



North
West
Water

Company N° 2366678

NORTH WEST WATER LIMITED

DIRECTORS REPORT
AND
ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 1991

COMPANIES HOUSE
21 SEP 1991
M 74

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27 AUG 1991
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NORTH WEST WATER LIMITED

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NORTH WEST WATER LIMITED

DIRECTORS' REPORT

Principal activities

The Company provides water and sewerage services in the North West region of England by virtue of an Instrument of Appointment dated 29 August 1989 made under the Water Act 1989, appointing the Company as water and sewerage undertakers.

Profit and dividend

Turnover for the year ended 31 March 1991 rose to £570.9 million, an increase of 11.8 per cent over the previous year. Profit for the year after tax was £220.8 million. An interim dividend of 6.59p per share was paid in March 1991. The directors recommend a final dividend of 24.68p per share for the year to 31 March 1991 for payment on 1 October 1991.

Review of activities

The planned investment for the year of £408 million, a 55 per cent increase on last year, was achieved, further improving water quality and environmental standards.

It was achieved despite some local planning delays, by accelerating works proposed for later years. The planned levels of service and outputs were achieved at a lower cost than previously envisaged. The savings have been utilised to deliver additional improvements for customers.

Important changes have been formulated and implemented during the year to improve engineering quality and productivity:

- the three former engineering offices have been centralised at Risley, near Warrington, into a single engineering unit;
- greater emphasis has been placed on the efficiency of design and on project management skills;
- extensive use has been made of the best available computer aided design and project management technology;
- a flexible approach to contracting has been adopted, further developing the fast-tracking techniques pioneered over the last few years by the Company.

During a second successive long dry summer, water supplies to customers were maintained, without restrictions.

Drinking water quality standards have again been improved, measured against the 57 specified physical, microbiological and chemical characteristics. Results of analyses are kept on the water quality register, which is open to public inspection.

Performance at wastewater treatment works, independently monitored by the National Rivers Authority, continued to improve due to the

NORTH WEST WATER LIMITED

DIRECTORS' REPORT

Company's stricter controls on trade effluent discharges to sewer and the improved operation, refurbishment and renewal of wastewater treatment works.

The Company is currently planning and designing projects for wastewater treatment and disposal covering almost the whole length of the Cumbria and Lancashire coastlines. Their completion, by 1996, will result in major improvements in coastal water quality and compliance with standards set by EC directives.

Following discussions with local planning authorities and extensive public consultation on possible solutions, the Company is proposing to proceed with a scheme, including secondary treatment, for treating wastewater from Blackpool, Fleetwood and surrounding areas, discharging via a long outfall.

The Company's arrangements for disposing to sea of some 47 per cent of its wastewater sludge must end by 1998. It is evaluating options to provide an environmentally acceptable sludge disposal solution.

The Company's drive to improve efficiency and reduce costs has been gaining ground over the last year, with particular attention being paid to:

- reducing the numbers of layers of management and moving resources closer to the customer;
- concentrating efforts on essential activities and outsourcing where better value can be obtained from outside suppliers, to deliver the right quality at the lowest cost;
- improving procurement, especially for the large investment programme.

Following agreement with the Director General of Water Services, codes of practice on operating procedures have been implemented. The Company met all the service targets expected of it and exceeded them in several cases. The Company has been represented at all the meetings of the Customer Service Committee and made a number of presentations to it on aspects of the water and wastewater business.

The Company's commitment to conservation, access and recreation on its extensive operational land holdings has been maintained. It is developing a programme to ensure that environmental awareness in all its activities extends beyond employees to contractors and agents as well.

Regulation

As required by Condition K of the Appointment, the directors state that they are satisfied that as at 31 March 1991, if a special administration order had been made under Section 23 of the Water Act 1989 in respect of the Company, the Company would have had available to it sufficient rights and assets (not including financial resources) to have enabled the special administrator so to manage the affairs, business and property of the Company that the purposes of the order could have been achieved.

NORTH WEST WATER LIMITED

DIRECTORS' REPORT

Employees

The Company maintains an extensive 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. Training in technical and management skills and employee development are given great emphasis.

Safety continues to be high priority and the drive to improve safety performance has shown good results in the improved safety record for the year.

Policies and practices are operated 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 Company 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 retraining is offered if appropriate.

Fixed assets

There are stringent provisions within the Water Act and the Appointments regarding the disposal of land and buildings, the majority of which are needed for continuing operations and are not readily adaptable for other uses. In these circumstances, the directors are of the opinion that the values shown in the Accounts properly reflect the existing use value to the business and are not significantly different from their market values.

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

Research and Development

The Company is continuing to step up its investment in research and development to enable it to meet increasingly stringent water and environmental standards and to do so at an affordable cost.

It is implementing advanced computer aided design and project management systems and investing increasingly in operating systems, instrumentation, control and automation, laboratory systems and technologies, process operations and information systems to achieve higher standards of service to customers and improved productivity.

NORTH WEST WATER LIMITED

DIRECTORS' REPORT

Share capital

The authorised share capital of the Company, together with details of shares issued, is shown in note 20 to the Accounts.

Directors

The directors of the Company during the year ended 31 March 1991 are set out below. All were directors for the whole of the year except where otherwise indicated.

- * W D Grove, Chairman
- * R P Thian, Deputy Chairman
- * B Alexander, Managing Director
- R D Armstrong, Personnel Director
- D A Clegg, Planning Director - appointed 1 September 1990
- M R Dyer, Operations Director
- R J Ferguson, Finance Director
- A G Fox, Engineering Director
- E Harper, Quality Director - appointed 1 September 1990
- I E Millar, Information Technology Director - resigned 1 July 1990
- * F Sanderson, non executive
- * Director, North West Water Group PLC

Details of directors' interests in ordinary shares of North West Water Group PLC are set out in note 5 to the Accounts.

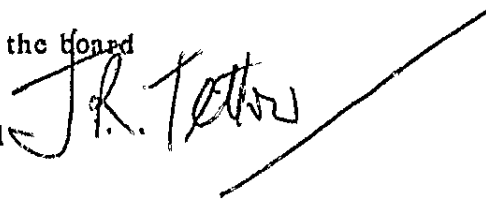
During the year, a directors' and officers' liability insurance policy was in force.

On 1 June 1991 D Golden, Purchasing Director, and R I Worrall, Information Systems Director, were appointed to the Board.

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
16 July 1991



Registered Office
Dawson House
Great Sankey
Warrington
Cheshire WA5 3LW
Registered in England and Wales No. 2366678

NORTH WEST WATER LIMITED

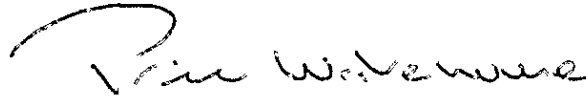
AUDITORS' REPORT

Report of the Auditors to the members of North West Water Limited

We have audited the accounts on pages 7 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Price Waterhouse
Chartered Accountants
Manchester**

A handwritten signature in cursive script that reads "Price Waterhouse".

16 July 1991

NORTH WEST WATER LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 1991

	Note	1991 £m	1990 £m
Turnover	1(b)	570.9	510.5
Operating costs	3	(387.0)	(360.1)
Other income	4	<u>6.5</u>	<u>4.2</u>
Operating Profit		190.4	154.6
Net interest receivable / (payable)	7	<u>30.4</u>	<u>(79.1)</u>
Profit on ordinary activities before tax		220.8	75.5
Tax on profit on ordinary activities	8	<u>-</u>	<u>-</u>
Profit on ordinary activities after tax		220.8	75.5
Extraordinary items	9	<u>-</u>	<u>(6.7)</u>
Profit for financial year		220.8	68.8
Dividends	10	<u>(135.1)</u>	<u>(750.0)</u>
Transfer to / (from) reserves	21	<u>85.7</u>	<u>(681.2)</u>

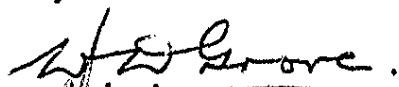

The notes on pages 10 to 19 form part of these accounts.

NORTH WEST WATER LIMITED

BALANCE SHEET
At 31 March 1991

	Note	1991 £m	1990 £m
FIXED ASSETS			
Tangible assets			
Infrastructure assets		913.0	821.0
Other assets		911.2	736.8
	11	1,824.2	1,557.8
Investments	12	0.4	0.4
		1,824.6	1,558.2
CURRENT ASSETS			
Stores		6.4	6.0
Debtors	13	146.3	91.2
Investments	14	290.6	247.6
Cash at bank and in hand		19.3	-
		462.6	344.8
CREDITORS: Amounts falling due within one year	15	(327.2)	(182.2)
		135.4	162.6
NET CURRENT ASSETS			
		1,960.0	1,720.8
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	16	(218.2)	(91.1)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(38.5)	(13.6)
ACCRUALS AND DEFERRED INCOME	18	(1.5)	-
		1,701.8	1,616.1
CAPITAL AND RESERVES			
Called up share capital	20	431.9	431.9
Share premium account	21	647.8	647.8
Profit and loss account	21	622.1	536.4
		1,701.8	1,616.1

Approved by the board of directors on 16 July 1991 and signed on its behalf by


 W D Grove Chairman

 R Ferguson Finance Director

The notes on pages 10 to 19 form part of these accounts.

NORTH WEST WATER LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
For the year ended 31 March 1991

	1991 £m	1990 £m
FUNDS GENERATED FROM TRADING		
Profit on ordinary activities before tax	220.8	75.5
Depreciation	33.4	29.4
Extraordinary items	-	(6.7)
	<u>254.2</u>	<u>98.2</u>
CHANGES IN FIXED ASSETS		
Purchase of tangible fixed assets and investments	(315.9)	(205.9)
Disposal of tangible fixed assets	1.6	0.6
Grants and contributions	16.0	6.4
CHANGES IN WORKING CAPITAL		
Stores	(0.4)	0.9
Debtors	(55.1)	(18.2)
Creditors	56.8	38.3
	<u>(42.8)</u>	<u>(79.7)</u>
Cash absorbed by operations		
Issue of shares	-	1,079.7
Loans write off	-	1,037.0
Dividend paid	(28.4)	(750.0)
Net cash/(borrowings) at beginning of year	131.7	(1,155.3)
	<u>60.5</u>	<u>131.7</u>
Net cash at end of year		
Comprising:		
Loans and overdrafts	(198.9)	(63.0)
Finance leases	(50.5)	(52.9)
Current asset investments	290.6	247.6
Cash at bank and in hand	19.3	-
	<u>60.5</u>	<u>131.7</u>

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Basis of preparation of accounts

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 services provided and excludes VAT.

(c) Research and development

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

(d) 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 Company'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

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

(e) 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. Previously grants receivable were deducted from the cost of the assets.

(f) Leased assets

Assets financed by leasing arrangements which substantially transfer 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.

(g) Fixed asset investments

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

(h) Current asset investments

Current asset investments in externally managed interest bearing funds are stated at market value. Other investments are stated at the lower of cost and estimated net realisable value.

(i) Stores

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

(j) Pensions

Most of the Company'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 22 to the accounts.

(k) Deferred taxation

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

2. Segmental information

The company operates in the UK in one class of business.

NOTES TO THE ACCOUNTS

3. Operating costs

	1991 £m	1990 £m
Staff costs		
Wages and salaries	93.4	85.6
Social security costs	7.9	6.9
Pension contributions (note 22)	10.8	9.7
	<u>112.1</u>	<u>102.2</u>
Capital schemes	(21.5)	(17.9)
Infrastructure renewals	(7.3)	(6.1)
	<u>83.3</u>	<u>78.2</u>
Depreciation		
Owned fixed assets	27.6	21.8
Fixed assets held under finance leases	5.8	7.6
	<u>33.4</u>	<u>29.4</u>
Infrastructure renewals expenditure	<u>79.6</u>	<u>78.2</u>
Other operating costs include:		
Energy, rates and other operating costs	133.6	129.7
Raw materials and consumables	19.7	21.2
Auditors' remuneration	0.1	0.1
Research and development	1.7	2.5
Operating leases		
- hire of plant and machinery	2.3	1.8
- land and buildings	1.3	1.2
Restructuring charge	32.0	11.0
Awareness campaign and other costs	-	0.8
	<u>190.7</u>	<u>174.3</u>
Total operating costs	<u>387.0</u>	<u>360.1</u>

4. Other income

	1991 £m	1990 £m
Profit on disposal of fixed assets	1.1	3.1
Net rents receivable	1.2	1.0
Other	4.2	0.1
	<u>6.5</u>	<u>4.2</u>

NOTES TO THE ACCOUNTS

5. Directors

The directors received no emoluments as directors of the Company. The emoluments of directors of North West Water Group PLC are dealt with in that company's accounts.

At 31 March, the directors and their families had the following beneficial interests in the ordinary shares of North West Water Group PLC (details of the interests of directors of North West Water Group PLC are dealt with in that company's accounts):

	1991			1990		
	Ordinary shares (i)	Share options(ii)		Ordinary shares (i)	Share options(ii)	
		Executive Option Scheme	Employee Sharesave Scheme		Executive Option Scheme	Employee Sharesave Scheme
R D Armstrong	579	39,500	6,136	579	33,000	6,136
D Clegg(iii)	295	33,750	4,090	-	-	-
M R Dyer	1,260	40,250	2,045	1,260	37,500	2,045
R J Ferguson	1,291	40,250	6,136	1,291	37,500	6,136
A G Fox	1,778	37,500	2,386	1,778	35,250	2,386
E Harper(iii)	1,795	34,250	6,136	-	-	-
I E Millar(iv)	-	-	-	1,062	-	2,045

- (i) In common with other eligible individual shareholders, the directors and their families may be entitled to a share bonus from HM Government in accordance with the provisions of the Offer for Sale.
- (ii) Details of the Employee Sharesave Scheme and the Executive Share Option Scheme operated by North West Water Group PLC are given in that company's accounts.
- (iii) Mr Clegg and Mr Harper were appointed to the board on 1 September 1990. At that date they held options under the Executive Share Option Scheme of 28,750 shares and 29,500 shares respectively. Their other beneficial interests held at that date were as shown as at 31 March 1991.
- (iv) Mr Millar resigned from the Board on 1 July 1990.

6. Employees

	1991	1990
Average number of persons employed	<u>6,839</u>	<u>6,958</u>

NOTES TO THE ACCOUNTS

7. Interest

	1991 £m	1990 £m
Interest payable:		
On bank loans, overdrafts and other loans:		
Repayable within 5 years	(1.3)	(69.5)
Repayable wholly or partly in more than 5 years	(10.6)	(10.9)
	(11.9)	(80.4)
On finance leases	(4.8)	(9.0)
Total interest payable	(16.7)	(89.4)
Interest receivable		
Group undertakings	2.3	-
External	44.8	10.3
Net interest receivable / (payable)	30.4	(79.1)

8. Taxation

No 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 full potential deferred tax liability, none of which is provided in the accounts, is:

	1991 £m	1990 £m
Accelerated tax allowances on buildings, plant and equipment	150.9	56.6
Other timing differences	(26.7)	(16.9)
Losses	(43.9)	(27.9)
	80.3	11.8

9. Extraordinary items

	1991 £m	1990 £m
Extraordinary charges:		
Privatisation costs	-	6.7

Privatisation costs include expenditure relating to preparation for the vesting of North West Water Authority's assets and liabilities in successor bodies, which took place on 1 September 1989 under the provisions of the Water Act 1989 and to the Offer for Sale of shares in North West Water Group PLC.

10. Dividends

	1991 £m	1990 £m
interim dividend of 6.59pence (1990 - 250.0pence)	28.4	750.0
Final dividend of 24.68pence (1990 - Nil)	106.7	-
	135.1	750.0

NOTES TO THE ACCOUNTS

11. Tangible fixed assets

	Land and buildings	Infrastructure assets	Operational structures	Fixtures, fittings, tools and equipment	Pre-1974 assets	Assets in course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost:							
At April 1990	44.2	821.0	392.2	253.6	177.4	170.3	1,768.7
Additions	4.2	103.2	15.9	27.2	-	165.4	315.9
Grants and contributions	-	(14.5)	-	-	-	-	(14.5)
Transfers	0.8	3.3	16.4	13.1	-	(32.6)	-
Disposals	-	-	-	(12.1)	-	-	(12.1)
At 31 March 1991	49.2	913.0	334.5	280.8	177.4	303.1	2,068.0
Depreciation:							
At 1 April 1990	7.1	-	33.9	81.3	68.7	-	210.9
Charge for the year	1.3	-	5.7	20.8	5.6	-	35.4
Disposals	-	-	-	(10.5)	-	-	(10.5)
At 31 March 1991	8.4	-	39.6	91.5	94.9	-	233.8
Net book value:							
At 31 March 1991	40.8	913.0	294.9	189.3	83.1	303.1	1,834.2
At 31 March 1990	37.1	821.0	268.3	172.4	86.7	170.3	1,557.8

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 amount of fixed assets is £16.8million(1990-£2.3million)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:

	1991 £m	1990 £m
Cost	77.3	81.0
Accumulated depreciation	(39.8)	(41.9)
Net book value	37.5	39.1

An analysis of land and buildings between freehold and long and short leasehold is not readily available at 31 March 1991. Pre-1974 assets comprise a pool of assets which was transferred to the Company 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.

	1991 £m	1990 £m
Capital commitments:		
Contracted but not provided for	433.0	358.0
Authorised but not yet contracted for	35.0	58.0

In addition to these commitments, at 31 March 1991, the Company has longer term investment expenditure plans which include expenditure to improve asset performance and condition and to provide for new demand and growth.

NORTH WEST WATER LIMITED

NOTES TO THE ACCOUNTS

12. Fixed asset investments

	Other investments £m
Cost:	
At 1 April 1990	0.4
Additions	-
At 31 March 1991	0.4

Other investments include the following holdings in unlisted companies registered in England and Wales:

	Class of shares/securities issued	Proportion held
Water Research Centre(1989)plc	'A' ordinary £1	-
	'B' ordinary £1	26.25%
	5% convertible unsecured loan stock 2014	26.25%
Water Pension Fund Holdings Limited	Ordinary £1	18.44%

13. Debtors

	1991 £m	1990 £m
Amounts falling due within one year:		
Trade debtors	49.0	49.9
Amounts owed by Group undertakings	50.8	4.7
Other debtors	13.8	7.2
Prepayments and accrued income	31.9	28.5
	145.5	90.3
Amounts falling due after more than one year:		
Amounts owed by associated undertaking	0.3	0.3
Other debtors	0.5	0.6
	0.8	0.9
Total debtors	146.3	91.2

14. Current asset investments

	1991 £m	1990 £m
Managed funds and short term deposits	290.6	247.6

NOTES TO THE ACCOUNTS

15. Creditors: amounts falling due within one year

	1991 £m	1990 £m
Loans	0.8	0.7
Bank overdrafts and temporary borrowings	25.0	19.8
Trade creditors	27.1	14.9
Obligations under finance leases	7.6	8.0
Proposed dividend	106.7	-
Other creditors	2.1	1.6
Taxation and social security	1.1	1.3
Infrastructure renewals accrual	-	9.8
Accruals and deferred income	156.8	126.1
	<u>327.2</u>	<u>182.2</u>

16. Creditors: amounts falling due after more than one year

	1991 £m	1990 £m
Loans	173.1	42.5
Obligations under finance leases	42.9	44.9
Other creditors	2.2	3.7
	<u>218.2</u>	<u>91.1</u>

17. Provisions for liabilities and charges

	Restructuring £m	Other £m	Total £m
At 1 April 1990	11.0	2.6	13.6
Utilised	(7.5)	(1.8)	(9.3)
Profit and loss account	32.0	2.2	34.2
At 31 March 1991	<u>35.5</u>	<u>3.0</u>	<u>38.5</u>

18. Accruals and deferred income

	Deferred grants and contributions £m
At 1 April 1990	-
Received in the year	1.6
Credit to profit and loss account for the year	(0.1)
At 31 March 1991	<u>1.5</u>

NOTES TO THE ACCOUNTS

19. Borrowings

	Loans and overdrafts			1991 Total £m	1990 Total £m
	Repayable by instalments partly after 5 years £m	Other £m	Finance leases £m		
Within one year	0.8	25.0	7.6	33.4	28.5
Between one and two years	0.8	-	6.0	6.8	8.4
Between two and five years	9.3	-	16.3	25.6	19.3
After more than five years	163.0	-	20.6	183.6	59.7
	<u>173.9</u>	<u>25.0</u>	<u>50.5</u>	<u>249.4</u>	<u>115.9</u>

Loans repayable after more than five years comprise bank and other loans repayable between 1996 and 2035. Interest rates range from 9.9% to 14.83% on £33million and are at floating rates on £130million

20. Called-up share capital

The authorised share capital of the Company throughout the year ended 31 March 1991 was £650,000,000 comprising 650,000,000 ordinary shares of £1 each.

The allotted and fully paid share capital of the Company throughout the year ended 31 March 1991 was £431,930,000 comprising 431,930,000 ordinary shares of £1 each.

21. Reserves

	Profit and loss account £m	Share premium account £m
At 1 April 1990	536.4	647.8
Profit for the year	85.7	-
At 31 March 1991	<u>622.1</u>	<u>647.8</u>

22. Pensions

The Company is a participant in the Group's two defined benefit final salary schemes, the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS).

The employer's contributions and the pension cost have been assessed in accordance with the advice of William M Mercer Fraser Limited, using the projected unit method for the WPS and the attained age method for the WMIS. For this purpose the main actuarial assumptions used are based upon investment growth of 9 per 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 used 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 the RPI, if the resources of the scheme so permit.

The total pension cost for the period was £10.8million (1990-£9.7million).

The first actuarial valuation of the two UK schemes was carried out as at 31 March 1990, but is not yet finalised at 31 March 1991.

Both the WPS and WMIS comply with the anticipated requirements of the Social Security Act 1990 with regard to pension increases. Some changes may be required in the Schemes to comply with the ruling of the European Court in May 1990 concerning equality for men and women. However, these are unlikely to involve significant costs provided appropriate related changes are made to the contracting out requirements of the State arrangements.

NOTES TO THE ACCOUNTS

23. Operating leases

The Company is committed at 31 March 1991 to making the following payments during the next twelve months:

	Land and buildings £m	Plant and machinery £m
Leases which expire:		
Within one year	0.1	0.1
Between two and five years	1.2	0.5
After five years	0.9	-
	<u>2.2</u>	<u>0.6</u>

24. Ultimate parent company

The accounts of the Company are consolidated in the group accounts of the ultimate parent company, North West Water Group PLC, a company registered in England and Wales.

Copies of the Group accounts of North West Water Group PLC may be obtained from the Company Secretary, North West Water Group PLC, Dawson House, Great Sankey, Warrington, Cheshire WA5 3LW.