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The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.



Quality
Service
Care
Investment
Focus
Management



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To achieve profits and growth for our Shareholders we have set the following key objectives for the 1990s:

Quality

To provide quality in everything we do.

Service

To ensure that we respond quickly and efficiently to the requirements of our customers.

Care

To care for and respect the natural environment and the communities in which we operate.

To achieve these objectives:

Investment

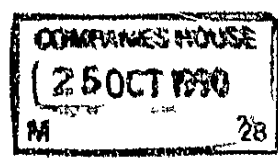
We are steadily expanding our investment programme.

Focus

We continue to focus on our core water and sewerage business using innovative techniques wherever possible, whilst seeking complementary businesses close to the areas we really know best.

Management

Management will concentrate on the investment programme, the tight control of all costs and ensuring that the quality, service and care objectives are met.





The Ruthamford system of interconnecting reservoirs is a key part of Anglian's water supply network. Chairman, Bernard Henderson (centre) accompanied by Ruthamford Manager, Bob Tyler (right) discuss day-to-day operational work with works operative Desmond Duncan of Grafham Water Treatment Works High Lift Pump House.

CHAIRMAN'S STATEMENT

It is a pleasure to welcome and report to you for the first time as shareholders of Anglian Water Plc.

The year under review was a period of change for all of us at Anglian Water. At the centre of that change was our move from the public sector to private ownership.

Preparation for privatisation involved a major restructuring to transfer to the National Rivers Authority responsibility for certain water resource functions, navigation, regulatory functions, land drainage, fisheries and water pollution control, together with 1,047 members of our staff.

Following privatisation we are better able to secure the long term investment necessary to improve progressively the standards of our drinking water, our effluent discharges, the water environment and the level of service we provide to our customers. For too long, our achievement of these aims has been frustrated by the scarcity of available funds in the public sector.

Investment lies at the heart of our efforts to improve services. Over the next ten years we plan to spend over £3.5 billion (at November 1989 prices) to achieve the high standards which our customers expect. Financing this massive investment programme requires that we make profits. At the same time the achievement of higher standards will inevitably mean higher charges for our customers.

We are confident that the interests of our customers will be better served now that Anglian Water operates as a private enterprise in a clearer

regulatory environment rather than under state ownership.

The company is subject to a far higher level of public scrutiny and accountability than was the case as a state-owned authority. The extent of regulation should reassure those who expressed initial concern at the possible impact of privatisation on the level of quality and service in the water industry.

We are accountable to the Director General of Water Services, whose key roles are to ensure that the water companies carry out their functions properly and that they can finance those functions, to the National Rivers Authority, to the other regulators and to our shareholders. Furthermore, we are committed to providing a high level of service to all our customers.

Our employees have welcomed the opportunity to participate in the ownership of their company and 95% of them hold shares. The success of Anglian Water in 1989/90 could not have been achieved without the professionalism, commitment and loyalty of our employees - I thank them all.

In the year to 31 March 1990 we exceeded our Prospectus profit forecast by £3 million, with profits on ordinary activities before taxation of £86.1 million. The Directors are recommending a single dividend for 1989/90 of 10.21p per ordinary share, as forecast in the Prospectus.

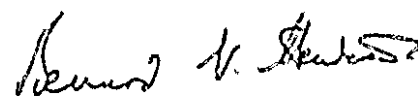
Mr Andrew Semple was appointed Vice Chairman on 23 April 1990. Mr Alan Smith succeeded him as Group Managing Director. Mr Chris Mellor was appointed Group Finance Director.

In July 1990 we acquired Farm Gas, a supplier of anaerobic digestion plants used in the treatment of sewage sludge, abattoir waste and farm slurry, for a consideration of £5.8 million plus up to a further £2 million depending on future profits.

A £100 million 18-year index linked loan stock was launched in June 1990, the first such issue to be offered other than by a Government or a financial institution. It was well received by the market and by commentators.

Unquestionably we have come through the year strengthened by the privatisation experience and better prepared for the future.

The Group is organised for efficiency and we are keen to meet the challenges and opportunities that our new status provides. We believe we have laid the right foundations although growth - in profits, earnings or company size - will not come overnight. While directing our energies to the improvement of efficiency and quality in the core water and sewerage business, we will continue to examine and explore areas of complementary development that will enable the Group to prosper.



Bernard Henderson CBE
Chairman
1 August 1990

BOARD OF DIRECTORS AND ADMINS



Bernard Henderson CBE

Chairman of the Board, former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

Francis Cator CBE

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

Andrew Sample MA

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

Alan Smith CBE

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

John Simpson CBE CBE CBE

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

Chris Mellor CBE

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.

Malcolm Brown CBE

Former Chairman of the British Bankers' Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association, former Chairman of the British Venture Capital Association.



Mr. John Bradfield M.A. (left), Mr. John Boodle M.A. (second from left), Mr. The Earl of Cranbrook M.A. (center), Mr. John Bradfield M.A. (second from right), and Mr. John Bradfield M.A. (right)

Miss Alison Abbott FA

Secretary, 100, The Quadrant, London W.1
 Telephone: M. 1-2345
 She is a member of the Institute of Management and the Institute of Directors.
 She is also a member of the Council of the Institute of Chartered Accountants in England and Wales.
 She is a member of the Council of the Institute of Bankers and the Council of the Institute of Actuaries.
 She is a member of the Council of the Institute of Estate Agents and the Council of the Institute of Surveyors.
 She is a member of the Council of the Institute of Taxation and the Council of the Institute of Valuers.

John Boodle MA

Secretary, 100, The Quadrant, London W.1
 Telephone: M. 1-2345
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 He is a member of the Council of the Institute of Taxation and the Council of the Institute of Valuers.

Dr John Bradfield M.A. (left)

Secretary, 100, The Quadrant, London W.1
 Telephone: M. 1-2345
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The Earl of Cranbrook M.A. (center)

Secretary, 100, The Quadrant, London W.1
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Mr. John Bradfield M.A. (right)

Secretary, 100, The Quadrant, London W.1
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 He is a member of the Council of the Institute of Estate Agents and the Council of the Institute of Surveyors.
 He is a member of the Council of the Institute of Taxation and the Council of the Institute of Valuers.

Principal Bankers

Barclays Bank Ltd., 1, Bartholomew Close, London E.C.4
 The London and Lancashire Banking Co. Ltd., 1, Bartholomew Close, London E.C.4

Merchant Bank

Deutsche Bank AG, 1, Bartholomew Close, London E.C.4

Brokers

W. & A. G. Barr & Co. Ltd., 1, Bartholomew Close, London E.C.4

Auditors

Ernst & Young, 1, Bartholomew Close, London E.C.4

Solicitors

W. & A. G. Barr & Co. Ltd., 1, Bartholomew Close, London E.C.4

Registrars

W. & A. G. Barr & Co. Ltd., 1, Bartholomew Close, London E.C.4

Public Relations

W. & A. G. Barr & Co. Ltd., 1, Bartholomew Close, London E.C.4

DIRECTORS OF SUBSIDIARIES & SENIOR MANAGERS

Anglian Water Plc

Senior Managers

Fiona MacNeil *Head of Public Relations*

Andy Nield *Head of Financial Planning*

Martin Smith *Group Chief Accountant*

Tony Styles *Head of Personnel*

Anglian Water Services Limited

Directors

Alan Smith *Chairman*

John Simpson *Managing Director*

Terry Bolongaro *Director of Finance*

John Green *Divisional Director and
Divisional Manager Western Division*

David Latham *Director of Water Services*

Dr Peter Matthews *Director of Quality*

Chris Mellor *Director*

Andrew Semple *Director*

Senior Managers

Roy Pointer *Divisional Manager Northern Division*

Malcolm Raymer *Divisional Manager
Eastern Division*

John Sansby *Divisional Manager Southern Division*

Pat Gleeson *Regional Personnel Manager*

Andy Redhead *Regional Engineering Manager*

John Smith *Regional Service Manager*

Anglian Water Engineering & Business Systems Limited

Directors

Alan Smith *Chairman*

Jim Adams *Managing Director*

Chris Mellor *Director*

Andrew Semple *Director*

John Simpson *Director*

Senior Managers

Mike Allen *Finance Manager*

Bob Bateman *Computer Services Manager*

Mike Biss *Engineering Services Manager*

Peter Jarvis *Exchequer Services Manager*

Anglian Water Commercial Developments Limited

Directors

Alan Smith *Chairman*

Malcolm Brown *Director*

Chris Mellor *Director*

Andrew Semple *Director*

John Simpson *Director*

Senior Manager

Mike Everest *Business Development Analyst*

CORPORATE STRUCTURE

In preparation for privatisation a new corporate structure was established. Anglian Water Plc has three principal wholly owned subsidiaries.

This framework maintains the Group's focus on the water and sewerage business whilst allowing the development of other appropriate areas.

Anglian Water Plc

- Corporate planning and strategy
- Group finance
- Treasury and tax
- Group personnel
- Company secretariat
- Public Relations

Anglian Water Services Ltd

- Management and operation of the core water and sewerage business

Anglian Water Services Limited was appointed to provide water and sewerage services in the Anglian region.

Anglian Water Engineering & Environmental Systems Ltd

- Engineering
- Computing
- Exchequer/income billing and collection

These services are provided primarily to Anglian Water Services Limited; sales opportunities outside the Group will also be explored.

Anglian Water Commercial Developments Ltd

- New business ventures
- Non core activities

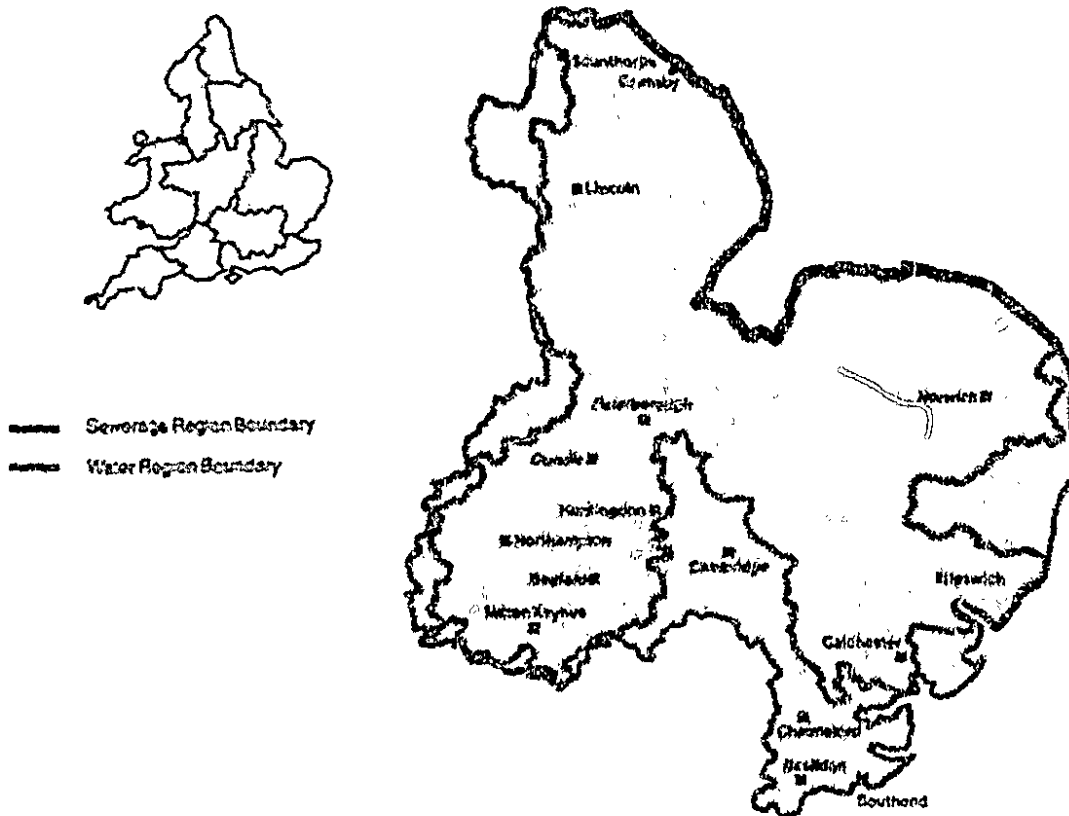
Anglian Water Commercial Developments Limited is assigned the tasks of developing a diversification strategy and identifying suitable opportunities for growth.

FACTS AT A GLANCE

For year ended 31 March 1990

Number of Shareholders and Interim Rights Holders	On register	140,000
	Individual	20 per cent (by value)
	Corporate/institutions	80 per cent (by value)
Area	Water	22,139 sq km*
	Sewage	27,458 sq km
Population in Area	Water	3,840,000*
	Sewage	5,540,000
Operational Data	Water supplied	1,240,000,000 litres a day (average)
	Water Treatment works	167
	Length of water mains	31,600 km
	Length of sewers	27,800 km
	Sewage pumping stations	3,815
	Sewage treatment works	1,086
	Sea and estuarial outfalls	55

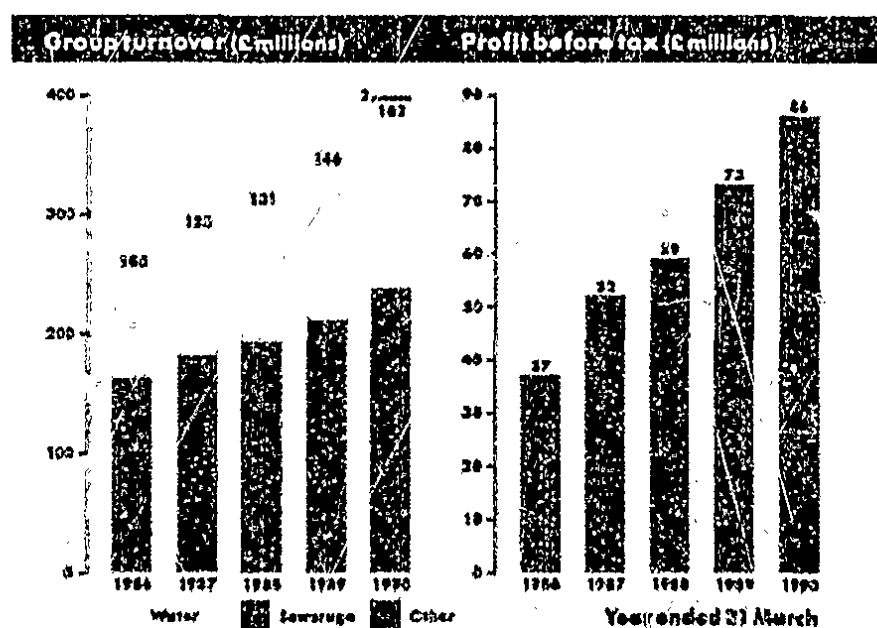
* In the Anglian region, some customers are supplied with water by other Water Companies.



FINANCIAL HIGHLIGHTS

- Profits on ordinary activities before taxation were £3 million higher than the Prospectus forecast.
- Total investment expenditure during the year was on course and within budget at £192 million.

	1990 £m	1989 £m
Historic cost values		
Turnover	401.3	356.5
Operating Profit	154.7	167.5
Profit on Ordinary Activities Before Taxation	86.1	73.4
Profit on Ordinary Activities After Taxation	76.1	73.4
Profit Attributable to Shareholders	68.4	72.2
Dividends	30.1	—
Retained Profit	38.3	72.2
Investment Expenditure	192.0	141.3
Fixed Assets	1,425.1	1,279.3
Pro Forma Earnings Per Ordinary Share	42.1p	—
Dividend Per Ordinary Share	10.21p	—



PRIVATISATION

Water and sewerage systems have traditionally been the subject of little interest outside the industry. Most people took water for granted – until something went wrong.

Today concern for water quality, and for the environment in which water plays such a vital part, combined with the emergence of the major water businesses as public companies, has made the water industry a focus of attention.

To understand the present position of Anglian Water, it is essential to understand the background.

The Anglian Water Authority was created in 1973 and became operational in 1974. It assumed responsibility for water, sewerage, environmental, land drainage and sea defence functions from some 200 predecessor bodies.

The two main reasons stated for the creation of the Anglian Water Authority and the other water authorities were:

1. The very poor state of sewerage and sewage treatment services in the UK had led to declining water quality in rivers. In response to this, the Government called for a massive clean up of the nation's rivers.

2. The ever-increasing cost of establishing major new sources of water supply put severe financial pressures on the relatively small water concerns which had existed.

The solution to both problems was to create a large organisation which could manage the business over a viable geographical area, based on the river basins.

Soon after the creation of Anglian Water in 1974, the leading industrial countries including the UK were hit by a recession caused by the dramatic rise in oil prices. The Government introduced an anti-inflationary policy which restricted increases in water authority charges and drastically curbed capital investment.

In the mid 1970s and early 1980s, customers were chiefly concerned with keeping charges low. Awareness and concern about water quality and the environment were limited to a tiny minority.

So both government and customers pressed for low charges and low investment. The inevitable result was a restricted improvement in standards.

By the mid 1980s, concern about environmental issues in general and water quality in particular was

growing, and growing quickly. After years of under investment in the public sector, water services were and still remain below the standards which are desirable. Anglian Water wished to improve its services, but was not allowed the necessary resources to do so.

While in the public sector, investment in water had to compete with health, education and other public services. Public expenditure on water and the level of water charges were political matters; the needs of the business and the standard of service required were secondary.

As illustrated in the chart on page 11, annual capital expenditure fell from £249m in 1974/75 to a low of £111m in 1979/80 recovering to £192m in 1989/90, all at November 1989 prices.

Privatisation has removed the problems and frustrations of operating in the public sector. The new regulatory framework is designed to ensure that standards are

achieved on time and that Anglian Water can secure the financial resources to meet those standards.

The chart below compares the K Investment Programme (the investment expenditure programme agreed with the Government as part of the K negotiations) over the next ten years with the actual investment expenditure since 1974/75 -- all at November 1989 prices.

The key dates agreed with the Government for the achievement of the most important standards were:

1992/93 for improvements to those sewage treatment works for which time limited consents were issued or applied for before privatisation.

1995 for completing improvements to those water supply treatment works for which undertakings had been given and accepted and relaxations granted under the Water Act 1989.

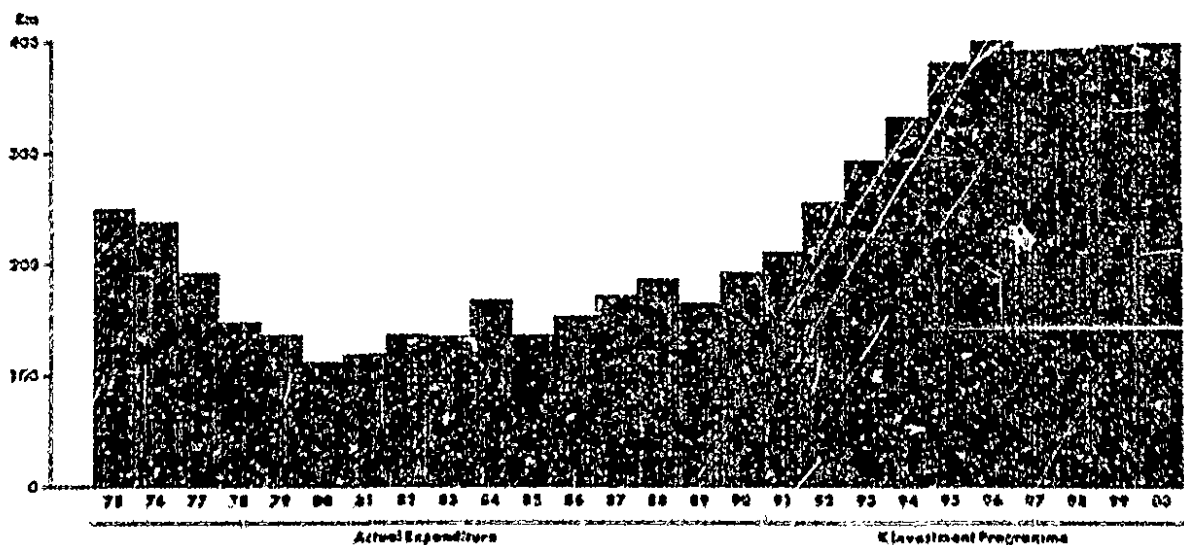
1998 for compliance of bathing waters with Department of the Environment requirements, which are based on EC requirements.

2007 for completion of the programme of water main relining and replacement to facilitate compliance with the full UK and EC requirements.

These are the agreed dates for the completion of these improvements. Work will proceed on all these activities and in some areas improvements will be achieved sooner.

Anglian Water now has a practical framework in which to operate. The public purse has been relieved of a major burden of investment in water and sewerage infrastructure. Customers are protected by a strong system of regulation designed to ensure that water quality and environmental standards improve.

Investment expenditure 1975-2000 (cm of November 1989 prices) Year ended 31 March



INVESTMENT

Investment expenditure is the key factor in bringing about improvements to the services we provide. Over the next ten years we will be investing some £3.5 billion (at November 1989 prices). Our programme will rise gradually over the first five years to a level about double that in 1989-90.

This investment programme therefore lies at the very heart of the business. Its successful implementation, on time and within budget, will be given the highest priority.

We start from a firm foundation in that the investment programme is backed up by two very detailed plans; an Asset Management Plan for our underground assets and an equivalent Surface Investment Requirement for overground assets.

These plans are based on a very comprehensive level of service and asset condition database covering each of the 3,195 parishes in our area and not on an extrapolation from investigations of a few sample areas.

This gives us considerable confidence in our programme.

Anglian Water has an excellent record of implementing large investment programmes but in view

of the massive increase in the scale of the future programme we have taken steps to ensure we maintain the efficacy of our performance.

We considered very carefully the rate at which it was sensible to accelerate the programme without running the risk of cost overruns due to the potential shortfall of design and construction resources in the country as a whole. We concluded that spending could not be increased quickly without considerable risk and therefore negotiated with Government a gradual annual increase in investment over the first five year period and a level programme over the second five year period of the K investment programme. We believe that our agreed profile – illustrated on page 13 – is practical and achievable. By phasing the programme we expect to obtain more competitive tendering and better value for customers.

Furthermore, in deciding on the profile, we assumed that new obligations and new requirements would in fact increase the total programme – and that was correct. Within five months of privatisation, the Government announced that new standards were to be introduced for coastal and estuarial discharges and that the dumping of sewage sludge to sea was to be ended in due course.

Additionally, discussions continue on the draft EC Municipal Waste Water Directive.

The cost of these will depend on the precise requirements, which are yet to be decided by the Government, but we expect that the costs will be eligible for an adjustment to the K factor.

In setting up Anglian Water Engineering and Business Systems Ltd (AWEBS) we have adopted a co-ordinated and focused approach to design, contract management and supervision of all the major schemes in the programme.

We have negotiated an understanding with Biwater Limited whereby they will undertake investment expenditure contracts for £30 million per annum.

Finally to secure additional design resources, AWEBS in May 1989 awarded a two year contract to Sir Alexander Gibb and Partners for design work on £40 million of investment expenditure over the next two years.

We regard the achievement of the standards now required as being of the very highest priority for Anglian Water. To this end, the achievement of the investment programme is critical.

The chart below shows the expected analysis over the main areas within the programme. The programme itself consists of a very large number of relatively small schemes. Whilst such a programme presents a particular challenge in managing the necessary resources it gives considerable strength in that any risks are widely spread.

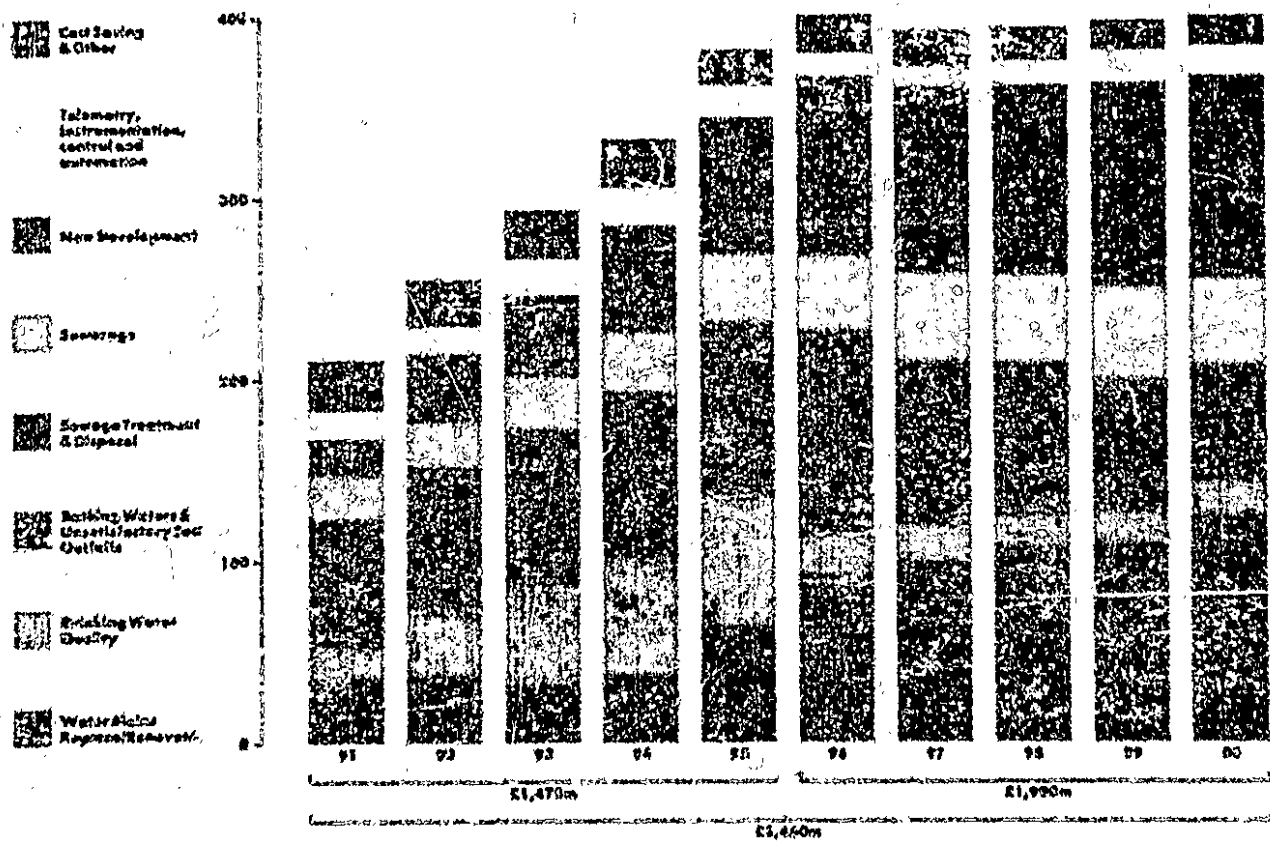
Our investment programme includes some £20 million to be spent on extensions and

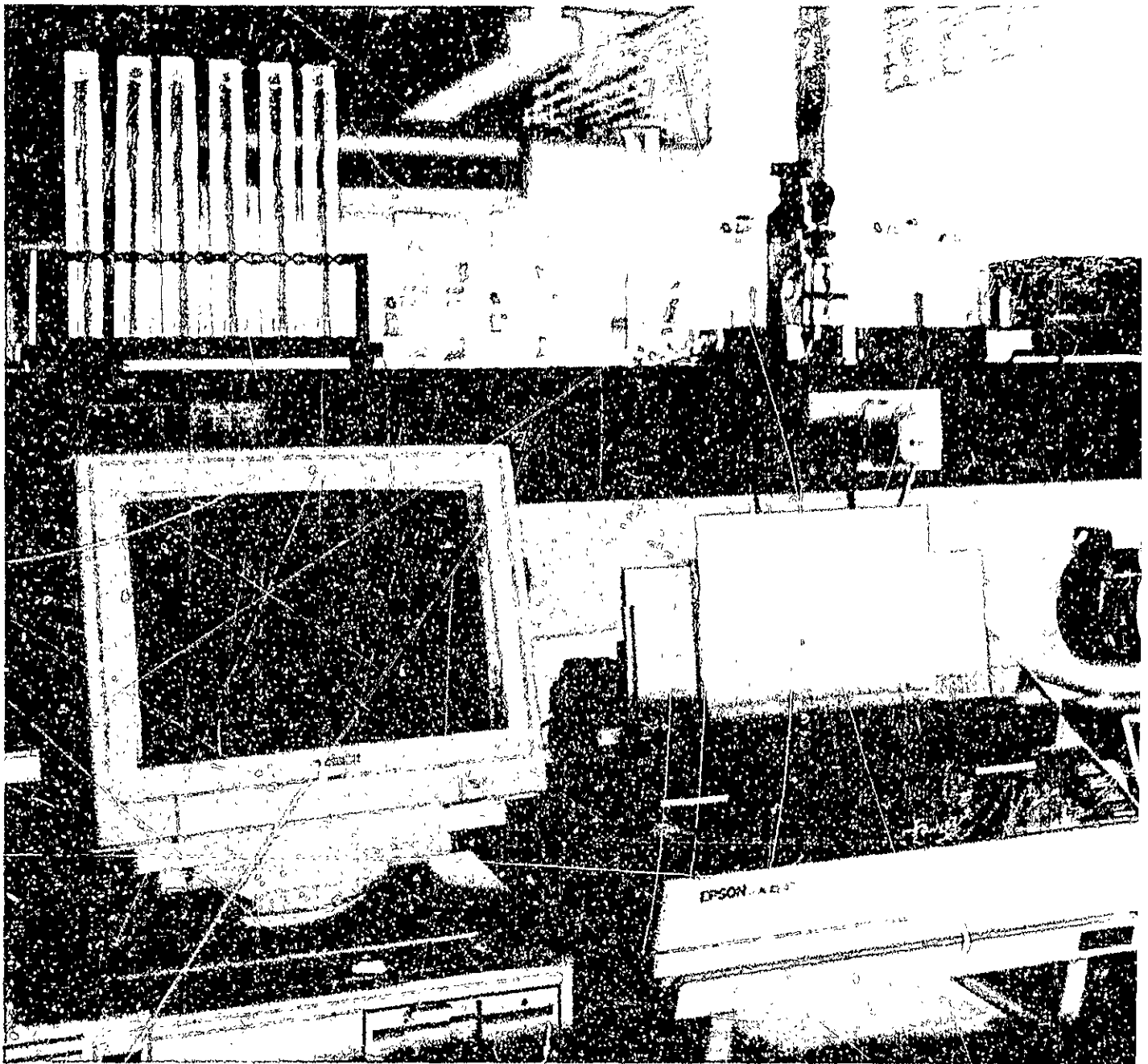
improvements to Whittingham Sewage Treatment Works, one of Anglia's largest works serving Norwich and the surrounding areas. This work is necessary to improve the quality of water in the River Yare, to which the works discharges.

Other schemes started this year include the final stage of a £12 million investment at our sewage treatment works at Tilbury in Essex, which includes the novel "deep shaft" treatment process, particularly suited to the limited site area and believed to be the largest of its kind in Europe.

Furthermore, we commenced an £8 million scheme in King's Lynn in Norfolk to provide a new stormwater sewer in order to deal with the flooding problem in the town caused by its very old brick-built sewers.

Investment plans 1991-2000 by area of expenditure (cm of November 1991 prices) Year ended 31 March





Quality



Improving the quality of water continues to be our highest priority and much has to be done to comply with all the requirements.

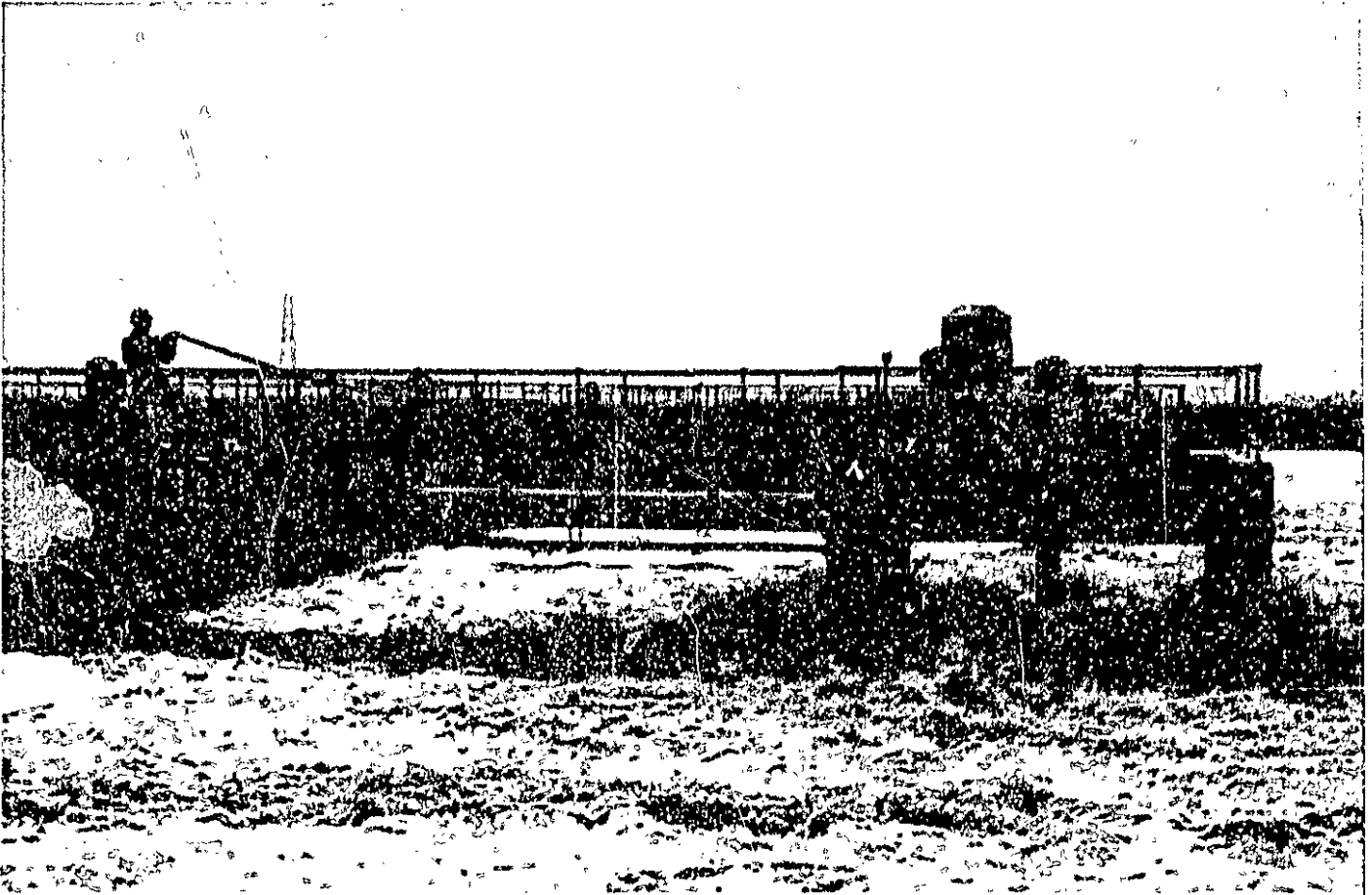
Technician Sampler James Brown is part of a dedicated team of laboratory staff who play a major part in ensuring that quality standards are constantly monitored.

Service

Anglian's network of customer service bureaux handles hundreds of calls a day from customers requiring advice or assistance.

In many cases customers require a visit from one of Anglinn's inspectors. Gerald Dartnell deals with a query for a customer in Huntingdon.

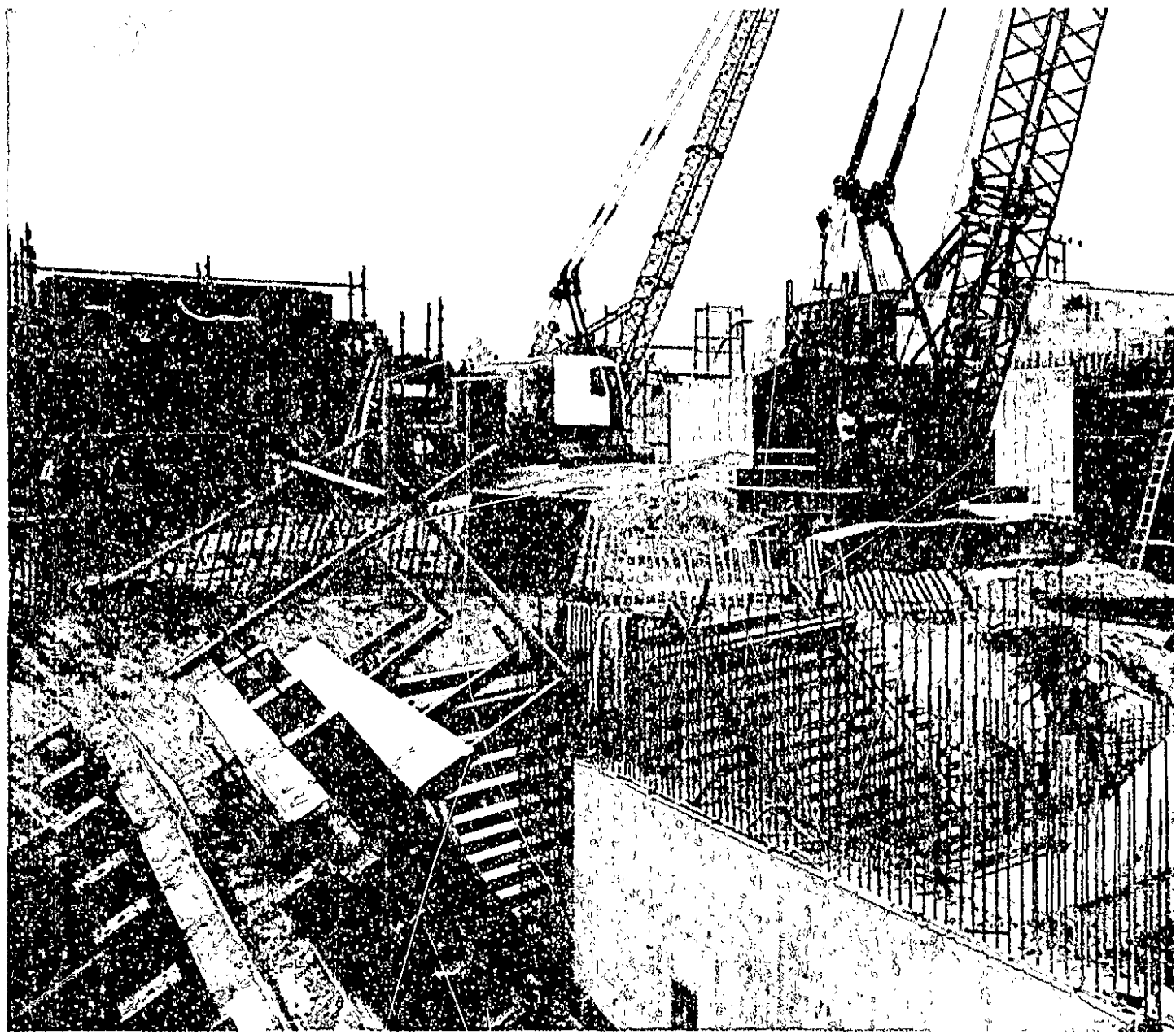




Care

As one of the biggest recyclers of a natural product, Anglian has a fundamental responsibility for the care of the environment. The driving force behind Anglian's sewage treatment works investment programme is the continuing compliance with consent conditions of the effluent discharged.

Flag Fen Sewage Treatment Works is one of Anglian's largest and most modern works serving the needs of the growing City of Peterborough.



Investment



Anglian's ten year £3.5 billion investment programme – at November 1989 prices – will aim to meet higher standards and the growth in demand from new and existing customers – both domestic and industrial. The programme will build up progressively over the next five years. By 1994-95 the annual level of investment expenditure will be about double the 1989-90 level of £192 million.

Evorton Water Treatment Works represents a £0.5 million investment to provide water quality improvements in the Lincoln area.



Focus

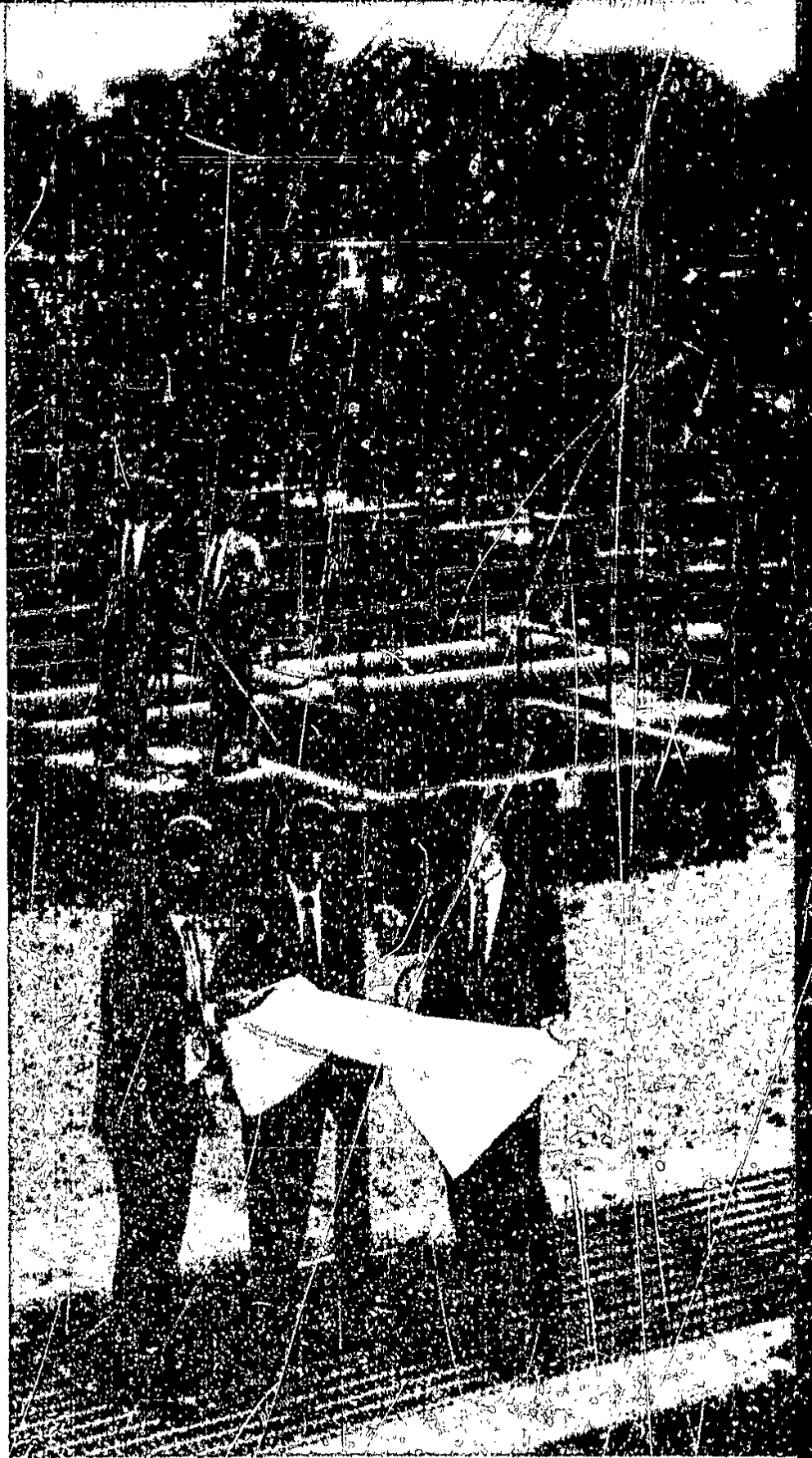
Whilst Anglian Water is committed to its core business of water and sewerage services it will also focus on developing those other areas of activity that have potential.

For example, the growth of Anglian's recreational facilities in harmony with well-established conservation policies has opened up leisure facilities to thousands of visitors. Rutland Water in Leicestershire continues to develop into a key tourist attraction, accommodating anglers, sailors, bird watchers and visitors to the area.

Anglian's management will concentrate on the capital programme to ensure efficient and effective investment in services.

Eastern Divisional Manager, Malcolm Raymer, (centre) with Principal Construction Engineer, David Leggott, (left) and Special Projects Engineer, Ian Hepa (right) review progress on the major £20 million extensions to Whittingham Sewage Treatment Works. This is one of Anglian's largest sewage treatment works serving Norwich and the surrounding areas.

Background: Superintendent David Green and District Manager Tony Latten.



Management

REVIEW OF OPERATIONS

The key event of the year was privatisation. We took advantage of the change to private status to reorganise our structure for the more effective management of the water and sewerage functions. This restructuring, which had begun in 1988, was completed when the new National Rivers Authority (NRA) was separately established on 1 September 1989. The new structure is set out on page 7.

Employees

Privatisation brought reorganisation and greater workloads for staff who responded with their full co-operation and support.

1,047 of the 5,281 employees of Anglian Water at 31 August 1989, were transferred to the NRA.

Company presentations to reinforce staff awareness of the customers' needs and the company's aims have helped greatly to further encourage and motivate employees.

Meeting the training needs of employees at all levels will ensure the company moves into the future with confidence and efficiency. Our own in-house training centre, Whitwell Manor, near Rutland Water, has also established itself as a resource that meets the training needs of many commercial organisations. In particular the management leadership and team building programme has gained a high reputation which has helped establish the centre in the commercial sector.

The fact that all services continued without interruption, in

spite of reorganisation and preparations for privatisation is a great credit to all our employees. The smoothness with which this was achieved confirmed our view that our employees are our key asset.

Anglian Water Services Limited

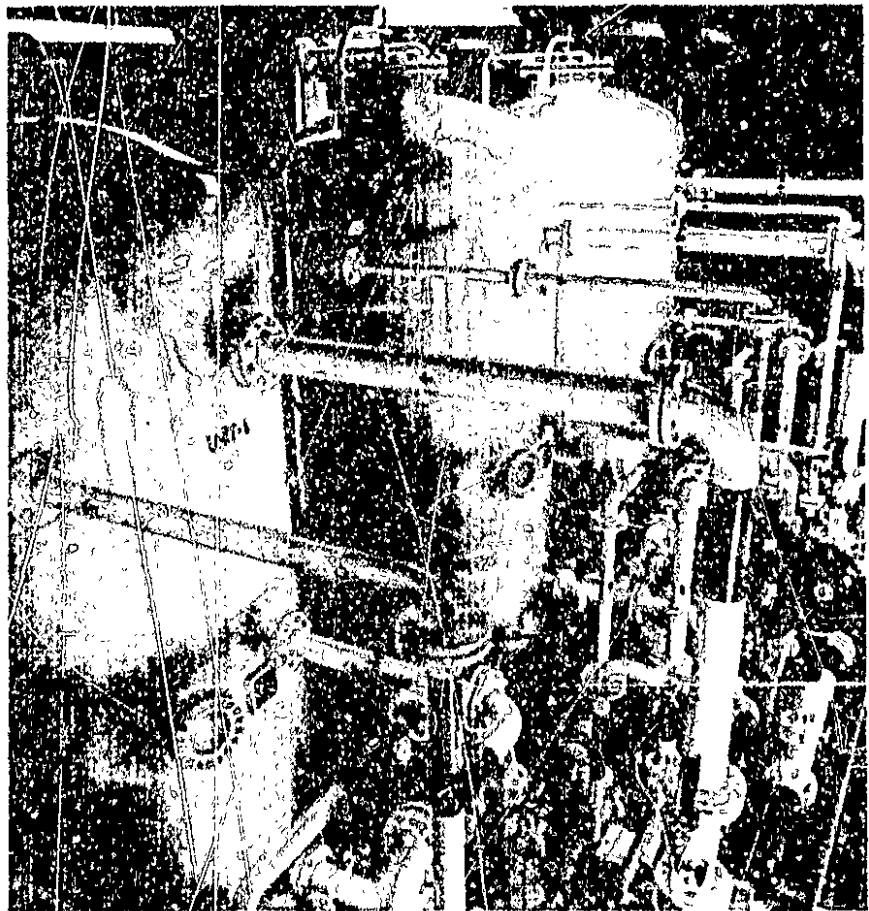
We recognise that the provision of safe drinking water and the efficient collection and disposal of sewage is crucial to the health of the community. Irrespective of the change from public to private status our commitment to this fundamental responsibility remains as strong and as focused as before.

Drinking Water Quality

Water quality has remained at the highest standards. The new drinking water standards, the so-called 'new' drinking water quality standards, which were high lead levels, have been

Progress was made in the provision of adequate resources for the discharge of the Drinking Water Act, which remains to be done. It is our continuing commitment to the improvement of water quality to meet the requirements of the Act. Full implementation will take some time.

Nitrate levels in drinking water have become a matter of public concern over the last few years. Two



Isleham Nitrate Removal Plant in Cambridgeshire.



Chemist Brian Smith monitors clean water samples at Cambridge Laboratory.

The Cambridge Laboratory is a leading center for water quality research. It provides a wide range of services to its clients, including the monitoring of drinking water supplies. The laboratory's expertise is in the analysis of various water samples, ensuring that they meet the highest standards of safety and quality. This involves a series of complex tests and procedures, all carried out with precision and care. The results of these tests are used to identify any potential issues and to develop effective strategies for water treatment and distribution.

The laboratory's commitment to excellence is reflected in its state-of-the-art facilities and the dedication of its staff. By working closely with its clients, the Cambridge Laboratory ensures that their water supply is always safe and clean.

The laboratory's services are essential for the protection of public health. It provides a comprehensive range of testing and analysis services, covering everything from basic water quality checks to more advanced microbiological and chemical testing. This ensures that any potential contaminants are identified and dealt with as quickly as possible. The laboratory's reputation for accuracy and reliability is well-earned, and it continues to invest in new technology to stay at the forefront of water quality research.

In addition to its core services, the Cambridge Laboratory also offers a range of specialized testing services. These include the analysis of industrial effluents, wastewater, and surface water. The laboratory's expertise in these areas is crucial for the development of effective environmental management strategies.

Sewage Treatment

The Cambridge Laboratory plays a key role in the monitoring and management of sewage treatment plants. It provides a range of services, including the monitoring of effluent quality and the analysis of sludge samples. This helps to ensure that treatment plants are operating efficiently and that the environment is protected from any potential pollution.



Sewage sludge sampling is one of the routine procedures carried out by Microbiologist Peter Higgins at the regional Cambridge Laboratory



Grafham Water Control Room, one of Anglian's continuously manned control centres. Divisional controllers, David Jackson (foreground), Keith Simmons (centre) and Ken Evans (back) keep a watchful eye on the performance of operational works throughout the Division.

continue to comply with their discharge consents. At the end of the financial year improvements were taking place at 79 of our sewage treatment works. In 1990-91 work will be in hand at 144 locations.

A great deal of work has been done to improve designated bathing waters along our coastline. A scheme for a part of the North Norfolk coastal area is currently subject to local consultation and discussion with the NRA.

In March 1990 the Government announced that it proposes to

introduce new standards for coastal and estuarial discharges and the cessation of sludge dumping at sea. Anglian Water is committed to achieving these improvements by the agreed date but cannot make progress until the Government have clarified their precise requirements.

Growth in the region
Population growth in the region continued during the year, bringing with it a demand for new housing. Despite the slowing down of the

housing market during the summer of 1989, work in progress by developers ensured a high level of new connections almost until the end of the financial year. The key statistics on growth were:

- 24,000 houses connected for water supply
- 33,000 houses connected for sewerage
- 17.2km of main laid for new housing development
- 1.0% estimated population growth during year

New Technology

Nearly 900 installations were added to our advanced telemetry network bringing the total connected to the system to 2,771. The telemetry system continuously monitors events at remote locations and the information is relayed to one of four continuously manned control rooms. Problems can be identified immediately and swift action taken to minimise inconvenience to our customers or damage to the environment.

Our company-wide computer based communications network, which is one of the most sophisticated in the water industry, helps us to run the business effectively and efficiently.

Safeguarding Supplies

The winter of 1988-89 was relatively dry and was followed by the very hot summer of 1989. Despite the fact

that peak demand rose to a record level of 155% of average demand, supply restrictions were avoided by the work done previously to enhance water resources and to reinforce our distribution systems. The extensive telemetry system played a critical role, allowing central control of all water sources and the distribution system; without it restrictions would have been inevitable.

Although blooms of blue/green algae containing traces of toxin forced us to close our reservoirs to water sports for five weeks, water supplies to customers were subject to the normal extensive treatment process and were maintained without interruption throughout the summer.

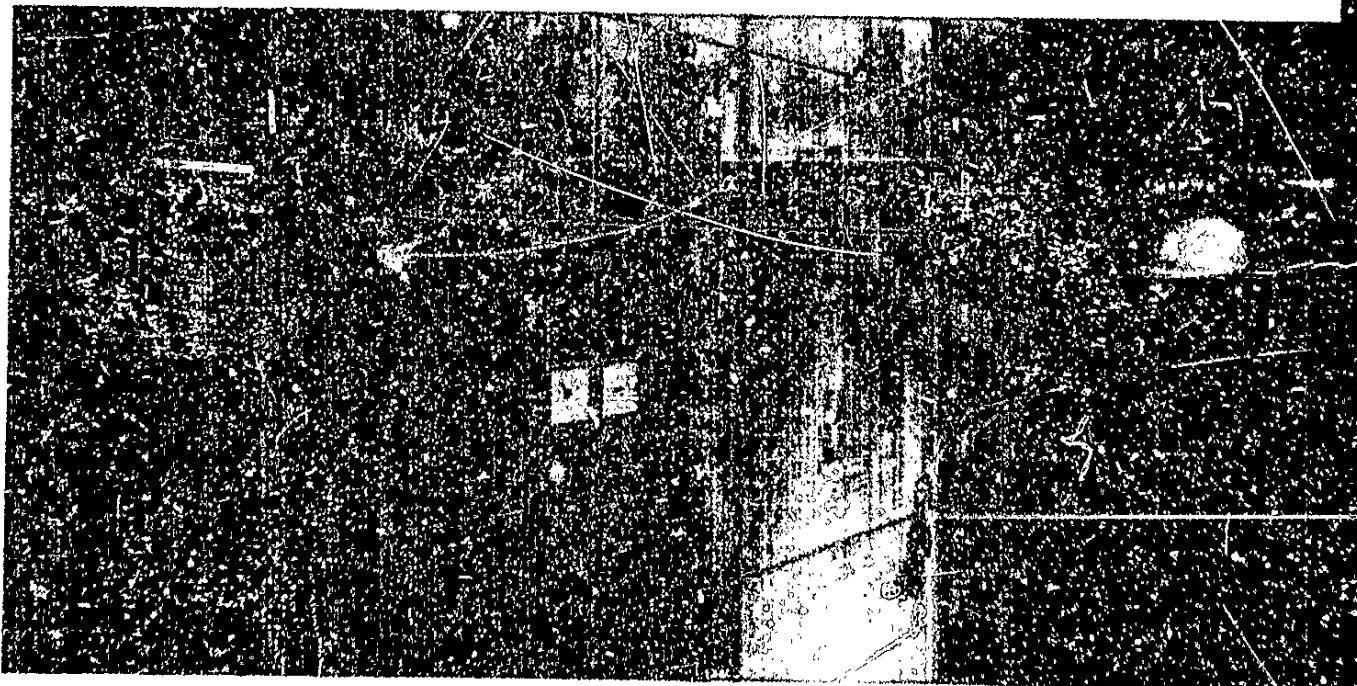
The very dry winter of 1989/90 was a cause of concern. Some £3 million of investment schemes were brought forward to offset the potential water shortage problem. This work included additional boreholes on existing sites and various reinforcements to the water distribution system. A major £3 million investment was started to construct a trunk main from Whittlesey, near Peterborough to March, in rural Cambridgeshire.

Anglian Water Services and Severn Trent Water launched a joint venture during the year, Grafham Carbons Ltd, to regenerate Granular Activated Carbon filter media. Contracts for the plant at Grafham Water were let during the year.

Research and Development

The research and associated development functions play a key role in the company's future success. New technology is a vital component in helping us to meet the increasingly stringent standards and improvements to existing technology are fundamental to reducing costs.

During the year under review, some £850,000 was spent on the in-house research programme. Work is undertaken by our own staff, often in conjunction with universities or other academic institutions. Projects range from the development of computer software to the evaluation of the performance of installed equipment. A major pilot plant is in operation at Grafham Water.



Works operative Tony Mills at the control panel, Flag Fen Sewage Treatment Works, Peterborough.



A safe wholesome supply of water is important to the health of the community.

Treatment Works to evaluate surface water treatment processes such as the use of ozone.

Our expenditure with WRC Water Research Centre³ was some £1.1 million. This research is broader and addresses longer term issues. We also combine our expertise with appropriate companies to address specific issues.

Particular emphasis is placed on the development and practical application of research into areas such as engineering technology.

Important work is under way on the development of prefabricated modular process units for water and

sewage treatment which offer the benefits of standardisation and minimal site disruption during installation

Recreation and conservation
Rutland Water in Leicestershire, our largest water supply reservoir, continued to boost tourism in the area, with many successful businesses operating in its vicinity.

At Rutland Water Nature Reserve, the local Leicestershire and Rutland Trust promoted a National Bird Fair which further extended recognition of the Reserve. New bird hides sponsored by Anglian Water were

opened at Grafham Water in Cambridgeshire to help satisfy the growing demand for bird watching facilities around our reservoirs.

Both Rutland and Pitsford Water in Northamptonshire yielded record catches of trout over the year. We resumed the direct management of the Grafham Water fishery and refurbished the fishing fleet and facilities to the approval of anglers who are returning to re-establish Grafham as one of the premier national still waters.

A strategic plan to develop the potential of all our main reservoirs

for recreation and conservation is in place, whilst maintaining their primary vital function, which is the supply of drinking water. Customer surveys have been a valuable guide to peoples' preferences concerning the range of activities appropriate to individual sites. Local advisory panels also helped us to act in accord with local interests. Among local and national organisations with an interest in our proposals, we consulted the Sports Council, Countryside Commission and Nature Conservancy Council. Our non-executive Director Lord Cranbrook is Chairman Designate of the Nature Conservancy Council for England.

The majority of visitors to our reservoirs come for walking, cycling

and general recreation rather than for watersports. We have therefore given priority to improved access, with better safety provisions, warden control and more information to help visitors make the most of their leisure time.

Caring for the environment in which we operate remains one of our major priorities. In addition to employing specialist staff to oversee and develop the Group's environmental policy, we devote increasing resources to ensuring that all new works blend harmoniously with the local environment. Landscaping, tree planting and the encouragement of wildlife habitats all make a positive environmental contribution.

Anglian Water Engineering and Business Systems Limited
The company is Anglian Water's central resource for engineering design and project management, computing services and information technology and exchequer services.

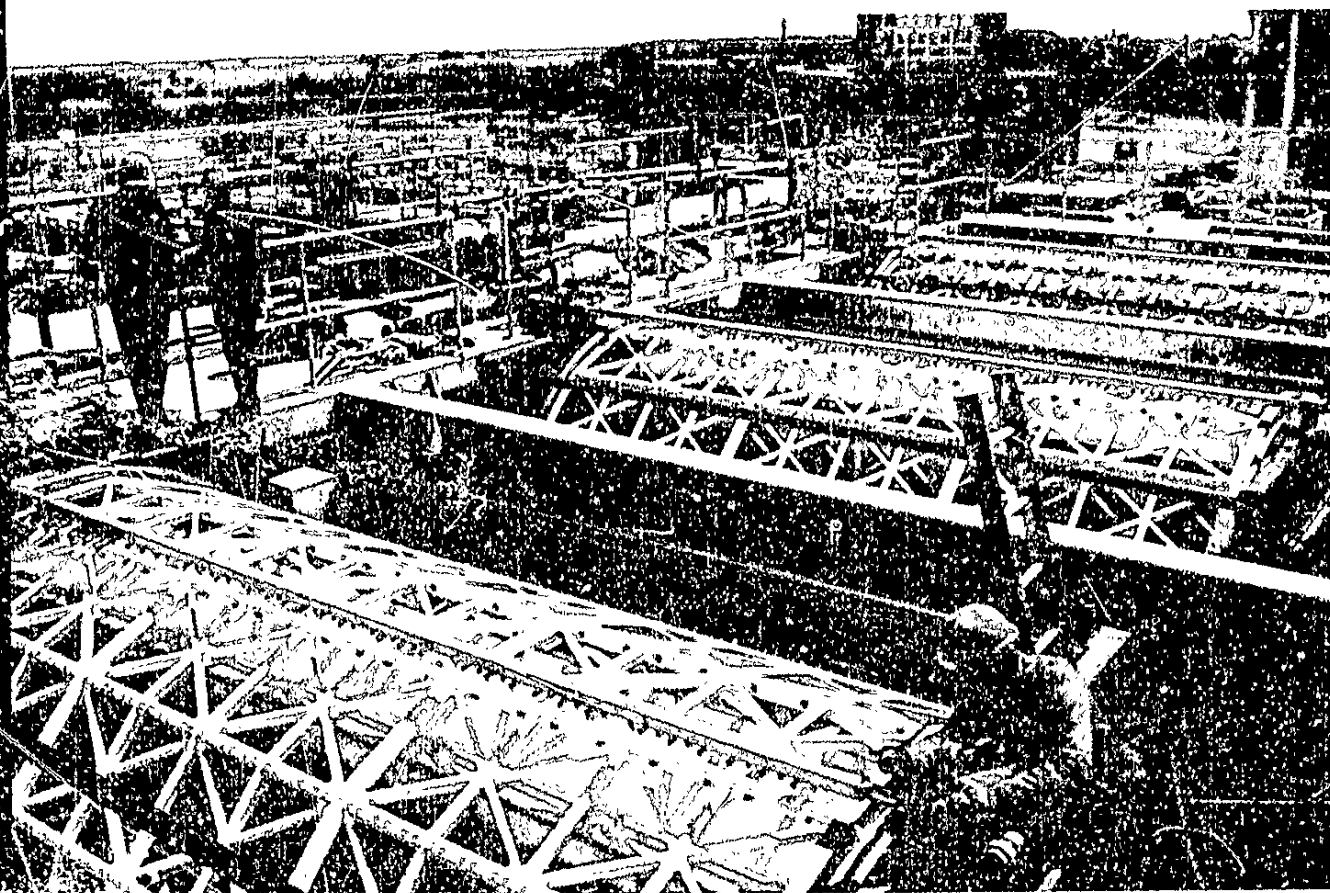
Following its creation as a separate subsidiary in 1989, it is now able to provide any or all of these services to businesses outside the Group.

Engineering

A prime task is the design/project management and construction supervision of the major schemes in the investment programme. This embraces treatment plants for both water and sewage, pumping stations,



New Works Engineers, Colchester Design Office. Assistant Engineer, John Skirrow (foreground), Higher Technician, Graham Stronge, Assistant Engineer, Bob Peacock and Higher Technician, Peter Jenkins.



Resident Engineer George Collings oversees the incorporation of microstrainers at Wing Water Treatment Works which will assist in the removal of zooplankton and algae from Rutland Water.

service reservoirs, water pipelines and sewers.

During the year 265 schemes were completed and 163 schemes started on site. They include major sewage treatment works at Milton Keynes and Peterborough, main drainage projects at Kingston and Brinklow in Buckinghamshire, sewer renewals at Barton on Humber, reservoir construction at Fuzton in Buckinghamshire and the water supply treatment works at Welton in Lincolnshire.

In addition, feasibility studies were prepared on industrial effluent

treatment for major companies and on water supply and treatment schemes. The design of an effluent plant to handle difficult wastes at a major chemical works was completed.

There are opportunities to apply our expertise overseas and we have carried out a number of specialist assignments. We plan to develop this kind of work through our joint venture with the internationally respected firm of consulting engineers, Sir Alexander Gibb & Partners Ltd. The new company, Gibb Anghar Limited, planned during the year under review and

formally launched in April 1990 will mainly seek work overseas but can also handle projects in the United Kingdom.

Gibb Anghar offer clients a total service: feasibility studies, process evaluation and design, detailed engineering specification and design, project management, site supervision and commissioning together with any operating assistance that may be needed.

Computer Services and Information Technology

Our Computer Centre provides all Group companies with software and system development, mainframe applications, communications planning, and support for both data network and micro-computer users.

Much of the work centres around the operation and management of the Bull DPS90 mainframe computer. This handles not only the income collection and financial accounting systems for the Group, but chemical data processing, payroll and other important applications.

We provided bureau services for the NRA.

Exchequer Services

Exchequer Services handle the collection of all Anglian Water Services income from charges for water and sewerage services, all creditor payments and the payroll for the whole Group.

An objective of Anglian Water Engineering and Business Systems is to market its expertise and technology to more outside customers, thereby making the most of its resources for the benefit of the Group.

Anglian Water Commercial Developments Limited

While Anglian Water is totally committed to the long term success of its core water and sewerage business, an important opportunity which our new status offers is the development of existing business and the acquisition of new business in related areas.

Businesses inherited from Anglian Water Authority included Anglian Engineering Services, a mechanical and electrical engineering factory which specialises in engineering projects and offers design, manufacture, project management and on site installation.



Fitter Mechanic Adrian Poller at work at Anglian Engineering Services, Ely.

DIRECTORS' REPORT

The Directors present their Report, together with the Accounts, for the year ended 31 March 1990.

Company History

The Company was incorporated as a public limited company on 1 April 1989 and on 1 September 1989 a certificate to do business was granted to the Company under Section 117 of the Companies Act 1985.

On 1 September 1989 the property, rights and liabilities of Anglian Water Authority (other than those transferred to the National Rivers Authority) were vested in Anglian Water Services Limited, a wholly owned subsidiary of the Company, in accordance with the Water Act 1989.

On 22 November 1989, the Secretary of State made available as a combined offer in the UK, the USA, Canada, Japan and continental Europe, 294,705,000 ordinary shares of £1 each, which were taken up in full. Dealings in the ordinary shares of the Company commenced on The International Stock Exchange, London on 12 December 1989. The offer price of £2.40 per ordinary share was payable as to £1 on application with further instalments of 70p by 31 July 1990 and 70p by 30 July 1991.

Principal Activities and Business Review

The principal activities of the Group during the year were water supply and distribution, and sewage treatment and disposal. A review of the Group's performance during the year, with comments on the financial results and future developments, is contained in the Chairman's Statement and Review of Operations, which should be read in conjunction with this Report.

The Group has a substantial long term investment programme, the estimated expenditure for which was stated at the time of the Prospectus at some £3.5 billion (at November 1989 prices) over the 10 years to 31 March 2000. This programme is proceeding according to plan.

In addition to expenditure required by the programme, substantial additional expenditure may be required in respect of existing or future legal or regulatory obligations. Under the new regulatory regime, Anglian Water Services is allowed to increase the average of its principal charges by the percentage change in RPI plus an adjustment factor "K". Much of the additional investment expenditure would be eligible for consideration for an increase in the K factor.

Group results and dividends

The Group's results are shown in the consolidated profit and loss account on page 34. Profit before tax at £86.1 million exceeds by some £3.1 million the forecast made in the Prospectus.

The Directors recommend a final single dividend of 10.21p per ordinary share as forecast in the Prospectus. If the offer for sale of the Company's ordinary shares had taken place on 1 April 1989 and the new capital structure had been in place since that date, the Directors consider that they would have recommended dividends totalling 15.315p per ordinary share for a full financial year. If approved, the final single dividend will be paid on 1 October 1990 to shareholders or in the case of shares registered in the name of a Custodian Bank pursuant to the instalment agreement dated 22 November 1989, to the holders of interim rights, on the register at the close of business on 23 July 1990.

Fixed assets

The movements in fixed assets are shown in note 14 on page 41.

Directors and their interests

The first Directors of the Company were Mr J A L Gunn and Mr A D Whetnall, nominees of H.M. Government, both of whom resigned on 31 August 1989.

The present Directors, together with biographical details, are shown on pages 4 and 5 and all were appointed on 31 August 1989 except for Mr C J Mellor who was appointed on 23 April 1990.

On 23 April 1990 Mr A G Semple, then Group Managing Director, was appointed Vice Chairman. Mr A F Smith, then Deputy Group Managing Director and Finance Director, was appointed Group Managing Director and Mr C J Mellor appointed Group Finance Director.

In accordance with the Company's Articles of Association, Mr F Cator and The Earl of Cranbrook retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment. Also in accordance with the Articles of Association Mr C J Mellor having been appointed by the Directors will retire at the Annual General Meeting and, being eligible, offers himself for reappointment. Neither Mr Cator nor The Earl of Cranbrook has a service contract with the Company. Mr Mellor has a service contract which may be terminated by the Company giving three years' notice at any time.

The interests of the Directors in the shares of the Company and in options over such shares granted under the Company's Executive Share Option Scheme and Sharesave Scheme as at 31 March 1990 are set out below.

Beneficial and family interests	No. of Shares	
B V Henderson		8,615
F Cator		1,960
A G Semple		1,080
A F Smith		786
J A Simpson		786
C J Mellor		1,087
Miss A C Abbey		840
J V Boodle		2,340
J R G Bradfield		1,350
The Earl of Cranbrook		1,100
	Anglian Water Sharesave Scheme	Anglian Water Executive Share Option Scheme
Options		
B V Henderson	—	40,133
A G Semple	4,772	37,625
A F Smith	6,136	35,117
J A Simpson	6,136	35,117
C J Mellor	2,045	6,613

The number of shares set out under beneficial interests also represents holdings at 12 December 1989, the date on which the Company's shares were admitted to the Official List, except in the case of Mr C J Mellor where the relevant date is 23 April 1990, the date of his appointment.

On 20 June 1990 further options were granted under the Company's Executive Share Option Scheme over, in the case of, Mr B V Henderson 5,119 shares, Mr A F Smith 10,238 shares, Mr J A Simpson 6,655 shares and Mr C J Mellor 21,919 shares.

No Director has an interest in the shares of the Company other than as shown above, and no changes in the interests have occurred other than disclosed above in the period from 31 March 1990 to 1 August 1990.

No Director had during the year or has a material interest in any contract of significance to which the Company or any of its subsidiaries is or was a party.

Share capital

Details of the changes in the Company's share capital are shown in note 24 on page 45.

On 10 October 1989 the Company adopted a Sharesave Scheme, an Executive Share Option Scheme and a Profit Sharing Share Option Scheme and at 31 March 1990 options were outstanding as follows:

	No. of Shares	Date of grant	Option price
Sharesave Scheme*	1,872,772	12 December 1989	£1.76
Executive Share Option Scheme*	294,520	19 February 1990	£2.99

In addition, options over a further 112,198 shares were granted under the Executive Share Option Scheme on 20 June 1990 at an option price of £2.93.

Options granted under the Sharesave Scheme are normally exercisable within a period of six months after either the fifth or seventh anniversary of the date of the savings contract. Options under the Executive Share Option Scheme are normally exercisable during a period commencing on the third anniversary and ending on the tenth anniversary of grant.

*Includes options granted to Directors and detailed above.

DIRECTORS' REPORT

(Continued)

Substantial shareholdings

According to notifications received, the following were interested in 3% or more of the Company's issued share capital on 1 August 1990:

	No. of Shares	Percentage
Lyonnaise UK Plc	26,523,000	9.0%
Lyonnaise Des Eaux (as holding company of Lyonnaise UK Plc)	26,523,000	9.0%

The interest of Lyonnaise Des Eaux arises, according to the notifications received, as a result of it being the holding company of Lyonnaise UK Plc and it being deemed by the Companies Act 1985 to be interested in any shares in the Company in which its subsidiaries are interested.

Charitable and political contributions

During the year the Group made no charitable or political contributions.

Disabled employees

Applications for employment from disabled persons are fully and fairly considered having regard to the aptitudes and abilities of the applicant. In the event of any employee becoming disabled, every effort is made to ensure that his or her employment with the Group continues and appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical with that of other employees.

Employee involvement

It is the Group's policy to keep employees fully informed on matters affecting them as employees and to make them aware of the financial and economic factors influencing the Group's performance. This is done through announcements, briefings and the Company magazine.

Share Option Schemes are in place which encourage the involvement of participants in the Group's performance.

The care and maintenance of the health and safety of employees and the public is a corporate objective. The Group operates an equal opportunities policy.

Close company status

The Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Auditors

The auditors of the Company, Price Waterhouse, have indicated their willingness to continue in office and a resolution proposing their reappointment will be put to the Annual General Meeting.


Special business at the Annual General Meeting

At an Extraordinary General Meeting on 20 November 1989 a resolution was passed giving the Directors authority until 19 November 1994 to exercise the powers of the Company to allot any or all of the authorised but unissued share capital of the Company. Following the admission to listing of the Company's ordinary shares and the allotment of shares as part of the Offer for Sale, the Directors feel it is appropriate that a resolution be proposed at the forthcoming Annual General Meeting to replace this authority with an authority to expire at the next following Annual General Meeting.

In addition a resolution will be proposed at the forthcoming Annual General Meeting conferring on the Directors restricted power to allot shares for cash without complying with statutory provisions giving pre-emptive rights to existing shareholders pro rata to their existing holdings. This resolution, if passed, will renew until the next following Annual General Meeting a similar power conferred on the Directors by a resolution passed at the Extraordinary General Meeting on 20 November 1989.

By Order of the Board

MALCOLM BROWN
Company Secretary



1 August 1990

AUDITORS' REPORT TO THE MEMBERS OF ANGLIAN WATER PLC

We have audited the financial statements on pages 34 to 46 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
Birmingham

1 August 1990

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1990

	Notes	1990 £m	1989 £m
TURNOVER	1	401.3	355.5
Operating costs	2	(243.6)	(189.0)
Exceptional items	3	(3.0)	—
OPERATING PROFIT	1, 4	154.7	167.5
Other income	5	0.4	1.7
Interest	6	(69.0)	(95.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86.1	73.4
Taxation	7	(10.0)	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		76.1	73.4
Extraordinary items	8	(7.7)	(1.2)
PROFIT FOR THE FINANCIAL YEAR	13	68.4	72.2
Dividends	9	(30.1)	—
RETAINED PROFIT FOR THE YEAR	25	38.3	72.2
PRO FORMA EARNINGS PER ORDINARY SHARE	10	42.1p	—

The accounting policies and notes on pages 37 to 46 form part of these financial statements

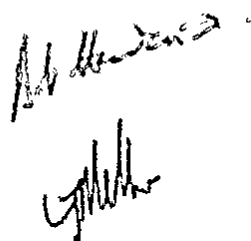
BALANCE SHEETS
At 31 March 1990

	Notes	Group		Company
		1990 £m	1989 £m	1990 £m
FIXED ASSETS				
Tangible assets	14	1,424.6	1,279.1	0.3
Investments	15	0.5	0.2	860.0
		1,425.1	1,279.3	860.3
CURRENT ASSETS				
Stocks and work in progress	16	6.9	6.6	—
Debtors	17	67.3	51.2	56.8
Cash and deposits		1.7	0.2	121.7
		75.8	58.0	178.5
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Short term borrowings	18	135.2	164.7	122.3
Other creditors	18	140.8	70.1	45.0
NET CURRENT LIABILITIES/(ASSETS)		200.2	176.8	(11.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,224.9	1,102.5	871.5
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Loans and other borrowings	19	49.9	70.4	—
Other creditors	20	6.9	8.0	3.3
		58.8	78.4	3.3
PROVISIONS FOR LIABILITIES AND CHARGES	21	31.7	4.5	2.8
		1,134.4	359.6	865.4
CAPITAL AND RESERVES				
Called up share capital	24	294.7	—	294.7
Profit and loss account	25	839.7	359.6	370.7
		1,134.4	359.6	865.4

Approved by the Board on 11 June 1990

B V HENDERSON CRE
Chairman

C J MELLOR
Group Finance Director



The accounting policies and notes on pages 37 to 46 form part of these financial statements

GROUP SOURCE AND APPLICATION OF FUNDS STATEMENT

For the year ended 31 March 1990

	1990	1989
	£m	£m
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	86.1	73.4
Extraordinary items	(7.7)	(7.2)
Items not involving the movement of funds:		
Depreciation	32.6	26.0
Profit on sales of fixed assets	(0.4)	(1.4)
Provisions charged	32.7	—
	143.3	96.8
Capital grants and contributions	8.9	7.8
Proceeds from sales of fixed assets	2.1	3.0
Loans	120.0	105.3
Creditors: amounts falling due after more than one year	0.9	1.5
	275.2	215.4
APPLICATION OF FUNDS		
Capital expenditure:		
Tangible assets	(188.7)	(124.2)
Investments	(0.3)	(0.2)
Loan repayments	(172.2)	(95.6)
Divestment of the NRA	(15.8)	—
Finance lease repayments	(0.6)	(1.0)
Provisions applied	(5.5)	(3.6)
	(107.9)	(19.2)
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks and work in progress	(0.2)	(0.3)
Debtors	(16.1)	9.5
Creditors: amounts falling due within one year	30.6	1.6
	(93.6)	0.6
INCREASE/(DECREASE) IN NET LIQUID FUNDS		
Cash and bank balances	1.5	(0.7)
Short term borrowings and overdrafts	(95.1)	1.3
	(93.6)	0.6

The accounting policies and notes on pages 37 to 46 form part of these financial statements.

ACCOUNTING POLICIES

In accordance with Section 91 of the Water Act 1989, the consolidated financial statements incorporate from 1 April 1989 the results of the activities of Anglian Water Authority which were vested in Anglian Water Services Limited on 1 September 1989.

The comparative financial information for the Group for the year ended 31 March 1989 has been extracted from the Prospectus dated 22 November 1989 in connection with the offer for sale of shares in Anglian Water Plc. This information was based on the audited financial statements of Anglian Water Authority after making adjustments to eliminate the results and net assets of activities which have been transferred to the National Rivers Authority and reflects the current accounting policies of the Group.

The Directors believe that care should be exercised in drawing conclusions from a comparison between results for the years ended 31 March 1990 and 31 March 1989. The changes which have taken place during the year in capital structure, regulatory environment and other costs associated with PLC status render comparisons potentially misleading.

No comparative financial information has been provided for the Company as it did not commence trading until 1 September 1989.

The consolidated financial statements set out on pages 34 to 46, which have been prepared under the historical cost convention, incorporate the financial statements of Anglian Water Plc and its subsidiaries applying the following principal accounting policies:

A) TURNOVER

Turnover represents the income receivable (excluding value added tax) in the ordinary course of business for services provided.

B) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets comprise:

- (i) Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls); and
- (ii) Other assets (including properties, overground plant and equipment).

(a) Infrastructure assets

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

Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost. No depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

The charge for infrastructure renewals expenditure in the profit and loss account of Anglian Water Authority for the year ended 31 March 1989 comprised the actual expenditure on maintaining the operating capability of infrastructure networks.

With effect from 1 April 1989 the charge for infrastructure renewals expenditure takes account of planned expenditure on maintaining the operating capability of infrastructure assets in accordance with the operational policies and standards underlying Anglian Water Services Limited's Asset Management Plan and Surface Investment Requirement, which differ from the operational policies and standards previously adopted by Anglian Water Authority. The timing of the investment programme and other operational considerations result in uneven patterns of infrastructure renewals expenditure. Charges to the profit and loss account therefore comprise actual expenditure together with accruals which recognise planned expenditure identified in Anglian's 20 year Asset Management Plan.

It has not been possible or appropriate to adjust the profit and loss account charge for infrastructure renewals expenditure for the year ended 31 March 1989 as Anglian Water Authority did not have an Asset Management Plan or Surface Investment Requirement in the current form during that period.

(b) Other assets

Other assets are included at cost less accumulated depreciation. Additions are included at cost, after deducting grants and contributions.

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

Buildings	30 - 60 years
Operational structures	40 - 80 years
Fixed plant	20 - 40 years
Vehicles, mobile plant and computers	4 - 10 years

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

ACCOUNTING POLICIES

(Continued)

C) LEASED ASSETS

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charges being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the written down amount. The assets are depreciated over the shorter of their estimated useful lives and the lease period.

All other leases are regarded as operating leases. Rental costs arising under operating leases are expensed in the year they are incurred.

D) RELATED COMPANIES

The treatment of a company as a related company has regard to the Group's holding of at least 20% of the equity capital, representation on its Board of Directors and participation in policy making, including dividend policy.

The Group's share of the profits of these companies is included in the profit and loss account and the investments are shown in the balance sheet at the Group's share of the net tangible assets of the companies less provisions.

E) INVESTMENTS

Investments held as fixed assets other than related companies are stated at cost less amounts written off.

F) STOCKS AND WORK IN PROGRESS

Stores are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and an element of overheads.

G) PENSION COSTS

Prior to 1 September 1989 ("Vesting") Anglian Water Authority participated in two pension schemes, the Local Government Superannuation Scheme ("LGSS") (through a single central fund for all Water Authorities, the Water Authorities Superannuation Fund ("WASF")), and the Anglian Water Pension Scheme ("AWPS").

Contributions to WASF were determined actuarially to fund pension benefits over employees' service lives, excluding pensions increases. The contributions were charged to the profit and loss account when the amounts were payable. Anglian Water Authority was not empowered under LGSS to pre-fund for statutory increases to pensions and for supplementary arrangements. Statutory increases to pensions, and lump sum payments and augmentations under supplementary arrangements, were charged to the profit and loss account when the amounts were payable.

Since Vesting, the Group has continued to operate AWPS and has introduced the Anglian Water Mirror Image Scheme ("AWMIS") set up to require the same employee contributions and provide the same benefit structure as LGSS. At Vesting AWMIS and AWPS were fully funded for past service (including past service liabilities for pensions increases) by actuarially determined transfers of assets from WASF calculated after making allowance for future salary increases and on the basis of actuarial assumptions specified by the Secretary of State. The amount charged to the profit and loss account therefore represents the full cost of providing pensions in the period prior to Vesting.

Pension costs for AWMIS and AWPS are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' service with the Group.

H) RESEARCH AND DEVELOPMENT

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

I) DEFERRED TAXATION

Tax deferred as a result of timing differences is only provided for to the extent that there is a reasonable probability that such deferred taxation will be payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

1 Analysis of turnover and operating profit by class of business

	Turnover		Operating profit	
	1990 £m	1989 £m	1990 £m	1989 £m
Water supply	161.9	145.8	31.2	55.2
Sewerage services	236.9	204	123.7	123
Other trading activities	2.5	0.3	(0.2)	—
	401.3	350.1	154.7	178.2

Substantially all turnover and operating profit arise in the UK.

2 Operating costs

	1990 £m	1989 £m
Raw materials and consumables	22.0	17.0
Other external charges	109.3	85.9
Staff costs (see note 11)	64.0	53.6
Own work capitalised	(16.5)	10.2
	178.8	145.9
Depreciation of fixed tangible assets	32.6	26.0
Infrastructure renewals	32.2	17.1
	243.6	189.0

3 Exceptional items

	1990 £m	1989 £m
Restructuring and relocation costs	3.0	—

4 Operating profit

	1990 £m	1989 £m
Operating profit is stated after charging:		
Hire of plant and machinery	0.9	1.0
Other operating lease costs	0.4	0.2
Auditors' remuneration	0.2	0
Research and development expenditure	1.9	1.9

5 Other income

	1990 £m	1989 £m
Profit on sale of tangible fixed assets	0.4	1.7

6 Interest

	1990 £m	1989 £m
Interest payable		
Overdrafts and other loans repayable wholly within five years	69.1	16.5
Long term loans (any part payable after five years)	0.6	29.7
Finance leases	0.5	0.5
	70.2	46.7
Interest receivable	(1.2)	10.9
	69.0	57.6

7 Taxation

	1990 £m	1989 £m
Advance corporation tax	10.0	—

The Group became liable to corporation tax on 1 September 1989. Taxation allowances on capital expenditure are sufficient to ensure that no mainstream corporation tax liability arises and advance corporation tax for the year is consequently written off. No provision for deferred taxation is required for the year ended 31 March 1990 (see note 22).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 Extraordinary items	1990	1989
	£m	£m
Privatisation costs	7.7	—
9 Dividends	1990	1989
	£m	£m
Proposed dividend of 10 21p per ordinary share	30.1	

10 Pro forma earnings per share

Actual earnings per ordinary share have not been presented as the information is not regarded by the Directors as meaningful given the changes in the Group's capital structure, regulatory environment and taxation position which have taken place during the year.

Pro forma earnings per ordinary share have been calculated by dividing pro forma profit on ordinary activities after taxation of £124.0m by the 294,705,000 ordinary shares in issue. The pro forma profit on ordinary activities after taxation has been calculated by adjusting actual profit before taxation of £86.1m for a £52.9m reduction in interest payable (to reflect the interest saving that would have arisen if the new capital structure had been in place from 1 April 1989) and for a pro forma advance corporation taxation charge of £15.0m (based on a notional dividend of £45.1m which the Directors considered they would have recommended if the new capital structure had been in force from 1 April 1989).

Earnings per ordinary share have not been included for 1989 as Anglian Water Authority had no ordinary shares in issue during the year and the application of pro forma adjustments to that period would, in the Directors' view, be subjective and inappropriate.

11 Employee information	1990	1989
	£m	£m
Staff costs:		
Wages and salaries	54.8	47.1
Social security costs	4.0	4.4
Other pension costs (see note 26)	5.2	4.9
	64.0	56.4

Average number of full time equivalent persons employed in the UK:

	1990	1989
	Total	Total
Numbers employed	4,328	4,032

The number of employees of the Group with emoluments exceeding £30,000 were as follows:

	Number of employees	
	1990	1989
£30,001 - £35,000	53	8
£35,001 - £40,000	18	12
£40,001 - £45,000	4	—
£45,001 - £50,000	5	—
£50,001 - £55,000	1	—

12 Emoluments of Directors

The emoluments of the Directors for the year ended 31 March 1990 include their emoluments as members of the Board of Anglian Water Authority for the five months to 1 September 1989. The comparative amounts for the year ended 31 March 1989 include only the emoluments of those Board members of Anglian Water Authority who were appointed Directors of the Company.

	1990	1989
	£000	£000
Fees	—	—
Other emoluments	349	297
	349	297
The emoluments of the Chairman, excluding pension contributions, were	61	40
The emoluments of the highest paid Director, excluding pension contributions, were	77	52

The emoluments (excluding pension contributions) of the other Directors of the Company during the year were within the following ranges:

	Number of directors	
	1990	1989
£0 - £5,000	2	—
£5,001 - £10,000	4	5
£10,001 - £15,000	1	—
£15,001 - £50,000	—	2
£50,001 - £75,000	2	—

13. Profit of holding company

Anglian Water Plc has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985. The amount of the profit for the financial year dealt with in the accounts of the holding company is £895.5m.

14. Tangible fixed assets

The Group	Water supply £m	Sewerage services £m	Other trading activities £m	General £m	Total £m
Cost					
At 31 March 1989	452.9	881.6	0.4	91.3	425.9
Add: —					
Grants and contributions	17.8	17.0	—	—	18.0
Disposals	—	(0.4)	—	(2.0)	(2.7)
At 31 March 1990	508.7	980.6	0.6	113.2	1,603.4
Depreciation					
At 31 March 1989	30.5	88.3	0.1	12.0	129.2
Charge for year	6.1	15.4	—	1.1	22.6
Disposals	—	—	—	—	—
At 31 March 1990	36.6	103.7	0.1	38.4	178.8
Net book amount					
At 31 March 1990	472.1	877.1	0.5	74.9	1,424.6
At 31 March 1989	422.4	793.3	0.5	79.3	1,295.5

General assets comprise assets which are shared by a number of services.

Tangible fixed assets of the Group at 31 March 1990 include £171.5m of assets in the course of construction (1989 — £119.3m).

Tangible fixed assets of the Group include assets not subject to depreciation as follows.

	1990 £m	1989 £m
Land	5.9	5.3
Infrastructure assets	655.0	633.0
	660.9	638.3

The net book value of the Group's tangible fixed assets held under finance leases at 31 March 1990 was £1.2m (1989 — £3.6m). Depreciation charged on assets held under finance leases during the year ended 31 March 1990 amounted to £1.7m (1989 — £1.7m).

The Company	Total £m
Cost	
Intra group transfers	0.9
At 31 March 1990	0.9
Depreciation	
Intra group transfers	0.6
At 31 March 1990	0.6
Net book amount	
At 31 March 1990	0.3

Investment commitments

As described more fully in the Directors' Report, the Group has a substantial long term investment programme, which was agreed with the Government as part of the K setting process. "The K investment programme" includes expenditure to meet regulatory requirements and shortfalls in performance and condition and to provide for new demand and growth.

The table below only includes the Group's short term investment commitments for projects where contracts have been placed or for authorised projects where contracts have not yet been placed.

	1990 £m
Contracted for but not provided in the financial statements	78.7
Authorised but not yet contracted for	431.3

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15 Investments

	Related companies £m	Other investments £m	Total £m
The Group			
Shares at valuation			
At 31 March 1989	—	0.1	0.1
Additions	—	0.1	0.1
At 31 March 1990	—	0.2	0.2
Loans			
At 31 March 1989	0.1	—	0.1
Net movements during the year	0.1	—	0.1
At 31 March 1990	0.2	—	0.2
Net book amount			
At 31 March 1990	0.2	0.2	0.4
At 31 March 1989	0.1	0.1	0.2

The related companies are:

	Country of operation	Activity	Number of shares in issue	Nominal value of share capital in issue	% held	Class of share
Graham Carbons Limited	UK	Regeneration of granular activated carbon	40,000	£40,000	50	ordinary £1 shares
Hensby Biotech Limited	UK	Compost processing	1,000	£1,000	49	ordinary £1 shares

	Subsidiaries £m
The Company	
Shares at cost	
Additions	860.0
At 31 March 1990	860.0

At 31 March 1990 the Company owned 100% of the ordinary share capital of the following subsidiary companies, all of which are incorporated in England:

	Activities
Anglian Water Services Ltd	Appointed under the Water Act 1989 as a water and sewerage undertaker
Anglian Water Engineering & Business Systems Ltd	Engineering, computing, customer accounting and exchequer services to Group companies and external clients. The company also provides consultancy services in the UK and overseas.
Anglian Water Commercial Developments Ltd	Plumbing and fabrication services

The Company also owns a number of non-trading companies.

16 Stocks and work in progress

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Consumable stores	3.6	5.3	—
Work in progress	1.2	1.9	—
	4.8	7.2	—

The current replacement cost of stocks does not materially exceed the historical costs stated above

17 Debtors

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Amounts falling due within one year:			
Trade debtors	49.5	43.7	—
Amounts owed by Group companies	—	—	56.1
Other debtors	12.5	4.4	0.6
Prepayments and accrued income	1.9	2.2	0.1
	63.9	47.3	56.8
Amounts falling due after more than one year:			
Other debtors	3.4	3.9	—
	67.3	51.2	56.8

Included in other debtors is £3.5m due from Thames Water Plc (1989 - £3.7m) in respect of assets transferred in a previous year.

18 Creditors: Amounts falling due within one year

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Bank loans, overdrafts and temporary borrowings	133.2	28.1	122.3
Current portion of long term loans	0.7	24.9	—
Obligations under finance leases	1.3	1.7	—
Short term borrowings	135.2	64.7	122.3
Trade creditors	63.5	28.7	2.8
Receipts in advance	33.1	13.1	—
Advance corporation tax	10.0	—	10.0
Other taxation and social security	2.0	0.5	0.6
Accruals and deferred income	2.1	27.8	1.5
Proposed dividend	30.1	—	30.1
Other creditors	140.8	70.1	45.0

19 Loans and other borrowings falling due after more than one year

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Repayable wholly within 5 years	2.5	26.7	—
Repayable by instalments, any one of which is due for repayment after 5 years	47.3	554.4	—
Repayable after 5 years	0.3	139.3	—
	49.9	730.4	—
Due for repayment as follows:			
Between 1 and 2 years	2.2	45.4	—
Between 2 and 5 years	3.3	126.0	—
After 5 years	44.4	558.0	—
	49.9	730.4	—

Interest rates are in the range of 5.1% to 11.5%. Loans and other borrowings of approximately £19.8m are at fixed rates and the remainder are at variable rates.

Loans and other borrowings include £4.9m secured on the revenues of the Group.

Included in the above are amounts due under finance leases of £1.7m (1989 - £1.9m), payable between one and five years.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

20 Other creditors falling due after more than one year

	The Group		The Company
	1989	1989	1990
	£m	£m	£m
Trade creditors	3.0	2.8	—
Receipts in advance	2.6	4.8	—
Deferred income	3.3	1.4	3.3
	8.9	8.0	3.3

21 Provisions for liabilities and charges

The Group	Infrastructure	Resins testing	Total
	renewals	costs	
	£m	£m	£m
At 31 March 1989		4.5	4.5
Utilised in year	(3.3)	(2.2)	(5.5)
Charge for year	32.9	0.5	33.4
At 31 March 1990	28.9	2.8	31.7
The Company			
Intra group transfer	—	2.8	2.8
At 31 March 1990	—	2.8	2.8

22 Deferred taxation

In accordance with the Group's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1990.

The full potential deferred taxation liability, calculated under the liability method at a tax rate of 35%, is:

	1990
	£m
Accelerated capital allowances	18.3
Other timing differences	(7.1)
Available tax losses	(11.2)
	Nil

In addition to the amounts set out above, there are the following amounts, calculated at a tax rate of 35%, which will be available to set against the Group's liability on taxable profits arising in future periods:

	1990
	£m
Available tax losses	15.1
Advance corporation tax	10.0

Also, further capital allowances will become available in respect of infrastructure assets. These allowances will reduce the Group's corporation tax liability over a number of years by £174.7m, assuming a tax rate of 35%.

23 Commitments under operating leases

	Land and	Other
	buildings	
	£m	£m
At 31 March 1990 the Group had commitments to make payments during the next 12 months under non-cancellable operating leases which expire as follows:		
Within 1 year	—	0.1
Between 1 and 5 years	—	0.3
After 5 years	0.5	—
	0.5	0.4

24 Share capital of Anglian Water Plc	1990
	£m
Authorised	
Ordinary shares of £1 each	400.0
Special Rights Redeemable Preference share	—
	400.0
Allotted, issued and fully paid	
Ordinary shares of £1 each	294.7
Special Rights Redeemable Preference share	—
	294.7

The Company's authorised share capital on incorporation was £50,000 divided into 50,000 shares of £1 each, of which two were subscribed at par by nominees of the Crown. On 29 August 1989 the authorised share capital was increased to £50,001 by the creation of one Special Rights Redeemable Preference Share of £1 ("the Special Share") and the 50,000 shares of £1 each were redesignated as ordinary shares of £1 each. On 1 September 1989, 49,998 ordinary shares were issued at par to the Secretary of State credited as fully paid.

On 20 November 1989 the authorised share capital of the Company was further increased to £1,298,001 by the creation of 1,248,000 additional ordinary shares and, in accordance with a direction made by the Secretary of State for the Environment under Section 83(2), (4) and (5) of the Water Act 1989, 1,248,000 ordinary shares were issued at par to the Secretary of State credited as fully paid.

Conditional on the whole of the ordinary share capital being admitted to the Official List by The Stock Exchange the authorised share capital of the Company was further increased on 20 November 1989 to £400,000,001 by the creation of 398,702,000 additional ordinary shares. Further, and also so conditional, in accordance with a direction made by the Secretary of State under Section 83 of the Act, 293,407,000 ordinary shares and the Special Share were allotted at par to the Secretary of State credited as fully paid. The whole of the ordinary share capital was admitted to the Official List by The Stock Exchange on 12 December 1989.

The Special Shareholder may require the Company to redeem the Special Share at par at any time prior to 31 December 1994 and, unless so redeemed, the Special Share will be redeemed by the Company on 31 December 1994. The Special Share offers no rights to participate in the capital or profits of the Company nor to vote at general meetings, however the Special Shareholder is entitled to repayment in preference to other shareholders and to attend and speak at general meetings. Certain matters, including the alteration of specific provisions of the Articles of Association of the Company, require the prior written consent of the Special Shareholder.

The Company's Articles of Association prohibit a person from owning or controlling directly or indirectly the right to cast 15% or more of the votes on a poll at general meetings of the Company during the period to 31 December 1994 or the date of redemption of the Special Share if earlier.

25 Profit and Loss Account

The Group	£m
At 31 March 1989	
As reported in the Prospectus issued in November 1989	357.6
Adjustments relating to the divestment of the National Rivers Authority	(15.8)
Government debt written off	812.8
Issue of debenture to HM Government	(61.6)
Capitalisation issues of shares (see note 24):	
1 September 1989	10.1
20 November 1989	(294.6)
Retained profit for the year	28.3
At 31 March 1990	839.7
The Company	
Retained profit for the year	28.3
Capitalisation issues of shares (see note 24):	
1 September 1989	10.1
20 November 1989	(294.6)
At 31 March 1990	570.7

As part of the capital restructuring of the Company prior to flotation, £813.3m of loans from the Secretary of State for the Environment and the Public Works Loans Commissioners were written off and a £61.6m debenture was issued to HM Treasury on 15 November 1989, which was repaid on 29 December 1989.

The Company's profit for the year is after crediting dividends of £905.5m from Anglian Water Services Limited which includes £859.9m effected as part of the Group's capital restructuring.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

26. Pension commitments

Pension arrangements for the majority of the Group's employees are of the defined benefit type through

(i) AWMIS

or (ii) AWPS.

The administration and investment of the pension funds are maintained independently from the finances of the Group.

Pending the first actuarial valuations of AWMIS and AWPS, the Group is contributing to AWMIS at a rate of 12.8% of pensionable pay and to AWPS at the rate of 12.5% of pensionable pay. Lower employer contribution rates apply in respect of members of AWPS with the lower benefit packages. Clay and Partners have confirmed that employer contributions at these interim rates together with contributions payable by the members, are appropriate to meet the benefits to be earned in the future, and constitute acceptable rates for determining pension costs for accounting purposes in accordance with the requirements of Statement of Standard Accounting Practice No. 24. The employer's contributions for the year ended 31 March 1990 were as follows.

	1990	1989
	£m	£m
WASF / pre Vesting	1.3	2.6
AWMIS	2.8	
AWPS	1.1	0
	5.2	2.6

The actuarial methods used in determining the above contribution rates were the attained age method and the projected unit method for AWMIS and AWPS respectively. The main actuarial assumptions were that investment returns would be 2% higher than general salary increases, 4.5% higher than dividend growth and 3.5% and 4% higher than annual increases in pensions for AWMIS and AWPS respectively.

Other pension related costs of £2.0m (1989 - £0.6m) arise as a result of the arrangements made when the water industry was reorganised in 1974. Most of these costs relate to pensions increases for pre 1974 employees, payments in respect of which are made by the local authorities or other bodies who are responsible for the basic pension. From 1 April 1990 these costs will not be borne by the Group.

27. Contingent liabilities

There were contingent liabilities at 31 March 1990 in respect of bridging guarantees amounting to £0.9m (1989 - £4.2m).

28. Regulatory information

Anglian Water Services Limited is required to provide additional financial information relating to its business as a Water and Sewerage Undertaker. A summary of the regulatory information is shown on pages 48 and 49. A full copy of this information is available by application to The Company Secretary, Anglian Water Plc, Ambury Road, Huntingdon, Cambridgeshire PE18 6NZ.

GROUP FINANCIAL HISTORY

	1986 <i>£m</i>	1987 <i>£m</i>	1988 <i>£m</i>	1989 <i>£m</i>	1990 <i>£m</i>
Profit and Loss Accounts					
TURNOVER					
Water supply	108.0	122.8	131.2	145.8	161.9
Sewerage services	162.4	180.0	191.7	210.4	236.9
Other trading activities	—	—	—	0.3	2.5
	270.4	302.8	322.9	356.5	401.3
OPERATING PROFIT					
Water supply	40.8	46.1	39.5	55.2	31.2
Sewerage services	88.6	100.9	113.4	112.9	123.7
Other trading activities	—	—	—	—	(0.2)
Other income	129.4	147.0	152.9	167.5	154.7
Interest	2.6	1.4	2.5	1.7	0.4
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	194.6	196.2	196.7	195.8	(69.0)
Taxation	37.4	52.2	58.7	73.4	86.1
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	—	—	—	—	(10.0)
Extraordinary items	37.4	52.2	58.7	73.4	76.1
PROFIT FOR THE FINANCIAL YEAR	—	—	—	—	(7.7)
DIVIDENDS	37.4	52.2	58.7	72.2	68.4
PRO FORMA EARNINGS PER ORDINARY SHARE	—	—	—	—	30.1
	—	—	—	—	42.1p
Balance sheets					
Fixed assets	1,027.1	1,112.9	1,190.3	1,279.3	1,425.1
Net current liabilities	(99.6)	(85.0)	(100.5)	(176.8)	(200.2)
TOTAL ASSETS LESS CURRENT LIABILITIES	927.5	1,027.9	1,089.8	1,102.5	1,224.9
Creditors: amounts falling due after more than one year	750.0	798.8	794.3	738.4	58.8
Provisions for liabilities and charges	1.0	0.4	8.1	4.5	31.7
Called up share capital	—	—	—	—	294.7
Profit and loss account	176.5	228.7	287.4	359.6	839.7
	927.5	1,027.9	1,089.8	1,102.5	1,224.9

The financial information set out above for the four years ended 31 March 1989 has been extracted from the Prospectus, which was based on the audited financial statements of Anglian Water Authority after making adjustments to eliminate the results and net assets of the NRA, to reflect the consistent application of the accounting policy for infrastructure assets which was adopted during the year ended 31 March 1989 and to ensure consistent presentation of the financial information.

**SUMMARY OF REGULATORY INFORMATION FOR
ANGLIAN WATER SERVICES LIMITED**

Anglian Water Plc's main subsidiary, Anglian Water Services Limited ("AWS"), is required under its appointment as a Water and Sewerage Undertaker to publish separate financial information. This information is included within the AWS statutory accounts, a copy of which is available on request. Summary extracts from those accounts are shown on this page and on page 49.

This page illustrates the breakdown of AWS' operating profits by principal service. The AWS historic cost balance sheet is not presented, since substantially all the assets and liabilities of the Group vest in AWS.

The Director General of Water Services requires current cost information to judge the financial performance of the regulated business. A summary current cost profit and loss account and a summary balance sheet are shown on page 49.

Profit and loss account for the year ended 31 March 1990

	Appointed business		Non-appointed business £m	Total £m
	Water supply £m	Sewerage services £m		
TURNOVER				
Measured	43.7	33.9	—	77.6
Unmeasured	94.9	183.2	—	278.1
Trade effluent	—	12.3	—	12.3
Grants	0.2	—	—	0.2
All other sources	23.1	7.5	2.5	33.1
Total turnover	161.9	236.9	2.5	401.3

	Appointed business			Non-appointed business £m	Total £m
	Water supply £m	Sewerage £m	Sewage treatment and disposal £m		
EXPENDITURE					
Manpower costs	25.4	5.2	20.9	26.1	51.5
Other costs of employment	1.6	0.3	1.1	1.4	3.0
Power	12.7	0.9	7.1	8.0	20.7
Rates	10.9	—	6.7	6.7	17.6
Water charges (including abstraction and bulk supplies)	5.4	—	0.1	0.1	5.5
Local authority agencies	—	8.6	—	8.6	8.6
Materials and consumables	12.6	1.3	6.9	6.2	20.8
Hired and contracted services	12.2	3.0	11.5	14.5	26.7
Doubtful debts	1.1	0.5	0.8	1.3	2.4
Discounts	0.8	0.5	0.6	1.1	1.9
Other costs	7.5	3.3	6.6	9.9	20.1
	90.2	23.6	62.3	85.9	178.8
Depreciation	11.5	5.2	15.9	21.1	32.6
Infrastructure renewals	27.7	4.3	0.2	4.5	32.2
Total operating costs	129.4	33.1	78.4	111.5	243.6
Exceptional items	1.3	0.7	1.0	1.7	3.0
OPERATING PROFIT/(LOSS)	31.2			123.7	(0.2)
Other income	0.1			0.3	0.4
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE	31.3			124.0	(0.2)

**SUMMARY OF REGULATORY INFORMATION FOR
ANGLIAN WATER SERVICES LIMITED**

Current cost financial information

Current cost profit and loss account for the year ended 31 March 1990

	Note	Appointed business			Sewerage services £m	Non- appointed business £m	Total £m
		Water supply £m	Sewerage £m	Sewage treatment and disposal £m			
TURNOVER		161.9			236.9	2.5	401.3
Operating costs	1	(138.8)	(37.7)	(102.3)	(140.0)	(2.7)	(281.5)
Exceptional items		(1.3)	(0.7)	(1.0)	(1.7)	—	(3.0)
OPERATING PROFIT		21.8			95.2	(0.2)	116.8
Other expenditure	2						(1.6)
Interest							(69.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION							46.2
Extraordinary items							(7.7)
PROFIT FOR THE FINANCIAL YEAR							38.5
Dividends							(905.5)
TRANSFER FROM RESERVES							(867.0)

Notes:

(1) Operating costs include current cost depreciation on fixed tangible assets of £70.5m.

(2) Represents loss on disposal of tangible fixed assets.

Current cost balance sheet at 31 March 1990

	£m
Fixed assets	4,478.6
Net current liabilities	(211.5)
Total assets less current liabilities	4,267.1
Creditors: Amounts falling due after more than one year	55.5
Provisions for liabilities and charges	28.9
Called up share capital	860.0
Current cost reserves	3,322.7
	4,267.1

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that the first Annual General Meeting of Anglian Water Plc will be held at Castle Ashby House, Near Northampton, Northamptonshire NN7 1LQ on Wednesday, 26 September 1990 at 11.30 a.m. for the following purposes:

1. To receive and consider the accounts of the Group for the year ended 31 March 1990 and the reports of the Directors and the auditors.
2. To declare a final dividend for the year ended 31 March 1990 of 10.21p per ordinary share.
3. To re-appoint F Cator as a Director.
4. To re-appoint The Earl of Cranbrook as a Director.
5. To re-appoint C J Mellor as a Director.
6. To re-appoint Price Waterhouse as the Company's auditors and to authorise the Directors to fix their remuneration.
7. To consider and, if thought fit, pass the following resolution as an ORDINARY RESOLUTION:

That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to a maximum aggregate nominal amount representing the difference at the date of the passing of this resolution between the nominal amount of the issued share capital of the Company and the nominal amount of its authorised share capital, provided that this authority shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 1991 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
8. To consider and, if thought fit, pass the following resolution as a SPECIAL RESOLUTION:

That, subject to the passing of resolution 7 above, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by that resolution as if Section 89(1) of that Act did not apply to any such allotment, provided that the power hereby conferred:

 - (a) shall be limited:
 - (i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of ordinary shares being represented by depositary receipts, requirements of any regulatory body or stock exchange or any other matter whatsoever; and

- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £14,735,250; and
- (b) shall expire fifteen months from the date of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 1991 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

MALCOLM BROWN
Company Secretary

1 August 1990

Registered Office:
Ambury Road
Huntingdon
Cambridgeshire PE18 6NZ

NOTES

1. This notice of the Annual General Meeting is being sent to members and registered holders of interim rights (including rights acquired in respect of package units (comprising shares in each water holding company including Anglian Water Plc)) in accordance with the instalment agreement dated 22 November 1989. The instalment agreement provides that until shortly after the final instalment of the offer for sale price is paid on 30 July 1991 shares of the Company on which instalments are payable will be registered in the name of Lloyds Bank Plc and persons in respect of whom such shares are held by Lloyds Bank Plc will be registered as holders of interim rights. However, arrangements have been made for holders of interim rights to attend, speak at and exercise voting rights attached to those shares by attending the Annual General Meeting as representatives of Lloyds Bank Plc. The admission card enclosed is the form of representation and should be brought to the meeting.
2. A member or other person (including a holder of interim rights) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member. A proxy form is enclosed.
3. To be effective the instrument appointing a proxy must (save as otherwise provided in the Company's articles of association) be deposited at the office of the registrar not later than 11.30 a.m. on 24 September 1990.
4. There will be available for inspection at the registered office of the Company during normal business hours (except Saturdays and public holidays) from the date of this notice until the date of the Annual General Meeting and at Castle Ashby House for not longer than 30 minutes prior to and during the meeting:
 - (a) the register of Directors' interests in the ordinary shares of the Company;
 - (b) copies of the contracts of service of the Directors.
5. Shares acquired by employees under the Free and Matching Offers are held by trustees until at least December 1991 and employees holding only shares acquired under those offers will not be able to attend general meetings of the Company until the shares are registered in their names in December 1991. Such employees can instruct the trustees how to vote on their behalf on any resolution if it is put to a formal vote on a poll. A voting direction card is enclosed for employees concerned.