 employees in the utility, a net reduction of 1,166 year on year. Sensible basic pay awards were negotiated, enabling us to switch more remuneration into merit, upgrade and result-oriented awards, a trend we shall be continuing.

Our efficiency drive has encompassed:

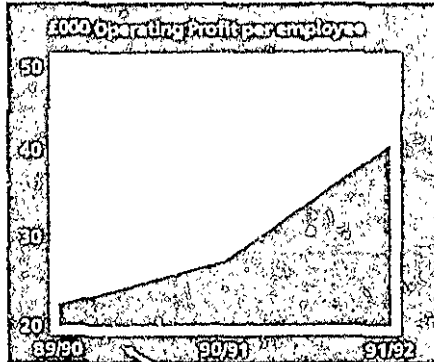
- tightening up all parts of the organisation:



reducing the layers of management and clerical and manual over-manning. The bulk of this has now been done;

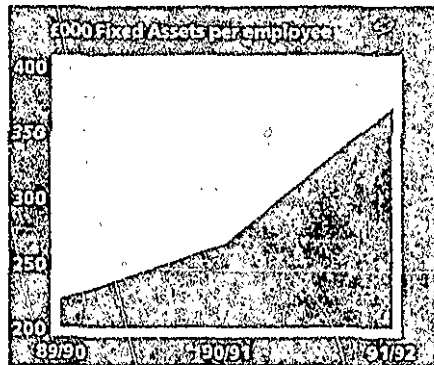
- switching from in-house services to outsourcing: allowing us to focus the company's own efforts and resources on its core skills and technologies. This is a continuing process designed to yield savings of up to 25 per cent

on the cost concerned, whilst maintaining or, in most cases, improving quality;



- Quality and Efficiency Strategy: we have determined what the essential business processes are and we are concentrating on them, making the fullest use of modern technology.

Taken together, this is a profound and radical programme, which launches the company into a demanding process of evolution and innovation. This is the programme we have been working on intensively since April 1990 and are



now implementing. There are three complementary strands to the strategy:

- a change management programme, concerning employees and their skills, and the

CHIEF EXECUTIVE'S REVIEW

- organisation's structure, style and values;
- a facilities plan, rationalising existing buildings, with the construction of new centralised facilities; and
- an information systems strategy, making full use of the most up to date technology.

At the heart of our approach is customer service: we will provide the highest standards in the industry of customer service and responsiveness to the needs of our community.

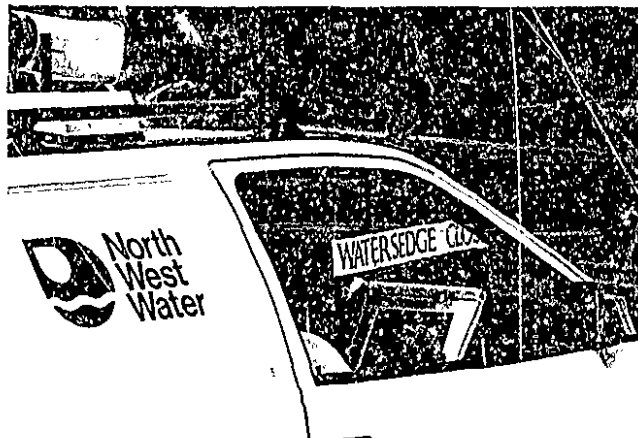
North West Water Operations is to be more automated and integrated. Those needing operational information will have immediate access to it. Improvements in planning capability have already started to bring significant savings in our capital expenditure.



Quality assurance across the Company will be further enhanced with the opening of our highly automated £21 million central laboratory in 1993.

Field service personnel will have access either at home or in their vehicles to all the information required to carry out their work, largely avoiding the need to use a depot or a base. In this way we can be sure to get the right person with the right skills to a job at the right time.

Rapid response and reduced wastage due to better administration and higher productivity will drive operating costs down still further. In



this too, we will continue to be the pace-setter for the industry.

LEADERSHIP IN ENGINEERING

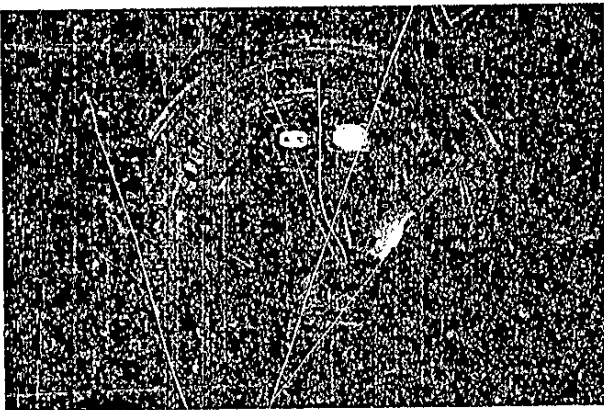
In 1991/92, we once again met expectations for investment – and exceeded output standard objectives, bringing better quality water to our customers and a cleaner environment for our communities:

- 123 new major projects were started and 250 projects were completed during the year, bringing immediate or prospective improvements to around 500 communities;
- 6 new water treatment works were commissioned and 20 old works upgraded, bringing a higher standard of drinking water to over 3 million people;
- 492 kilometres of water aqueducts and mains were laid, renewed or refurbished, enough to reach from London to Carlisle;
- 1 new wastewater treatment plant was completed, 80 old plants were upgraded and 97 kilometres of sewers were laid, renewed or refurbished.

CHIEF EXECUTIVE'S REVIEW

Our current level of achievement is three times more than in the 1980s and seven times the annual rate of the 1970s.

Our engineers played an important part in helping us qualify for the final rounds of the privatisation of parts of the water systems in Sydney and Melbourne and the entire water and



wastewater system in Buenos Aires. They are now advising industry on wastewater management and this business can be expected to grow in the coming years.

Our engineers have moved from scattered sites in the North West to one facility. This year, NWW Engineering has been separated from North West Water Limited and has taken over most of the sewerage work previously carried out on our behalf by the local authorities.

Our Quality and Efficiency Strategy has also brought a new approach to capital projects, allowing our engineers to choose the most cost-effective design for a project and estimate cost and timescales to a high degree of accuracy. We have invested in the best available systems in intelligent computer aided design and engineering and are rapidly developing their use across our organisation.

These, combined with our heritage of

water and wastewater technology and skill, will produce better designs and solutions at considerably lower cost.

INTERNATIONAL EXPANSION

The UK is not alone in having to invest substantially in its water and wastewater services. Germany, France and several Mediterranean countries will be spending heavily to meet European standards over the next few years.

The Pacific Rim countries are having to renew old and build much new water and wastewater infrastructure to service their growing economies, as are the emerging economies in Latin America.

The US has fallen behind its own environmental and drinking water programme – due to the recession and the reduction of Federal grants – and is now facing a sprint to the line.

In all areas of the world, the use of private sector management and finance to solve long



Andrew Glasgow OBE, Managing Director, North West Water International Limited. Formerly group managing director of GEC-Marconi Communication Systems; and managing director, Marconi Space Systems.

term water and wastewater infrastructure problems is growing in popularity.

CHIEF EXECUTIVE'S REVIEW

Selectively, we are competing in that marketplace. The entry price is high and we are having to compete with the best in the world, because it promises to be a large and a profitable marketplace.

PROCESS ENGINEERING

Process engineering is to water what the micro-chip is to the computer. There is a fast growing role for process technology in the solutions to the increasingly complex water purity and environmental pollution problems being faced by the industry.

It is process technology which will enable us to meet the ever-rising standards our customers and communities expect; and it is process technology which will enable those standards to be met at an affordable cost.

As a priority, we are building on the technological leadership of our process engineering division.

During the year we added two businesses to the Group: Wallace & Tiernan, world market leaders in chemical feed and disinfection equipment with major facilities in the USA, UK and Germany; and Edwards & Jones, which makes



Robert Boland, Managing Director, process engineering division. Formerly chairman and chief executive of Costain Group's engineering and project management division.

and sells high performance sludge dewatering equipment.

We now have a strong presence in some of the key water and wastewater market segments worldwide: water treatment, wastewater treatment, solids extraction and handling, disinfection, and specialist water and wastewater process engineering and contracting.

We have made good progress in integrating these businesses into our process engineering division. But, there is more to do and the coming two years will see rationalisation of the existing product lines, the launch of new products and rapid growth directed at both the technologies and the markets in which we are not yet present.



Dr Michael Dyer, Group Technical Director. Formerly operations director of North West Water, which he joined in 1987 from W S Atkins.

The new technologies from our process engineering companies are now also beginning to play an increasing part in North West Water Limited's investment programme.

ATTRACTING AND DEVELOPING EMPLOYEES

Ambitious plans place heavy demands on human resources and, above all, we must

CHIEF EXECUTIVE'S REVIEW

make sure that our future success is not thwarted by a shortage of skills or the availability of capable managers

Amongst the more senior ranks, we have been able to attract high performance managers from other sectors and have significantly strengthened our Group organisation by these appointments.

- Stephen McAdam, a member of the Board, and successor to Archibald Ramsay as our Group Financial Director;



Dr Roger Ford, Managing Director, research and development. Formerly Chlor-Chemicals research and technology business manager at ICI.

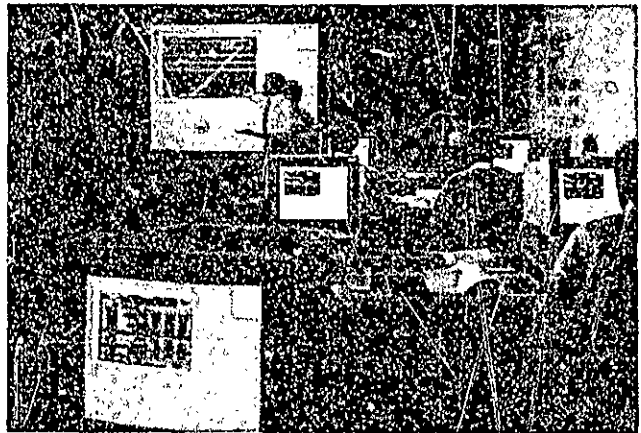
- Derek Green, to be proposed for appointment to the Board at the Annual General Meeting, and succeeding Brian Alexander as the Managing Director of North West Water Limited;
- Alan Dean, Group Business Development Director and member of the Board;
- Robert Armstrong, Group Personnel Director;
- Dr Michael Dyer, Group Technical Director;
- Richard Worrall, Group Information Systems Director;
- David Highet, Group Corporate Communications Director;

- Robert Boland, Managing Director of the process engineering division.
- Andrew Glasgow OBE, Managing Director of North West Water International Limited,
- Dr Roger Ford, Managing Director, research and development;
- Alan Fox, Managing Director, NWW Engineering Limited.

We know too that there is a great deal of ability, loyalty and commitment within North West Water and we must find improved ways of helping people better exploit their own potential.

To meet the challenges of our business objectives, including the introduction of new technology and information systems throughout the business, we shall be providing considerable support, education and training to our employees at all levels.

Over the next five years, we expect that all of our employees will receive around 50 days formal training matching the highest standards in Europe. To achieve this our new 12,000 square metre specialised training facility for



management, skill and manual education will be opened in 1993.

Given the space, the freedom, the opportunity and, above all, the encouragement, good people develop themselves. We are steadily and

CHIEF EXECUTIVE'S REVIEW

surely creating the meritocratic environment, where those with the necessary abilities can take up the challenge within our Group of companies both at home and overseas.

KEY ISSUES

The North West of England has some of Britain's oldest networks of aqueducts, mains and sewers. When the Water Authority was formed in 1974, it inherited one of Britain's most dilapidated and inadequate water and wastewater systems. Much has been done to improve services since then and, naturally, much remains to be done.

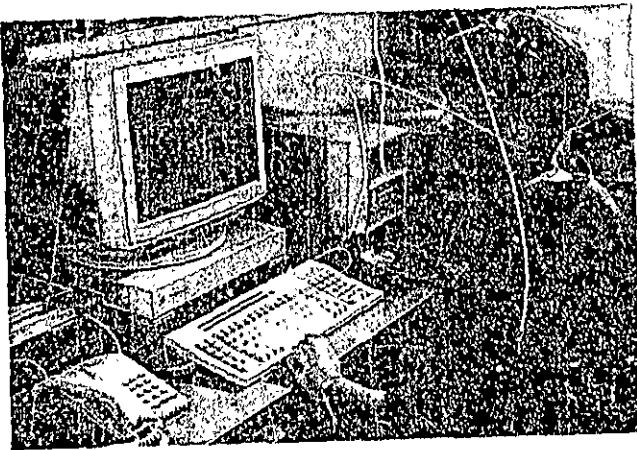
At privatisation, there were concerns that North West Water might not be able to manage the largest investment programme of all the UK water companies. Not only have we doubled our investment in only two years to over £500

and having succeeded – has equipped North West Water for the wider challenges of the global market in a way few of our competitors could hope to match. Our broad experience in finding the best solution has placed us in a strong position to help communities around the world shoulder their increasing burdens of rising standards for drinking water and the environment, sooner and at an affordable cost.

Communities everywhere are becoming aware that postponing or avoiding quality standards issues will no longer be an option in the future. Even those communities which are meeting today's standards know that there is more still to do to meet tomorrow's. Even then more will be demanded of them, driven by a combination of new legal requirements and higher expectations.

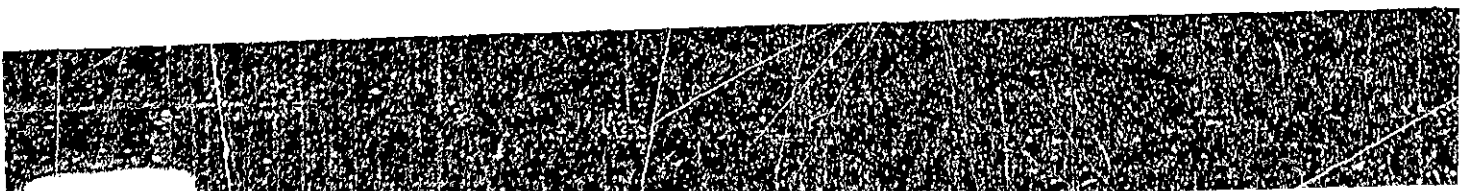
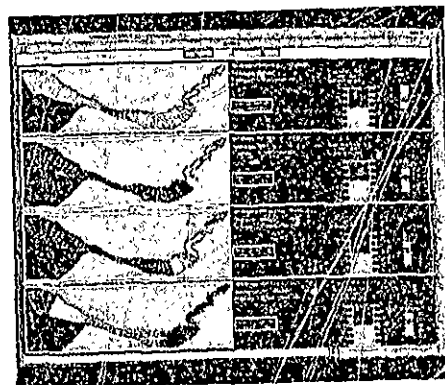
There are growing concerns in a number of areas, which are already in the process of being translated into new European standards for our industry:

- even before 1995, more will need to be done about bathing, coastal and estuarial waters, sludge disposal and the increasing knowledge of potential risk from infectious organisms such as cryptosporidium;
- in the second half of this decade we will all have to face up to these problems: the remaining pipes made of lead; chemicals

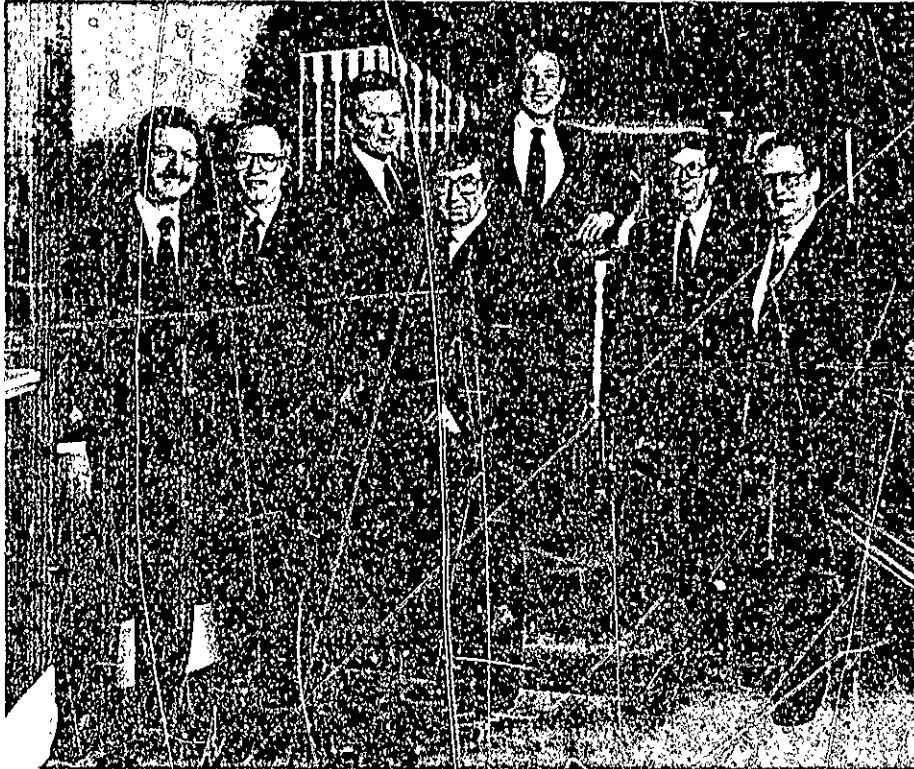


million per annum, but we have done so within budget and on time. Indeed, we achieved the planned levels of service and outputs at lower costs than envisaged and used some of the savings to deliver additional improvements for customers.

Moreover, having to solve such a broad range of quality and environmental problems –



CHIEF EXECUTIVE'S REVIEW



Left to right

Alan Dean, Group Business Development Director. Formerly chief executive, N Brown Group; and a director of N M Rothschild & Sons.

John Tetlow, Secretary. Formerly secretary, Tootal Group.

Robert Armstrong, Group Personnel Director. Formerly personnel director, North West Water Limited. Previously with Anglesey Aluminium Metal

Robert Thian, Chief Executive. Formerly managing director, Glaxo, Portugal; European regional director, Abbott International; and vice president, Novo Industries.

Stephen McAdam, Group Financial Director. Formerly finance and administration director, Hewlett-Packard. Previously with Grand Metropolitan.

David Hight, Group Director of Corporate Communications. Formerly head of public affairs, Granada Television.

Richard Worrall, Group Director of Information Systems. Formerly group IT co-ordinator, Glaxo Holdings.

CHIEF EXECUTIVE'S REVIEW

leaching into water supplies, urban wastewater; and tighter environmental controls.

For instance, in the North West of England:

- we shall be raising drinking water quality to meet projected standards over the next 15 years, involving 25 new and 30 upgraded water treatment works being brought on line; the laying of 10,000 kilometres of new or refurbished water mains; and the replacement of lead communication and customers' own lead piping in anything up to 2 million homes;
- we shall also be giving continuing attention over the next 25 years to our environment, which falls short of standards for river, estuary and bathing water quality we and our communities would like to achieve, involving 35 new and 400 upgraded wastewater treatment plants coming on stream; building some 1,000 storm overflow solutions; and laying 3,000 kilometres of new or refurbished sewers.

As well as the tangible benefits for people that they are designed to achieve, these will have costs attached to them. Communities will need to be more aware of the cost of the higher standards they are demanding and to accommodate themselves to the rising cost of water services, which, in economic value terms, will remain good value.

Society's requirements are ballooning and until acceptable minimum standards have been attained, the critical question will not be "how much can we afford to postpone into the next period?" but "how much sooner can we deliver what our communities require and how cost effectively can we get that done?"

The emphasis is already changing from cutting out the work, to cutting the cost of doing the work.

For that reason we believe firmly in our drive for quality, technology innovation and

efficiency. Together, these will enable us to deliver the standards our customers and communities want – at a cost, but at the lowest possible cost.

We expect to play a growing part in the continuous fight for ever higher standards. What we must do to meet those standards will require substantial expertise and dedicated application. The North West Water Group of companies is particularly well poised to meet and take up that challenge.

CONCLUSION

Despite a rather difficult year's trading in 1991/92, not only have we grown our earnings per share, but we have also taken unparalleled steps to underpin the long term prosperity and success of North West Water Group PLC.

This has been done by having a clear vision of the key trends for the industry, based on a profound knowledge of the business; and by developing a radical, yet risk-averse strategy for addressing the concerns, meeting the expectations and keeping in balance the interests of all four of our stakeholders.

Robert Thian
19 June 1992

ENVIRONMENTAL AND INFRASTRUCTURE ENGINEERING

During the year, we completed the restructuring of our engineering resources which are now operating as a centralised unit, separated from North West Water Limited, with specialist skill areas of water and wastewater engineering:

- ① diagnostic: detailed identification of the source of water and wastewater problems and the development of conceptual solutions;
- ② electrical and control: specialist design, specification and integration of electrical power and control equipment within water and wastewater assets. This includes the provision of instrumentation, control and automation (ICA) equipment within plants and networks to improve quality monitoring and efficiency;
- ③ mechanical: design, specification and integration of mechanical equipment, such as pumps and chemical feeders, within water and wastewater assets;
- ④ process: analysis and selection of optimum chemical, biological and physical process solutions for the treatment of water and wastewater;
- ⑤ geotechnical: specialised analysis of ground conditions affecting the construction of water and wastewater assets to ensure that structural design reflects accurately the risks associated with a particular site;
- ⑥ hydraulic: modelling and analysis of water and wastewater flows through networks and treatment plants to develop optimum hydraulic solutions;
- ⑦ civil: design, specification and integration of the key elements of water and wastewater assets;
- ⑧ project management: managing engineering

projects to ensure their successful delivery on time, on budget and to required specification;



Alan Fox, Managing Director, NWW Engineering Limited
Formerly engineering director of North West Water, which he joined in 1989 from Costain Engineering.

- ⑨ site construction: cost effective management of the construction phase of projects to ensure that suppliers and contractors consistently deliver high levels of quality and value for money.

We have taken over wastewater network planning from the local authorities in the North West, together with the engineering responsibilities for design and construction of larger projects (some 70 per cent of overall investment in the network). New management contracts for the 42 local authority agents have been introduced for network operation and the smaller engineering projects. These new arrangements will ensure investment and operating efficiency improvements.

Our engineering effort has continued to be directed at implementing North West Water's substantial investment programme in the North West of England and the year's planned investment of £512 million was achieved. New and

ENVIRONMENTAL AND INFRASTRUCTURE ENGINEERING

improved water and wastewater facilities were brought on stream for the benefit of our customers and the environment. Importantly, this investment is enabling us to meet required quality outputs and higher standards and achieve our compliance targets.

During the year:

- 123 new projects were started, ranging in cost from £50,000 to £40 million, with a total value of £120 million;
- 125 major projects for refurbished or extended water and wastewater treatment works



- were completed at a cost of £155 million;
- 492 kilometres of water aqueducts and mains were laid, renewed or refurbished at a cost of £92 million; 46,200 communication pipes, mainly lead, were replaced; and we cured low water pressure problems at a further 14,584 properties;
- 97 kilometres of sewers were laid, renewed or refurbished at a cost of £125 million; and 418 of the 1,874 properties identified as being at undue risk from flooding from sewers were relieved from the risk of such flooding;
- 84 unsatisfactory combined storm wastewater overflows were closed or substantially improved, with consequent benefits to river water quality.

Eleven new water treatment works are currently under construction, with five due for completion this year together with work on 60 wastewater treatment works.

We are continuously seeking innovative solutions and technologies to apply to water and wastewater problems. We are currently investigating, for example, the latest technology for "small footprint" processes which are much easier to enclose and require less land. These processes have environmental benefit by eliminating the nuisance of odour and noise.

Consistent with the Group's commitment to quality in all aspects of its business, we have implemented Quality Systems for the planning and appraisal of the investment programme and the design and construction of investment projects. Their common purpose is to provide a framework for ensuring that the right thing is done by the right person, in the right way and at the right time, every time.

The quality of our engineering was recognised during the year with:

- a commendation in the Civic Trust Awards for Buckton Castle water treatment works;
- a highly commended award in the British Construction Industry Awards for the civil engineering category and a special commendation for environmental excellence for the Liverpool wastewater treatment works at Sandon Dock, opened by The Princess Royal in October 1991.

As part of the major drive to improve safety in what is currently European Safety Year, we have taken an initiative with the Federation of Civil Engineering Contractors to focus attention on improved safety standards.



With total sales in the year of £154.1 million, the process engineering division has contributed £3.7 million to Group profit before tax and made a promising contribution to earnings per share. Reflecting our position as a truly international business, 75 per cent of sales were made outside the United Kingdom.

During the year we enhanced and extended the division by our acquisitions of Wallace & Tiernan and Edwards & Jones.

We have reviewed comprehensively the challenges for process engineering, getting back to the basic requirements of water and wastewater treatment and focusing on the technologies that can deal with these requirements faster and more economically and effectively. In concentrating on these technologies and planning and developing a comprehensive and complementary process, products and services portfolio, we will be building on the strengths and capabilities of the companies in the division:

- ① water processes General Filter
- ② wastewater processes Envirex
- ③ chemical feed and Wallace & Tiernan
 disinfection
- ④ solids handling Edwards & Jones
 Asdor
- ⑤ process contracting Water Engineering
 Jones Environmental

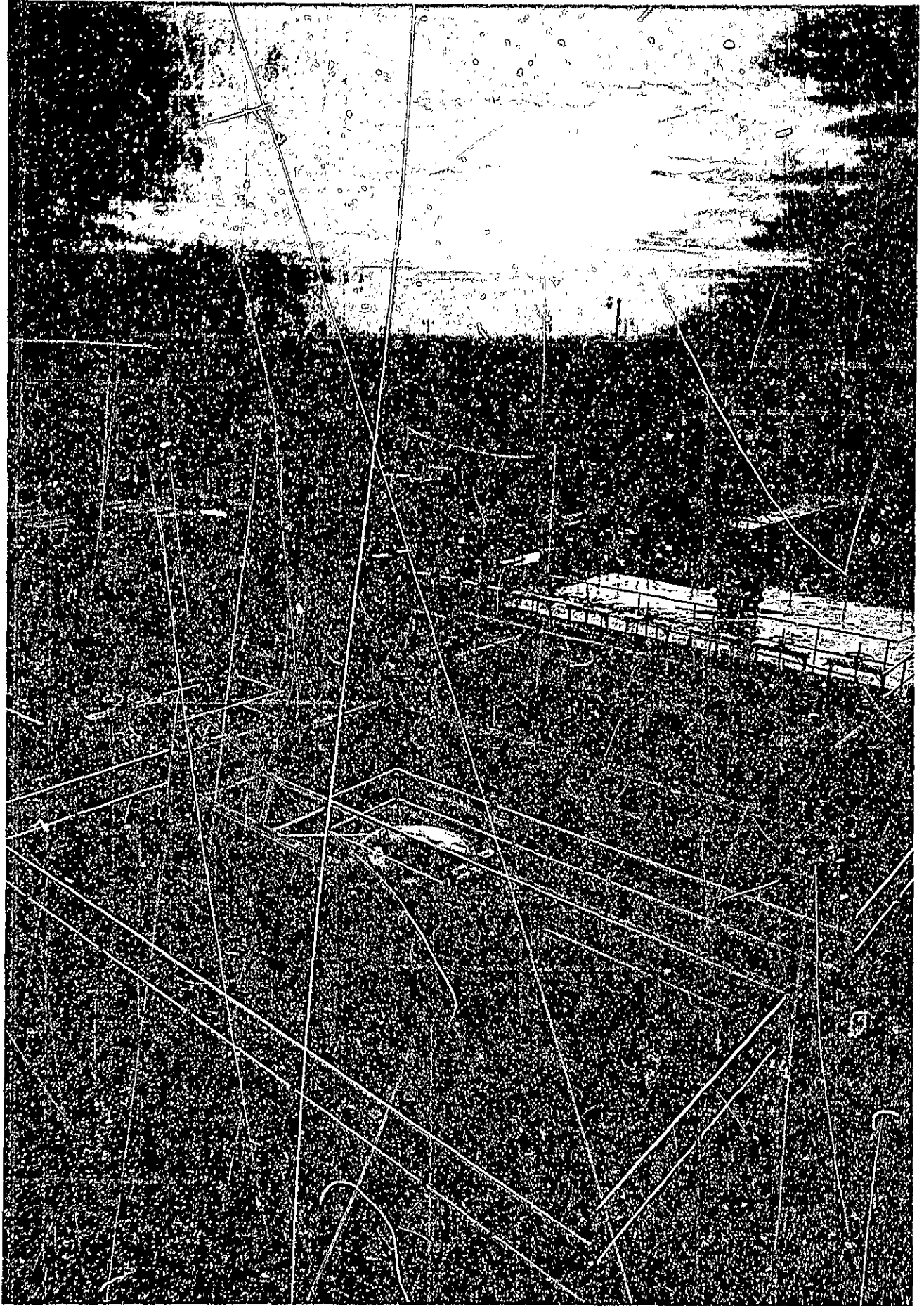
Our strategic review has also identified further opportunities for the "cross fertilisation" of skills and technologies and for economies of scale. Organisationally, we have coordinated all activities in the important North American market to achieve a more competitive position.

Increasingly the division is contributing its technologies, skills and products to the investment programme in the North West of England, improving water and wastewater services. A new wastewater works in Greater Manchester,

for example, under construction for North West Water Limited, is to be the first in the United Kingdom to use an innovative and more efficient and cost effective treatment system designed by Envirex. The system will be installed by another member of the process engineering division, Water Engineering.

Among the other achievements in the year were:

- ① £0.8 million desalination pre-treatment project for City of Santa Barbara, California, the largest ever for General Filter;
- ② £1.9 million contract for wastewater treatment process equipment for Boston, Massachusetts, for Envirex as part of a significant increase in business arising from new US environmental protection regulations;
- ③ increasing market penetration by Wallace & Tiernan's innovative new products for disinfection processes (the DEOX/2000R analyser) and metering (the ACCU-MAG II insertion magmeter);
- ④ Wallace & Tiernan de Mexico's key role in assisting Mexico's recovery from the 1991 cholera epidemic;
- ⑤ £4.8 million contract for Edwards & Jones filter presses, secured by Asdor, as part of a joint venture project serving 3 million people in Montreal, Canada;
- ⑥ £5.2 million contract for Water Engineering for water treatment at Sheung Shui in Hong Kong;
- ⑦ the completion of two major municipal schemes for wastewater and water treatment in Ireland by Jones Environmental, both of which won first prizes for overall excellence from the Association of Irish Consulting Engineers.



OPERATIONS

We are committed to outstanding performance by North West Water Limited, our major operating subsidiary providing water and wastewater services in the North West of England. In everything we do we are aiming to set new standards, find innovative and more efficient ways of doing things and achieve high quality and value for money.

We achieved further improvements in drinking water quality with the commissioning of six new water treatment works and upgrading the operational performance of other plants. The installation of some 120 new secondary disinfection plants within the distribution system, mainly at service reservoirs, is well underway leading to improved bacteriological compliance.

As well as achieving improved quality of drinking water supplies, our sustained investment in the region's infrastructure ensured security of supplies to our customers during a third successive dry summer and we again



Brian Alexander, Managing Director of North West Water Limited. Formerly planning and engineering director, North West Water Authority.

expect to maintain supplies to customers through this summer without restrictions.

Fluoridation remains a controversial issue.

Some 21 district health authorities in the North West of England have asked for fluoridation of water supplies and we have indicated to them our view that there should be no additional



Derek Green, Managing Director (designate), North West Water Limited. Formerly Aggregates Group chief executive, BTR. Previously with AMEC and Fairclough Building.

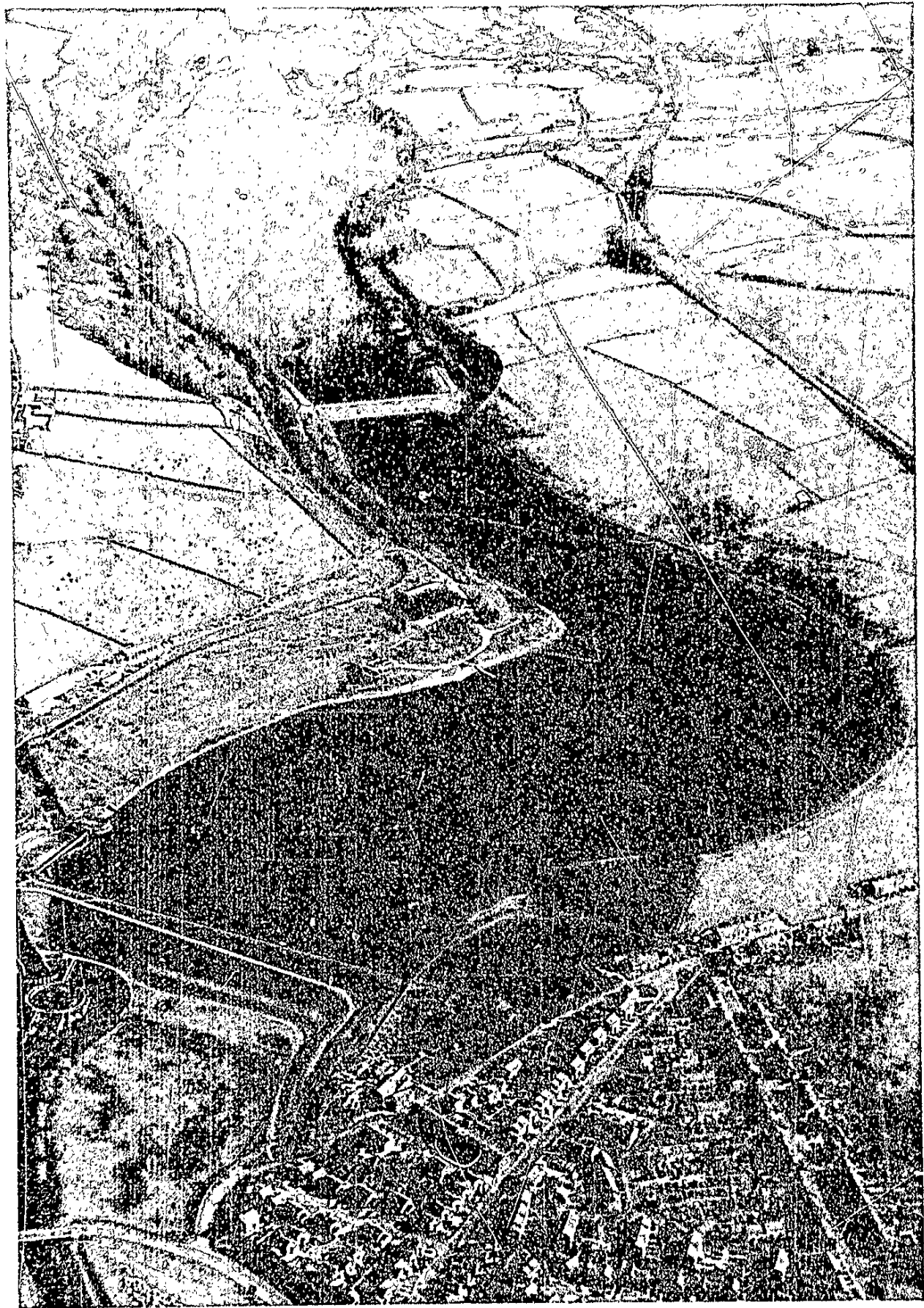
fluoridation unless and until we have a substantial mandate from our customers.

By upgrading the operation of our wastewater treatment works and by investing in new and refurbished plant we have ensured that we both meet compliance targets and continue to improve the environment. Our programme for improving bathing waters is running to plan.

Development of our strategy for wastewater sludge disposal will be completed during 1992. In the meantime we are endeavouring to reinforce and extend as far as practicable the use of sludge on agricultural land.

We restructured our operations and service functions during the year and increased the contracting out of support activities, such as building maintenance, improving our efficiency in delivering services to our customers.

We have continued to pursue a vigorous policy of energy conservation and efficiency to yield cost benefits and in addition won six



OPERATIONS

contracts to supply energy, generated by combined heat and power units at wastewater treatment works, to the National Grid under the Non Fossil Fuel Obligation.

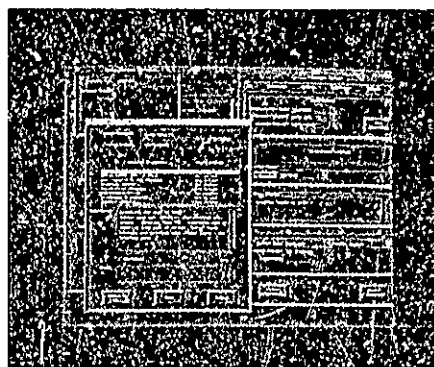
North West Water is committed to high standards of service for its customers and improving the quality of the environment for its community. We make a major contribution to the economic life of the North West through our investment programme and the employment that brings for others. We support the essential work that is done for the economic development of the region by Inward, by the North West Business Leadership Team and by the principal Chambers of Commerce.

We took a big step forward in improving our performance and service overall when towards the end of the year, as part of our Quality and Efficiency Strategy, work began on



new facilities near the current headquarters site at Warrington. Consistent with our focus on customer service, on quality and high standards and on employee training and development, the first buildings to be completed, in 1993, will be:

- a regional customer service centre: a "one-stop shop" for all customer contacts on any aspect of our services;
- a regional laboratory: concentrating and



enhancing efficiency and consistency in the monitoring and control of drinking water and wastewater quality;

- a training and conference centre: a major commitment to employee training and development and a significant factor in creating a high performance culture and achieving skill leadership.

We will be making full use of the most modern technology in all these new facilities.

NON-EXECUTIVE DIRECTORS



Left to right

Frank Sanderson CEng, FIMechE, FIWEM, Chairman of the Remuneration Committee. Chairman of Acumen Technologies and of Wyatt Bros; and a director of British Water and Wastewater. Formerly, divisional managing director (water engineering division) of Babcock International.

Dr Rodney Leach PhD, CEng, FRINA, FIIM, FCIM, formerly a partner in McKinsey & Company; an executive director of P&O; and chief executive and managing director of VSEL.

Alan Pendleton MSc Tech, CChem, FRSC, FRSA, non-executive director of Chieftain Group and of Nord Anglia Education. Formerly, managing director of West's Group International; and a director of Tisbury Group.

Archibald Ramsay CA, FCMA, JDipMA, ATII, Group Financial Director until 30 November 1991. Formerly group financial controller, Courtaulds; group finance director, International Paint; and group finance director, Pilgrim House Group.

Sir Desmond Pitcher CEng, FIEE, FBCS, Deputy Chairman. Group chief executive, The Littlewoods Organisation, chairman, Merseyside Development Corporation and the Mersey Barrage Company. Formerly managing director, Plessey Telecommunications and Office Systems and of British Leyland (truck and bus division).

Front

Clare Bolton BA, FCA, ATII, MBIM, Chairman of the Audit Committee. A tax partner in Coopers & Lybrand

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

North West Water Group is engaged in the planning, design, engineering, manufacturing, construction and operation of water and wastewater systems in the United Kingdom and overseas.

Its main operating subsidiary, North West Water Limited, holds Appointments as water and sewerage undertakers under the Water Act 1989 to provide water supply and sewerage services in the North West of England. It is this part of the Group's business which is regulated by the Secretary of State for the Environment, the Director General of Water Services and the National Rivers Authority.

The Group has process engineering subsidiary undertakings based in the United States of America, the United Kingdom and Ireland and with facilities in Australia, Brazil, Canada, Germany, Hong Kong and Mexico.

The Chief Executive's Review and the reviews of activities to be read in conjunction with this Report, appear on pages 4 to 20.

PROFIT AND DIVIDEND

The results for the year set out in the consolidated profit and loss account on page 26 show a profit on ordinary activities before tax of £230.1 million (1991 - £214.5 million), after making a restructuring charge of £30.2 million (1991 - £32.0 million).

The profit for the year attributable to ordinary shareholders was £206.1 million and the retained profit of £136.1 million was transferred to reserves.

The directors recommend a final dividend on the ordinary shares of 13.13p per share for the year to 31 March 1992 for payment on 1 October 1992 to shareholders on the register at the close of business on 11 June 1992. This dividend together with the interim dividend of 6.54p per share paid on 17 February 1992 makes a total dividend for the year of 19.67p

per share, an increase of 9.3 per cent over the dividend per ordinary share for 1991. Subject to shareholders' approval at the Annual General Meeting to be held on 22 July 1992, the directors are proposing to introduce a Share Dividend Plan (see below)

FIXED ASSETS

Changes in tangible fixed assets during the year are shown in note 11 to the Accounts.

SHARE CAPITAL

Details of the Company's share capital are set out in note 22 to the Accounts. Since 31 March 1992, 40,717 shares have been allotted on the exercise of options and the Company's issued share capital, credited as fully paid, is £355,977,144 divided into 355,977,143 ordinary shares and the special share.

The directors have a general authority to allot shares given by special resolution passed on 20 November 1989 and valid until 19 November 1994. The number of shares authorised to be allotted which remain unissued is 118,460,857.

A special resolution (resolution 7) will be proposed at the Annual General Meeting to renew for a period of 15 months or, if earlier, until the conclusion of the Annual General Meeting in 1993, the Company's general powers to disapply statutory pre-emption rights under section 95 of the Companies Act 1985 to allow shares to be issued for cash other than pro rata. If passed at the meeting, the resolution will give to the directors the power to issue shares in connection with a rights issue and shares for cash up to an aggregate nominal value of £17,798,000 being 5 per cent of the issued ordinary share capital. The directors believe it is in the interests of the shareholders that they should be given this limited authority, providing them with a prudent measure of flexibility to act in the Company's interests.

DIRECTORS' REPORT

At 9 June 1992 the Company had been notified of the following holdings of 3 per cent or more of the nominal value of the issued ordinary share capital of the Company:

Norwich Union Life	
Insurance Society	- 14,849,586
Provident Mutual	- 8,108,595
Friends Provident Group	- 12,753,175

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

SHARE DIVIDEND PLAN

It is proposed to introduce a Share Dividend Plan enabling shareholders to choose whether to take dividends in the form of new shares in the Company instead of cash (as described in the Circular to shareholders dated 26 June 1992).

Article 135 of the Company's Articles of Association permits the directors, if authorised by an ordinary resolution, to offer such an alternative. The Share Dividend Plan proposed by the directors has a number of features which require amendments to the existing Articles and a special resolution (resolution 8) will be proposed at the Annual General Meeting to approve the necessary amendments to the Articles. The principal alterations being proposed are:

- (i) removal of the provision requiring the offer of new shares instead of cash dividends to be approved at each Annual General Meeting;
- (ii) the inclusion of provisions enabling capitalisation of any part of the reserves or profits of the Company in paying up new shares without the need for a resolution of shareholders in general meeting; and
- (iii) inclusion of provisions to allow for continuing elections for future dividends declared by the Company.

An ordinary resolution (resolution 9) will be proposed to authorise the directors to operate the Share Dividend Plan in respect of

the recommended 1992 final dividend and also in respect of future dividends (interim and final) declared in the period ending immediately before the Annual General Meeting in 1997. By voting in favour of this resolution or the special resolution proposing amendments to the Articles, shareholders will not be committing themselves to a personal decision on whether to take shares or cash in respect of the 1992 final dividend or in respect of future dividends.

ACQUISITIONS

During the year, the Group acquired the whole of the share capital of Wallace & Tiernan Group Inc, based in the USA, and the whole of the share capital of Edwards & Jones (Holdings) Limited based in the UK.

Details of the fair value of the net assets acquired and the consideration are set out in note 13 to the Accounts.

CONSERVATION, ACCESS AND RECREATION

The Group's active commitment to and investment in conservation, access and recreation on North West Water's substantial operational landholdings in the North West of England bring particular benefits for the community and the quality of life for those living and working in or visiting the region. Developments during the year, part of North West Water's direct expenditure of more than £1 million on conservation, access and recreation and with the continued positive advice and assistance of North West Water's independent Conservation, Access and Recreation Advisory Committee, have included.

- reclamation of a former railway in the Peak District National Park to create a footpath and bridleway as a key part of the Hull-Liverpool Trans-Pennine initiative;

DIRECTORS' REPORT

- conversion of a reservoir keeper's house at Cwm reservoir to provide a club house and related facilities for the British Disabled Water Ski Federation,
- increased access and facilities for the disabled, for example, a trail for the blind at Worthington Lakes;
- launch of the "Getting Greener" campaign focusing on conservation awareness among employees, tenants, agents and contractors

RESEARCH AND DEVELOPMENT

The Group's commitment to innovative technology solutions for providing higher water and wastewater treatment quality standards has been strengthened by the appointment of Dr Roger Ford as Managing Director, research and development, and the integration of R & D activities across the Group. This will ensure that maximum advantage can be taken and maximum benefit achieved from the wide ranging skills, expertise and experience of employees throughout the Group.

Within the Group there is the knowledge, the ability and the facilities to plan, develop, engineer, implement and operate new processes and products and provide integrated solutions to water and wastewater problems. This will benefit both customers of the regulated business in the North West of England and also the wider development of the Group's business in water and wastewater throughout the world.

DIRECTORS

The present directors are listed on page 2.

Mrs M C Bolton, the director to retire by rotation, will offer herself for re-election.

Mr S F McAdam, who has been appointed to the Board since the last Annual General Meeting, will also seek re-election. Mr McAdam was appointed Group Financial Director on the

retirement of Mr A M Ramsay, who continues to serve as a non-executive director of the Company

It will be proposed at the Annual General Meeting that Mr D Green be elected a director of the Company. Mr Green will be appointed Managing Director of North West Water Limited to succeed Mr B Alexander, who is retiring and is not seeking re-election.

Mr McAdam and Mr Green have service contracts with the Company terminable by the Company on two years' notice. As a non-executive director, Mrs Bolton does not have a service contract.

Full details of directors' interests in ordinary shares are set out in note 5 to the Accounts. From the end of the financial year until 12 June 1992 no change took place in these interests.

At no time in the year did any director have a material interest in any contract or arrangement which was significant in relation to the Group's business.

During the year, a directors' and officers' liability insurance policy was in force.

EMPLOYEES

The Group is committed to investing in employees at all levels to create the highly skilled and motivated workforce required by a world class company to achieve our business objectives. A major training and development programme is underway and performance appraisal is being extended to support and reinforce the Group's corporate culture and essential shared values of quality, efficiency, innovation, technology, communication, environmental awareness, performance culture, people orientation and professionalism. Together with the Group's graduate recruitment and development arrangements and the management career planning and succession exercise, this means that the Group is now well placed to ensure the

DIRECTORS' REPORT

development of the high calibre managers needed for the demanding roles required for the future

The Group has a wide range of communication and consultative arrangements designed to ensure the participation and involvement of all employees in the development of the business, including its financial performance.

Safety is a high priority with an on-going emphasis on improving safety performance.

The Group has policies and practices to ensure that, as far as possible, no job applicant or employee receives less favourable treatment on either racial grounds or on grounds of sex or marital status, or is disadvantaged by unjustifiable conditions or requirements.

In considering applications for employment from disabled people, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant in relation to the requirements of the job applied for. Employees who become unable to carry out the job for which they were employed are counselled to determine their suitability for alternative work, for which re-training is afforded if appropriate.

During the year, following the increase from £150 to £250 in the permitted maximum amount a participant may save each month, many employees took the opportunity of increasing their share options under the Employee Sharesave Scheme and there was a good response from eligible employees applying to join the Scheme for the first time. Details are given in note 22 to the Accounts.

As authorised at the Annual General Meeting in 1991, the rules of the Executive Share Option Scheme were amended to permit implementation of the revised Inland Revenue arrangements allowing the price of options granted to be fixed at a discount of up to

15 per cent of the market value of the underlying shares at the time of grant. During the year, further options were granted to executive directors and certain senior managers under the Executive Scheme. Details are set out in note 22 to the Accounts.

CHARITABLE DONATIONS

Donations during the year for charitable purposes, as defined by the Companies Act 1985, amounted to £47,000 (1991 - nil).

AUDITORS

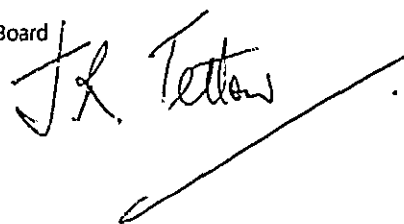
A resolution to re-appoint the auditors, Price Waterhouse, will be proposed at the Annual General Meeting.

By order of the Board

J R Tetlow

Secretary

19 June 1992



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1992

	Note	1992 £m	1991 £m
Turnover	2	789.1	598.5
Operating costs	3	(347.1)	(418.5)
Other income	4	3.7	6.6
		<hr/>	<hr/>
Operating profit	2	245.7	186.6
Net interest (payable)/receivable	7	(15.6)	27.9
		<hr/>	<hr/>
Profit on ordinary activities before taxation		230.1	214.5
Tax on profit on ordinary activities	8	(24.0)	(21.4)
		<hr/>	<hr/>
Profit for financial year		206.1	193.1
Dividends	9	(70.0)	(64.1)
		<hr/>	<hr/>
Transfer to reserves	23	136.1	129.0
		<hr/>	<hr/>
Earnings per share – net basis	10	57.9p	54.3p
– nil basis	10	64.5p	60.3p

The notes on pages 30 to 43 form part of these accounts.

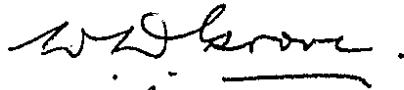
BALANCE SHEETS

at 31 March 1992

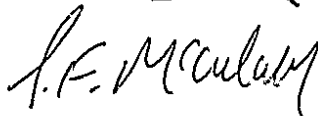
	Note	Group		Company	
		1992 £m	1991 £m	1992 £m	1991 £m
FIXED ASSETS					
Tangible assets	11	2,219.8	1,833.0	2.7	0.6
Investments	12	1.3	0.9	1,149.6	1,103.7
		<u>2,221.1</u>	<u>1,833.9</u>	<u>1,152.3</u>	<u>1,104.3</u>
CURRENT ASSETS					
Stocks	14	38.3	15.8	-	-
Debtors	15	183.9	130.4	90.4	68.1
Investments	16	218.6	298.0	-	-
Cash at bank and in hand		21.8	29.3	14.9	-
		<u>462.6</u>	<u>473.5</u>	<u>105.3</u>	<u>68.1</u>
CREDITORS: Amounts falling due within one year	17	<u>(424.1)</u>	<u>(349.8)</u>	<u>(128.5)</u>	<u>(97.2)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>38.5</u>	<u>123.7</u>	<u>(23.2)</u>	<u>(29.1)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,259.6</u>	<u>1,957.6</u>	<u>1,129.1</u>	<u>1,075.2</u>
CREDITORS: Amounts falling due after more than one year	18	<u>(494.9)</u>	<u>(261.3)</u>	<u>(62.6)</u>	<u>-</u>
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(63.1)</u>	<u>(46.6)</u>	<u>(4.0)</u>	<u>(1.9)</u>
ACCRUALS AND DEFERRED INCOME	20	<u>(4.0)</u>	<u>(1.5)</u>	<u>-</u>	<u>-</u>
		<u>1,697.6</u>	<u>1,648.2</u>	<u>1,062.5</u>	<u>1,073.3</u>
CAPITAL AND RESERVES					
Called up share capital	22	355.9	355.8	355.9	355.8
Share premium account	22	0.1	-	0.1	-
Profit and loss account	23	1,341.6	1,292.4	706.5	717.5
		<u>1,697.6</u>	<u>1,648.2</u>	<u>1,062.5</u>	<u>1,073.3</u>

Approved by the Board of directors on 19 June 1992 and signed on its behalf by

W D Grove
Chairman



S F McAdam
Group Financial Director



The notes on pages 30 to 43 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1992

	Note	1992 £m	1991 £m	1991 £m	1990 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES			301.7		274.7
RETURN ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		28.8		46.3	
Interest paid		(38.4)		(14.7)	
Interest paid on finance leases		(4.1)		(4.6)	
Dividends paid		(66.0)		(58.7)	
		<hr/>		<hr/>	
Net cash outflow from returns on investments and servicing of finance			(79.7)		(31.7)
TAXATION					
Advance corporation tax paid		(21.3)		(12.4)	
Overseas tax paid		(0.1)		-	
		<hr/>		<hr/>	
Taxation paid			(21.4)		(12.4)
INVESTING ACTIVITIES					
Purchase of fixed asset investments		(0.1)		-	
Purchase of tangible fixed assets		(437.8)		(319.5)	
Grants and contributions received		21.2		16.0	
Sale of tangible fixed assets		2.5		2.5	
Purchase of subsidiary undertakings	13	(93.4)		(56.0)	
		<hr/>		<hr/>	
Net cash outflow from investing activities			(507.6)		(357.0)
Currency adjustments			5.4		(3.7)
		<hr/>		<hr/>	
Net cash outflow before financing			(301.6)		(130.1)
FINANCING					
Issue of ordinary share capital		0.2		-	
New loans		212.8		198.4	
New finance leases		52.0		5.8	
Repayment of loans		(25.8)		(0.7)	
Capital element of finance leases repaid		(7.2)		(8.2)	
		<hr/>		<hr/>	
Net cash inflow from financing			232.0		195.3
		<hr/>		<hr/>	
(Decrease)/Increase in cash and cash equivalents			(69.6)		65.2
		<hr/>		<hr/>	



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1992

	1992	1991
	£m	£m
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	245.7	186.6
Depreciation	41.6	35.2
Profit on sale of tangible fixed assets	(1.7)	(1.1)
Movement in stocks	(2.6)	(0.8)
debtors	(22.6)	(2.7)
creditors	41.5	57.5
Net cash inflow from operating activities	301.7	274.7
	1992	1991
	£m	£m
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS		
At 1 April	297.3	232.1
Transfer	0.6	-
Net cash (outflow)/inflow for the year	(69.6)	65.2
At 31 March	228.3	297.3
	1992	1991
	£m	£m
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	21.8	29.3
Bank overdrafts	(12.1)	(30.0)
Current asset investments	218.6	298.0
	228.3	297.3
ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR		
	Share capital (including share premium)	Loans and finance lease obligations
	£m	£m
At 1 April 1991	355.8	292.5
Finance lease obligations acquired on purchase of subsidiary undertakings	-	0.4
Cash inflow from financing	0.2	231.8
At 31 March 1992	356.0	524.7

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Basis of preparation of accounts

The consolidated accounts set out on pages 26 to 29 incorporate the accounts of North West Water Group PLC and its subsidiary undertakings. The results of businesses acquired during the year are included from the date of acquisition. The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents the income receivable in the ordinary course of business for goods or services provided and excludes VAT and foreign sales tax.

(c) Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

(d) Goodwill

Goodwill arising on acquisitions is written off against Group reserves on consolidation.

The net assets of companies acquired are incorporated into the consolidated accounts at their fair value to the Group and after adjustments to bring the accounting policies of the companies acquired into alignment with those of the Group. Fair value adjustments include provisions for reorganisation and restructuring costs. If the estimates on which these provisions are based prove to be in excess of actual expenditure, the unutilised surplus provisions will not be taken to profit and loss, but will be credited to reserves as a recalculation of goodwill.

(e) Tangible fixed assets

Tangible fixed assets comprise infrastructure assets (mains, sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) 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 related 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.

Charges for infrastructure renewals expenditure take account of planned expenditure on maintaining the operating capability of infrastructure assets in accordance with the operational policies and standards underlying the Group's investment programme. The timing of the 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 between actual and planned expenditure.

(ii) Other assets

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
Fixtures, fittings, tools and equipment	3–40 years
Pre-1974 assets	22–27 years

Capitalised computer software costs are depreciated over 4–7 years.

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

NOTES TO THE ACCOUNTS

(f) Grants and contributions

Contributions receivable in respect of infrastructure assets are deducted from the cost of the assets

Grants receivable in respect of other tangible fixed assets are treated as deferred income, which is credited to the profit and loss account over the estimated economic lives of the related assets.

(g) Leased assets

Assets financed by leasing arrangements which transfer substantially all the risks and rewards of ownership to the lessee (finance leases) are capitalised in the balance sheet and the corresponding capital cost is shown as an obligation to the lessor. Leasing repayments comprise both a capital and a finance element. The finance element is written off to the profit and loss account so as to produce an approximately constant periodic rate of charge on the outstanding obligation. Such assets are depreciated over the shorter of their estimated useful lives and the period of the lease.

Operating lease rentals are charged to the profit and loss account as incurred.

(h) Fixed asset investments

Investments held as fixed assets are stated at cost less amounts written off.

(i) Current asset investments

Current asset investments in externally managed interest bearing funds are stated at cost. Investment properties are stated at their open market value.

(j) Stocks

Stores are stated at cost less any provision necessary to recognise damage and obsolescence.

Long term contract work in progress is stated at cost, net of amounts transferred to cost of sales, after deducting payments received in advance and making provision for foreseeable losses.

Finished goods and goods for resale are stated at the lower of cost and net realisable value and include appropriate production overheads.

(k) Pensions

Most of the Group's employees belong to pension schemes which provide for defined benefits based on final pensionable pay. Pension costs are charged against profits over the estimated remaining service lives of employees.

Details of pension arrangements and funding are set out in note 24.

(l) Foreign currency

On consolidation, the balance sheets of overseas subsidiary undertakings are translated into sterling at exchange rates applicable at the year end. The profit and loss accounts are translated into sterling using the average rate. Differences arising from the application of the closing rate to opening net assets, together with differences between profits and losses translated at average rates and at closing rates, are recorded as a movement in reserves.

(m) Deferred taxation

Provision is made for deferred taxation where a liability is considered likely to arise in the foreseeable future.

(n) Associated undertakings

The appropriate share of the results of associated undertakings are recognised in the consolidated accounts where the directors consider that the Group is in a position to exert significant influence over the associated undertaking.

NOTES TO THE ACCOUNTS

2. Segmental information

The directors consider that the Group operated in one class of business during the year. The geographical analysis of turnover and operating profit by origin and destination is:

	Turnover		Operating profit	
	1992	1991	1992	1991
	£m	£m	£m	£m
United Kingdom	674.5	580.1	235.0	184.9
Europe	16.9	1.2	1.9	-
The Americas	95.0	17.2	8.7	1.7
Rest of the world	2.7	-	0.1	-
	<u>789.1</u>	<u>598.5</u>	<u>245.7</u>	<u>186.6</u>

3. Operating costs

Staff costs:

Wages and salaries
Social security costs
Pension contributions (note 24)

1992	1991
£m	£m
141.0	100.9
10.6	8.5
12.0	11.3

Capital schemes
Infrastructure renewals

163.6	120.7
(26.1)	(21.5)
(8.6)	(7.2)
<u>128.9</u>	<u>92.0</u>

Depreciation:

Owned fixed assets
Fixed assets held under finance leases

36.8	29.3
4.8	5.9
<u>41.6</u>	<u>35.2</u>

Infrastructure renewals expenditure

<u>72.8</u>	<u>79.5</u>
-------------	-------------

Other operating costs:

Energy, rates and other operating costs
Raw materials and consumables
Auditors' remuneration
Research and development
Operating leases
-hire of plant and machinery
-land and buildings
Restructuring charge

164.4	137.9
97.1	34.5
0.4	0.2
5.7	3.3
3.0	2.5
3.0	1.4
30.2	32.0
<u>303.8</u>	<u>211.8</u>
<u>547.1</u>	<u>418.5</u>

Total operating costs

NOTES TO THE ACCOUNTS

4.	Other income	1992	1991
		£m	£m
	Profit on disposal of fixed assets	1.7	1.1
	Net rents receivable	1.2	1.2
	Other	0.8	4.3
		3.7	6.6
5.	Directors	1992	1991
		£m	£m
	Directors' remuneration (including pension contributions)	0.9	0.6
	Remuneration (excluding pension contributions) of:	£'000	£'000
	The Chairman (and in 1991 the highest paid director)	166	144
	The highest paid director	189	144
	Other directors:	1992	1991
	£	Number	Number
	5,001– 10,000	–	2
	10,001– 15,000	3	3
	15,001– 20,000	2	1
	80,001– 85,000	1	–
	85,001– 90,000	1	–
	95,001–100,000	–	1
	105,001–110,000	–	1
	120,001–125,000	1	–
	130,001–140,000	1	–
	140,001–145,000	–	1

At 31 March, the directors and their immediate families had the following beneficial interests in the Company's ordinary shares:

	1992			1991		
	Ordinary shares (i)	Share options (ii)		Ordinary shares (i)	Share options (ii)	
		Executive Option Scheme	Employee Sharesave Scheme		Executive Option Scheme	Employee Sharesave Scheme
W D Grove	8,362	216,700	8,824	8,362	171,700	6,136
R P Thian	4,200	204,250	7,143	4,200	157,000	4,200
A M Dean (iii)	5,000	57,250	6,720	–	–	–
S F McAdam (iv)	1,000	107,250	–	–	–	–
B Alexander	5,295	136,000	6,136	5,295	116,000	6,136
Mrs M C Bolton	2,000	–	–	–	–	–
Dr R Leach	10,000	–	–	10,000	–	–
A G Pendleton	4,000	–	–	3,000	–	–
Sir Desmond Pitcher	5,000	–	–	5,000	–	–
A M Ramsay (v)	6,258	105,250	–	6,258	105,250	6,136
F Sanderson	4,100	–	–	4,100	–	–

- (i) In common with other eligible individual shareholders, the directors and their immediate families may be entitled to a share bonus from HM Government in accordance with the provisions of the Offer for Sale.
- (ii) Non-executive directors are not eligible to be granted options to purchase fully paid ordinary shares under the Employee Sharesave Scheme or the Executive Option Scheme described in note 22.
- (iii) Mr A M Dean was appointed to the Board on 1 June 1991 when he had options on 57,250 shares granted under the terms of the Executive Share Option Scheme.
- (iv) Mr S F McAdam was appointed to the Board on 1 December 1991.
- (v) Mr A M Ramsay retired as Group Financial Director on 30 November 1991. As a non-executive director his option on shares granted under the terms of the Employee Share Save Scheme lapsed.

NOTES TO THE ACCOUNTS

6 Employees	1992	1991
Average number of persons employed by the Group	8,201	7,290

The average includes 1,166 (1991 – 310) in respect of employees in the subsidiary undertakings acquired in the year. The full year equivalent number is 1,750 (1991 – 920).

7. Net interest (payable)/receivable	1992	1991
	£m	£m
Interest payable:		
On bank loans, overdrafts and other loans:		
Repayable within 5 years	(8.4)	(2.2)
Repayable wholly or partly in more than 5 years	(31.3)	(11.1)
	<u>(39.7)</u>	<u>(13.3)</u>
On finance leases	(6.0)	(4.8)
	<u>(45.7)</u>	<u>(18.1)</u>
Total interest payable	(45.7)	(18.1)
Interest receivable	30.1	46.0
	<u>(15.6)</u>	<u>27.9</u>

8. Taxation	1992	1991
	£m	£m
UK Corporation tax at 33% (1991 – 34%)	-	-
Overseas tax	0.7	0.1
Unrelieved advance corporation tax	23.3	21.3
	<u>24.0</u>	<u>21.4</u>

No UK tax liability or charge arises because of the tax allowances on the transfer of accumulated capital expenditure from the predecessor Authority and on expenditure incurred subsequently.

The deferred tax asset included in debtors in the Group accounts relates to fair value adjustments in respect of acquired overseas subsidiary undertakings (note 13):

	Group	
	1992	1991
	£m	£m
Other timing differences	10.9	1.8
	<u>10.9</u>	<u>1.8</u>
The full potential deferred tax liability is:		
Accelerated tax allowances on buildings, plant and equipment	249.6	150.9
Losses and other timing differences	(105.8)	(73.5)
	<u>143.8</u>	<u>77.4</u>
Advance corporation tax recoverable	(57.3)	(34.0)
	<u>86.5</u>	<u>43.4</u>

No deferred tax asset or liability arises in the Company's accounts.

NOTES TO THE ACCOUNTS

9. Dividends	1992	1991
	<i>£m</i>	<i>£m</i>
Interim dividend of 6.54 pence (1991 – 6.0 pence)	23.3	21.4
Final dividend of 13.13 pence recommended (1991 – 12.0 pence)	46.7	42.7
	70.0	64.1
10. Earnings per share	1992	1991
Net basis:		
Profit for financial year attributable to ordinary shareholders	£206.1m	£193.1m
Earnings per ordinary share	57.9p	54.3p
Nil basis:		
Profit on ordinary activities after the elimination of the charge for unrelieved advance corporation tax	£229.4m	£214.4m
Earnings per ordinary share	64.5p	60.3p

Earnings per ordinary share on the net basis has been calculated by dividing profit for the financial year attributable to ordinary shareholders by 355.9 million, being the weighted average number of shares in issue during the year (1991 – 355.8 million).

Earnings per ordinary share on the nil basis is calculated by eliminating the taxation charge of £23.3 million (1991 – £21.3 million) in respect of unrelieved advance corporation tax.

There would be no significant dilution of earnings per ordinary share if the outstanding share options were exercised.

NOTES TO THE ACCOUNTS

11 Tangible fixed assets GROUP	Land and buildings £m	Infra- structure assets £m	Opera- tional structures £m	Fixtures, fittings, tools and equipment £m	Pre-1974 assets £m	Assets in course of con- struction £m	Total £m
Cost							
At 1 April 1991	54.4	913.0	334.5	265.5	177.4	303.9	2,068.7
Additions	2.5	129.7	28.9	108.4	-	168.3	437.8
Arising from acquisitions	8.9	-	-	4.2	-	-	13.1
Exchange adjustment	-	-	-	0.1	-	-	0.1
Grants and contributions	-	(14.7)	-	-	-	(6.5)	(21.2)
Transfers	5.8	23.6	89.0	74.3	-	(193.3)	(0.6)
Disposals	(0.2)	-	-	(4.3)	-	-	(4.5)
At 31 March 1992	71.4	1,051.6	452.4	468.2	177.4	272.4	2,493.4
Depreciation:							
At 1 April 1991	9.8	-	39.6	92.0	94.3	-	235.7
Charge for the year	1.7	-	6.3	27.9	5.7	-	41.6
Disposals	(0.1)	-	-	(3.6)	-	-	(3.7)
At 31 March 1992	11.4	-	45.9	116.3	100.0	-	273.6
Net book value:							
At 31 March 1992	60.0	1,051.6	406.5	351.9	77.4	272.4	2,219.8
At 31 March 1991	44.6	913.0	294.9	193.5	83.1	303.9	1,833.0

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 £38.0 million (1991 - £16.3 million) lower than it would have been had this treatment not been adopted.

Within tangible fixed assets are assets held under finance leases at the following amounts:

	1992 £m	1991 £m
Cost	126.0	77.3
Accumulated depreciation	(41.4)	(39.8)
Net book value	84.6	37.5

An analysis of land and buildings between freehold and long and short leasehold is not readily available at 31 March 1992. Pre-1974 assets comprise a pool of assets which was transferred to the Group from North West Water Authority, which it acquired in 1974 from its predecessors. No analysis by asset category is available. The directors consider that the provision of the above information would incur expense and delay out of proportion to the benefit it would provide to shareholders.

	1992 £m	1991 £m
Capital commitments:		
Contracted but not provided for	283.5	433.2
Authorised but not yet contracted for	110.6	35.4

In addition to these commitments, the Group has longer term investment expenditure plans which include expenditure to improve asset performance and condition and to provide for new demand and growth.

NOTES TO THE ACCOUNTS

11 Tangible fixed assets (continued)

	Fixtures, fittings, tools and equipment £m
COMPANY	
Cost:	
At 1 April 1991	0.7
Additions	2.3
	3.0
At 31 March 1992	
Depreciation:	
At 1 April 1991	0.1
Charge for the year	0.2
	0.3
At 31 March 1992	
Net book value:	
At 31 March 1992	2.7
At 31 March 1991	0.6

12. Fixed asset investments

	Other investments £m
GROUP	
Cost:	
At 1 April 1991	0.9
Additions	0.1
Arising from acquisitions	0.3
	1.3
At 31 March 1992	

	Shares in subsidiary undertakings £m	Other investments £m	Total £m
COMPANY			
Cost:			
At 1 April 1991	1,103.5	0.2	1,103.7
Additions	45.8	0.1	45.9
	1,149.3	0.3	1,149.6
At 31 March 1992			

NOTES TO THE ACCOUNTS

12 Fixed asset investments (continued)

Details of principal subsidiary and associated undertakings, all of which are unlisted, are as follows. All of the Company's principal subsidiary undertakings are included in the consolidation.

	Class of share capital held	Proportion of share capital owned	Nature of business
Subsidiary undertakings:			
Great Britain:			
North West Water Limited	Ordinary	100%	Water supply and sewerage services
NWW Properties Limited	Ordinary	100%	Property management
North West Water International Limited	Ordinary	100%	Consulting services and project management
Water Engineering Limited	Ordinary	100%*	Design and installation of water and wastewater treatment plants
Wallace & Tiernan Limited	Ordinary	100%*	Manufacture of equipment for water and wastewater treatment processes
Edwards and Jones Limited	Ordinary	100%*	
North West Water (Overseas Holdings) Limited	Ordinary	100%	Intermediate holding company
Republic of Ireland:			
Jones Environmental (Ireland) Limited	Ordinary	100%*	Design and installation of water and wastewater treatment plants
USA:			
North West Water Inc	Ordinary	100%*	Intermediate holding company
North West Water Process Inc	Ordinary	100%*	Intermediate holding company
Envirex Inc	Ordinary	100%*	Manufacture of equipment for water and wastewater treatment processes
General Filter Company Inc	Ordinary	100%*	
Wallace & Tiernan Inc	Ordinary	100%*	
Canada:			
Asdor Limited	Ordinary	100%*	Manufacture of equipment for water and wastewater treatment processes.
Germany:			
Wallace & Tiernan GmbH	Ordinary	100%*	
Malaysia:			
North West Water (Malaysia) SDN BHD	Ordinary	100%	Technical and management services
Netherlands:			
North West Water BV	Ordinary	100%	
North West Water Finance BV	Ordinary	100%	Intermediate holding companies
Associated undertakings:			
Great Britain:			
Lakeland Smolt Limited	Ordinary	49%	Fish farming
WRc (Process Engineering) Limited	Ordinary	50%*	Design and construction of equipment for water and wastewater treatment processes
Spain:			
CIDA Hydroquímica SA	Ordinary	39.7%*	Design and installation of equipment and systems for water and wastewater treatment

The country under which each undertaking appears is both the country of its incorporation and of its principal operations. All of the Great Britain undertakings are registered in England and Wales. Shares are held directly by North West Water Group PLC except where marked with an asterisk where they are held by subsidiary undertakings.





NOTES TO THE ACCOUNTS

13 Acquisitions

The Company acquired Wallace & Tiernan Group Inc and its subsidiary undertakings on 16 July 1991 and Edwards & Jones (Holdings) Ltd and its subsidiary undertakings on 31 July 1991. The analysis of net assets acquired and the fair value to the Group is as follows:

	Book value £m	Accounting policy alignment £m	Other adjustments £m	Fair value to Group £m
Fixed assets	15.3	(2.0)	(0.2)	13.1
Fixed asset investments	0.3	-	-	0.3
Stocks	20.7	(0.2)	(0.6)	19.9
Debtors	23.7	(0.4)	7.4	30.7
Total assets	60.0	(2.6)	6.6	64.0
Creditors	(25.2)	(0.2)	-	(25.4)
Provisions	-	(0.2)	(32.5)	(32.7)
Total liabilities	(25.2)	(0.4)	(32.5)	(58.1)
Net assets	34.8	(3.0)	(25.9)	5.9
Less: consideration				95.0
Goodwill arising on current year acquisitions				89.1
1990/91 acquisitions:				
Reduced consideration				(1.6)
Adjustment to fair value provisions				4.9
Total goodwill				92.4

The goodwill of £92.4 million has been set off against Group reserves.

The businesses acquired during the year contributed £1.2 million to profit before tax after attributable interest charges of £6.3 million.

The results of the businesses in the periods prior to acquisition are not presented as the directors are of the opinion that the rationalisation underway and the effects of the change of ownership render such information incomparable.

14. Stocks

	Group	
	1992 £m	1991 £m
Stores	9.8	7.7
Work in progress	7.7	2.6
Finished goods and goods for resale	20.8	5.5
	38.3	15.8



NOTES TO THE ACCOUNTS

15. Debtors	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	103.7	68.0	-	-
Amounts owed by Group undertakings	-	-	90.3	67.9
Other debtors	17.9	14.7	-	-
Prepayments and accrued income	40.5	38.5	0.1	0.2
Amounts recoverable under contracts	5.8	4.1	-	-
Deferred tax (note 8)	4.6	1.8	-	-
	<u>172.5</u>	<u>127.1</u>	<u>90.4</u>	<u>68.1</u>
Amounts falling due after more than one year:				
Amounts owed by associated undertaking	0.3	0.3	-	-
Other debtors	4.8	3.0	-	-
Deferred tax (note 8)	6.3	-	-	-
	<u>11.4</u>	<u>3.3</u>	<u>-</u>	<u>-</u>
Total debtors	<u>183.9</u>	<u>130.4</u>	<u>90.4</u>	<u>68.1</u>

16. Current asset investments	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Managed funds and short term deposits	218.6	298.0	-	-

Included in current investments is £4.8 million of investment properties (1991 – £7.4 million). There was no interest capitalised in the year (1991 – £0.7 million).

17. Creditors: amounts falling due within one year	Group		Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Loans	1.8	0.8	-	-
Bank overdrafts and temporary borrowings	36.1	55.0	-	27.5
Trade creditors	41.9	38.2	-	-
Amounts owed to Group undertakings	-	-	44.1	0.1
Obligations under finance leases	7.8	7.6	-	-
Proposed dividend	46.7	42.7	46.7	42.7
Other creditors	3.7	5.2	0.7	1.0
Taxation and social security	7.2	1.7	-	-
Accruals and deferred income	255.6	177.3	13.7	4.6
Advance corporation tax payable	23.3	21.3	23.3	21.3
	<u>424.1</u>	<u>349.8</u>	<u>128.5</u>	<u>97.2</u>

NOTES TO THE ACCOUNTS

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Loans	403.2	216.2	62.6	-
Obligations under finance leases	87.9	42.9	-	-
Other creditors	3.8	2.2	-	-
	494.9	261.3	62.6	-

19. Provisions for liabilities and charges

	Group		Company	
	Restructuring £m	Other £m	Total £m	Other £m
At 1 April 1991	40.3	6.3	46.6	1.9
Arising from acquisitions	25.7	11.9	37.6	-
Utilised	(52.9)	(3.9)	(56.8)	-
Profit and loss account	30.2	5.7	35.9	2.1
Exchange adjustment	-	(0.2)	(0.2)	-
	43.3	19.8	63.1	4.0

20. Accruals and deferred income GROUP

	Deferred grants and contributions £m
At 1 April 1991	1.5
Received in the year	2.6
Credit to profit and loss account for the year	(0.1)
	4.0
At 31 March 1992	4.0

21. Borrowings GROUP

	Loans and overdrafts			1992 Total £m	1991 Total £m
	Repayable by instalments partly after 5 years £m	Other £m	Finance leases £m		
Within one year	0.8	37.1	7.8	45.7	63.4
Between one and two years	0.8	-	7.5	8.3	6.8
Between two and five years	24.8	23.3	19.7	67.8	48.6
After more than five years	236.9	117.4	60.7	415.0	203.7
	263.3	177.8	95.7	536.8	322.5

Loans repayable after more than five years comprise bank and other loans repayable between 1997 and 2035. Interest rates range from 8.56 per cent to 14.83 per cent on £224.3 million and are at floating rates on £130 million.

COMPANY

The Company has loans totalling £102.6 million (1991 - nil). £40.0 million is owed to Group companies and falls due within one year. £62.6 million is wholly repayable in 2001. Interest rates are 11.625% on £20.0 million and 11.43% on £42.6 million.

NOTES TO THE ACCOUNTS

22. Called-up share capital and share premium account

The authorised share capital of the Company throughout the year ended 31 March 1992 was £475,000,001 divided into 475,000,000 ordinary shares of £1 each and one special rights redeemable preference share of £1

The allotted and fully paid share capital of the Company at 31 March was:

	1992	1991
	£	£
Ordinary shares of £1	355,936,426	355,829,484
Special rights redeemable preference share of £1	1	1
	355,936,427	355,829,485

106,942 ordinary shares were allotted during the year ended 31 March 1992 following the exercise of options in accordance with the rules of the Employee Sharesave Scheme and the Executive Share Option Scheme. The total consideration was £0.2 million. As a consequence share capital increased by £0.1 million and a share premium account of £0.1 million was created.

The special rights redeemable preference share is redeemable at par at the request of the holder at any time prior to 31 December 1994 and, unless so redeemed, will be redeemed by the Company at that date.

The Company has two share option schemes – an Employee Sharesave Scheme available to all eligible employees and an Executive Share Option Scheme for executive directors and senior managers. The former is based on SAYE contracts with options exercisable within a six month period from the conclusion of a five or seven year period as appropriate from the date of grant. Options under the latter scheme are exercisable in a period beginning no earlier than three years (five years for discounted options) and ending no later than ten years from the date of grant. Options outstanding under the two share option schemes at 31 March, together with their exercise prices and dates were:

	1992	1991	Option Price	Normal dates of exercise
Employee Sharesave	2,930,783	3,282,363	176p	1995 or 1997
	1,375,925	1,485,964	252.5p	1996 or 1998
	1,757,982	–	279p	1997 or 1999
Executive Share Option	884,750	897,500	278p	1993 to 2000
	36,800	36,800	286.5p	1993 to 2000
	296,400	297,400	315.5p	1993 to 2000
	54,500	–	330p	1994 to 2001
	1,176,522	–	335p	1995 to 2002
	425,898	–	285p	1997 to 2002
	8,939,560	6,000,027		

In the year ended 31 March 1992 options were granted under the two option schemes in respect of 3,416,917 ordinary shares, options for 106,942 shares were exercised and options for 370,442 shares lapsed.

23. Reserves

	Profit and loss account	
	Group	Company
	£m	£m
At 1 April 1991	1,292.4	717.5
Profit/(loss) for the year	136.1	(11.0)
Goodwill on acquisitions	(92.4)	–
Exchange adjustments	5.5	–
	1,341.6	706.5

Cumulative goodwill arising on the acquisition of subsidiary undertakings written off to the profit and loss account amounts to £137.2 million (1991 – £44.8 million).

As allowed by section 230 (1) of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of Group profit for the financial year dealt with in the Company's profit and loss account was £59.0 million.

NOTES TO THE ACCOUNTS

24 Pensions

The Company operates a number of pension schemes in the UK, the USA, Europe, Australia and Canada. The major schemes are of the defined benefit type in the UK - the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS). The assets of these schemes are held in trust funds independent of Group finances.

For the major UK schemes, the employer's contributions and the pension cost under the accounting standard SSAP24 have been assessed in accordance with the advice of William M Mercer Fraser Limited, using the projected unit method or the attained age method on the basis of actuarial valuations carried out at 31 March 1990. For this purpose, the major actuarial assumptions used are based upon investment growth of 9 per cent per annum and pay growth of 7 per cent per annum. Pensions in payment and deferred pensions under the WMIS have been assumed to increase by 6 per cent per annum. This assumption has been chosen to reflect the increases under the scheme which are guaranteed to be in line with the Retail Price Index (RPI). For the WPS, the corresponding assumption is 5.25 per cent per annum. This reflects increases which are guaranteed at 5 per cent per annum (or the increase in the RPI if less) with the intention to pay more, up to the level of RPI, if the resources of the scheme so permit.

At the date of the last valuations, the total market value of the assets (including payments received from previous arrangements) was £148.9 million. The combined actuarial value of the assets represented 103 per cent of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP24, the surplus in the schemes is being spread over the future working lifetime of the existing members.

For the overseas schemes, the defined benefit arrangements have been reviewed on consistent assumptions and any balance of surplus spread forward to derive the pension cost.

The total pension cost for the period was £12.0 million (1991-£11.3 million).

25. Operating leases

Subsidiary undertakings are committed to making the following payments during the year ending 31 March 1993:

	Land and buildings £m	Plant and machinery £m
Leases which expire:		
Within one year	0.2	0.8
Between two and five years	1.8	2.7
After five years	0.9	0.1
	2.9	3.6

26. Contingent liabilities

The Company has guaranteed certain loans, overdrafts and commitments of Group undertakings to a maximum amount of £429.3 million (1991 - £240.6 million). This includes North West Water Limited's loans from European Investment Bank amounting to £220.0 million (1991 - £130.0 million).

AUDITORS' REPORT

Report of the Auditors to the members of North West Water Group PLC

We have audited the accounts on pages 26 to 43 in accordance with Auditing Standards

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

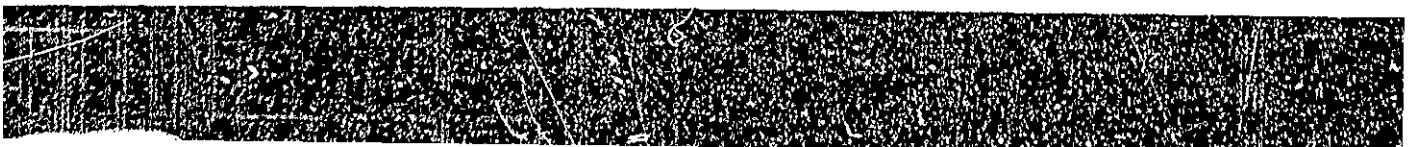
Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditors
Manchester
19 June 1992



FINANCIAL CALENDAR

Annual General Meeting	22 July 1992
Final dividend for the year ended 31 March 1992 to be paid	1 October 1992
Interim results for the six months ending 30 September 1992 to be announced	25 November 1992
Interim dividend for the year ending 31 March 1993 to be paid	February 1993
Financial year end	31 March 1993
Preliminary announcement of results for the year ending 31 March 1993	June 1993
1993 Report and Accounts circulated	June 1993
Annual General Meeting	July 1993



FIVE YEAR SUMMARY

	1988	1989	1990	1991	1992
	£m	£m	£m	£m	£m
Profit and loss accounts					
Turnover	418	458	511	599	789
Operating costs	(286)	(306)	(361)	(419)	(547)
Other income	2	4	4	7	4
Operating profit	134	156	154	187	246
Net interest (payable)/receivable	(108)	(112)	(79)	28	(16)
Profit before tax	26	44	75	215	230
Tax on profit on ordinary activities	-	-	(12)	(22)	(24)
Profit on ordinary activities after tax	26	44	63	193	206
Extraordinary items	-	(1)	(7)	-	-
Profit for financial year	26	43	56	193	206
Dividends	-	-	(37)	(64)	(70)
Transfer to reserves	26	43	19	129	136
Balance sheets					
Fixed assets	1,270	1,389	1,558	1,834	2,221
Net current assets/(liabilities)	(195)	(252)	113	124	39
Creditors falling due after more than one year	(937)	(956)	(91)	(261)	(495)
Provisions for liabilities and charges	-	-	(14)	(47)	(63)
Accruals and deferred income	-	-	-	(2)	(4)
	138	181	1,566	1,648	1,698
Ordinary share capital and share premium	-	-	356	356	356
Reserves and retained profits	138	181	1,210	1,292	1,342
	138	181	1,566	1,648	1,698

The comparative financial information for the two years ended 31 March 1989 has been extracted from the listing particulars in the Prospectus dated 22 November 1989, issued in connection with the Offer for Sale of shares in North West Water Group PLC. That information was based on the accounts of North West Water Authority, adjusted to eliminate the results and net assets of activities which have been transferred to the National Rivers Authority, and reflecting accounting policies now being used by the Group.

The directors believe that care should be taken in drawing conclusions from a comparison between the results for the years prior to 1991 and those for 1991 and 1992. The changes which took place during 1990 in capital structure, regulatory expenditure and other costs associated with PLC status render comparisons potentially misleading.

Note

The regulatory accounts of North West Water Limited to 31 March 1992, prepared in accordance with the Appointments, will be filed with the Director General of Water Services on 22 July 1992 and thereafter available upon application to the Company Secretary, Dawson House, Great Sankey, Warrington, Cheshire WA5 3LW.