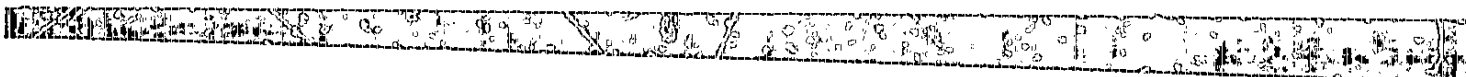


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**Director's Report
and Financial Statements
for the Year ended 31 March 1992**

Important notice to shareholders

Research suggests that many shareholders in public companies would prefer to receive less detailed information. Consequently we have produced this year's Report and Accounts in two parts : the Annual Review including a Summary Financial Statement, and the Directors' Report and Financial Statements. This year we have sent you both documents but, from next year, we will only send you the Annual Review. If in addition you would like to continue to receive the Directors' Report and Financial Statements please complete the enclosed reply paid card.

Contents

Directors' Report	1
Financial Statements:	
- Group Profit and Loss Account	4
- Group and Company Balance Sheets	5
- Group Cash Flow Statement	6
- Notes to the Financial Statements	7
Auditors' Report	20
Group Financial History	21
Summary of Regulatory Information for Anglian Water Services Limited	22
Glossary of Accounting Terms	26



Front cover:
Grafham Water reservoir

Directors' Report

The Directors have pleasure in presenting their Annual Report and the audited Financial Statements of Anglian Water Plc for the year ended 31 March 1992. This document together with the "1992 Annual Review" comprise the full annual report and accounts of the Company in accordance with the Companies Act 1985 (as amended).

Group structure

The Anglian Water Group of companies comprises Anglian Water Plc (the parent company), Anglian Water Services Limited (its appointed water and sewerage business), and eleven other trading companies (nine of which traded during the year ended 31 March 1992).

Principal activities and business review

The principal activities of the Group during the year were water supply and distribution, sewerage 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 document "1992 Annual Review".

Group results and dividends

The Group's results are shown in the profit and loss account on page 4. An interim dividend of 6.3p per share was paid on 17 February 1992. The Directors are recommending the payment of a final dividend of 13.0p per ordinary share to shareholders on the register at the close of business on 3 July 1992, making a total net dividend for the year of 19.3p.

Fixed assets

Details of total movements in fixed assets are shown in note 14 on pages 11 and 12.

Research and development

Research and development activities are as described on pages 19 to 21 in the Annual Review.

Share capital

Details of the Company's share capital are shown in note 24 on page 17. Options outstanding (including options granted to Directors detailed on page 2) under the Company's share option schemes at 31 March 1992 were as follows:

	No. of shares	Date of grant	Option price
Sharesave Scheme	1,757,617	12 December 1989	£1.76
Sharesave Scheme	723,751	6 December 1990	£2.67
Sharesave Scheme	1,197,011	30 December 1991	£2.72
Executive Share Option Scheme	258,048	19 February 1990	£2.99
Executive Share Option Scheme	104,956	20 June 1990	£2.93
Executive Share Option Scheme	172,126	10 January 1991	£3.31
Executive Share Option Scheme	270,028	7 December 1991	£3.26

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.

Directors' Report continued

Directors

A list of Directors at 31 March 1992 is set out below. Their biographies are shown on pages 4 and 5 of the Annual Review. In addition Mr F S Thomson served as a Director until 10 March 1992 when he resigned. Mr J Adams and Miss D A Nichols were appointed on 7 May 1992 and, having been appointed by the Directors, will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Adams has a service contract which may be terminated by the Company giving three years' notice at any time. Miss Nichols has no service contract. Mr J A Simpson, Miss A C Abbey and Mr A G Semple retire by rotation in accordance with the Articles of Association and, with the exception of Mr A G Semple, being eligible, offer themselves for re-election. Mr Simpson has a service contract which may be terminated by the Company giving three years' notice at any time. Miss Abbey has no service contract.

Directors' interests

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 are set out below.

Beneficial and family interests	31 March 1992 No. of shares	1 April 1991 No. of shares
B V Henderson	8,615	8,615
F Cator	1,960	1,960
A G Semple	1,080	1,080
A F Smith	786	786
J A Simpson	786	786
C J Mellor	487	587
Miss A C Abbey	840	840
J V Boodle	2,340	2,340
J R G Bradfield	1,350	1,350
The Earl of Cranbrook	1,100	1,100
R W Jewson	840	840

	Options at 31 March 1992		Options granted during the year	
	Anglian Water Sharesave Scheme	Anglian Water Executive Share Option Scheme	Anglian Water Sharesave Scheme	Anglian Water Executive Share Option Scheme
B V Henderson	--	90,951	--	25,306
A G Semple	4,772	74,634	--	20,015
A F Smith	8,893	104,858	2,757	39,110
J A Simpson	8,893	87,496	2,757	26,917
C J Mellor	4,827	73,792	1,378	26,227

Options to purchase fully paid ordinary shares were granted under the share option schemes described on page 1. No options have been exercised during the year. No Director has an interest in the shares of the Company other than as shown above, and no changes in the interests have occurred in the period from 31 March 1992 to 3 June 1992.

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.

Substantial shareholdings

According to notifications received, the following were interested in 3% or more of the Company's issued share capital at 3 June 1992.

	No. of shares	Percentage
Lyonnaise Des Eaux	26,523,000	5.69
Schroders Plc	16,700,705	3.66
Prudential Portfolio Management	13,189,100	2.87

Interests notified above include those of other companies within the respective groups.

Charitable and political donations

During the year the Group made charitable donations of £53,000 (including £37,000 to WaterAid, a charity established to bring safe water and basic sanitation to poor communities in the developing world). No political contributions were made.

Employees

Employees are kept informed on matters affecting them and made aware of the general financial and economic factors influencing the Group. We operate a systematic approach to employee communication through regular briefings, presentations and the wide circulation of the Company newspaper.

Share option schemes are in place which encourage participation in the Group's performance.

We are an equal opportunities employer and 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 disability, every effort is made to ensure that employment continues and appropriate training, career development and promotion of a disabled person should, as far as possible, be identical to that of other employees.

Liability insurance

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

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.

Annual General Meeting

The notice convening the Annual General Meeting to be held on 29 July 1992 is sent to shareholders separately with this report, together with an explanation of the business to be conducted at the meeting.


By order of the Board

Roger Dickinson
Company Secretary

Registered Office:
Anglian House, Ambury Road,
Huntingdon, Cambridgeshire PE18 6NZ

3 June 1992

Registered in England No. 2366618
Telephone: 0480 443000
Facsimile: 0480 443115

Group Profit and Loss Account

	Notes	1992 £m	1991 £m
For the year ended 31 March 1992	2	523.1	460.6
Turnover	3	(324.6)	(290.2)
Operating costs	4	(4.5)	
Exceptional items	2, 5	194.0	170.4
Operating profit	6	0.2	0.3
Other income	7	(22.9)	(18.1)
Interest payable (net)		171.3	152.6
Profit on ordinary activities before taxation	8	(19.0)	(17.2)
Taxation	13	152.3	135.4
Profit for the financial year	9	(56.9)	(51.6)
Dividends	25	95.4	83.8
Retained profit for the year	10	51.7p	45.9p
Earnings per ordinary share			

The notes on pages 7 to 19 form part of these financial statements.

Balance Sheets

At 31 March 1992	Notes	1992		1991	
		£m	£m	£m	£m
Fixed assets					
Tangible assets	14	1,811.6	1,594.0	1.5	0.4
Investments	15	2.7	2.4	991.3	972.9
		1,814.3	1,596.4	992.8	973.3
Current assets					
Stocks and work in progress	16	6.7	7.6	-	-
Debtors	17	88.2	83.8	54.3	49.8
Cash and deposits		99.0	101.3	100.0	118.0
		193.9	192.7	154.3	167.8
Creditors: amounts falling due within one year					
Short term borrowings	18	(13.0)	(13.9)	(0.5)	(1.6)
Other creditors	18	(177.6)	(199.2)	(67.6)	(61.3)
		3.3	(20.4)	86.2	104.9
Net current assets/(liabilities)					
Total assets less current liabilities		1,817.6	1,576.0	1,079.0	1,078.2
Creditors: amounts falling due after more than one year					
Loans and other borrowings	19	(389.8)	(282.1)	(214.5)	(208.7)
Other creditors	20	(32.2)	(22.0)	-	(2.8)
		(422.0)	(304.1)	(214.5)	(211.5)
Provisions for liabilities and charges	21	(86.9)	(59.3)	(1.1)	(1.8)
		1,308.7	1,212.6	863.4	864.9
Capital and reserves					
Called up share capital	24	294.9	294.7	294.9	294.7
Share premium account	25	0.5	-	0.5	-
Profit and loss account	25	1,013.3	917.9	568.0	570.2
		1,308.7	1,212.6	863.4	864.9

The notes on pages 7 to 19 form part of these financial statements.

Approved by the Board on 3 June 1992

B V HENDERSON CBE
Chairman



C J MELLOR
Group Finance Director



Group Cash Flow Statement

	1992	1991
For the year ended 31 March 1992	£m	£m
Net cash inflow from operating activities	253.2	245.9
Returns on investments and servicing of finance		
Interest received	14.4	5.5
Interest paid	(28.8)	(13.4)
Interest element of finance lease rental payments	(0.4)	(0.8)
Dividends paid	(53.1)	(47.2)
Net cash outflow from returns on investments and servicing of finance	(67.9)	(55.9)
Taxation		
Advance Corporation Tax paid	(17.2)	(10.0)
Investing activities		
Purchase of tangible fixed assets	(291.8)	(198.5)
Investment in infrastructure renewals	(11.3)	(8.1)
Grants and contributions received	31.7	26.3
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	-	(6.2)
Sales of plant and machinery	0.7	1.1
Investment in associated undertakings	(0.3)	(1.9)
Net movement in short term deposits	28(b)	(60.0)
Net cash outflow from investing activities	(276.0)	(247.3)
Net cash outflow before financing	(107.9)	(64.3)
Financing		
Loans from the European Investment Bank	65.0	25.0
Index Linked Loan Stock	-	100.0
Fixed Rate Bond	-	100.0
Other long term loans	-	1.0
Amounts received under finance lease arrangements	40.0	1.5
Repayment of amounts borrowed	(3.3)	(11.0)
Capital element of finance lease rental payments	(1.4)	(1.8)
Net cash inflow from financing	25(c)	226.1
(Decrease)/increase in cash and cash equivalents	25(b)	161.8

The notes on pages 7 to 19 form part of these financial statements

Notes to the Financial Statements

1. Accounting policies

The consolidated financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied:

(A) BASIS OF CONSOLIDATION

The Group accounts comprise a consolidation of the accounts of the Company and all of its subsidiaries to 31 March. The results of companies acquired or disposed of are consolidated from the effective date of acquisition or to the effective date of disposal. The treatment of a company as an associated undertaking 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 on the balance sheet at the Group's share of the net tangible assets of the companies.

(B) GOODWILL

On the acquisition of a subsidiary undertaking, fair values are attributed to the net assets acquired. Goodwill which represents the difference between the purchase consideration and the fair values, is taken to reserves.

(C) TURNOVER

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

(D) 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).

Infrastructure assets comprise a network of systems. Investment expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as an addition and included at cost.

Investment 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 takes account of planned expenditure on maintaining the operating capability of infrastructure assets, in accordance with the operational policies and standards underlying Angham Water Services Limited's Asset Management Plan. 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 the 20 year Asset Management Plan.

(ii) Other assets (including properties, overground plant and equipment)

Other assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

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

Assets in the course of construction are not depreciated until they are commissioned.

(E) GRANTS AND CONTRIBUTIONS

Grants and contributions on capital expenditure, other than those relating to infrastructure assets, are credited to a deferral account and are released to revenue evenly over the expected useful life of the relevant asset.

Grants and contributions to capital expenditure on infrastructure assets are deducted from the cost of these assets in order to show a true and fair view. Other grants and contributions are credited to profit and loss account in the year to which they apply.

Notes to the Financial Statements continued

1. Accounting policies continued

(F) 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 costs being written off to the profit and loss account over the period of the lease. 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 over the term of the lease.

(G) INVESTMENTS

Investments held as fixed assets other than subsidiary or associated undertakings are stated at cost less provisions for permanent diminution in value.

(H) STOCKS AND WORK IN PROGRESS

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

(I) PENSION COSTS

Contributions to the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the regular cost of pensions over the average service lives of employees, in accordance with the advice of an independent qualified actuary. Actuarial surpluses and deficits are amortised, where appropriate, over the average remaining service lives of employees in proportion to their expected payroll costs.

(J) RESEARCH AND DEVELOPMENT

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

(K) DEFERRED TAXATION

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.

2. Segmental analysis

(a) Analysis of turnover and operating profit by class of business

	Turnover		Operating profit	
	1992 £m	1991 £m	1992 £m	1991 £m
Water supply	227.5	196.6	60.8	46.8
Sewerage services	284.8	256.4	134.7	123.6
Other trading activities	10.8	7.6	(1.5)	
	523.1	460.6	194.0	170.4

Substantially all turnover and operating profit arises in the UK.

(b) Analysis of net assets by class of business

	1992 £m	1991 £m
Water supply	570.1	489.7
Sewerage services	1,092.8	963.8
Other trading activities	6.9	5.5
	1,669.8	1,459.0
	(361.1)	(246.4)
Net debt, dividends payable and advance corporation tax	1,308.7	1,212.6

	1992 £m	1991 £m
3. Operating costs	35.1	33.4
Raw materials and consumables	142.5	124.0
Other external charges	93.7	77.9
Staff costs (see note 11)	(29.9)	(20.6)
Own work capitalised	241.4	214.7
	46.6	38.8
Depreciation of tangible fixed assets	(1.0)	
Amortisation of deferred grants and contributions	37.6	36.7
Infrastructure renewals	324.6	290.2
	1992 £m	1991 £m
4. Exceptional items	4.5	
Restructuring and relocation costs		
	1992 £m	1991 £m
5. Operating profit		
Operating profit is stated after charging/(crediting):	1.4	1.0
Hire of plant and machinery	0.6	0.6
Other operating lease costs	0.3	0.2
Auditors' remuneration – for audit work	0.3	0.3
– for non-audit work	2.9	3.0
Research and development expenditure	(0.4)	(0.3)
Grants and contributions		
	1992 £m	1991 £m
6. Other income	0.2	0.3
Profit on sale of tangible fixed assets		
	1992 £m	1991 £m
7. Interest payable (net)	3.2	5.6
Overdrafts and other loans repayable wholly within five years	32.9	19.8
Long term loans (any part repayable after five years)	1.4	0.6
Finance leases	37.5	26.0
	(14.6)	(7.9)
Interest receivable	22.9	18.1
Interest payable on long term loans includes the indexation element of the Index Linked Loan Stock (see note 19).		
	1992 £m	1991 £m
8. Taxation	19.0	17.2
Advance corporation tax		
Taxation allowances on capital expenditure are sufficient to ensure that no mainstream corporation tax liability arises and consequently advance corporation tax for the year is written off. No provision for deferred taxation is required for the year ended 31 March 1992 (see note 22).		

Notes to the Financial Statements cont'd

9. Dividends	1992 £m	1991 £m
Interim dividend of 6.3p (1991 - 5.8p) per ordinary share	18.6	17.1
Proposed final dividend 13.0p (1991 - 11.7p) per ordinary share	38.3	34.5
	56.9	51.6

10. Earnings per share

Earnings per ordinary share has been calculated by dividing profit on ordinary activities after taxation of £152.3m (1991 - £135.4m) by 294.8m (1991 - 294.7m) being the weighted average number of ordinary shares in issue during the year. On a nil distribution basis earnings per ordinary share is 58.1p (1991 - 51.8p). Earnings per ordinary share is not materially affected if calculated on a fully diluted basis.

11. Employee information	1992 £m	1991 £m
Staff costs:		
Wages and salaries	79.5	65.9
Social security costs	6.1	5.0
Other pension costs (see note 26)	8.1	7.0
	93.7	77.9
Average number of full time equivalent persons employed in the UK:	1992	1991
Numbers employed	5,224	4,663

12. Directors' emoluments

Executive Directors' remuneration is fixed by a Remuneration Committee, comprising the non-executive Directors of the Company, after taking independent specialist advice. The combined emoluments of the Directors of Anglian Water Plc for their services as Directors of the Company and its subsidiaries are set out below:

	1992 £000	1991 £000
Fees	92	69
Contributions to pension schemes	55	56
Other emoluments	444	415
	591	540
The emoluments of the Chairman, excluding pension contributions, were	79	91
The emoluments of the highest paid Director (Mr A F Smith), excluding pension contributions, were	107	96

The emoluments of the other Directors of the Company, excluding pension contributions, were within the following ranges:

	No. of Directors			No. of Directors	
	1992	1991		1992	1991
£ 0 - £ 5,000	-	2	£80,001 - £85,000	2	1
£10,001 - £15,000	6	4	£85,001 - £90,000	-	1
£15,001 - £20,000	1	1	£90,001 - £95,000	1	-
£60,001 - £65,000	-	1			

Details of share options granted to Directors are shown in the Directors' Report on page 2.

13. Profit of parent company

Anglian Water Plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the profit for the financial year dealt with in the accounts of the parent company is £54.7m (1991 - £51.1m).

14. Tangible fixed assets The Group	Water supply £m	Sewerage services £m	Other trading activities £m	General £m	Total £m
Cost					
At 31 March 1991	568.2	1,112.7	3.3	137.1	1,821.3
Additions	107.9	143.7	1.9	27.7	281.2
Disposals	(0.1)	(0.1)	(0.1)	(2.7)	(3.0)
At 31 March 1992	676.0	1,256.3	5.1	162.1	2,099.5
Grants and contributions					
At 31 March 1991	6.6	6.4	-	-	13.0
Additions	10.5	6.0	-	-	16.5
At 31 March 1992	17.1	12.4	-	-	29.5
Depreciation					
At 31 March 1991	43.7	120.9	0.6	49.1	214.3
Charge for the year	8.4	20.6	0.5	17.1	46.6
Disposals	-	-	(0.1)	(2.4)	(2.5)
At 31 March 1992	52.1	141.5	1.0	63.8	258.4
Net book amount					
At 31 March 1992	606.8	1,102.4	4.1	98.3	1,811.6
At 31 March 1991	517.9	985.4	2.7	88.0	1,594.0

General assets comprise assets which are shared by a number of services. Tangible fixed assets of the Group at 31 March 1992 include £253.8m of assets in the course of construction (1991 - £204.4m).

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

	1992 £m	1991 £m
Land	6.5	6.1
Infrastructure assets	759.9	698.2
	766.4	704.3

The net book value of the Group's tangible fixed assets held under finance leases at 31 March 1992 was £41.6m (1991 - £3.2m). Depreciation charged on assets held under finance leases during the year ended 31 March 1992 amounted to £1.0m (1991 - £1.4m).

Notes to the Financial Statements continued

14. Tangible fixed assets continued

Investment commitments

As described more fully in the Annual Review, the Group has a substantial long term investment programme, which includes expenditure to meet regulatory requirements, 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:

	1992 £m	1991 £m
Contracted for but not provided in the financial statements	152.5	154.2
Authorised but not yet contracted for	661.2	410.9

	Land and buildings £m	Other £m	Total £m
The Company			
Cost			
At 31 March 1991	--	1.0	1.0
Additions	0.9	0.5	1.4
Disposals	--	(0.1)	(0.1)
At 31 March 1992	0.9	1.4	2.3
Depreciation			
At 31 March 1991	--	0.6	0.6
Charge for the year	--	0.2	0.2
Disposals	--	--	--
At 31 March 1992	--	0.8	0.8
Net book amount			
At 31 March 1992	0.9	0.6	1.5
At 31 March 1991	--	0.4	0.4

15. Investments

The Group

Shares at cost or amount under equity method of accounting

At 31 March 1991 and 1992

Loans

At 31 March 1991

Additions

At 31 March 1992

Net book amount

At 31 March 1992

At 31 March 1991

	Associated undertaking £m	Other participating interests £m	Total £m
Shares at cost or amount under equity method of accounting At 31 March 1991 and 1992	--	0.2	0.2
Loans At 31 March 1991	2.2	--	2.2
Additions	0.3	--	0.3
At 31 March 1992	2.5	--	2.5
Net book amount At 31 March 1992	2.5	0.2	2.7
At 31 March 1991	2.2	0.2	2.4

15. Investments continued

The associated undertakings, all of which are registered and principally operate in England, are

	Activity	Number of shares in issue	Nominal value of share capital in issue	held	Class of share
Grafham Carbons Limited	Regeneration of granular activated carbon	40,000	£40,000	50	Ordinary £1 shares
Gibb Anglian Limited	Engineering and design consultancy	1,000	£1,000	50	Ordinary £1 shares
Exxchange Technology Limited	Marketing nitrate removal equipment	10,000	£10,000	50	Ordinary £1 shares
					Subsidiary undertakings Ltd
The Company					
Shares at cost					865.9
At 31 March 1991 and 1992					
Loans					107.0
At 31 March 1991					18.4
Net movements during the year					125.4
At 31 March 1992					
Net book amount					991.3
At 31 March 1992					972.9
At 31 March 1991					

At 31 March 1992 the following subsidiary undertakings, all of which are registered and principally operate in England, were 100% owned by the Group or the Company:

	Activities
Anglian Water Services Limited	Appointed as a water and sewerage undertaker. Activities are regulated principally by the Water Industry Act 1991.
Anglian Water Engineering and Business Systems Limited	Engineering, computing, customer accounting and exchequer services for Group companies and external clients. The company also provides consultancy services in the UK and overseas.
Farm Gas Limited	Design and manufacture of anaerobic digestion plants.
Anglian Engineering Services Limited*	Engineering and fabrication services.
Anglian Water Commercial Developments Limited	Commercial consultancy.
F. Smith & Son (Grimsby) Limited*	Well-drilling and hole-lining.
Alpheus Environmental Limited	Wastewater treatment.

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

With the exception of companies marked with an*, all shareholdings are in the name of Anglian Water Plc.

Notes to the Financial Statements continued

	The Group	
	1992 £m	1991 £m
16. Stocks and work in progress		
Consumable stores	6.1	6.3
Work in progress	0.6	1.3
	6.7	7.6

The current replacement cost of stocks does not materially exceed the historical costs stated above. There were no stocks and work in progress in the Company.

	The Group		The Company	
	1992 £m	1991 £m	1992 £m	1991 £m
17. Debtors				
Amounts falling due within one year				
Trade debtors	67.7	62.6	--	--
Amounts owed by subsidiary undertakings	--	--	51.3	46.9
Other debtors	13.8	14.5	0.5	0.3
Prepayments and accrued income	5.2	3.1	2.5	2.6
	86.7	80.2	54.3	49.8
Amounts falling due after more than one year				
Trade debtors	0.5	--	--	--
Other debtors	0.2	3.6	--	--
Prepayments and accrued income	0.8	--	--	--
	88.2	83.8	54.3	49.8

	The Group		The Company	
	1992 £m	1991 £m	1992 £m	1991 £m
18. Creditors: amounts falling due within one year				
Bank loans, overdrafts and temporary borrowings	11.3	11.0	0.5	1.6
Current portion of long term loans	0.7	1.5	--	--
Obligations under finance leases	1.0	1.4	--	--
Short term borrowings	13.0	13.9	0.5	1.6
Trade creditors	89.1	103.0	4.3	2.5
Amounts owed to subsidiary undertakings	--	--	0.6	--
Receipts in advance	20.0	33.7	--	--
Advance corporation tax	19.0	17.2	19.0	17.2
Other taxation and social security	3.3	2.8	0.9	0.9
Accruals and deferred income	7.9	8.0	4.5	6.2
Proposed dividend	38.3	34.5	38.3	34.5
Other creditors	177.6	199.2	67.6	61.3

19. Loans and other borrowings falling due after more than one year	The Group		The Company	
	1992 £m	1991 £m	1992 £m	1991 £
Repayable wholly within 5 years	2.4	3.4	1.6	1.7
Repayable by instalments, any one of which is due for repayment after 5 years	174.4	71.6	--	--
Repayable after 5 years	213.0	207.1	212.9	207.0
	389.8	282.1	214.5	208.7
Due for repayment as follows:				
Between 1 and 2 years	1.7	1.7	0.4	--
Between 2 and 5 years	11.2	5.5	1.2	1.7
After 5 years	376.9	274.9	212.9	207.0
	389.8	282.1	214.5	208.7

Loans wholly or partly repayable after 5 years include the following:

	Interest rate %	Repayment date	1992 £m	1991 £m
Index Linked Loan Stock	5.125	2008	112.9	107.0
Fixed Rate Bond	12.000	2014	100.0	100.0
Loans from the European Investment Bank	9.9-11.5	1995-2007	105.0	40.0

The value of the capital and interest elements of the Index Linked Loan Stock are linked to movements in the Retail Price Index. The increase in the capital value during the year of £5.9m (1991 - £7.0m) has been taken to the profit and loss account as part of interest payable.

Other interest rates are in the range 5.1% to 11.8125%. Of the remaining loans and other borrowings, approximately £1.5m are at fixed rates and the remainder are at variable rates.

Loans and other borrowings include £1.5m (1991 - £4.8m) secured on the revenues of the Group. Included in the above are amounts due under finance leases of £0.7m (1991 - £1.7m), payable between one and five years and £41.0m (1991 - £nil) payable after five years.

20. Other creditors falling due after more than one year	The Group		The Company	
	1992 £m	1991 £m	1992 £m	1991 £m
Trade creditors	2.4	3.1	--	--
Receipts in advance	1.3	2.2	--	--
Accruals and deferred income	--	2.9	--	2.8
Deferred grants and contributions	28.6	13.8	--	--
	32.2	22.0	--	2.8

Notes to the Financial Statements

	Infrastructure renewals £m	Restructuring costs £m	£m
21. Provisions for liabilities and charges			
The Group			
At 31 March 1991	57.5	1.8	59.3
Utilised in the year	(13.7)	(0.8)	(14.5)
Charge for the year	37.6	4.5	42.1
At 31 March 1992	81.4	5.5	86.9
The Company			
At 31 March 1991	-	1.8	1.8
Utilised in the year	-	(0.7)	(0.7)
At 31 March 1992	-	1.1	1.1

22. Deferred taxation

In accordance with the Group's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1992.

The full potential deferred taxation liability, calculated under the liability method at a tax rate of 33%, is:

	The Group	
	1992 £m	1991 £m
Accelerated capital allowances	96.4	73.4
Other timing differences	(32.2)	(23.7)
Available tax losses	(51.9)	(49.7)
Advance corporation tax	(9.3)	-
	3.0	-

In addition to the amounts set out above, there are the following amounts which will be available to set against the Group's liability on taxable profits arising in future periods:

	1992 £m	1991 £m
Advance corporation tax	36.9	27.2
Available tax losses, calculated at a tax rate of 33%	-	11.9

Also, further capital allowances will become available in respect of infrastructure assets. The allowances will reduce the Group's corporation tax liability over a number of years by £122.6m (1991 - £136.1m), assuming a tax rate of 33%.

23. Commitments under operating leases

At 31 March 1992 the Group had commitments to make payments during the next 12 months under non-cancellable operating leases which expire as follows:

	1992 £m	1991 £m
The Group		
Within 1 year	0.1	
Between 1 and 5 years	-	0.3
After 5 years	0.7	
	0.8	0.3
The Company		
Between 1 and 5 years	0.2	0.3

24. Share capital of Anglian Water Plc

	1992 £m	1991 £m
Authorized		
Ordinary shares of £1 each	400.0	400.0
Special rights redeemable preference share of £1 (the "Special Share")	-	
	400.0	400.0
Allotted, issued and fully paid		
Ordinary shares of £1 each	294.9	294.7
Special Share	-	
	294.9	294.7

During the year £0.7m of convertible loan notes issued in connection with the acquisition of Farm Gas Limited were converted into 185,921 shares of £1 each.

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 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.

Details of outstanding share options are shown in the Directors' Report on page 1.

Notes to the Financial Statements continued

25. Share premium and retained profits	Share premium account £m	Profit and loss account £m
The Group		
At 31 March 1991	-	917.9
Retained profit for the year	-	95.4
Conversion of loan notes to shares (see note 24)	0.5	
At 31 March 1992	0.5	1,013.3
The Company		
At 31 March 1991	-	570.2
Retained loss for the year	-	(2.2)
Conversion of loan notes to shares (see note 24)	0.5	
At 31 March 1992	0.5	568.0

The cumulative goodwill taken to reserves as at 31 March 1992 amounts to £5.6m.

26. Pension commitments

Pension arrangements for the majority of the Group's employees are of the defined benefit type through Anglian Water Mirror Image Pension Scheme ("AWMIS") and Anglian Water Pension Scheme ("AWPS").

With effect from 1 April 1992 the Group established an Executive Pension Scheme. The scheme, which is of the defined benefit type, is available to directors and certain senior managers.

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

Details of the latest actuarial valuations of the two schemes which operated during the year are summarised below.

	AWMIS	AWPS
Date of valuation	31 March 1990	31 March 1989
Actuarial method	Attained age	Projected unit
Main assumptions		
Excess of investment returns over:		
- general salary increases	2.0%	2.0%
- dividend growth	4.5%	4.5%
- annual increases in pensions	3.5%	4.0%
Results		
Market value of assets	£100.0m	£10.5m
Funding level	110%	101%

The pensions charge for the year ended 31 March 1992 was £8.1m (1991 - £7.0m).

27. Contingent liabilities

There were contingent liabilities at 31 March 1992 in respect of bridging guarantees amounting to £0.7m (1991 - £0.4m) upon which no material losses are likely to arise.

28. Notes to the cash flow statement	The Group	
	1992 £m	1991 £m
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	194.0	170.4
Other income	0.2	0.3
Net movement in restructuring provision	3.7	(1.0)
Depreciation (net of amortisation of deferred grants and contributions)	45.6	38.8
Provision for infrastructure renewals	37.6	36.7
Gain on sale of fixed assets	(0.2)	(0.3)
	280.9	244.9
Changes in working capital:		
Decrease/(increase) in stocks	0.9	(0.8)
(Increase)/decrease in debtors	(4.7)	(11.8)
(Decrease)/increase in creditors	(23.9)	16.6
	(27.7)	4.0
Net cash inflow from operating activities	253.2	248.9

b) Analysis of cash and cash equivalents as shown in the balance sheet	1992 £m	1991 £m	Change in year	
			1992 £m	1991 £m
Cash and deposits	34.0	41.3	(7.3)	39.6
Bank loans, overdrafts and temporary borrowings	(11.3)	(11.0)	(0.3)	122.2
	22.7	30.3	(7.6)	161.8

Cash and deposits includes only investments which were within three months of maturity when acquired. At 31 March 1992 the Group also held deposits of £65.0m (1991 - £60.0m) which were more than three months but less than one year from maturity when acquired.

c) Analysis of changes in financing during the year	1992 £m	1991 £m	Change in year	
			1992 £m	1991 £m
Loans and finance lease obligations:				
Due within one year	1.7	2.9	(1.2)	0.9
Due after one year	389.8	282.1	107.7	232.2
	391.5	285.0	106.5	233.1
Changes in the year comprise:				
Net cash inflow			100.3	226.1
Indexation of loan stock			5.9	7.0
Deferred finance charges on finance lease arrangements			1.0	-
Conversion to shares			(0.7)	-
			106.5	233.1



Auditors' Report to the Members of Anglian Water Plc

We have audited the financial statements on pages 4 to 19 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 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor
Birmingham

Price Waterhouse

3 June 1992

Group financial history

	1988 £m	1989 £m	1990 £m	1991 £m	1992 £m
Profit and loss account					
Turnover					
Water supply	131.2	145.8	161.9	190.6	227.5
Sewerage services	191.7	210.4	230.9	256.4	284.8
Other trading activities	-	0.8	2.5	7.6	10.0
	322.9	356.5	401.3	460.6	523.1
Operating profit					
Water supply	39.5	55.2	31.2	46.8	60.8
Sewerage services	113.4	112.3	123.7	123.6	134.7
Other trading activities	-	-	(0.2)	-	(1.5)
	152.9	167.5	154.7	170.4	194.0
Other income	2.5	1.7	0.4	0.3	0.2
Interest payable (net)	(96.7)	(95.8)	(69.0)	(18.1)	(22.9)
Profit on ordinary activities before taxation	58.7	73.4	86.1	152.6	171.3
Taxation	-	-	(10.0)	(17.2)	(19.0)
Profit on ordinary activities after taxation	58.7	73.4	76.1	135.4	152.3
Extraordinary items	-	(1.2)	(7.7)	-	-
Profit for the financial year	58.7	72.2	68.4	135.4	152.3
Dividends per ordinary share	-	-	15.3p*	17.5p	19.3p
Earnings per ordinary share	-	-	42.1p*	45.9p	51.7p
Balance sheet					
Fixed assets	1,190.3	1,279.3	1,425.1	1,596.4	1,814.3
Net current (liabilities)/assets	(100.5)	(176.8)	(200.2)	(20.4)	3.3
Total assets less current liabilities	1,089.8	1,102.5	1,224.9	1,576.0	1,817.6
Creditors: amounts falling due after more than one year	794.3	738.4	58.8	304.1	422.0
Provisions for liabilities and charges	8.1	4.5	31.7	59.3	86.9
Called up share capital and share premium	-	-	294.7	294.7	295.4
Profit and loss account	287.4	359.6	839.7	917.9	1,013.3
	1,089.8	1,102.5	1,224.9	1,576.0	1,817.6

*Pro-forma basis

The financial information set out above for the two years ended 31 March 1989 is 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 in accordance with guidelines issued by the Director General of Water Services. Under these guidelines, the treatment of certain turnover and expenditure items differs from that disclosed in the statutory accounts. This regulatory information is published with the AWS statutory accounts, a copy of which is available on request to the Company Secretary, Anglian Water Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE18 6NZ. Extracts from those accounts are shown on pages 22 to 25. This page analyses the AWS historic cost profit and loss account between appointed and non-appointed business. The AWS historic cost balance sheet is shown on page 23.

The Director General also requires certain current cost information to judge the financial performance of the regulated business. The current cost profit and loss account and balance sheet are shown on page 24 and an analysis of the current cost operating profit for the appointed business on page 25.

Historic cost profit and loss account for the year ended 31 March 1992

	1992			1991		
	Appointed £m	Non- appointed £m	Total £m	Appointed £m	Non- appointed £m	Total £m
Turnover	513.3	1.6	514.9	452.5	1.1	453.6
Operating costs	(319.3)	(2.5)	(321.8)	(284.5)	(1.4)	(285.9)
Operating income	0.2	-	0.2	0.3	-	0.3
Operating profit	194.2	(0.9)	193.3	168.3	(0.3)	168.0
Other income	1.5	0.5	2.0	2.4	-	2.4
Interest payable (net)	(21.7)	-	(21.7)	(17.3)	-	(17.3)
Profit on ordinary activities before and after taxation	174.0	(0.4)	173.6	153.4	(0.3)	153.1
Dividends	(75.9)	-	(75.9)	(68.8)	-	(68.8)
Retained profit/(loss) for year	98.1	(0.4)	97.7	84.6	(0.3)	84.3

**Summary of Regulatory Information for
Anglian Water Services Limited**

	1992 £m	1991 £m
Balance sheet at 31 March 1992		
Fixed assets		
Tangible assets	1,789.6	1,575.4
Investments	3.0	2.7
	1,792.6	1,578.1
Current assets		
Stocks and work in progress	5.9	6.5
Debtors	80.6	79.1
	86.5	85.6
Creditors: amounts falling due within one year		
Short term borrowings	(8.2)	(8.8)
Other creditors	(154.9)	(184.9)
Net current liabilities	(76.6)	(108.1)
Total assets less current liabilities	1,716.0	1,470.0
Creditors: amounts falling due after more than one year		
Loans and other borrowings	(288.3)	(180.2)
Other creditors	(32.2)	(19.1)
	(320.5)	(199.3)
Provisions for liabilities and charges	(84.6)	(57.5)
	1,310.9	1,213.2
Capital and reserves		
Called up share capital	860.0	860.0
Profit and loss account	450.9	353.2
	1,310.9	1,213.2

The balance sheet includes the non-appointed assets and liabilities of AWS. These are not sufficiently material to warrant separate disclosure.

Summary of Regulatory Information for Anglian Water Services Limited continued

	1992 £m	1991 £m
Current cost profit and loss account for the appointed business for the year ended 31 March 1992		
Turnover	513.3	452.5
Operating costs	(353.2)	(318.8)
Operating income	0.1	0.3
Working capital adjustment	140.2	134.0
	4.7	5.5
Working capital adjustment	164.9	139.5
Current cost operating profit	1.5	2.4
Other income	(21.7)	(17.3)
Interest payable (net)	7.5	15.1
Financing adjustment	152.2	139.7
Current cost profit attributable to shareholders	(75.9)	(68.8)
Dividends	76.3	70.9
Current cost profit retained		

	1992 £m	1991 £m
Current cost balance sheet at 31 March 1992		
Assets employed		
Fixed assets	11,409.0	10,714.6
Third party contributions since 31 March 1990	(181.5)	(78.0)
	11,227.5	10,636.6
	(96.7)	(116.5)
Working capital	11,130.8	10,520.1
Net operating assets	3.0	2.7
Investments	1.2	-
Non-trade debtors	(62.5)	(54.4)
Non-trade creditors due within one year	(291.9)	(180.2)
Creditors due after one year	(3.2)	-
Provision for liabilities and charges	10,777.4	10,288.2
Net assets employed		
Financed by		
Called up share capital	860.0	860.0
Profit and loss account	163.0	87.1
Current cost reserves	9,754.4	9,341.1
	10,777.4	10,288.2

The balance sheet includes the non-appointed assets and liabilities of AWS. These are not sufficiently material to warrant separate disclosure.

Analysis of current cost operating profit for the appointed business

	1992					1991				
	Water services	Sewerage services	Sewage treatment & disposal	Sewerage services	Appointed business	Water services	Sewerage services	Sewage treatment & disposal	Sewerage services	Appointed business
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Turnover										
Measured	65.3			41.0	106.3	57.0			37.2	94.2
Unmeasured	136.7			216.3	353.0	116.3			195.4	311.7
Trade effluent	--			14.2	14.2	--			13.5	13.5
Revenue grants	0.4			--	0.4	0.3			--	0.3
Non tariff basket charges	11.7			6.8	18.5	9.7			4.8	14.5
Rechargeable work	11.0			0.3	11.3	10.4			0.1	10.5
Services charged to associated companies	0.7			0.6	1.3	--			0.1	0.1
Other	2.2			6.1	8.3	2.4			5.3	7.7
Total turnover	228.0			285.3	513.3	196.1			256.4	452.5
Operating costs										
Manpower costs	29.0	4.8	25.5	30.3	59.3	25.9	4.3	22.8	27.1	53.0
Other costs of employment	1.8	0.4	1.6	2.0	3.8	1.8	0.4	1.6	2.0	3.8
Power	14.6	1.1	8.9	10.0	24.6	13.3	1.0	7.7	8.7	22.0
Rates	16.3	--	9.0	9.0	25.3	14.2	0.2	8.2	8.4	22.6
Hired and contracted services	10.6	2.2	13.5	15.7	26.3	9.3	1.9	12.4	14.3	23.6
Services sub-contracted from associated companies	17.7	7.9	13.7	21.6	39.3	14.8	7.1	12.3	19.4	34.2
Materials and consumables	15.7	1.6	8.6	10.2	25.9	15.9	1.5	9.3	10.8	26.7
Service charges	8.3	0.4	1.7	2.1	10.4	6.3	--	--	--	6.3
Sewerage agencies	--	9.4	--	9.4	9.4	--	8.8	--	8.8	8.8
Other operating costs	3.9	1.2	3.2	4.4	8.3	4.3	1.4	3.7	5.1	9.4
Doubtful debts	3.1	1.5	2.6	4.1	7.2	1.6	0.8	1.5	2.3	3.9
Exceptional items	1.2	1.1	1.0	2.1	3.3	--	--	--	--	--
	122.2	31.6	89.3	120.9	243.1	107.4	27.4	79.5	106.9	214.3
Current cost depreciation	26.0	10.7	36.8	47.5	73.5	23.7	9.9	34.2	44.1	67.8
Amortisation of deferred grants and contributions	(0.2)	--	(0.8)	(0.8)	(1.0)	--	--	--	--	--
Infrastructure renewals expenditure	11.3	2.3	0.1	2.4	13.7	6.3	1.6	0.2	1.8	8.1
Infrastructure renewals accrual	19.8	4.0	0.1	4.1	23.9	25.6	3.0	--	3.0	28.6
Total operating costs	179.1	48.6	125.5	174.1	353.2	163.0	41.9	113.9	155.8	318.8
Operating income - current cost profit on fixed assets	--			0.1	0.1	0.1			0.2	0.3
Working capital adjustment	2.1			2.6	4.7	2.4			3.1	5.5
Current cost operating profit	51.0			113.9	164.9	35.6			103.9	139.5

Glossary of Accounting Terms

In this glossary some of the terms used in the statutory Financial Statements are explained. These definitions are intended as a guide for those who may not be familiar with some of the accounting terminology. They do not, however, replace any of the more commonly accepted definitions recognised in financial or accounting practice.

Advance corporation tax (ACT)

ACT is payable whenever the Company pays a dividend to its shareholders and is available for offset against the Company's future corporation tax liabilities. Since we are not likely to be a corporation tax payer for some years, ACT in respect of the current year is written off against profits.

Associated undertaking

A company in which the Group holds at least 20% but not more than 50% of the equity capital, has representation on its Board of Directors and participation in policy making, including dividend policy.

Contingent liabilities

Potential liabilities which depend on one or more uncertain future events. Such liabilities are therefore not provided for in the accounts.

Current cost accounting

A means of expressing accounting information at current price levels, the form and methodology of which is in accordance with that prescribed by the Director General of Water Services.

Deferred taxation

Profits arrived at for accounting purposes differ from those determined for calculation of corporation tax e.g. depreciation is replaced in tax computations by capital allowances. This can lead to payments of tax on profit being deferred. Where this temporary deferral of tax is expected to become payable in the near future, a provision is made. At Anglian no such provision is currently necessary since we anticipate that capital allowances will exceed annual depreciation charges for the foreseeable future.

Depreciation

The amount charged against profits to reflect the usage of fixed assets with a finite economic life expectancy.

Earnings per share (EPS)

A widely used indicator of company performance, EPS represents the profit after taxation notionally attributable to each share in issue during the year.

Emoluments

Earnings including salaries, contributions to pension schemes, and the estimated value of benefits in kind.

Finance leases

Leases which transfer substantially all of the risks and rewards of ownership of assets to the Group. The relevant assets are treated in the accounts as if they had been purchased, although they have to be paid for over a number of years.

Fixed assets

Assets of a long lasting or permanent nature, held for continuing use in the business e.g. land, buildings, plant and machinery.

Index linked loan stock

Loan stock issued by the Group for which the level of interest payments and the ultimate capital repayment are linked to movements in the Retail Price Index.

Infrastructure renewals charge

An annual charge based upon our long term investment plan. This reflects the cost of maintaining in perpetuity the operating capability of the network of infrastructure assets to defined standards of service.

Provisions

Estimated liabilities, the actual expenditures for which are expected to arise in future accounting periods.

Reserves

The sum of profit after tax and dividends that is retained for reinvestment by the company. Current cost reserves also include revaluations of fixed assets.

Share capital and share premium

Share capital is the "nominal" value of a company's shares (£1 each for Anglian Water Plc) multiplied by the number of shares in issue. Share premium represents any excess of proceeds received on issue over and above the nominal value of the shares issued.

Special redeemable preference share

The £1 special rights share held by HM Government. Whilst held, the shareholding of other parties is restricted to less than 15% of the Company's issued share capital. This special share must be redeemed by no later than 31 December 1994.

Subsidiary undertaking

A company in which the Group owns more than 50% of the share capital and/or has effective control of policy making.