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CHPM 4 (07/02)

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North
West
Water

North West Water Limited

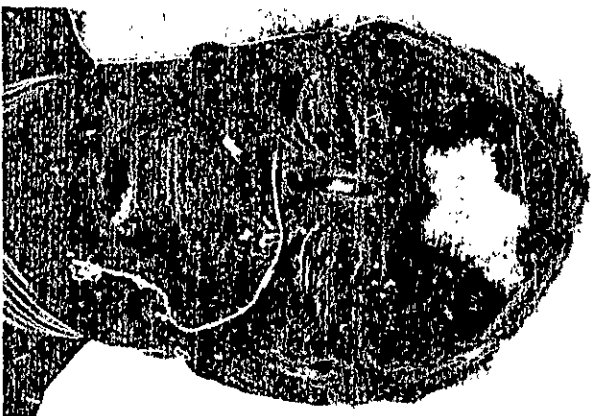
Report and Accounts 1993

Highlights

improving customer service: during 1992/3 we have improved our service against standards agreed with the Office of Water Services (OFWAT).
improving water quality: drinking water quality in the North West has never been higher with over 99% of measurements at taps in customers' homes meeting quality standards.
improving the environment: we continue to clean up bathing waters and rivers and focus on the impact of our business on the environment.
investing in the community: we have increased the pace of our investment in education, conservation, access and recreation.
improving financial performance: profit for the year after tax rose to £262.4 million with £162.6 million retained for investment in the region.

Chairman's statement

Further improvements in quality and customer service standards have been made as we continue our transformation into a model utility.



Sir Desmond Pither

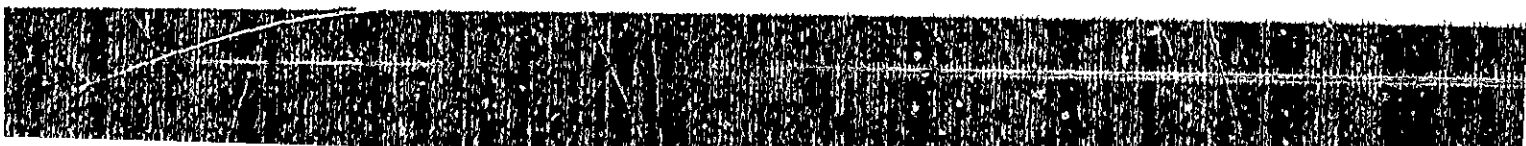
In providing our services, and in running our operations, we face a number of key tasks. First, we must make up for many years of under-funding which has caused our reservoirs, rivers, water mains, sewers and treatment works to deteriorate badly. Second, we must meet the increasingly tight standards imposed upon us by EC and UK legislation. To complete these tasks requires a huge investment programme.

In implementing this investment programme we must first settle the views of our customers. That is why this year we asked them to consider the balance we ought to strike between rising standards and their effect on bills. While there was some support for us to achieve more than the existing high legal standards most of our customers did not want to see bills increased faster than necessary. We have reflected their wish in our proposed investment strategy for 1995/6-2004/5.

In the last year we have significantly increased our consultations with customers who are, of course, already represented by the North West Customer Services Committee of the Office of Water Services. In addition, we have initiated regular roundtables with organisations representative of customer opinion. We also sought the views of customers through over 1,500 face-to-face interviews as we considered our future investment programme.

It is clear some of our customers are still mistrustful of water as a privatised industry. I am convinced most of this mistrust remains because we have not been successful in communicating the complexity of our business and the regulatory framework in which we operate. I intend to meet this communications challenge.

When the water industry was privatised in 1989, we at North West Water were placed under a network of independent regulation which made us far more accountable to our customers than we had ever been as a public authority. We moved from public ownership to public control. Indeed, of all the privatised



utilities, water is the most rigorously regulated.

Through our licence we have a contract with the Government to supply our services over a stated period of time, to our customers at a pre-determined quality and service standard, for a pre-determined price.

In fulfilling this contract we are also conscious of our other responsibilities. We must continue to improve quality and efficiency in all our activities. This year, as we carried out a £500 million investment programme, we streamlined our activities and maintained tight control of our operating expenses.

We also have responsibilities to conserve the environment, to improve access to our land and to encourage sport and recreation at our sites for the community. There is more detail on our actions in all these areas in later sections of this report.

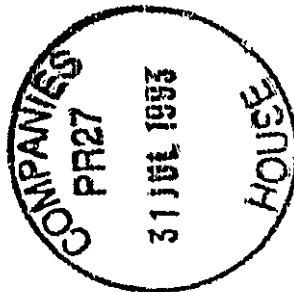
Against this background I am determined that in everything we do, we should become an exemplary supplier of water and wastewater services – a model utility. In this report we show that we have moved further towards that goal.

D. H. Fisher

Sir Desmond Fisher Chairman

Financial highlights

	1993	1992
Turnover	£692m	£640m
Profit	£262m	£241m
Operating profit per employee	£52,326	£41,148



Managing Director's review

The North West of England was the birthplace of the industrial revolution. Today, from a rich heritage, North West Water Limited is building on decades of expertise to become an exemplary supplier of water and wastewater services.

To achieve our aim of becoming a multi utility, we have set ourselves clear objectives to achieve the product and service standards our customers expect from us and to meet or better all the regulatory standards. In order to achieve these objectives we will continue to implement our massive investment programme. We will also continue to invest in technology and the skills of our employees to enable them to realise their full potential.

Leading in skills We are investing in our people to give them the skills they need to respond quickly to the needs of our customers. For example, employees selected for our new customer service centre will receive around five weeks' training in business knowledge and communication skills.

In addition 700 operations employees will shortly complete a two-year training course which will give them nationally accredited qualifications.

In all, last year our employees attended 24,000 days of training.

Our water and wastewater facilities include:

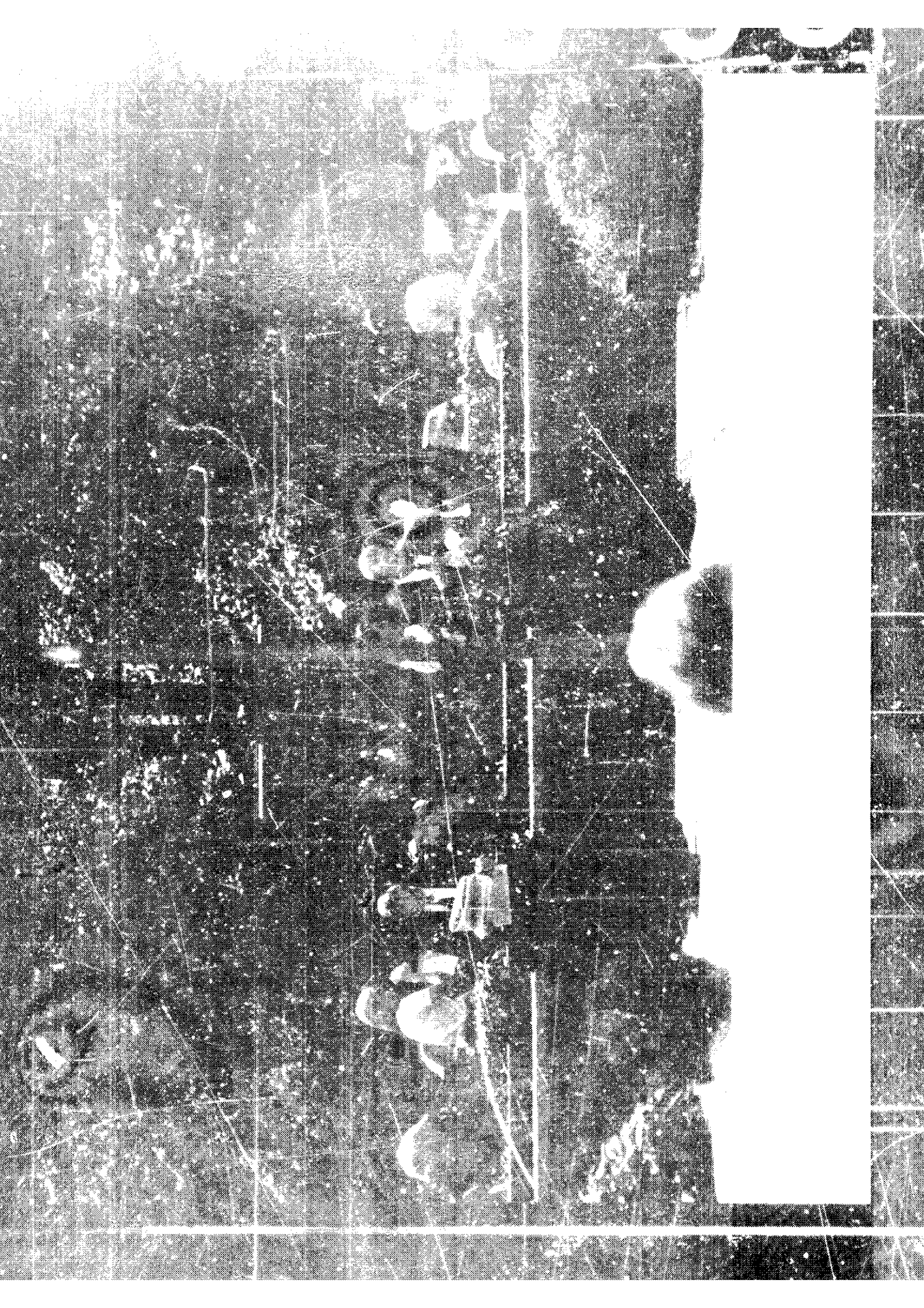
- 168** supply reservoirs
- 590** service reservoirs
- 55** river, stream and lake intakes
- 240** boreholes
- 191** water treatment works
- 42,000** km of water mains
- 1,170** wastewater pumping stations
- 620** wastewater treatment works
- 33,000** km of sewers.

Leading in technology We have invested in new technology to ensure that employees have the right information at the right time in the right place. For example, the new customer system allows customer service representatives to record all contacts with customers so that we can improve our service to them over the years.

We have also built most of our geographic information system, computerising all our 20,000 paper-based water mains records, in 12 months.



Derek Green



Improving service to our customers

We have improved our service against standards agreed with OPWAT.

Responding to customers During the year we received 2.5 million enquiries about water bills and we dealt with 92% of them within 10 days compared to 89% the year before.

We intend to ensure our standard of service to customers will continue to improve. That is why we are establishing a single Customer Service Centre to ensure that their calls are answered quickly by someone friendly and knowledgeable.

Already customers in the Stockport and Audenshaw area of Greater Manchester are being served by an interim centre. Highly trained customer services representatives using advanced technology are handling enquiries from around 800,000 customers.

Listening to customers Before we announced our preferred investment proposal for the decade from 1995/6 we consulted with a representative sample of over 1,500 customers. They told us that they did not want to pay the costs involved to meet more than the existing high legal standards and we listened. Their views are reflected in our plan.

Throughout the year, our senior executives meet with the representatives of our customers, including local authorities, environmental organisations and representatives of special interest groups. We also have regular contact with our business customers.

Speaking with a clear voice At North West Water we are trying to ensure we communicate clearly. Increasingly, our leaflets are endorsed by the Plain English Campaign.

Clearly-written fact sheets have been made available to customers dealing with a range of

subjects from drinking water quality to our investment in the community. In the first two months in which they were available 38,000 fact sheets were requested.

Our bills have been re-designed for our 2.8 million customers paying unprepaid water charges. They are now more understandable and provide more information. For some customers, a new monthly statement has replaced an old style instalment bill.

We also recognise that not all of our customers speak English and therefore some of our information leaflets are available in Bengali, Chinese, Hindi and Urdu.

Understanding customers' concerns We know some customers have difficulties paying their bills and an increasing number prefer to pay by instalments. That is why we are constantly offering more flexible ways to pay. This year we have enhanced our direct debit facilities to enable customers to spread their payments over the whole year. They also have a choice of four payment dates within the month. In addition, we have arranged with a local authority to provide a bill payment facility at their offices. We hope to make similar arrangements with other local authorities in the future.

Helping support customers who have difficulties affording bills or who cannot budget easily. Our systems and procedures enable us to contact customers at an early stage of falling into arrears. This, together with our flexible payment methods, has resulted in a significant reduction in the number of domestic disconnections from 2,078 in 1991/2 to 495.

Some of our customers have special needs. They may be ill or disabled. Today, we offer a range of services for customers with hearing or sight problems through visits and telephone contacts. In all, some 2,700 special needs customers are now registered with North West Water.

Customer service

We have agreed with OPWAT a number of targets for customer service. We also lay down certain minimum standards and will compensate customers if we do not achieve them. We maintain a constructive working relationship with OPWAT's North West Customer Service Committee, which represents water users in the North West



Improving water quality

Drinking water quality in the North West has never been higher, with over 99% of measurements at taps in customers' homes meeting quality standards.

Passing rigorous tests The quality of our drinking water has risen steadily in recent years. During 1992 it rose again.

To show that we are supplying water of the quality which the law demands, we are required to take samples at water treatment works, at service reservoirs and at customers' homes. During 1992 we took more than 90,000 of these regulatory samples.

Of the samples taken at the customers' taps during the year 99.3% of measurements met the quality standards compared to 99.1% during the previous year. On those few occasions when we did not meet the standards the water remained safe to drink.

There were only four substances which had more than occasional failures. These were iron, with 97.8% of measurements meeting the standard, manganese (98.4%), lead (96.1%) and trihalomethanes (THMs), where 94.7% of samples met the standard. We have made commitments to the Drinking Water Inspectorate to tackle the problems as quickly as practicable.

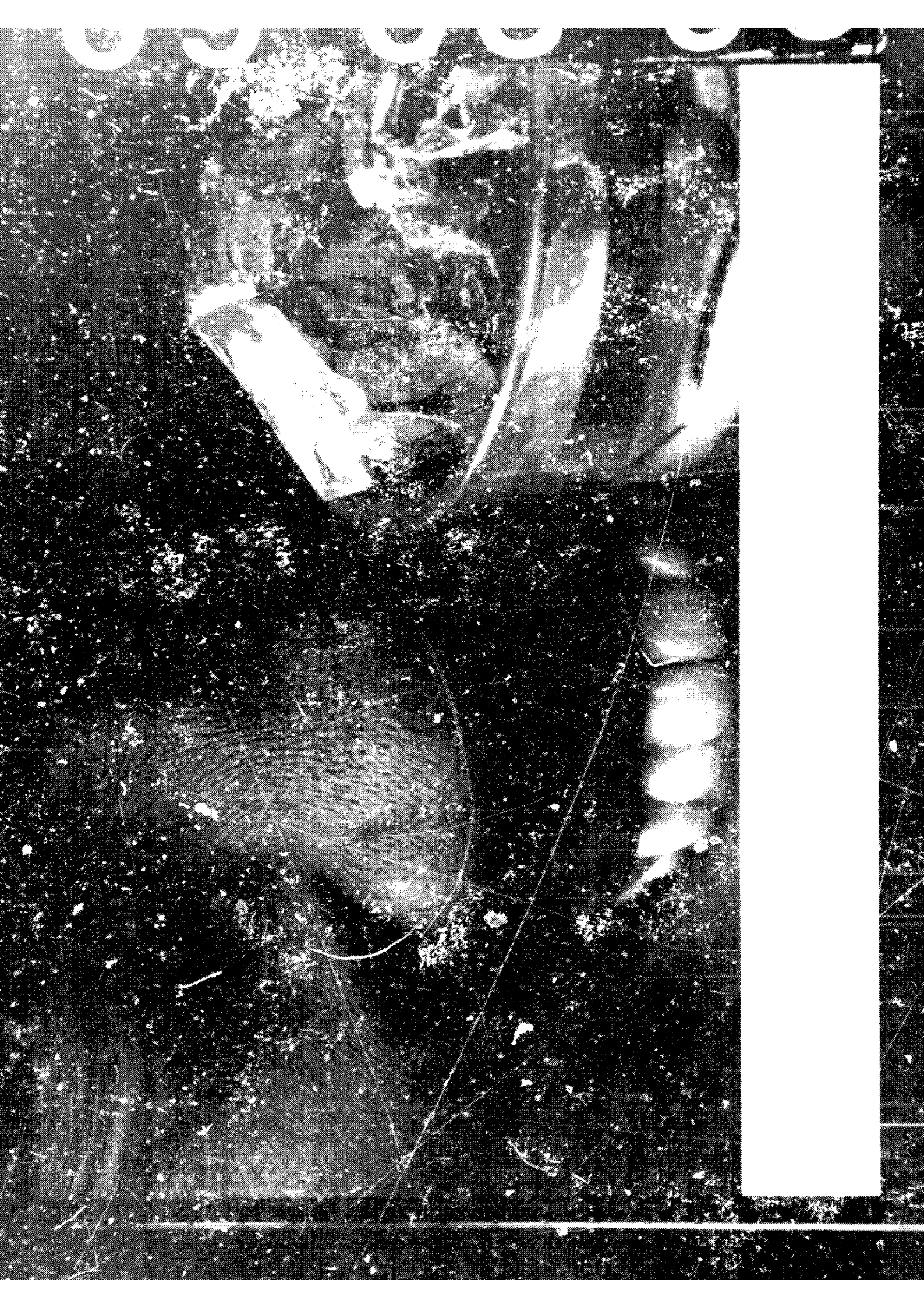
Our investment We are progressively replacing or improving water treatment works; we brought four new treatment works into service and we intend to complete five more next year. We are also speeding up work on the distribution network. During the year we replaced, refined or cleaned over 1,093km of mains. Next year we plan to exceed this figure.

Drinking water

The principal function of the Drinking Water Inspectorate (DWI) is to ensure that the water companies fulfil their legal obligation to supply "wholesome" water. All water supplied for drinking, washing, cooking or the production of food must be assessed against more than 50 water quality parameters; these must be met in all but exceptional circumstances.

We have continued our drive to replace lead common supply or service pipes. Last year we replaced over 24,000 lead pipes with new modern pipes and we plan to replace at least as many each year for several years.

We will also control more effectively the input of chlorine, an essential disinfectant which sometimes brings complaints from customers who are sensitive to its taste or smell.



Improving the environment

We continue to clean up bathing waters and rivers and focus on the impact of our business on the environment.

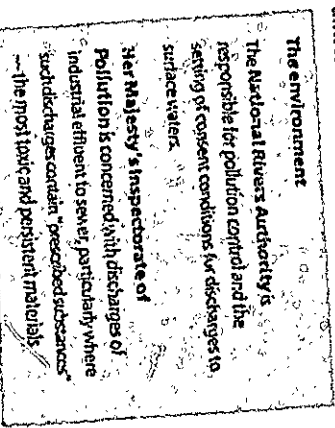
In controlling dangerous substances in industrial effluent (mainly cadmium) we achieved almost 100% compliance.

Cleaning up bathing waters Of the 53 bathing waters in the North West, 11 met EC standards for micro-organisms during the 1992 bathing season. This is an increase of one compared with the 1991 figure. Seven of the waters passed in both years.

We are spending £400 million to clean up the region's bathing waters. Improved wastewater treatment will ensure that the discharges reaching them meet EC standards at a time for the 1996 bathing season. At Morecambe it has been agreed that we cannot achieve compliance until 1997.

Planning approval was given for the Fleetwood Marsh wastewater treatment plant, key to the clean-up of the Blackpool and Fylde coasts which will cost more than £150 million. Already well advanced is the £80 million scheme at Southport, where the town's Victorian sewers are being modernised.

Bringing life back to rivers For generations the rivers of the North West have been receiving untreated wastewater and industrial waste. This has left many of them seriously polluted. Already much has been achieved in cleaning them up; the Mersey, once one of the dirtiest rivers in Europe, has seen the return of over 50 species of fish and much other wildlife.



Much, however, remains to be done: during the present decade we are spending around £250 million a year on improvements to wastewater treatment, a large part directed towards purifying the region's rivers and streams.

Treating wastewater Every day we remove and treat 2,600 million litres (580 million gallons) of wastewater from homes, offices and industry throughout the North West.

We transport this wastewater to the treatment works through 33,000km of sewers. We also operate 1,170 wastewater pumping stations.

The impact of the discharges from our 620 wastewater treatment works on rivers and streams is controlled by a consent issued by the National Rivers Authority (NRA). For larger works these specify numerical conditions for the chemical composition of the discharges. In 1991, 38% of the measurements made by the NRA showed compliance with their consent conditions.



Investing in the community

We have increased our focus on education, conservation, access and recreation, as we seek to ensure a positive impact on the communities we serve.

Involving communities We believe that business is not apart from the community. It is a part of it. We are acutely aware that although our massive investment programme is bringing major environmental benefits, local people are naturally concerned about the possible impact upon their communities. This is why we are so committed to consultation and the provision of detailed public information.

Work is now beginning on one of the most advanced wastewater treatment projects in Europe that will clean up the bathing waters of Blackpool and Fleetwood. It is the result of a *unique consultation process* – the *Fylde Forum* – involving local councillors, MPs, environmental groups and the National Rivers Authority. Information was also presented to people along the Fylde Coast and around Morecambe Bay at visiting roadshows.

This is just one example of how we involve local communities as we implement our investment programme.

Education At Worthington Lakes a classroom dedicated to environmental education continued to provide an exciting learning experience for about 5,000 primary school pupils

who studied the water cycle and North West Water's role in it. Their lessons are integrated into the National Curriculum.

We also hosted about 100 teachers from schools across the region, who took part in our teacher placement scheme organised by Understanding British Industry. These teachers spend up to one week within the company understanding our business. It is one of the few teacher placement courses in the UK with a waiting list.

Conservation All our employees are encouraged to care for the environment. Our dual aim is to conserve and improve both natural and man-made heritage sites. We have more than 100 full time and voluntary rangers, wardens, access and project officers working on an agency basis on behalf of North West Water.

We provide sites for nature reserves; these are managed by such bodies as the Royal Society for the Protection of Birds. We have also sponsored a number of important research projects.

Our work continued with the British Trust for Conservation Volunteers, who give us 6,000 work days each year on a wide range of projects. Volunteers create footpaths, fences and hedges and work on small ponds and woodlands.

Access It is our policy to welcome the public to our sites. In particular, we plan more facilities for disabled people in addition to those which already exist. Two recently-completed schemes are the Worthington Lakes trail for the visually impaired and the Hurstwood trail for disabled horse-riders.

Recreation Two-thirds of our 168 supply reservoirs are used for sailing, canoeing, angling and other water sports. This year the Cowm Waterski Centre for the Disabled was completed. It is the North West regional base of the British Disabled Waterski Association.

In addition, we make land available for jogging, fall-running, cycling, orienteering and many other forms of recreation.





Improving financial performance

Profit for the year after tax rose to £262.4 million, with a 162.6 million reduction for investment in the region.

Investment
More than £1.5 billion has been invested since privatisation.

In 1989/90 we invested £235 million and the average North West household water bill was £130 (at 1989/90 prices). In 1992/3 we invested almost £500 million and the average household bill was £156.

In real terms investment has more than doubled since privatisation while charges have increased by only 20%.

Since privatisation we have added or renewed 2,200 kilometres of water mains, and carried out major improvements to more than 100 wastewater treatment works and built 15 new wastewater treatment works.

Improving profits Operating profit has increased by 16% to £264 million. This is despite a reduction in industrial and commercial sales of 7% and an increased charge for restructuring of £50 million. Operating costs excluding restructuring rose by only 1% reflecting continued tight cost control and the benefits of our quality and efficiency strategy.

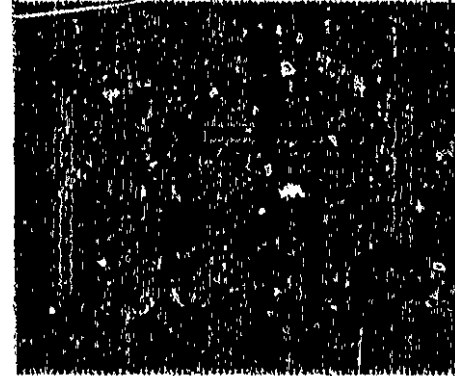
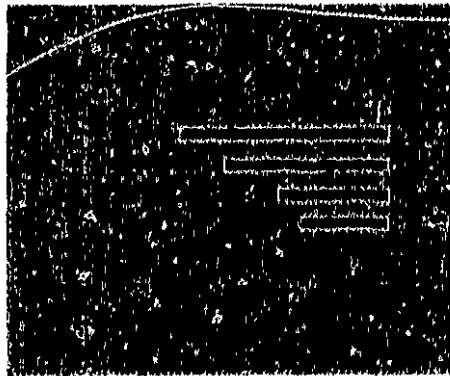
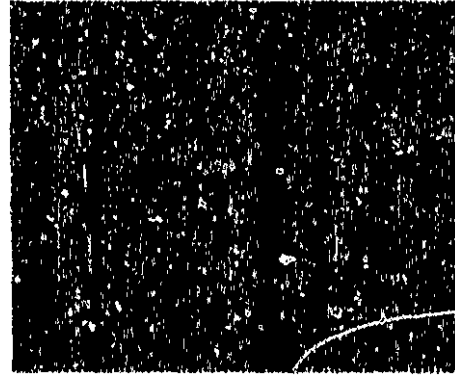
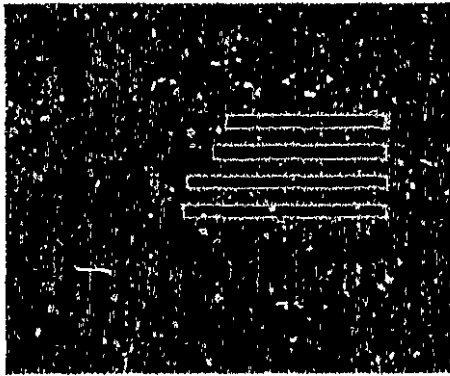
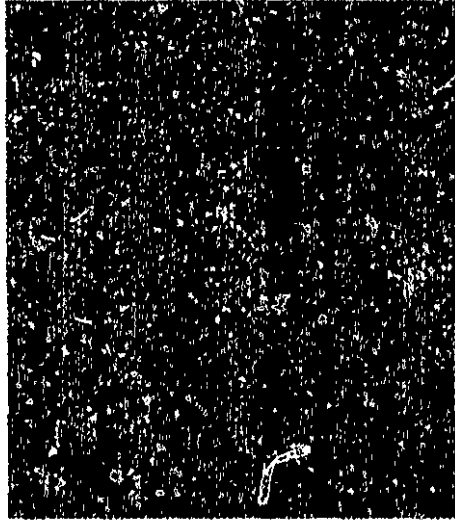
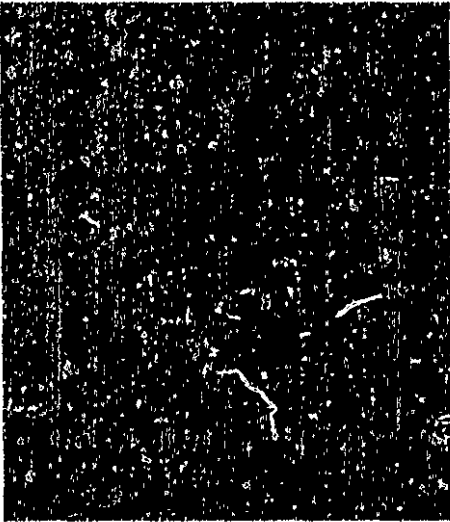
Improving efficiency The rise in profit has come from increased efficiency in operating profit per employee continues to rise. Average numbers employed fell by 486 in the year and there are now 5,393 employees in the company. This is over 1,600 fewer than at privatisation.

We are continuing to reduce the layers of management within the company and to increase the responsibilities of employees. This means that they can react more quickly to the needs of customers and the community. As they accept new responsibilities they need the information to help them make decisions and the skills to apply their new knowledge. We have therefore made significant investments in technology and in training.

These efficiency improvements are reflected in the agreement we reached with the Director General of Water Services for customers to pay in 1993/4 and 1994/5 less than the maximum increase allowed under the privatisation price formula. The Director General has also agreed that we need to spend about £270 million extra in these two years to meet the new environmental standards. In particular it will enable us to continue reducing pollution of the Mersey estuary and implementing the EC bathing water directive on the Fylde and Cumbrian coasts.

Investing in the future Our capital investment programme came in on target and slightly under budget at almost £500 million. In 1992/3 62% of our profit before tax is retained in the business to finance this investment. The rest was used to finance taxation and dividends.

On top of this our borrowings continue to rise as forecast and this year we have been able to benefit from falling interest rates and access to loans from the European Investment Bank. At 31 March our borrowings stood at £522 million, representing gear of 26%.



Directors' report

Principal activities The company provides water and sewerage services in the North West of England in accordance with its licence held under the Water Industry Act 1991.

The Chairman's statement and the Managing Director's review of activities to be read in conjunction with this report appear on pages 2 to 15.

Profit and dividend Turnover for the year ended 31 March 1995 rose to £592.3 million, an increase of 8.2% over the previous year. Profit for the year after tax was £262.4 million. An interim dividend of 7.85p per share was paid in February 1995. The directors recommend a final dividend of 15.27p per share for the year to 31 March 1995 for payment on 6 August 1995.

Regulation As required by condition K of the licence, the directors state that they are satisfied that as at 31 March 1995, if a special administration order had been made under section 25 of the Water Industry Act 1991 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.

Employees The company's investment in training and development continues to be a key aspect of our quality and efficiency strategy and the transformation of the company into a model utility.

The organisation is being refined to reflect the company's commitment to devolved responsibility.

The company has a wide range of communications and consultative arrangements designed to ensure the active participation of employees in the development of the business.

Safety remains a high priority and it is pleasing to report a further reduction in the number of accidents that occurred during 1992. However, there is still room for improvements and a new safety policy has been launched which is linked to a comprehensive programme of auditing and physical inspection.

The company 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 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 retaining is offered if appropriate.

Fixed assets There are stringent provisions within the Water Industry Act and the licence regarding the disposal of land and buildings, the majority of which are needed for continuing operations and are not readily acceptable 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 10 to the accounts.

Research and development A key feature of our strategy is our continuing research and development which aims to provide innovative technology solutions and bring them to practical applications.

Only by the increasing use of technology can we achieve the increasing quality requirements being demanded of us, while at the same time controlling costs and reducing environmental impact. New materials will encourage new approaches to construction, and new water and wastewater processes are being developed which will be controlled and monitored by improved instrumentation and systems.

Share capital The authorised share capital of the company, together with details of shares issued, is shown in note 19 to the accounts.

Directors' report

Directors The directors of the company during the year ended 31 March 1993 are set out below. All were directors for the whole year except where otherwise indicated.

- W D Grose Chairman - retired 31 March 1993
- RP Flynn Deputy Chairman
- B Alexander Managing Director - retired 31 July 1992
- RD Armstrong Group Personnel Director
- D A Clegg Planning Director
- FW Steary Finance Director - appointed 1 July 1992
- MR Oyer Group Technical Director
- RF Ferguson Group Financial Director
- D Gobbes Procurement Director
- D Gorton Managing Director
- F Harper Quality Director
- RF Worsell Group Information Systems Director
- F Sanderson Non-Executive Director

None of these is a director.

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 April 1993 Sir Desmond Patcher was appointed a director of the company and Chairman of the Board.

On 14 May 1993 Mr Croft and C. H. Epsbach were appointed directors of the company.

Auditors A resolution to re-appoint the auditors Price Waterhouse will be proposed at the annual general meeting.

A. R. Telford
 Director of the Board
 ER Telford Secretary
 8 July 1993

Profit and loss account

Notes	1993 £m	1992 £m
Turnover	1(b) 692.5	640.1
Operating costs	3 (411.4)	439.1
Other income	4 3.9	2.9
Operating profit	7 284.8	243.9
Net interest payable	7 (22.4)	(2.8)
Profit on ordinary activities before taxation	8 262.4	241.1
Tax on profit on ordinary activities	8 -	-
Profit for financial year	9 262.4	241.1
Dividends	9 (99.8)	(93.3)
Transfer to reserves	21 162.6	147.8

The company has no recognised gains or losses other than the profit for the period.

† notes on pages 19 to 26 form part of these accounts

Balance sheet

Notes	1993 £m	1992 £m
Fixed assets		
Tangible assets	10 2,535.7	2,196.3
Investments	11 9.4	9.4
Current assets		
Stores	5.0	4.6
Debtors	12 185.9	153.4
Investments	13 151.7	213.8
Cash at bank and in hand	15 9.9	-
	348.5	373.8
Creditors: Amounts falling due within one year	14 (316.4)	154.4
Net current assets	32.1	29.4
Total assets less current liabilities	2,568.2	2,236.1
Creditors: Amounts falling due after more than one year	15 (518.2)	558.0
Provisions for liabilities and charges	17 (37.8)	(18.5)
	2,012.2	1,849.6
Capital and reserves		
Called up share capital	19 431.9	431.9
Share premium account	21 647.8	647.8
Profit and loss account	23 932.5	769.9
	2,012.2	1,849.6

Approved by the Board of directors on 8 July 1993 and signed on its behalf by

Sir Desmond Pitcher TW Drury
Chairman Finance Director

The notes on pages 19 to 26 form part of these accounts

D. W. Drury

T. W. Drury

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 and, except for the treatment of certain grants and contributions with the Companies Act 1985 ("the Act") An explanation of this departure from the requirements of the Act is given in the "Grants and contributions" section below.

(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)

1. 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

Capitalised computer software costs are depreciated over 3-10 years.

Assets in the course of construction with an estimated economic life of greater than 20 years are not depreciated until the year following commissioning.

(e) Grants and contributions

Grants and contributions relating to infrastructure assets have been deducted from the cost of fixed assets. This is not in accordance with schedule 4 to the Act, which requires fixed assets to be shown at their purchase price or production cost and hence grants and contribution would be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the directors, necessary for the accounts to give a true and fair view. No provision is made for depreciation on infrastructure assets and any grants and contributions relating to such assets would not be taken to profit and loss account.

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.

(f) 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.

Notes to the accounts continued

(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.

(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.

(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 United Kingdom in one class of business.

3 Operating costs

	1993 £m	1992 £m
Staff costs:		
Wages and salaries	88.4	95.9
Social security costs	7.4	8.0
Pension contributions (note 22)	10.0	10.5
Capital schemes	105.8	114.2
Infrastructure renewals	(25.0)	(25.7)
Manpower costs	(6.2)	(8.6)
Depreciation:		
Owned fixed assets	74.6	79.9
Fixed assets held under finance leases	47.5	35.0
Infrastructure renewals expenditure	6.0	4.8
Other operating costs include:		
Energy, rates and other operating costs	53.5	39.8
Raw materials and consumables	63.0	72.8
Auditors' remuneration		
Research and development	159.3	152.2
Operating leases	18.5	16.8
— hire of plant and machinery	0.1	0.1
— land and buildings	2.6	2.5
Restructuring charge	2.1	2.0
	1.7	2.8
	36.0	30.2
Total operating costs	220.3	206.6
	411.4	399.1

Fees payable to Price Waterhouse for non-audit services in 1993 were £7.5 million.

6	Employees	1993	1992
		5,442	5,928
	Average number of persons employed		

7	Net interest payable	1993	1992
		£m	£m

	Interest payable:		
	On bank loans, overdrafts and other loans	(5.2)	(4.7)
	Repayable within 5 years	(52.4)	(25.1)
	Repayable wholly or partly in more than 5 years	(35.6)	(29.8)
	Of finance leases	(9.9)	(5.7)
	Group undertakings	-	(1.0)
	Total interest payable	(45.5)	(36.5)
	Interest receivable:		
	Group undertakings	3.7	4.2
	External	19.4	29.5
	Net interest payable	(22.4)	(2.8)

4	Other income	1993	1992
		£m	£m
	Profit on disposals of fixed assets	2.7	1.7
	Net rents receivable	1.2	1.2
		3.9	2.9

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.

As at March, the directors and their immediate 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):

	1993		1992	
	Share options (i) Executive option scheme	Share options (ii) Employee share scheme	Ordinary shares	Share options (i) Executive option scheme
RJ Armstrong	14,409	8,824	579	66,249
DA Clegg	12,698	4,090	295	36,500
TW Drury (iii)	-	5,376	-	-
MR Dyer	7,114	2,961	1,260	61,999
D Gledhill	-	1,897	-	43,000
E Harper	1,945	8,824	1,795	36,500
RJ Wormald	-	5,262	-	73,500
				8,824
				4,090
				2,582
				8,824
				4,314

(i) Details of the executive share option scheme and the executive share option scheme operated by North West Water Group PLC are given in that company's accounts.

(ii) TW Drury was appointed to the Board on 1 July 1992. At that date he held options of 20,500 shares under the executive share option scheme and 5,376 shares under the employee share option scheme.

Notes to the accounts continued

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

	1993 £m	1992 £m
Accelerated tax allowances on buildings, plant and equipment	277.5	248.8
Losses and other timing differences	(46.3)	(89.4)
	231.0	159.4

9 Dividends

	1993 £m	1992 £m
Interim dividend of 7.85 pence (1992 - 7.19 pence)	33.9	31.0
Final dividend of 15.27 pence recommended (1992 - 14.40 pence)	65.9	62.3
	99.8	93.3

10 Tangible fixed assets

	Fixed assets £m	Intangible assets £m	Fixed capital assets £m	Fixed capital assets £m	Fixed capital assets £m	Fixed capital assets £m	Fixed capital assets £m	Fixed capital assets £m	Fixed capital assets £m
Cost:									
At 1 April 1992	56.7	1,051.6	452.4	456.6	1,77.4	272.3	2,466.4		
Additions	11.2	83.6	32.4	65.6	-	213.8	406.6		
Grants and contributions	-	(14.2)	-	-	-	71.7	(15.9)		
Inter-group transfer	2.4	-	-	-	-	-	2.4		
Transfers	3.4	12.5	58.6	(7.8)	-	(66.7)	-		
Disposals	(0.7)	-	-	(3.9)	-	-	(4.6)		
At 31 March 1993	73.0	1,133.5	543.4	509.9	177.4	417.7	2,854.9		
Depreciation:									
At 1 April 1992	9.8	-	45.9	114.4	100.0	-	270.1		
Charge for the year	3.5	-	8.4	36.0	5.6	-	53.5		
Disposals	(0.7)	-	-	(3.7)	-	-	(4.4)		
At 31 March 1993	12.6	-	54.3	146.7	105.6	-	319.2		
Net book value:									
At 31 March 1993	60.4	1,133.5	489.1	363.2	71.8	417.7	2,535.7		
At 31 March 1992	46.9	1,051.6	406.5	341.6	77.4	272.3	2,196.3		

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 £53.9 million (1992 - £38.0 million) lower than it would have been had this treatment not been adopted.

18 Tangible fixed assets

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

	1993 £m	1992 £m
Cost	184.6	125.7
Accumulated depreciation	(74.1)	(41.3)
Net book value	140.5	84.4

An analysis of land and buildings between freehold and long and short leasehold is not readily available at 31 March 1995. 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.

Capital commitments

	1993 £m	1992 £m
Contracted but not provided for	328.3	285.4
Authorised but not yet contracted for	37.4	110.0

In addition to these commitments, 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.

11 Fixed assets investments

	Investments £m
Cost:	
At 1 April 1992 and 31 March 1993	0.4

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 5% convertible unsecured loan	— 26.25%
WPF Holdings Limited	stock 2014 Ordinary £1	26.25%
Willow Lodge (St Annes) Limited (dormant)	Ordinary £1	18.44%
		100%

Notes to the accounts continued

12 Debtors

	1993 £m	1992 £m
Amounts falling due within one year:		
Trade debtors	89.9	64.6
Amounts owed by Group undertakings	40.7	44.3
Other debtors	14.8	12.2
Infrastructure renewals prepayment	9.1	1.5
Prepayments and accrued income	27.7	32.3
	182.2	154.7
Amounts falling due after more than one year:		
Amounts owned by associated undertaking	0.3	0.3
Other debtors	1.4	0.4
	1.7	0.7
Total debtors	183.9	155.4

13 Current asset investments

	1993 £m	1992 £m
Managed funds and short term deposits	151.7	213.8

14 Creditors: amounts falling due within one year

	1993 £m	1992 £m
Loans	0.9	0.7
Bank overdrafts and temporary borrowings	10.0	27.1
Trade creditors	24.2	23.9
Obligations under finance leases	7.4	7.6
Proposed dividend	65.9	62.3
Amounts owed to Group undertakings	3.1	—
Other creditors	1.3	1.4
Taxation and social security	3.4	4.2
Accruals and deferred income	200.2	217.2
	316.4	344.4

15 Creditors: amounts falling due after more than one year

	1993 £m	1992 £m
Loans	361.7	262.5
Obligations under finance leases	142.6	87.7
Other creditors	6.8	3.8
Deferred grants and contributions (note 16)	7.1	4.0
	518.2	358.0

16 Deferred grants and contributions

	£m
At 1 April 1992	4.0
Received in the year	3.6
Credit to profit and loss account for the year	(0.5)
At 31 March 1993	7.1

17 Provisions for liabilities and charges

	Reserve by £m	Other £m	Total £m
At 1 April 1992	13.5	5.0	18.5
Released	(16.7)	(0.4)	(17.1)
Profit and loss account	36.0	0.4	36.4
At 31 March 1993	32.8	5.0	37.8

18 Borrowings

	Liabilities after charge		1993		1992	
	£m	£m	Total £m	Total £m	Total £m	Total £m
Within one year	0.9	7.4	18.3	35.4		
Between one and two years	0.9	6.8	7.7	8.2		
Between two and five years	45.6	16.0	61.6	44.5		
After more than five years	315.2	119.8	455.0	297.5		
	362.6	100	522.6	385.6		

Loans repayable after more than five years comprise bank and other loans repayable between 1994 and 2052. Interest rates range from 4.00% to 14.83% on £117.7 million and are at floating rates or £147.5 million.

19 Called-up share capital

The authorised share capital of the Company throughout the year ended 31 March 1993 was £170,000,000 comprising 650,000 ordinary shares of £1 each. The allotted and fully paid share capital of the Company throughout the year ended 31 March 1993 was £151,976,000 comprising 411,930,000 ordinary shares of £1 each.

20 Reconciliation of movement in shareholders' funds

	1993 £m	1992 £m
Profit for the financial year	262.4	241.1
Dividends	(99.8)	(93.3)
Operating shareholders' funds	162.6	147.8
Closing shareholders' funds	1,849.6	1,701.8
	2,012.2	1,849.6

21 Reserves

	Profit and loss account £m	Share premium account £m
At 1 April 1992	769.9	647.8
Profit for the year	162.6	-
At 31 March 1993	932.5	647.8

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 under the accounting standard SSAP24 have been assessed in accordance with the advice of William M Mercer Limited using the projected unit method or the attained age method on the basis of actuarial assumptions carried out at 31 March 1990. For this purpose the main actuarial assumptions used are based upon investment growth of 9% per annum and pay growth of 7% per annum. Pensions in payment and deferred pensions under the WMIS have been assumed to increase by 6% per annum. This assumption has been chosen to reflect the increase 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 annum. This reflects increases which are guaranteed at 5% per annum for the

Notes to the accounts (continued)

22 Pensions continued

increase in the RPI (if less) with the intention to pay more, up to the level of the RPI. If the reverses of the scheme were nil.

At the date of the last valuation, the total market value of the assets (including payments received from previous administrations) was £140.2 million. The combined actuarial value of the assets represented 103.5% 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 scheme is being spread over the future working lifetime of the existing members. The total pension cost for the period was £10.0 million (1992 - £10.3 million).

23 Operating leases

The company is committed at 31 March 1993 to making the following payments during the next 12 months

Leases which expire:	Land and buildings £m	Plant and machinery £m
Within one year	-	0.2
Between two and five years	1.6	2.0
After five years	0.8	-
	2.4	2.2

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

25 Cashflow statement

The company has not included a cashflow statement because the accounts of the parent company contain a cashflow statement in accordance with FRS 1.

26 FRS 5 "Reporting financial performance"

We have adopted the recommendations of the ASB's 1991 (amended) Reporting Standard No. 5 reporting financial performance. No significant effects on the accounts have resulted from its adoption.

Auditors' report

to the members of North West Water Limited

We have audited the accounts on pages 18 to 26 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 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditor

Manchester
8 July 1993



Regulatory accounting information

Introduction

The current cost accounts on pages 28 to 33 have been prepared in accordance with the requirements of Regulatory Accounting Guidelines issued by the Director General of Water Services

Non appointed activities which mainly include the provision of services to the NRA and the external sales of energy are not material and therefore the current cost accounts show the figures for the total business

The historical cost profit and loss account and balance sheet required by the guidelines are included in the statutory accounts which are set out on pages 18 to 26.

Auditors' Contract

The contract of appointment with the auditors satisfies the requirements of paragraph 9.2 Condition F - namely that the auditors will provide such further explanation or clarification of their reports, and such further information in respect of the matters which are the subject of their reports, as the Director General may reasonably require"

Basis of allocations and apportionments

The revenues, costs, assets and liabilities are directly allocated to the appointed business and any other activity or associated company, except where they relate to common support services. Those relating to common support services are apportioned on the basis of the demands made on each of the support services by each principal service or activity

Current cost profit and loss account

	1995 £m	1992 £m
For the year ended 31 March 1995		
Turnover	692.5	640.1
Current cost operating costs	(465.5)	(436.0)
Operating income	2.7	1.0
Working capital adjustment	1.4	1.5
Current cost operating profit	230.9	206.6
Other income	1.2	1.2
Net interest payable	(22.4)	(2.8)
Financing adjustment	5.0	3.3
Current cost profit before taxation	214.7	208.3
Taxation	-	-
Current cost profit on ordinary activities	214.7	208.3
Dividends	(99.8)	(93.3)
Current cost profit retained	114.9	115.0

Current cost balance sheet

	1995 £m	1992 £m
At 31 March 1995		
Tangible fixed assets	20,362.7	19,653.4
Third party contributions since 1989-90	(60.0)	(40.4)
Working capital	(35.5)	(72.8)
Net operating assets	20,267.2	19,540.2
Net operating assets	152.1	214.2
Cash and investments	57.2	57.2
Non-trade creditors due within one year	(152.2)	(164.0)
Non-trade creditors due after one year	(511.1)	(354.0)
Provisions for liabilities and charges	(37.8)	(18.5)
Not assets employed	19,775.4	19,275.1
Capital and reserves	431.9	431.9
Called up share capital	647.8	647.8
Share premium account	362.7	247.8
Profit and loss account	18,535.0	17,947.6
Current cost reserve	19,775.4	19,275.1

Current cost cash flow statement

Note to the cash flow statement

	1993 £m	1992 £m
For the year ended 31 March 1993		
Net cash flow from operating activities	302.8	356.2
Return on investments and servicing of finance		
(Other) income received	1.2	1.2
Interest received	26.9	30.4
Interest paid	(34.3)	(28.5)
Interest on finance lease rentals	(2.8)	(3.9)
Dividends paid	(96.2)	(137.7)
Net cash flow from returns on investments and servicing of finance	(105.2)	(158.5)
Investing activities		
Purchase of fixed assets	(589.6)	(412.2)
Purchase of subsidiaries	-	-
Disposal of fixed assets	2.9	2.0
Net cash outflow from investing activities	(586.7)	(410.2)
Net cash outflow before financing	(189.1)	(192.5)
Financing		
Capital or finance lease rentals	(7.5)	(7.1)
New bank loans	147.5	100.3
Net cash inflow from financing	140.0	93.2
Increase in cash and cash equivalents	(49.1)	(99.3)
Reconciliation of current cost operating profit to net cash flow from operating activities		
Current cost operating profit	230.9	206.6
Current cost depreciation	92.0	81.5
Current cost profit on sale of assets	(2.7)	(1.0)
Increase in debtors and prepaid expenses	(18.4)	28.2
Decrease in creditors and accrued expenses	(18.5)	60.6
Increase in provisions	19.3	(20.0)
Effect of other deferrals and accruals of operating activity cash flow	0.2	0.3
Net cash flow from operating activities	302.8	356.2

Notes to the current cost accounts

1 Current cost accounting policies

These accounts have been prepared for the total business of North West Water Limited in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance in the context of assets which are valued at their current cost value to the business with the exception of assets acquired prior to 31 March 1990.

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

(a) Tangible fixed assets

Assets acquired prior to 31 March 1990 and in operational use are valued at the replacement cost of their operating capability. To the extent that the regulatory regime does not allow such assets to earn a return high enough to justify that value, this represents a modification of the value to the business principle. Also, no provision is made for the possible funding of future replacements of pre-31 March 1990 assets by contributions from third parties and to the extent that some of those assets would on replacement be so funded, replacement cost again differs from value to the business. Redundant assets are valued at their recoverable amounts.

(i) Land and buildings

Non-specialised operational properties were valued on the basis of open market value for existing use at 1 September 1989 and have been expressed in real terms by indexing using the Retail Price Index (RPI) since that date.

Specialised operational properties acquired since 31 March 1990 are valued at the lower of depreciated replacement cost and recoverable amount, restated annually between Periodic Reviews by adjusting for inflation as measured by changes in the RPI. The unamortised portion of third party contributions received is deducted in arriving at net operating assets (as described below).

(ii) Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls are valued at replacement cost determined principally on the basis of data provided by the Asset Management Plan (AMP).

A process of continuing refinement of assets records is expected to produce adjustments to existing values at Periodic Reviews. In the intervening years, values are restated to take account of changes in the general level of inflation as measured by changes in the RPI over the year.

(iii) Other fixed assets

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

(iv) Surplus land

Surplus land is valued at recoverable amount taking into account that part of any proceeds to be passed onto customers under Condition B of the Licence.

(b) Grants and other third party contributions

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

(c) Real financial capital maintenance adjustments

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

(i) Working capital adjustment

This is calculated by applying the change in the RPI over the year to the opening total of trade debtors and stock less trade creditors.

(ii) Financial adjustment

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

Notes to the current cost accounts

2 Analysis of Turnover and Operating Income

	1993		1992		Total £m
	Water Services £m	Sewerage £m	Water Services £m	Sewerage £m	
Turnover					
Measured	112.9	28.9	104.3	26.8	131.1
Unmeasured	194.6	299.0	179.7	277.5	457.2
Trade effluent	-	28.9	-	26.4	26.4
Revenue grants	0.4	0.2	-	-	-
Other sources	21.6	5.8	21.0	4.4	25.4
Total turnover	329.5	362.8	305.0	355.1	640.1

Operating income

Current cost profit on disposal of fixed assets	2.4	0.3	2.7	0.1	1.0
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3(a) Current cost analysis of fixed assets by asset type

	Infra structure assets £m	Specialised operational assets £m	Non- specialised operational assets £m	Other tangible assets £m	Total £m
At 1 April 1992	17,669.7	2,035.6	168.8	1,090.4	20,964.5
Re-classification	64.0	(64.0)	-	-	-
Inter group transfer	-	-	-	2.4	2.4
RPI adjustment	326.2	38.0	3.2	1.9	387.3
Disposals	-	-	(0.8)	(3.9)	(4.7)
Additions	147.2	87.7	36.3	135.5	406.7
At 31 March 1993	18,207.1	2,097.3	207.5	1,244.3	21,756.2
Depreciation:					
At 1 April 1992	-	731.9	39.2	540.0	1,311.1
RPI adjustment	-	(16.6)	0.8	10.7	(5.1)
Disposals	-	-	(0.8)	(3.7)	(4.5)
Charge for the year	-	29.6	3.8	58.6	92.0
At 31 March 1993	-	744.9	43.0	605.6	1,393.5
Net book value:					
At 31 March 1993	18,207.1	1,352.4	164.5	638.7	20,362.7
At 31 March 1992	17,669.7	1,303.7	129.6	550.4	19,653.4

Notes to the current cost accounts continued

3(b) Current cost analysis of fixed assets by service

	Water supply £m	Sewerage £m	Waste water treatment £m	Total £m
Gross replacement cost				
At 1 April 1992	7,592.8	11,724.4	1,647.5	20,964.5
Inter-group transfer	1.8	0.1	0.5	2.4
RPI adjustment	133.6	223.8	29.9	387.3
Disposals	(2.6)	(0.2)	(1.9)	(4.7)
Additions	211.2	55.8	139.7	406.7
At 31 March 1993	7,936.8	12,003.9	1,815.5	21,756.2
Depreciation				
At 1 April 1992	656.8	97.4	556.9	1,311.1
RPI adjustment	(18.0)	1.9	11.0	(5.1)
Disposals	(2.6)	(0.2)	(1.7)	(4.5)
Charge for the year	44.3	5.4	42.5	92.0
At 31 March 1993	680.5	104.5	608.5	1,393.5
Net book value				
At 31 March 1993	7,256.3	11,899.4	1,207.0	20,362.7
At 31 March 1992	6,936.0	11,627.0	1,090.4	19,653.4

3(c) Net book value of fixed assets by service and by type

	Infra-structure assets £m	Specialised operational assets £m	Non-specialised operational assets £m	Other tangible assets £m	Total £m
Water supply	6,236.9	588.9	114.7	515.8	7,256.5
Sewerage	11,795.7	64.1	5.5	34.1	11,899.4
Sewage treatment and disposal	174.5	699.4	44.3	288.8	1,207.0
At 31 March 1993	18,207.1	1,352.4	164.5	638.7	20,362.7

4 Working capital

	1993 £m	1992 £m
Stores	5.3	4.6
Trade debtors	89.9	84.6
Working cash balances	9.9	(5.3)
Trade creditors	(24.5)	(23.9)
Short term capital creditors	(69.5)	(60.0)
Infrastructure renewals (accrual)/prepayment	41.8	6.0
Other trade accruals	(67.2)	(89.1)
Trade payments in advance	2.4	3.4
Payroll related taxes and Social Security contributions	(3.4)	(4.2)
Other trade debtors/creditors	25.3	28.9
Total working capital	(35.5)	(72.6)

5 Movement on current cost reserve

	1993 £m	1992 £m
At 1 April	17,947.6	17,232.5
RPI adjustments		
Fixed assets	392.4	720.1
Working capital	(1.4)	(1.5)
Financing	(5.0)	(3.5)
Grants and third party contributions	(0.6)	-
At 31 March	18,333.0	17,947.6

Three year summary

Current cost profit and loss account

	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Turnover	692.3	659.9	617.1		20,605.3
Current cost operating costs	(465.5)	(449.5)	(459.4)		(17.0)
Operating income	2.7	1.0	(3.9)		(40.4)
Working capital adjustment	1.4	1.5	4.2		20,547.9
Other income	230.9	212.9	158.0		308.5
Net interest	1.2	1.2	5.8		69.3
Financing adjustment	(22.4)	(2.9)	32.9		(193.5)
Current cost profit before taxation	5.0	3.4	(9.3)		(231.3)
Taxation	214.7	214.6	187.4		(40.8)
Current cost profit on ordinary activities	214.7	214.6	187.4		20,460.1
Dividends	(99.8)	(96.2)	(146.0)		457.8
Current cost profit retained	114.9	118.4	41.4		686.7
					40.8
					19,174.8
					20,460.1

Note A.1.2 of the Regulatory Accounting Manual contains further information on the RPA

Current cost balance sheet

	1993 £m	1992 £m	1991 £m	1990 £m
Tangible fixed assets	20,362.7	20,026.8		20,605.3
Third party contributions since 1989-90	(60.0)	(41.2)		(17.0)
Working capital	(35.5)	(74.2)		(40.4)
Net operating assets	20,267.2	19,911.4		20,547.9
Cash & investments	152.1	218.2		308.5
Non-trade debtors	57.2	58.3		69.3
Non-trade creditors	(152.2)	(167.1)		(193.5)
Creditors due after one year	(511.1)	(360.7)		(231.3)
Provisions	(37.8)	(18.9)		(40.8)
Net assets employed	19,775.4	19,641.2		20,460.1
Capital and reserves				
Called up share capital	431.9	440.1		457.8
Share premium account	647.8	660.1		686.7
Profit and loss account	362.7	252.5		40.8
Current cost reserve	18,353.0	18,288.5		19,174.8
	19,775.4	19,641.2		20,460.1

Note A.1.2 of the Regulatory Accounting Manual contains further information on the RPA

Auditors' report

to the Director General of Water Services on the financial statements of North West Water Limited

We have audited the financial statements on pages 18 to 33 in accordance with Auditing Standards

In our opinion the financial statements contain the information for the year to 31 March 1993 required to be published and submitted to you by North West Water Limited (the Appointee) to comply with condition F of the Instrument of Appointment by the Secretary of State for the Environment of the Appointee as a water and sewerage undertaker under the Water Industry Act 1991

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

- (i) proper accounting records have been kept by the Appointee as required by paragraph 5 of Condition F of the Instrument
- (ii) the information is in agreement with the Appointee's accounting records, complies with the requirements of Condition F of the Instrument and has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services,
- (iii) the financial statements on pages 18 to 26 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointee business, and
- (iv) the current cost financial information on pages 27 to 33 has been properly prepared in accordance with Regulatory Accounting Guideline 1, Accounting for Current Costs, issued in May 1992 by the Office of Water Services.

Price Waterhouse
Chartered Accountants
and Registered Auditor

Price Waterhouse

Manchester

8 July 1993



Directors' certificate to the Director General

Certificate under paragraph 5A.2 of condition F of the appointments

In the opinion of the Directors, North West Water Limited will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Company's obligations under the Appointments); and

In the opinion of the Directors, North West Water Limited will, for at least the next 12 months, have available to it, management resources which are sufficient to enable it to carry out those functions

Certified as having been approved at a duly convened meeting of the Board of Directors of North West Water Limited held on the 21 June 1995.

J R Tetlow Secretary
21 June 1995