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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 1993. This document together with the "Annual Review 1993" comprise the full annual report and accounts of the Company in accordance with the Companies Act 1985 (as amended).

Principal activities and business review

The principal activities of the Group during the year were water supply and distribution, sewerage, sewage treatment and disposal and process engineering. A review of the Group's performance during the year, with comments on the financial results and future developments, is contained in the "Annual Review 1993".

Group results and dividends

The Group's results are shown in the profit and loss account on page 5. An interim dividend of 6.8p per share was paid on 26 February 1993. The Directors are recommending the payment of a final dividend of 14.3p per ordinary share to shareholders on the register at the close of business on 2 August 1993, making a total net dividend for the year of 21.1p. The final dividend, if approved at the Annual General Meeting, will be paid on 1 October 1993.

Fixed assets

Details of movements in fixed assets are shown in note 12 on pages 13 and 14.

Research and development

Research and development activities are described on page 27 in the Annual Review.

Share capital

Details of the Company's share capital are shown in note 23 on page 20. Options outstanding (including options granted to Directors detailed on page 3) under the Company's share option schemes at 31 March 1993 were as follows:

	No. of shares	Date of grant	Option price
Sharesave Scheme	1,665,689	12 December 1989	£1.76
Sharesave Scheme	691,014	6 December 1990	£2.67
Sharesave Scheme	1,161,809	30 December 1991	£2.72
Sharesave Scheme	551,894	21 December 1992	£3.82
Executive Share Option Scheme	71,567	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
Executive Share Option Scheme	71,519	24 June 1992	£3.95
Executive Share Option Scheme	63,307	15 December 1992	£4.73

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

Directors

A list of Directors at 31 March 1993 is set out below. Their biographies are shown on pages 10 and 11 of the Annual Review. In addition Mr A G Semple served as Vice Chairman until 29 July 1992, when he retired. Mrs A C Healey, Mr J V Boodle and Dr J R G Bradfield served as Directors until 31 March 1993, when they retired. Mrs J de Moller was appointed on 12 November 1992 and, having been appointed by the Directors, will retire at the Annual General Meeting and, being eligible, offers herself for re-election. Mrs de Moller has no service contract. Mr C J Mellor and the Earl of Cranbrook retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Mr Mellor has a service contract which may be terminated by the Company giving three years' notice at any time. The Earl of Cranbrook 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 1993 No. of shares	1 April 1992 (or date of appointment if later) No. of shares
B V Henderson	8,887	8,615
F Cator	2,156	1,960
A F Smith	5,075	786
J A Simpson	1,958	786
C J Mellor	1,129	487
J Adams	6,037	595
J V Boodle	2,490	2,340
J R G Bradfield	1,350	1,350
The Earl of Cranbrook	1,100	1,100
Mrs A C Healey (née Abbey)	924	840
R W Jewson	840	840
Mrs J de Moller	750	-
Miss D A Nichols	-	-

	Options at 31 March 1993		Options granted during the year		Options exercised 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	-	92,536	-	1,585	-
A F Smith	8,893	77,986	-	8,245	35,117
J A Simpson	8,893	56,660	-	4,281	35,117
C J Mellor	6,724	75,424	1,897	8,245	6,613
J Adams	-	39,667	-	16,924	14,920

Options to purchase fully paid ordinary shares were granted under the share option schemes described on page 2. Options exercised during the year were at £2.99 under the Executive Share Option Scheme dated 19 February 1990. 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 1993 to 7 June 1993, except for Mr J Adams who disposed of 5,220 ordinary shares on 6 April 1993.

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.

DIRECTORS' REPORT

Substantial shareholdings

According to notifications received, the following were interested in 3% or more of the Company's issued share capital at 7 June 1993.

	No. of shares	Percentage
Prudential Corporation	21,030,330	7.12
Schroder Plc	18,697,508	6.33
Standard Life Assurance Company	12,849,845	4.35
Scottish Widows' Fund and Life Assurance Society	9,576,628	3.24

Interests notified above include those of other companies within their respective groups. In addition, the Company is aware that discretionary investment clients of companies within the Mercury Asset Management group are interested, in aggregate, in shares comprising 4.94% of the issued share capital.

Charitable and political donations

During the year the Group made charitable donations of £41,000 (including £30,000 to Water Aid, 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 incurred 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 28 July 1993 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

7 June 1993

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Registered in England No. 2366618
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GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1993	Notes	1993 £m	1992 £m
Turnover			
Continuing operations		567.9	523.1
Acquisitions		15.3	-
Total turnover	2	583.2	523.1
Operating costs			
Continuing operations	3	(371.6)	(329.1)
Acquisitions		(1.1)	-
Total operating profit	2,4	211.6	194.0
Profit on sales of assets in continuing operations		3.3	0.2
Profit on ordinary activities before interest		214.9	194.2
Interest payable (net)	5	(29.5)	(22.9)
Profit on ordinary activities before taxation		185.4	171.3
Taxation	6	(19.0)	(19.0)
Profit for the financial year	11	166.4	152.3
Dividends	7	(62.3)	(56.9)
Retained profit for the financial year		104.1	95.4
Earnings per share	8	56.4p	51.7p

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TOTAL RECOGNISED GAINS AND LOSSES

Statement of total recognised gains and losses For the year ended 31 March 1993	Note	1993 £m	1992 £m
Profit for the financial year		166.4	152.3
Currency translation differences on foreign currency net investments		(0.2)	-
Total recognised gains relating to the year	24	166.2	152.3

The notes on pages 8 to 24 form part of these financial statements.

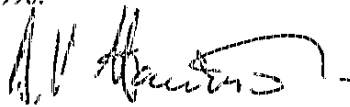
STATEMENT OF THE BALANCE SHEETS

At 31 March 1993	Notes	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
Fixed assets					
Tangible assets	12	2,049.6	1,811.6	2.8	1.5
Investments	13	3.9	2.7	1,125.5	991.3
		2,053.5	1,814.3	1,128.3	992.8
Current assets					
Stocks	15	10.9	6.7	-	-
Debtors	16	120.5	88.2	61.3	54.3
Cash and deposits		113.0	99.0	190.4	100.0
		244.4	193.9	251.7	154.3
Creditors : amounts falling due within one year					
Short term borrowings	17	(9.9)	(13.0)	(210.9)	(0.5)
Other creditors	17	(268.7)	(177.6)	(74.1)	(67.6)
Net current (liabilities)/assets		(34.2)	3.3	(33.3)	86.2
Total assets less current liabilities		2,019.3	1,817.6	1,095.0	1,079.0
Creditors : amounts falling due after more than one year					
Loans and other borrowings	18	(495.6)	(389.8)	(238.3)	(214.5)
Other creditors	19	(48.6)	(32.2)	-	-
		(544.2)	(422.0)	(238.3)	(214.5)
Provisions for liabilities and charges	20	(106.1)	(86.9)	(0.6)	(1.1)
		1,369.0	1,308.7	856.1	863.4
Capital and reserves					
Called up share capital	23	295.5	294.9	295.5	294.0
Share premium account	24	2.1	0.5	2.1	0.5
Profit and loss account	24	1,071.4	1,013.3	558.5	568.0
		1,369.0	1,308.7	856.1	863.4

The notes on pages 8 to 24 form part of these financial statements.

Approved by the Board on 7 June 1993.

B V HENDERSON CBE
Chairman



C J MELLOR
Group Finance Director



GROUP CASH FLOW STATEMENT

For the year ended 31 March 1993	Notes	1993 £m	1992 £m
Net cash inflow from operating activities	27(a)	316.8	253.2
Returns on investments and servicing of finance			
Interest received		14.1	14.4
Interest paid		(35.0)	(28.8)
Interest element of finance lease rental payments		(1.2)	(0.4)
Dividends paid		(58.4)	(53.1)
Net cash outflow from returns on investments and servicing of finance		(80.5)	(67.9)
Taxation			
Advance Corporation Tax paid		(19.0)	(17.2)
Investing activities			
Purchase of tangible fixed assets		(288.8)	(291.8)
Investment in infrastructure renewals		(15.4)	(11.3)
Grants and contributions received		33.1	31.7
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired)	27(b)	(27.3)	-
Sales of fixed assets		4.1	0.7
Investment in associated undertakings		-	(0.3)
Investment in other participating interests		(1.2)	-
Increase in short term deposits	27(c)	(15.0)	(5.0)
Net cash outflow from investing activities		(310.5)	(276.0)
Net cash outflow before financing		(93.2)	(107.9)
Financing			
Loans from the European Investment Bank		25.0	65.0
Other long term loans		20.0	-
Amounts received under finance lease arrangements		55.3	40.0
Repayments of amounts borrowed		(5.3)	(3.3)
Capital element of finance lease rental payments		(0.8)	(1.4)
New share capital subscribed		1.2	-
Net cash inflow from financing	27(d)	95.4	100.3
Increase/(decrease) in cash and cash equivalents	27(c)	2.2	(7.6)

The notes on pages 8 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and, except as disclosed in note 1(E) below, in accordance with the Companies Act 1985. The accounts have been prepared in accordance with the requirements of Financial Reporting Standard 3 - Reporting Financial Performance, and consequently certain comparatives have been restated. 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 the 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 or losses 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.

(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 and services provided and, in respect of long term contract work in progress, the value of work carried out.

(D) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets comprise:

Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) 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 Anglian 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(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 in accordance with the provisions of the Companies Act. Grants and contributions to capital expenditure on infrastructure assets are deducted from the cost of these assets. This policy is not in accordance with the provisions of the Companies Act but has been adopted in order to show a true and fair view since, as explained above, infrastructure assets have no finite economic life and hence no basis exists on which to recognise such contributions as deferred income. The financial effect of this departure is disclosed in note 12. Other grants and contributions are credited to profit and loss account in the year to which they apply.

(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 are stated at cost less provision 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, with the exception of long term contract 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) LONG TERM CONTRACTS

Amounts recoverable on long term contracts are stated at cost plus attributable profits, less provision for any known or anticipated losses and payments on account, and are included in debtors. Payments on account in excess of amounts recoverable on long term contracts are included in creditors.

(J) 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. The cost of defined contribution schemes is charged to the profit and loss account in the year in respect of which contributions become payable.

(K) RESEARCH AND DEVELOPMENT

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

(L) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities denominated in foreign currencies, including the Group's interest in the underlying net assets of overseas subsidiary and associated undertakings, are translated into sterling at the financial year end exchange rates. Profits and losses of overseas subsidiaries and associates are translated into sterling at average rates of exchange during the year. Gains or losses arising on the translation of the net assets of overseas subsidiaries and associates are taken to reserves, together with exchange differences arising on related foreign currency borrowings. Other exchange differences are taken to the profit and loss account.

(M) 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. Provision is made for taxation which could arise on the remittance of retained overseas earnings only to the extent that there is currently an intention to remit such earnings.

NOTES TO THE FINANCIAL STATEMENTS

2. Segmental analysis	Turnover		Operating profit		Net operating assets	
	1993 £m	1992 £m	1993 £m	1992 £m	1993 £m	1992 £m
By class of business						
Water supply and sewerage services	561.1	514.2	216.2	195.5	1,827.3	1,663.7
Process engineering and other	29.0	14.7	(4.4)	(1.1)	(4.6)	6.1
less intersegment trading	(6.9)	(5.8)	(0.2)	(0.4)	-	-
	583.2	523.1	211.6	194.0	1,822.7	1,669.8
By geographical origin						
United Kingdom	579.8	523.1	212.0	194.0	1,826.0	1,669.8
Other	3.4	-	(0.4)	-	(3.3)	-
	583.2	523.1	211.6	194.0	1,822.7	1,669.8

Other turnover arises principally in Europe. Turnover by destination is not significantly different from turnover by origin. Net operating assets are shown before deduction of net debt, dividends payable and corporation tax of £453.7m (1992 - £361.1m). All of the Group's acquisitions during the year relate to the process engineering and other segment. These businesses contributed £15.3m to turnover, a loss of £1.1m to operating profit and net operating liabilities of £12.9m. There were no acquisitions in the year ended 31 March 1992. The Directors believe that the analysis between water supply and sewerage services which was previously shown in the Group segmental information is more meaningfully covered in the regulatory accounts of Anglian Water Services Limited.

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3. Operating costs	Continuing	Acquisitions	Total	
	operations		1993	1992
	£m	£m	£m	£m
Raw materials and consumables	35.3	9.1	44.4	35.1
Other external charges	189.9	3.4	163.3	147.1
Staff costs (see note 9)	104.4	4.0	108.4	93.7
Change in stocks of finished goods and work in progress	(0.3)	(0.4)	(0.7)	(0.1)
Own work capitalised	(38.8)	-	(38.8)	(29.9)
	260.5	16.1	276.6	245.9
Depreciation of tangible fixed assets	58.0	0.3	58.3	46.6
Amortisation of deferred grants and contributions	(1.2)	-	(1.2)	(1.0)
Infrastructure renewals	37.9	-	37.9	37.6
	355.2	16.4	371.6	329.1
4. Operating profit			1993	1992
			£m	£m
Operating profit is stated after charging/(crediting):				
Share of losses of associated undertakings			0.2	-
Restructuring and relocation costs			-	4.5
Hire of plant and machinery			1.2	1.4
Other operating lease costs			1.0	0.6
Research and development expenditure			2.6	2.9
Grants and contributions			(0.4)	(0.4)
Fees paid to auditors:				
for audit work			0.5	0.3
for other work (including £0.2m overseas (1992 - nil))			0.7	0.3
Included above are fees of £0.4m charged to cost of investments (1992 - nil)				

NOTES TO THE FINANCIAL STATEMENTS

	1993 £m	1992 £m
5. Interest payable (net)		
Overdrafts and other loans repayable wholly within five years	2.1	3.2
Long term loans (any part repayable after five years)	37.4	32.9
Finance leases	5.3	1.4
	44.8	37.5
Interest receivable	(15.3)	(14.6)
	29.5	22.9

Interest payable on long term loans includes the indexation element of the Index Linked Loan Stock (see note 18).

	1993 £m	1992 £m
6. Taxation		
Advance corporation tax	19.0	19.0

Taxation allowances on capital expenditure are sufficient to ensure that no UK 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 1993 (see note 21).

	1993 £m	1992 £m
7. Dividends		
Interim dividend of 6.8p (1992 - 6.3p) per ordinary share	20.1	18.6
Proposed final dividend 14.3p (1992 - 13.0p) per ordinary share	42.2	38.3
	62.3	56.9

8. Earnings per share

Earnings per ordinary share has been calculated by dividing profit on ordinary activities after taxation of £166.4m (1992 - £152.3m) by 295.2m (1992 - 294.8m) being the weighted average number of ordinary shares in issue during the year. On a nil distribution basis earnings per ordinary share is 62.8p (1992 - 58.1p). Earnings per ordinary share is not materially affected if calculated on a fully diluted basis.

NOTES TO THE FINANCIAL STATEMENTS

9. Employee information	Continuing operations £m	Acquisitions £m	Total 1993 £m	1992 £m
Staff costs:				
Wages and salaries	87.7	3.5	91.2	79.5
Social security costs	6.7	0.4	7.1	6.1
Other pension costs (see note 25)	9.0	0.1	9.1	8.1
Employee profit share (see note 23)	1.0	-	1.0	-
	104.4	4.0	108.4	93.7

Average number of full time equivalent persons employed:	Continuing operations	Acquisitions	Total 1993	1992
Water and sewerage services	5,147	-	5,147	5,016
Process engineering and other	210	194	404	208
Numbers employed	5,357	194	5,551	5,224

The numbers for process engineering and other include 25 full time equivalent persons employed outside the UK (1992 - nil).

10. Directors' emoluments

Executive Directors' remuneration represents salary plus a bonus based on the performance of the Group in meeting investment objectives, quality standards, levels of service and financial targets. The basis of remuneration is set 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.

	1993 £000	1992 £000
Fees	113	92
Contributions to pension schemes	114	55
Pension to a former director	4	-
Compensation to a former director in respect of early retirement from executive office	107	-
Bonuses	72	-
Other emoluments	567	444
	977	591
The emoluments of the Chairman, excluding pension contributions, were	101	79
The emoluments of the highest paid Director (Mr A F Smith), excluding pension contributions, were:		
Salary	139	107
Bonus	24	-
	163	107

The Chairman did not receive a bonus in either year. Included within the compensation to a former director was a car valued at £10,300. The emoluments of the other Directors of the Company, excluding pension contributions, were within the following ranges:

	No. of Directors		No. of Directors	
	1993	1992	1993	1992
£ 5,001 - £10,000	1	-	£ 80,001 - £ 85,000	-
£10,001 - £15,000	1	6	£ 90,001 - £ 95,000	1
£15,001 - £20,000	6	1	£115,001 - £120,000	1
£35,001 - £40,000	1	-	£120,001 - £125,000	1

Details of share options granted to Directors are shown in the Directors' Report on page 3.

NOTES TO THE FINANCIAL STATEMENTS

11. 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 £52.8m (1992 - £54.7m).

12. Tangible fixed assets The Group	Land and buildings £m	Infrastructure assets £m	Operational structures £m	Vehicles plant and equipment £m	Total £m
Cost					
At 31 March 1992	42.9	789.4	1,149.4	117.8	2,099.5
New subsidiaries	1.2	-	-	5.7	6.9
Additions	3.4	80.0	195.0	32.2	310.6
Disposals	-	-	(0.1)	(3.9)	(4.0)
At 31 March 1993	47.5	869.4	1,344.3	151.8	2,413.0
Grants and contributions					
At 31 March 1992	-	29.5	-	-	29.5
Additions	-	17.6	-	-	17.6
At 31 March 1993	-	47.1	-	-	47.1
Depreciation					
At 31 March 1992	6.2	-	193.5	58.7	258.4
New subsidiaries	0.1	-	-	2.0	2.1
Charge for the year	1.3	-	36.9	20.8	59.0
Disposals	-	-	(0.1)	(3.1)	(3.2)
At 31 March 1993	7.6	-	230.3	78.4	316.3
Net book amount					
At 31 March 1993	39.9	822.3	1,114.0	73.4	2,049.6
At 31 March 1992	36.7	759.9	955.9	59.1	1,811.6

Tangible fixed assets of the Group at 31 March 1993 include £278.2m of assets in the course of construction (1992 - £253.8m) and also include land of £8.2m (1992 - £6.5m) which is not subject to depreciation. The Group's interests in land and buildings are almost entirely freehold.

In accordance with the Group's accounting policy there is no provision for depreciation on infrastructure assets and the related grants and contributions are not amortised.

The net book value of the Group's tangible fixed assets held under finance leases at 31 March 1993 was £94.9m (1992 - £41.6m). Depreciation charged on assets held under finance leases during the year ended 31 March 1993 amounted to £2.4m (1992 - £1.0m). Included within the depreciation charge for the year is £0.7m charged to reorganisation costs (see note 20).

NOTES TO THE FINANCIAL STATEMENTS

The Company	Freehold land and buildings £m	Vehicles plant and equipment £m	Total £m
Cost			
At 31 March 1992	0.9	1.4	2.3
Additions	-	1.6	1.6
Disposals	-	(0.2)	(0.2)
At 31 March 1993	0.9	2.8	3.7
Depreciation			
At 31 March 1992	-	0.8	0.8
Charge for the year	-	0.2	0.2
Disposals	-	(0.1)	(0.1)
At 31 March 1993	-	0.9	0.9
Net book amount			
At 31 March 1993	0.9	1.9	2.8
At 31 March 1992	0.9	0.6	1.5

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 short term investment commitments for projects where contracts have been placed or for authorised projects where contracts have not yet been placed.

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	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Contracted for but not provided in the financial statements	317.6	152.5	-	-
Authorised but not yet contracted for	1,043.2	661.2	3.3	-

13. Investments The Group	Associated undertakings £m	Other participating interests £m	Total £m
Shares at cost or amount under equity method of accounting			
At 31 March 1992	-	0.2	0.2
Additions	0.1	1.2	1.3
At 31 March 1993	0.1	1.4	1.5
Loans			
At 31 March 1992	2.5	-	2.5
Net movement	(0.1)	-	(0.1)
At 31 March 1993	2.4	-	2.4
Net book amount			
At 31 March 1993	2.5	1.4	3.9
At 31 March 1992	2.5	0.2	2.7

NOTES TO THE FINANCIAL STATEMENTS

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	40,000	£40,000	50	Ordinary £1 shares
Anglian H & G Limited	200,000	£200,000	50	Ordinary £1 shares
Gibb Anglian Limited	1,000	£1,000	50	Ordinary £1 shares
Exchange Technology Limited	10,000	£10,000	50	Ordinary £1 shares

The Company	Cost	Provisions	Net book amount
Investment in subsidiary undertakings	£m	£m	£m
Shares			
At 31 March 1992	865.9	-	865.9
Additions	0.3	-	0.3
Diminution in value	-	(5.8)	(5.8)
At 31 March 1993	866.2	(5.8)	860.4
Loans			
At 31 March 1992	125.4	-	125.4
Net movement during the year	139.7	-	139.7
At 31 March 1993	265.1	-	265.1
Net book amount			
At 31 March 1993	1,131.3	(5.8)	1,125.5
At 31 March 1992	991.3	-	991.3

The principal subsidiary undertakings of the Group are listed in note 28 on pages 23 and 24.

NOTES TO THE FINANCIAL STATEMENTS

14. Acquisitions

During the year the Group acquired the following for cash:

- (a) 100% of the issued share capital of a number of operating companies ("Nordic Water") for Swedish krona 380m in February 1993.
- (b) 100% of the issued share capital of Rosewater Engineering Limited ("Rosewater") in July 1992. To facilitate the acquisition, arrangements for the payment of deferred consideration entered into when the Group acquired Farm Gas Limited in 1990 were terminated for a total consideration of £0.3m payable in cash to five former executive directors of that company.

In addition, three other businesses were acquired during the year.

Details of net assets acquired and goodwill written off to reserves are as follows:

	Nordic Water £m	Rosewater £m	Other £m	Total £m
Consideration and related costs	37.1	6.0	1.2	44.3
Fair value of net assets/(liabilities) acquired	-	(1.9)	0.4	(1.5)
Goodwill written off	37.1	7.9	0.8	45.8

	Book value prior to acquisition £m	Revaluation of assets £m	Alignment of accounting policies £m	Reorganisation costs £m	Fair value to Anglian Water £m
Fixed tangible assets	5.1	(0.5)	0.2	-	4.8
Intangible assets	0.3	-	(0.3)	-	-
Investments	0.3	(0.3)	-	-	-
Stocks	5.3	(0.4)	(1.9)	-	3.0
Debtors	17.2	(0.3)	0.8	-	17.7
Cash	17.3	-	-	-	17.3
Overdrafts	(1.2)	-	-	-	(1.2)
Creditors	(34.1)	(2.5)	-	-	(36.6)
Provisions	-	-	-	(2.8)	(2.8)
Borrowings	(3.3)	-	(0.2)	-	(3.5)
Long term creditors	(0.1)	(0.1)	-	-	(0.2)
	6.8	(4.1)	(1.4)	(2.8)	(1.5)

The Nordic Water companies prepared individual accounts for the year ended 31 December 1992, but consolidated accounts were not prepared as the companies did not constitute a legal group. The Directors estimate that, after making adjustments to restate the accounts to comply with UK accounting practices, Nordic Water would have reported a profit before tax for 1992 of approximately £4m, and from 1 January 1993 to the date of acquisition a loss of approximately £0.6m. A profit before tax of £nil in respect of the period from the date of acquisition to 31 March 1993 has been included within the Group's results.

In the period from 1 January 1992 to the date of acquisition, Rosewater's loss before tax, calculated in accordance with Anglian Water's accounting policies, amounted to approximately £0.6m. The profit for the year to 31 December 1991 restated on the same basis amounted to approximately £nil. A loss before tax of £1.2m in respect of the period from the date of acquisition to 31 March 1993 has been included within the Group's results.

All acquisitions were accounted for by the acquisition method. No businesses were disposed of during the year.

NOTES TO THE FINANCIAL STATEMENTS

15. Stocks	Group	
	1993 £m	1992 £m
Work in progress	5.4	1.7
Payments on account	(4.7)	(1.1)
	0.7	0.6
Raw materials and consumables	10.2	6.1
	10.9	6.7

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

16. Debtors	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Amounts falling due within one year				
Trade debtors	93.7	66.5	-	-
Amounts recoverable on contracts	4.1	1.2	-	-
Amounts owed by subsidiary undertakings	-	-	56.9	51.3
Other debtors	14.2	13.8	0.7	0.5
Prepayments and accrued income	8.0	5.2	3.7	2.5
	120.0	86.7	61.3	54.3
Amounts falling due after more than one year				
Trade debtors	0.3	0.5	-	-
Other debtors	0.2	0.2	-	-
Prepayments and accrued income	-	0.8	-	-
	120.5	88.2	61.3	54.3

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17. Creditors : amounts falling due within one year	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Bank loans, overdrafts and temporary borrowings	8.1	11.3	210.5	0.5
Current portion of long term loans	1.0	0.7	0.4	-
Obligations under finance leases	0.9	1.0	-	-
Short term borrowings	9.9	13.0	210.9	0.5
Trade creditors	128.2	89.1	5.4	4.3
Payments on account in excess of contract value	13.1	-	-	-
Amounts owed to subsidiary undertakings	-	-	1.3	0.6
Receipts in advance	45.1	20.0	-	-
Advance corporation tax	19.0	19.0	19.0	19.0
Other taxation and social security	7.0	3.3	0.9	0.9
Accruals and deferred income	14.1	7.9	5.3	4.5
Proposed dividend	42.2	38.3	42.2	38.3
Other creditors	268.7	177.6	74.1	67.6

The temporary borrowings of the Company include £210.0m (1992 - £nil) owed to a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS

18. Loans and other borrowings falling due after more than one year	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Repayable wholly after five years				
5.125% Index Linked Loan Stock 2008 (a)	117.1	112.9	117.1	112.9
12% Fixed Rate Bond 2014	100.0	100.0	100.0	100.0
European Investment Bank 1999	25.0	-	-	-
Other	0.3	0.1	-	-
Repayable by instalments, any one of which is due for repayment after five years				
European Investment Bank 1995/2007 (interest in the range 9.9 - 11.5%)	105.0	105.0	-	-
Finance leases (b)	100.3	41.0	-	-
Other borrowings	26.5	29.1	-	-
Repayable wholly within five years				
Other loans	22.2	1.7	21.6	1.6
Finance leases (b)	1.0	1.7	-	-
Total loans and other borrowings	497.4	391.5	238.7	214.5
Less amounts included in creditors falling due within one year	(1.8)	(1.7)	(0.4)	-
	495.6	389.8	238.3	214.5
Due for repayment as follows:				
Between one and two years	1.1	1.7	0.4	0.4
Between two and five years	40.1	11.2	20.8	1.2
After five years	454.4	376.9	217.1	212.9
	495.6	389.8	238.3	214.5

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- (a) 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 £4.2m (1992 - £5.9m) has been taken to the profit and loss account as part of interest payable.
- (b) Amounts due under finance leases include £0.2m (1992 - £0.7m) payable between one and five years and £100.3m (1992 - £41.0m) payable after five years.
- (c) Of the unspecified loans and other borrowings £21.4m (1992 - £1.5m) are at fixed rates and the remainder are at variable rates. Loans and other borrowings include £1.4m (1992 - £1.5m) secured on the revenues of a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS

19. Other creditors falling due after more than one year	Group	
	1993 £m	1992 £m
Trade creditors	2.9	2.4
Receipts in advance	4.8	1.2
Accruals and deferred income	0.8	-
Deferred grants and contributions	40.1	28.6
	48.6	32.2

There were no other creditors falling due after more than one year in the Company.

20. Provisions for liabilities and charges	Infrastructure renewals £m	Restructuring costs £m	Acquisition provisions £m	Total £m
The Group				
At 31 March 1992	81.4	5.5	-	86.9
Charge for the year	37.9	-	2.8	40.7
Utilised in the year	(17.1)	(3.1)	(1.3)	(21.5)
At 31 March 1993	102.2	2.4	1.5	106.1
The Company				
At 31 March 1992	-	1.1	-	1.1
Utilised in the year	-	(0.5)	-	(0.5)
At 31 March 1993	-	0.6	-	0.6

Provisions relating to acquisitions are for costs of reorganisation required to integrate the acquired businesses into the Group. At 31 March 1993 the provisions relate to the remaining costs of redundancies and office closures.

21. Deferred taxation

In accordance with the Group's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1993.

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

	1993 £m	1992 £m
Accelerated capital allowances	130.8	96.4
Other timing differences	(40.4)	(32.2)
Available tax losses	(55.0)	(51.9)
Advance corporation tax	(21.5)	(9.3)
	13.9	3.0

In addition to the amounts set out above, there is advance corporation tax of £43.7m (1992 - £36.9m) which will be available to set against the Group's liability on taxable profits arising in future periods. 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 £103.8m (1992 - £122.6m) assuming a tax rate of 33%.

NOTES TO THE FINANCIAL STATEMENTS

22. Commitments under operating leases

At 31 March 1993 the Group and Company had commitments to make payments during the next 12 months under non-cancellable operating leases which expire as follows:

	Land and buildings £m	Other £m
The Group		
Within one year	-	0.5
Between one and five years	-	0.2
After five years	0.8	-
	0.8	0.7
The Company		
Within one year	0.2	0.3

23. Share capital of Anglian Water Plc

	1993 £m	1992 £m
Authorised		
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	295.5	294.9
Special Share	-	-
	295.5	294.9

In August 1992 397,698 fully paid ordinary shares were allotted at an average price of £3.99 to Anglian Water Share Scheme Trustees Limited under an employee profit share scheme, thereby giving rise to a share premium of £1.2m. The total cash consideration amounted to £0.6m with an additional £1.0m being charged to the profit and loss account.

During the year 186,481 options were exercised under the Executive Share Option Scheme at a price of £2.99, thereby giving rise to a share premium of £0.4m.

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 the 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 options are shown in the Directors' Report on page 2.

NOTES TO THE FINANCIAL STATEMENTS

24. Shareholders' funds	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
The Group				
At 31 March 1992	294.9	0.5	1,013.3	1,308.7
Total recognised gains relating to the year	-	-	166.2	166.2
Dividends	-	-	(62.3)	(62.3)
Goodwill written off (see note 14)	-	-	(45.8)	(45.8)
New share capital subscribed (see note 23)	0.6	1.6	-	2.2
At 31 March 1993	295.5	2.1	1,071.4	1,369.0
The Company				
At 31 March 1992	294.9	0.5	568.0	863.4
Profit for the financial year	-	-	52.8	52.8
Dividends	-	-	(62.3)	(62.3)
New share capital subscribed (see note 23)	0.6	1.6	-	2.2
At 31 March 1993	295.5	2.1	558.5	856.1

The cumulative goodwill taken to reserves as at 31 March 1993 amounts to £51.4m.

25. Pension commitments

Pension arrangements for the majority of the Group's UK employees are of the defined benefit type through Anglian Water Mirror Image Pension Scheme ("AWMIS") and Anglian Water Pension Scheme ("AWPS"). In addition, a number of other schemes of both the defined benefit and defined contribution type operate in the UK and overseas.

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 principal schemes are summarised below.

	AWMIS	AWPS
Date of valuation	31 March 1990	31 March 1992
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	£23.0m
Funding level	110%	101%

The pensions charge for the year ended 31 March 1993 was £9.1m (1992 - £8.1m). The Company has a commitment to a former director to pay a pension of £5,434 per annum, adjusted by the annual increase in the Retail Price Index.

26. Contingent liabilities

There were contingent liabilities at 31 March 1993 in respect of bridging guarantees amounting to £0.2m (1992 - £0.7m) upon which no material losses are likely to arise. In addition, the Group and the Company have given certain performance bonds and other contract-related guarantees in the normal course of business. The Company has also guaranteed the overdrafts of a number of subsidiaries amounting to £95.8m at 31 March 1993 (1992 - £4.0m).

NOTES TO THE FINANCIAL STATEMENTS

27. Notes to the Group cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities	1993 £m	1992 £m
Operating profit	211.6	194.0
Depreciation (net of amortisation of deferred grants and contributions)	57.1	45.6
Provision for infrastructure renewals	37.9	37.6
Net movement on other provisions	(3.7)	3.7
Employee profit share	1.0	-
	303.9	280.9
Changes in working capital:		
(Increase)/decrease in stocks	(1.2)	0.9
Increase in debtors	(11.7)	(4.7)
Increase/(decrease) in creditors	25.8	(23.9)
	12.9	(27.7)
Net cash inflow from operating activities	316.8	253.2

b) Purchase of subsidiary undertakings	1993 £m
Fair value of net liabilities acquired (see note 14)	(1.5)
Goodwill	45.8
Consideration	44.3
Deferred payments	(0.9)
Satisfied in cash	43.4
Cash acquired	(17.3)
Bank overdrafts of subsidiaries acquired	1.2
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	27.3

The subsidiary undertakings acquired during the year absorbed £1.9m of the Group's net operating cash flows and utilised £0.4m for investing activities. There were no acquisitions in the year ended 31 March 1992.

c) Analysis of cash and cash equivalents as shown in the balance sheet	Change in year			
	1993 £m	1992 £m	1993 £m	1992 £m
Cash and deposits	33.0	34.0	(1.0)	(7.3)
Bank loans, overdrafts and temporary borrowings	(8.1)	(11.3)	3.2	(0.3)
	24.9	22.7	2.2	(7.6)

Cash and deposits includes only investments which were within three months of maturity when acquired. At 31 March 1993 the Group also held deposits of £80.0m (1992 - £65.0m) which were more than three months but less than one year from maturity when acquired.

NOTES TO THE FINANCIAL STATEMENTS

d) Analysis of changes in financing during the year	Loans and other borrowings		Share capital (including premium)	
	1993 £m	1992 £m	1993 £m	1992 £m
At beginning of period	391.5	285.0	295.4	294.7
Cash inflow from financing	94.2	100.3	1.2	-
Debt acquired through acquisitions	3.5	-	-	-
Indexation of loan stock	4.2	5.9	-	-
Deferred finance charges on finance lease arrangements	4.0	1.0	-	-
Employee profit share scheme	-	-	1.0	-
Conversion to shares	-	(0.7)	-	0.7
At end of period	497.4	391.5	297.6	295.4

28. Principal Group Companies

The principal subsidiary undertakings at 31 March 1993 are shown below.

	Country of incorporation	Activities
Water and sewerage services Anglian Water Services Limited*	England	Water and sewerage undertaker, regulated principally by the Water Industry Act 1991
Anglian Water Engineering and Business Systems Limited*	England	Engineering, computing and business services, principally for Anglian Water Services Limited
Process engineering Anglian Water Process Engineering Limited*	England	Holding company
Farm Gas Limited*	England	Water and sewage process engineering in both municipal and industrial sectors
Purac Engineering Inc.	USA	
Purac GmbH	Germany	
Purac Industry AB	Sweden	
Purac Leuna GmbH	Germany	
Purac Limited	England	
Purac Nordic AB	Sweden	
Purac S.A.	Spain	
Purac Water Spolka Z.o.o.	Poland	
Rosewater Limited	England	
Winston Water A/S	Norway	
Anglian Engineering Services Limited (now Aquafine Engineering Services Limited)	England	Design, development, manufacture and installation of products for use in water and sewage treatment processes
Axel Johnson Engineering GmbH	Germany	
Nordic Water Products AB	Sweden	
Nordic Water Products Limited	England	
Nordic Water Products Spain SL	Spain	
Noxon AB	Sweden	
Zickert Miljo A/S	Denmark	
Zickert Products AB	Sweden	

NOTES TO THE FINANCIAL STATEMENTS

	Country of incorporation	Activities
Other Group Companies		
Alpheus Environmental Limited*	England	Wastewater treatment
Anglian Water Commercial Developments Limited*	England	Commercial consultancy
Anglian Water International Limited*	England	Overseas operating and consultancy services
Plumbsure Limited	England	Plumbing services
Rutland Insurance Company Limited*	Guernsey	Provides insurance to Group companies
Smith-Wyatt Limited	England	Well-drilling and hole-boring

The Group also owns a number of non-trading companies. All subsidiaries are 100% owned by the Group or the Company. Companies marked with an * are owned directly by Anglian Water Plc. The voting rights in respect of each subsidiary are in the same proportion as the shares held. Those companies shown as incorporated in England are registered in England and Wales. All companies operate principally in their country of incorporation, except for Anglian Water International Limited which operates worldwide.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit of the Group for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

Auditors' Report to the Shareholders of Anglian Water Plc

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1993 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 Auditors
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

7 June 1993



GROUP FINANCIAL HISTORY

Profit and loss account	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
Turnover					
Water supply and sewerage services	356.2	398.8	454.0	514.2	561.1
Process engineering and other	0.3	3.3	8.7	14.7	29.0
less intersegment trading	-	(0.8)	(2.1)	(5.8)	(6.9)
	356.5	401.3	460.6	523.1	583.2
Operating profit					
Water supply and sewerage services	167.5	154.7	170.4	195.5	216.2
Process engineering and other	-	(0.2)	0.2	(1.1)	(4.4)
less intersegment trading	-	-	(0.2)	(0.4)	(0.2)
	167.5	154.7	170.4	194.0	211.5
Profit on sales of assets	1.7	0.4	0.3	0.2	3.3
Privatisation costs	(1.2)	(7.7)	-	-	-
Interest payable (net)	(95.8)	(69.0)	(18.1)	(22.9)	(29.5)
Profit on ordinary activities					
before taxation	72.2	78.4	152.6	171.3	185.4
Taxation	-	(10.0)	(17.2)	(19.0)	(19.0)
Profit for the financial year	72.2	68.4	135.4	152.3	166.4
Dividend per ordinary share	-	15.3p*	17.5p	19.3p	21.1p
Earnings per ordinary share	-	39.5p*	45.9p	51.7p	56.4p
Balance sheet					
Fixed assets	1,279.3	1,425.1	1,596.4	1,814.3	2,053.5
Net current liabilities+	(12.3)	(66.7)	(107.8)	(82.7)	(137.3)
Long term liabilities	(8.0)	(8.9)	(22.0)	(32.2)	(48.6)
Provisions for liabilities and charges	(4.5)	(31.7)	(59.3)	(86.9)	(106.1)
Net borrowings	(894.9)	(183.4)	(194.7)	(303.8)	(392.5)
Shareholders' funds	359.6	1,134.4	1,212.6	1,308.7	1,369.0

*Pro-forma basis

+Excluding cash and deposits and short term borrowings

The financial information set out above for the year 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 financial information.

Certain of the figures shown above have been restated to reflect Financial Reporting Standard 3 - Reporting Financial Performance. The principal change has been to reclassify privatisation costs from extraordinary to ordinary activities in 1989 and 1990 and recalculate earnings per ordinary share accordingly. Prior to this change earnings per ordinary share in 1990 were 42.1p on a pro-forma basis.

SUMMARY OF REGULATORY INFORMATION

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 this page and page 28. This page shows the AWS historic cost profit and loss account. The AWS historic cost balance sheet is shown on page 28.

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 29 and an analysis of current cost operating profit and fixed asset net book values is shown on page 30.

Non-appointed activities are not sufficiently material to warrant separate disclosure and are included within both historic and current cost disclosures.

Anglian Water Services Limited	1993	1992
Historic cost profit and loss account for the year ended 31 March 1993	£m	£m
Turnover	561.5	514.9
Operating costs	(347.6)	(321.8)
Operating income	3.2	0.2
Operating profit	217.1	193.3
Other income	1.7	2.0
Interest payable (net)	(28.0)	(21.7)
Profit on ordinary activities before and after taxation	190.8	173.6
Dividends	(81.3)	(75.9)
Retained profit for year	109.5	97.7

REGULATOR INFORMATION

Anglian Water Services Limited Historic cost balance sheet at 31 March 1993	1993 £m	1992 £m
Fixed assets		
Tangible assets	2,022.7	1,789.6
Investments	15.0	3.0
	2,037.7	1,792.6
Current assets		
Investments	210.0	-
Stocks	6.5	5.9
Debtors	103.8	80.6
	320.3	86.5
Creditors : amounts falling due within one year		
Short term borrowings	(100.1)	(3.2)
Other creditors	(209.3)	(154.9)
Net current assets/(liabilities)	10.9	(76.6)
Total assets less current liabilities	2,048.6	1,716.0
Creditors : amounts falling due after more than one year		
Loans and other borrowings	(476.9)	(288.3)
Other creditors	(47.8)	(32.2)
	(524.7)	(320.5)
Provisions for liabilities and charges	(103.5)	(84.6)
	1,420.4	1,310.9
Capital and reserves		
Called up share capital	860.0	860.0
Profit and loss account	560.4	450.9
	1,420.4	1,310.9

REGULATORY INFORMATION

Anglian Water Services Limited Current cost profit and loss account for the year ended 31 March 1993	1993 £m	1992 £m
Turnover	561.5	514.9
Operating costs	(378.2)	(355.7)
Operating income	3.2	0.1
	186.5	159.3
Working capital adjustment	1.8	4.7
Current cost operating profit	188.3	164.0
Other income	1.7	2.0
Interest payable (net)	(28.0)	(21.7)
Financing adjustment	5.7	7.5
Current cost profit attributable to shareholders	167.7	151.8
Dividends	(51.3)	(75.9)
Current cost profit retained	86.4	75.9

Current cost balance sheet at 31 March 1993	1993 £m	1992 £m
Assets employed		
Fixed assets	11,874.4	11,409.0
Third party contributions since 31 March 1990	(242.5)	(181.5)
	11,631.9	11,227.5
Working capital	(145.4)	(96.7)
Net operating assets	11,486.5	11,130.8
Cash and investments	225.0	3.0
Non-trade debtors	1.9	1.2
Non-trade creditors due within one year	(157.8)	(62.5)
Creditors due after one year	(484.6)	(291.9)
Provisions for liabilities and charges	(1.3)	(3.2)
Net assets employed	11,069.7	10,777.4
Financed by		
Called up share capital	860.0	860.0
Profit and loss account	249.4	167.0
Current cost reserve	9,960.3	9,754.4
Total capital and reserves	11,069.7	10,777.4

REGULATORY INFORMATION

Anglian Water Services Limited
Analysis of current cost operating profit and fixed asset net book values
For the year ended 31 March 1993

	Service Analysis								Total £m
	Water Supply			Sewerage Services					
	Resources and treatment £m	Distri- bution £m	Water supply subtotal £m	Sewerage £m	Sewage treatment £m	Sludge treatment & disposal £m	Sewage T & D subtotal £m	Sewerage services subtotal £m	
Turnover									
Measured			73.2					48.8	122.0
Unmeasured			153.4					234.2	387.6
Trade effluent			-					14.9	14.9
Revenue grants			0.4					-	0.4
Non tariff basket charges			12.3					5.6	17.9
Rechargeable work			8.1					0.2	8.3
Services charged to associated companies			0.5					0.7	1.2
Other			4.1					5.1	9.2
Total turnover			252.0					309.5	561.5
Costs									
Functional expenditure	38.0	42.4	80.4	28.4	47.0	14.3	61.3	89.7	170.1
CG depreciation	11.9	8.3	20.2	8.2	31.6	1.0	32.6	40.8	61.0
Infrastructure renewals expenditure	0.1	12.3	12.4	3.6	1.1	-	1.1	4.7	17.1
Infrastructure renewals accrual/(prepayment)	0.1	19.0	19.1	2.7	(1.0)	-	(1.0)	1.7	20.8
Functional cost	50.1	82.0	132.1	42.9	78.7	15.3	94.0	136.9	269.0
Business activity costs:									
Customer services			12.6					13.1	25.7
Scientific services			4.3					3.1	7.4
Cost of regulation			1.0					1.4	2.4
Business activities capital costs			6.6					9.3	15.9
Rates			15.4					10.0	25.4
Doubtful debts			8.0					7.7	15.7
Service cost			180.0					181.5	361.5
Services for third parties			15.6					1.1	16.7
Total costs			195.6					182.6	378.2
Operating income									3.2
Working capital adjustment									1.8
Operating profit									188.3
Fixed asset net book values*			3,752.6					8,121.8	11,874.4

*On a modern equivalent asset basis

GLOSSARY OF ACCOUNTING TERMS

In this glossary some of the terms used in the Financial Statements are explained. The 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 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 deferment 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, bonuses, 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, albeit 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 share 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.

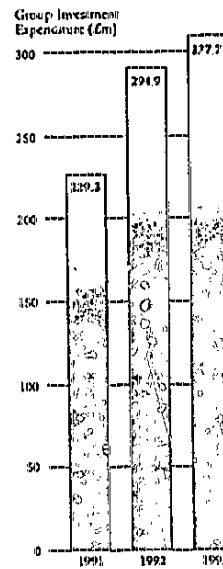
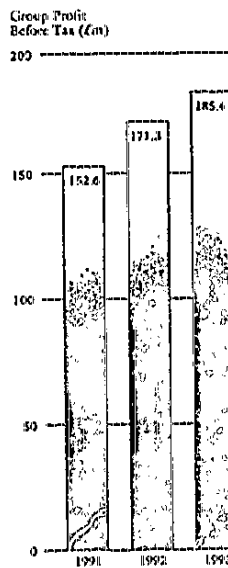
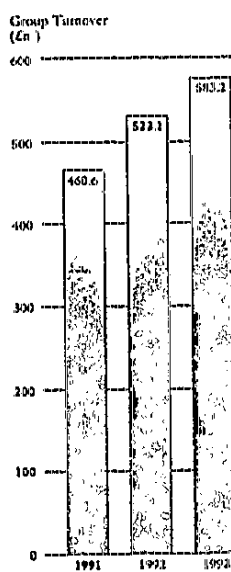


ANGLIAN WATER IS A MAJOR, PUBLICLY
QUOTED COMPANY, PROVIDING HIGH QUALITY
DRINKING WATER AND THE TREATMENT OF WASTE
WATER. THROUGH OUR CONTINUING COMMITMENT
TO QUALITY, RELIABILITY AND VALUE WE AIM TO BE
THE UK'S PREMIER WATER SERVICES COMPANY:
PROVIDING A CARING AND VALUE FOR MONEY
SERVICE FOR OUR CUSTOMERS; DUE REWARD FOR
OUR SHAREHOLDERS; OFFERING JOB FULFILMENT
FOR OUR EMPLOYEES; AND DEMONSTRATING
CONTINUING RESPECT FOR THE REGIONAL
WATER ENVIRONMENT.



KEY HIGHLIGHTS

- **TURNOVER** of £583.2m up 11.5% on 1992
- **PROFIT BEFORE TAX** of £185.4m up 8.2% on 1992
- **EARNINGS PER SHARE** of 56.4p up 9.1% on 1992
- **FULL YEAR DIVIDEND** of 21.1p per share up 9.3% on 1992
- **INVESTMENT EXPENDITURE** of £327.7m up 11.1% on 1992



Achievements

- Capital investment programme on target and delivering further service improvements.
- Sewage works achieve highest ever compliance levels.
- Another excellent report from the Drinking Water Inspectorate on the quality and safety of our water.
- Quality of customer service recognised by award of CHARTER MARK.
- Strong process engineering group formed.

CHAIRMAN'S STATEMENT

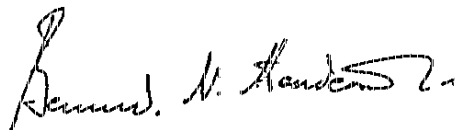
OUR STRONG PERFORMANCE HAS CONTINUED. ALTHOUGH WE HAVE NOT BEEN INSULATED FROM THE EFFECTS OF THE RECESSION, SOUND MANAGEMENT AND ADHERENCE TO OUR BUSINESS STRATEGY HAS ENSURED IMPROVED PROFITABILITY AND SERVICE STANDARDS.

Profit before tax was £185.4m on a turnover of £583.2m. A final dividend of 14.3p is proposed which together with an interim of 6.8p paid on 26 February 1993 gives a total of 21.1p, an increase of 9.3% on last year. If approved by the Annual General Meeting on 28 July, the final dividend will be paid on 1 October 1993.

The strength of our management and our commitment to being a customer driven company are the essence of our success. It is a combination which is providing benefits for both shareholders and customers. This stems from the effective and cost efficient manner in which we allocate and manage resources at all levels of the company in working towards clearly targeted goals for quality and service. Our intention is to continue to foster and develop the benefits which flow from the sensible balancing of these interests in the firm belief that it adds value to our performance and profitability.

My Vice Chairman, Andrew Semple retired in July 1992 after playing a leading role in our move from the public into the private sector and three of the longest serving Board Members - Mrs Alison Healey (née Abbey), John Boodle and Dr John Bradfield - retired at the end of March 1993 after a collective contribution of more than 45 years service to the company and its predecessor. Their corporate commitment was outstanding. Earlier in the year we welcomed a new non-executive member, Mrs June de Moller, a director of the communications group, Carlton Communications.

I am grateful to the Board and employees for their unswerving enthusiasm, commitment and support. This has further enhanced the reputation and well-being of the company in the run up to our important discussions with the Director General of Water Services over future price limits. We enter this period in very good shape.



Bernard Henderson CBE, Chairman

In future all listed companies will be required to make a statement on their level of compliance with the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance in December 1992.

Anglian Water fully supports the spirit and letter of the Cadbury Code. In advance of the requirement and following a full review by the Board, the company is taking the opportunity to state that it complies with the Cadbury Code, subject to the guidelines still to be issued by the accountancy bodies.

The Board of Anglian Water comprises the Chairman and the Managing Director (with a clear division of responsibility between them) together with three further executive directors and five non-executive directors. The Board has a formal schedule of matters specifically reserved for its decision which can only be amended by the Board.

All directors have access to information and, if required, external advice at the expense of the company. All directors also have access to the advice and services of the company secretary who is responsible for ensuring that agreed procedures and applicable rules and regulations are observed.

The appointment and removal of a director or the company secretary is a matter for the Board as a whole and a formal process exists for the appointment of non-executive directors. The service contracts for executive directors may be terminated by the company giving three years notice to expire at any time. The terms of office of the non-executive directors are for periods not exceeding three years subject to the discretion of shareholders when seeking re-election at annual general meetings. The fees of the non-executive directors reflect their involvement in the business.

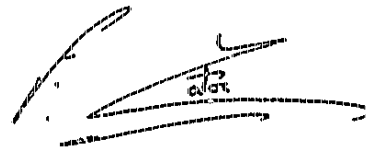
Good corporate governance is the responsibility of the entire Anglian Water Board but the non-executive directors have a

significant role to play ensuring the performance and succession of top management; providing an independent view of all aspects of the company's business; its performance and its resources, and bringing their external experience to bear on current and future strategies of the company and standards of conduct.

The Remuneration Committee, comprising all the non-executive directors, and chaired by myself, continues to measure the performance of the executive directors and meets to make recommendations to the full Board on their annual remuneration, contractual terms and bonus awards. Total directors' emoluments are disclosed in the Summary Financial Statement on page 38. Details are given in the full Directors' Report and Financial Statements.

The Audit Committee, comprising three non-executive directors and chaired by Richard Jewson, meets at least three times a year with both internal and external auditors present. The Committee is formally constituted on specific terms of reference issued by the Board to test and strengthen the effectiveness of the management information and audit systems throughout the Anglian Group to ensure effective internal controls and the provision of financial information for review and decision. An objective and professional relationship is maintained with the company's auditors.

I am confident that all the directors are kept informed in a timely manner about the company's affairs and that the advice and experience of the non-executive directors has proved of value to Anglian Water and will continue to do so.



Francis Cator, Deputy Chairman

MANAGING DIRECTOR'S REPORT

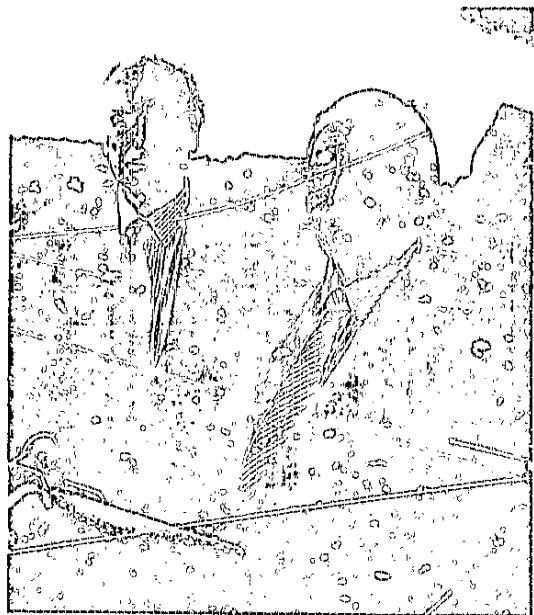
A YEAR OF SOUND ACHIEVEMENT, LINKED TO ENCOURAGING PROSPECTS IN A NUMBER OF BUSINESS ACTIVITIES, HAS SERVED TO FURTHER DEMONSTRATE THE STRENGTH OF THE GROUP'S PERFORMANCE.

Service and Quality

I believe we are second to none in our quest for excellence. This year we were awarded the first of the Government's Charter Marks for the quality of our customer services; for the second year running we received an excellent report from the independent Drinking Water Inspectorate; we saw the best ever levels of compliance by our sewage treatment works; we achieved the highest quality accreditation for our laboratories and our first certifications under BS5750, a programme which is being extended across our services. The Board has signalled its firm commitment to extending the achievement of quality into the whole fabric and operation of the Group by adopting the principle of Total Quality Management as a spur to corporate and individual performance. Work towards achieving this objective has begun.

Capital Programme

As the driving force for improving our services the programme has continued on target and on budget, delivering the service improvements requested by our customers and required by Government and the EC.

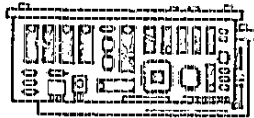


Chairman, Bernard Henderson with Group Managing Director, Alan Smith (right)

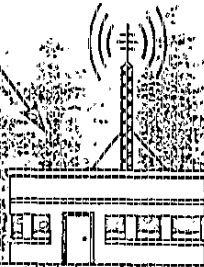
Our management expertise in the handling and delivery of such a large and complex programme is an attribute which we are promoting as part of our approach to the development of business opportunities, both at home and abroad.



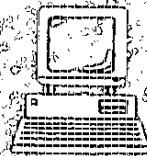
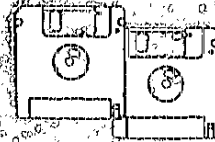
Instruments & Sensors
Fish Abductor



Microprocessor Based
Outstation



Radio Base Station



*"Over 5000 operational sites monitored by
one of the largest telemetry systems in Europe"*

MANAGING DIRECTOR'S REPORT

Costs

In successive years we have improved efficiency through a wide variety of initiatives and this firm commitment to constantly seek improvements will continue.

Advanced Systems

Our reputation for innovation and the application and use of high technology systems to improve performance and efficiency is well known within the industry. This year saw the first full year operation of our new billing system for unmeasured customers, which was extended in April 1993 to measured customers. The new system will significantly improve our ability to deal with customers quickly and efficiently. With these improvements, and also one of the largest operational telemetry systems in Europe, we are in the vanguard of systems development and use in the water and sewerage business.

Regional Economy

Towards the end of the year we were beginning to see the first small signs of some recovery from the recession. Hopefully this trend will continue.

Metering

Plans are being progressed to introduce compulsory water metering of existing homes beginning in 1994. We believe the intrinsic fairness of metering makes it a far more acceptable alternative to the existing method, based on the rateable value of property, which will be replaced as a method of charging by the year 2000. Our view is supported by both customer research carried out by the Director General of Water Services and in



Meter installation

independent surveys in the region which have shown that the majority of our customers favour metering. The progress and speed of the programme will be influenced by the outcome of negotiations with the Director General.

MANAGING DIRECTOR'S REPORT

Periodic Review

The Director General has decided that the K price control limits of all water services companies are to be reviewed with effect from 1 April 1995.

In advance of this we are already heavily engaged in an extensive review of the progress which has been made since privatisation and of what needs to be done to the turn of the century to further improve our services.

An important element in the process will be the further development of our asset management plan which has proved to be very robust.

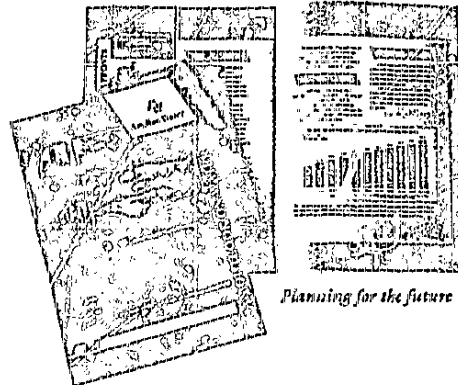
Group Activity

The most significant business development following the acquisition of the Nordic Water companies and Rosewater has been the creation of a strong process engineering capability which will play an

important role in both home and overseas markets.

The new companies, combined under Anglian Water Process Engineering (AWPE) are the result of our strategy to build an integrated and mutually supportive business which can draw on the strengths of the Group.

With an established presence in the UK, Scandinavia, Germany, Poland, Spain and the US, AWPE will use its access to these wider resources to develop new water and sewage business opportunities. We also expect to see gradual overseas activity arising from our consultancy and operations subsidiary, Anglian Water International but the nature of overseas projects suggests that the overall contribution from this company during the next few years will be modest.



Planning for the future

MANAGING DIRECTOR'S REPORT

The Future

The work of the first three years of the Group has been directed towards addressing the shortfalls of the past, developing our customer services, improving service standards and creating the soundness and stability which are now the hallmark of Anglian Water.

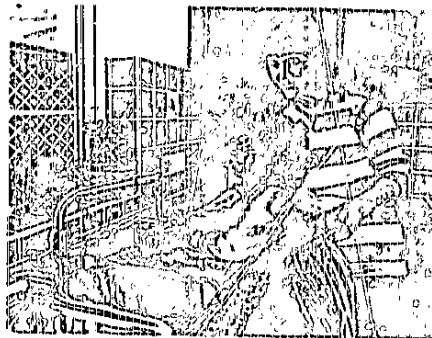
To build on what is recognised as a very strong foundation we have embarked on a major review of systems and procedures.

We want to get even closer to our customers, deliver quality services in the most cost-effective manner and have a structure and culture which will ensure the best possible performance to the benefit of shareholders, customers and employees.

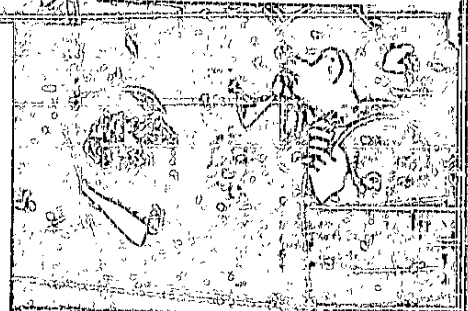
It is a major review which will take more than a year to complete.



Alan Smith, Group Managing Director

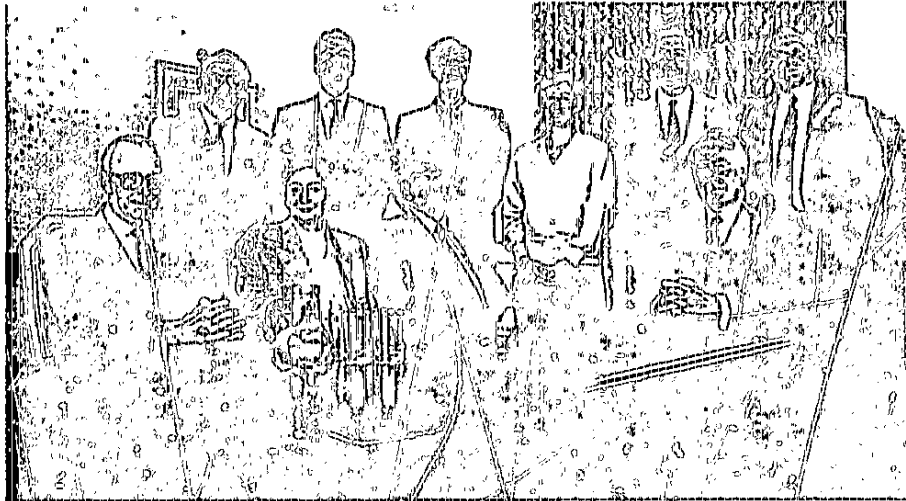


Getting closer...



... TO OUR CUSTOMERS

THE BOARD



LEFT TO RIGHT: (seated) Francis Cator, June de Moller, Alan Smith, Bernard Henderson; (standing) Ivo Adams, Richard Jewson, The Earl of Crunbrook, Dinah Nichols, Chris Mellor, John Simpson.

BERNARD HENDERSON CBE (64)

Chairman, Anglian Water Plc and Anglian Water Authority (1981 to date); Director, Water Research Centre Plc (1989 to date); Chairman, Water Research Centre (1983-1989); formerly Chief Executive, Henderson Group Plc.

FRANCIS CATOR FCA (64)

Non-Executive Deputy Chairman, Anglian Water Plc and Anglian Water Authority (1988 to date); a Vice Chairman, Norwich Union Insurance Group; Director, Portsmouth and Sunderland Newspapers Plc; Joint Vice Chairman, J. Henry Schroder Wagg & Co. Limited (1979-1987).

ALAN SMITH IFFA (48)

Group Managing Director, Anglian Water Plc (1990 to date) Deputy Group Managing Director and Director of Finance, Anglian Water Plc and Anglian Water Authority (1989-1990); Director of Finance, Anglian Water Authority (1980-1989); Assistant Director of Finance, Southern Water Authority (1975-1980).

JOHN SIMPSON MA MIWEM (54)

Group Operations Director, Anglian Water Plc and Managing Director, Anglian Water Services Limited (1989 to date); Director of Operations, Anglian Water Authority (1986-1989); General Manager, Norwich Division (1982-1986); Divisional Manager, Water (1980-1982); British Gas (1971-1980).

THE BOARD

CHRIS MELLOR IPEA (44)

Group Finance Director, Anglian Water Plc (1990 to date); Head of Finance and Planning, Anglian Water Plc and Anglian Water Authority (1988-1990); Non-Executive Director, Addenbrooke's NHS Trust (1993 to date).

JIM ADAMS C Eng FICE FHEM (62)

Executive Director, Anglian Water Plc and Managing Director, Anglian Water International (1992 to date); Managing Director, Anglian Water Engineering and Business Systems Limited (1989-1992) and General Manager (1988-1989); General Manager, Norwich Division (1986-1988) and Technical Manager (1982-1986); Divisional Engineer, Northampton Water Division (1974-1982).

THE EARL OF CRANBROOK DSc DL (59)

Non-Executive Director, Anglian Water Plc (1989 to date); Member, Anglian Water Authority (1987-1989); Chairman, English Nature (Nature Conservancy Council for England); Member, Broads Authority and Harwich Haven Authority; President, Suffolk Wildlife Trust; Patron, Suffolk Naturalists' Trust.

RICHARD JEWSON MA (48)

Non-Executive Director, Anglian Water Plc (1991 to date); Chairman, Meyer International Plc; Non-Executive Director, Eastern Counties Newspaper Group (1982 to date); Council Member, University of East Anglia (1980 to date); Director, Proshare Limited (1992).

DINAH NICHOLS BA (49)

Non-Executive Director, Anglian Water Plc (1992 to date); Deputy Secretary, Department of the Environment, Property Holdings, Construction and Central Support Services (1991 to date); Head of Water Directorate (1989-1991); Non-Executive Director, John Laing (ETE) Limited (1987-1990); Director of Administrative Resources (1985-1989); Principal Private Secretary to the Secretary of State for Transport (1983-1985).

JUNE DE MOLLER (46)

Non-Executive Director, Anglian Water Plc (1992 to date); Executive Director, Carlton Communications Plc (1983 to date); Non-Executive Director, Carlton Television (1991 to date); Non-Executive Director, Riverside Health Trust (1992 to date).

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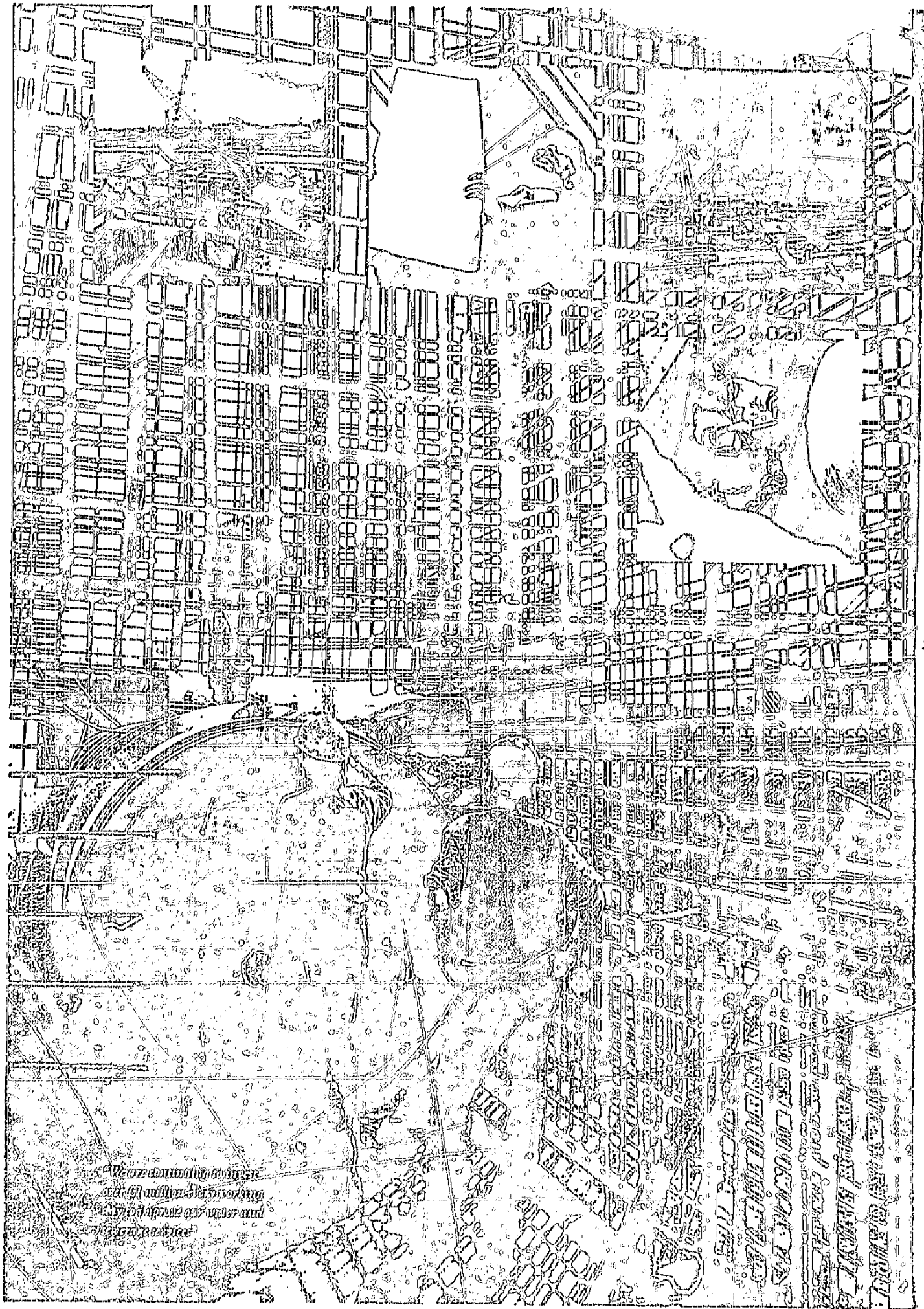
PRINCIPAL BOARD COMMITTEES

Audit Committee: Richard Jewson (Chairman), The Earl of Cranbrook, Dinah Nichols.

In attendance: Chris Mellor.

Remuneration Committee: Francis Cator (Chairman), The Earl of Cranbrook, Richard Jewson, Dinah Nichols, June de Moller.

In attendance: Bernard Henderson, Alan Smith.



We are continuing to improve
our quality of service and
the appearance of our roads and
streets.

CAPITAL INVESTMENT

EXCELLENT PROGRESS HAS BEEN MAINTAINED ON THE CAPITAL INVESTMENT PROGRAMME WHICH, AS THE FOUNDATION OF THE CONTINUING IMPROVEMENT IN THE QUALITY OF OUR WATER SERVICES, REMAINS ON TIME AND ON BUDGET.

During the year we invested £327.7m (1992 - £294.9m), some £191m and £136m of which was spent on water and sewerage services respectively.

Sewage Treatment

The progress which has been made on improving the quality of effluent discharged from our sewage works has been particularly good. Almost all our works are now capable of meeting their legal consents and the quality of effluent being discharged from our sewage treatment works is now at its highest ever level.

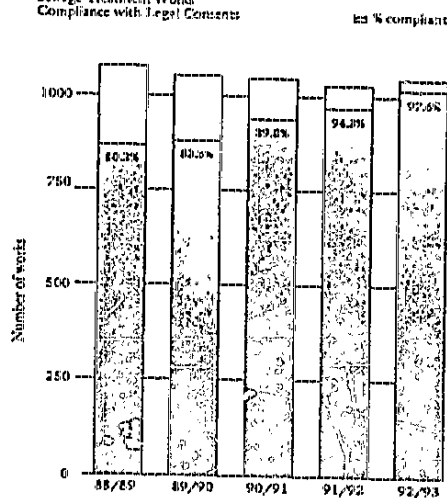
Investment in our sewage works varies in scale from schemes such as Evenley Sewage Treatment Works in Northamptonshire, where £257,000 has been invested, to Whittingham in Norfolk where £22m is being spent on extensive improvements.

Water Supply

The emphasis of our investment programme has now moved towards drinking water treatment.

Our water supply programme is aimed at fully meeting EC drinking water quality standards. The first phase will ensure that all water leaving our water treatment works meets these standards by December 1995, and the main part of our investment programme is concentrated on reducing the levels of nitrate, iron, manganese and pesticides in treated supplies.

Sewage Treatment Works Compliance with Legal Consents



"OUR REGION COVERS A FIFTH OF ENGLAND AND WALES, THE LARGEST WATER SERVICES COMPANY AREA IN THE COUNTRY."

CAPITAL INVESTMENT

Major projects started during the year included improvements to Bedford Water Treatment Works (WTW), £7.5m; Pitsford WTW in Northamptonshire, £8m; Covenham WTW in Lincolnshire, £8m; Wing WTW in Leicestershire, £22m.

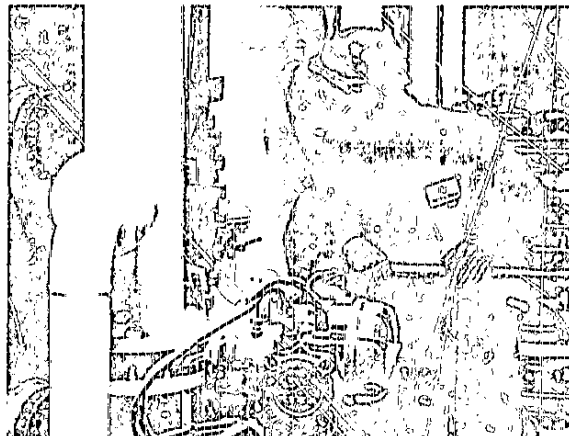
At Heigham WTW in Norfolk, £20m is being invested in advanced technology treatment processes including ozonation and granular activated carbon.

Work is progressing well at our 'flagship' site Grafham WTW in Cambridgeshire, where £60m is being spent on major extensions and refurbishment to improve water quality by enhanced treatment methods.

An important element of our drinking water investment remains focused on our £80m nitrate removal programme – which results from operating in one of the richest arable farming areas of the country. We are on target to achieve the EC standard of 50mg/litre of nitrate by 1995.

We have already commissioned seven nitrate removal plants including two of the largest and most sophisticated in Europe at Barrow, £6m and Elshara, £3m on South Humberside. Four other plants are being

developed including three in Norfolk at Marham, £4.5m; Beachamwell, £3.5m and Thorpe, £5.7m.



Nitrate removal plant, Elsham

Extensive work on the region's water mains to improve water quality at the tap is also demonstrating an improved level of service for many customers while making a significant impact on reducing leakage from the distribution system.

We have replaced or relined 1020km (634 miles) of unlined iron mains and plan to complete a further 910km (565 miles) by 1994/95. Investment in the system has reduced the number of properties which are at risk of below standard water pressure from 48,000 at the time of privatisation to 30,000.

CAPITAL INVESTMENT

The benefits of our mains replacement programme, combined with increased leakage detection, have also seen the largest reduction ever recorded in the amount of water lost from our distribution system.

The proportion of water which is unaccounted for has fallen from 21% to 18% in nearly 32,186 km (20,000 miles) of the system. This is one of the lowest rates in England and Wales.

While we expect to achieve further reductions next year there will be a limit to the amount which can be saved as the indications are that a fairly significant proportion of the present loss occurs in customers' own supply pipes - not the mains.

Bathing Waters

We are also making progress on our contribution to improving bathing water quality along the Anglian coast.

Two major schemes are now well underway. Project Clearwater 95, a £54m investment, involves building a new sewage plant with full processing including Britain's largest disinfection system using ultra-violet treatment. The new project which also involves replacing the town's

antiquated sewers will serve the residents of Cleethorpes in South Humberside.

In June, work started on a £22m comprehensive waste water scheme for North Norfolk, which involves building a treatment centre at Cromer.



Easter bathing waters

Telemetry

A major enhancement of our regional telemetry system has begun. When completed in 1996 it will further strengthen the remote monitoring of 5000 operational stations across the region.

The improved network will give wider user access to operational information and

"OUR AREA RECEIVES ONLY HALF THE NATIONAL AVERAGE RAINFALL, THIS MAKES US AS DRY AS BARCELONA, JERUSALEM AND TEL AVIV."



CAPITAL INVESTMENT

integrate with other computer systems enabling more data to be gained about the daily operation of our works, pumping stations, mains and sewers.

This development of our telemetry system is consolidating our position as the largest telemetry user within the UK water industry and one of the biggest in Europe.

Caring Design

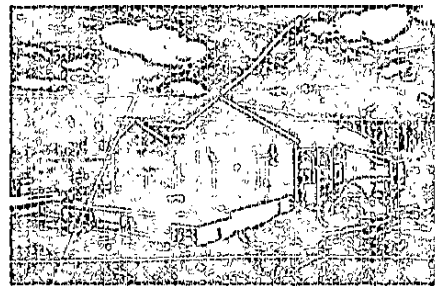
1. managing our massive capital programme we are always conscious of the need to design and build in a way which best fits the local environment and community interests.

A practical development of this is the introduction of guidelines for engineers and operators to make sure they consider and respond to local needs throughout the design and building of schemes and their subsequent operation. A particularly good example of this type of approach is the North Norfolk Waste Water Treatment

Centre at Cromer which, when finished, will have the appearance of traditional farm buildings.

In another scheme at Sudbury in Suffolk a new pumping station in the Stour Valley has been designed to resemble a traditional barn with a red pantile roof typical of local agricultural buildings.

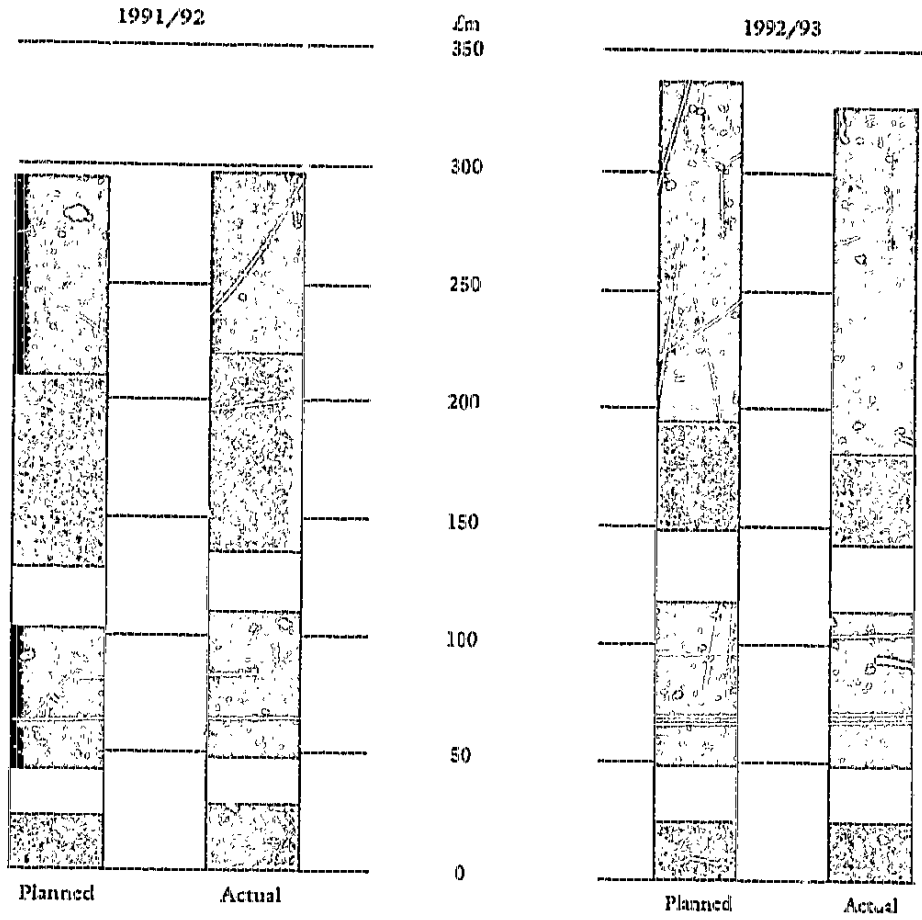
By way of contrast at Great Horkesley in Essex, a new iron removal plant is being installed inside Victorian style buildings.



Iron removal plant, Great Horkesley

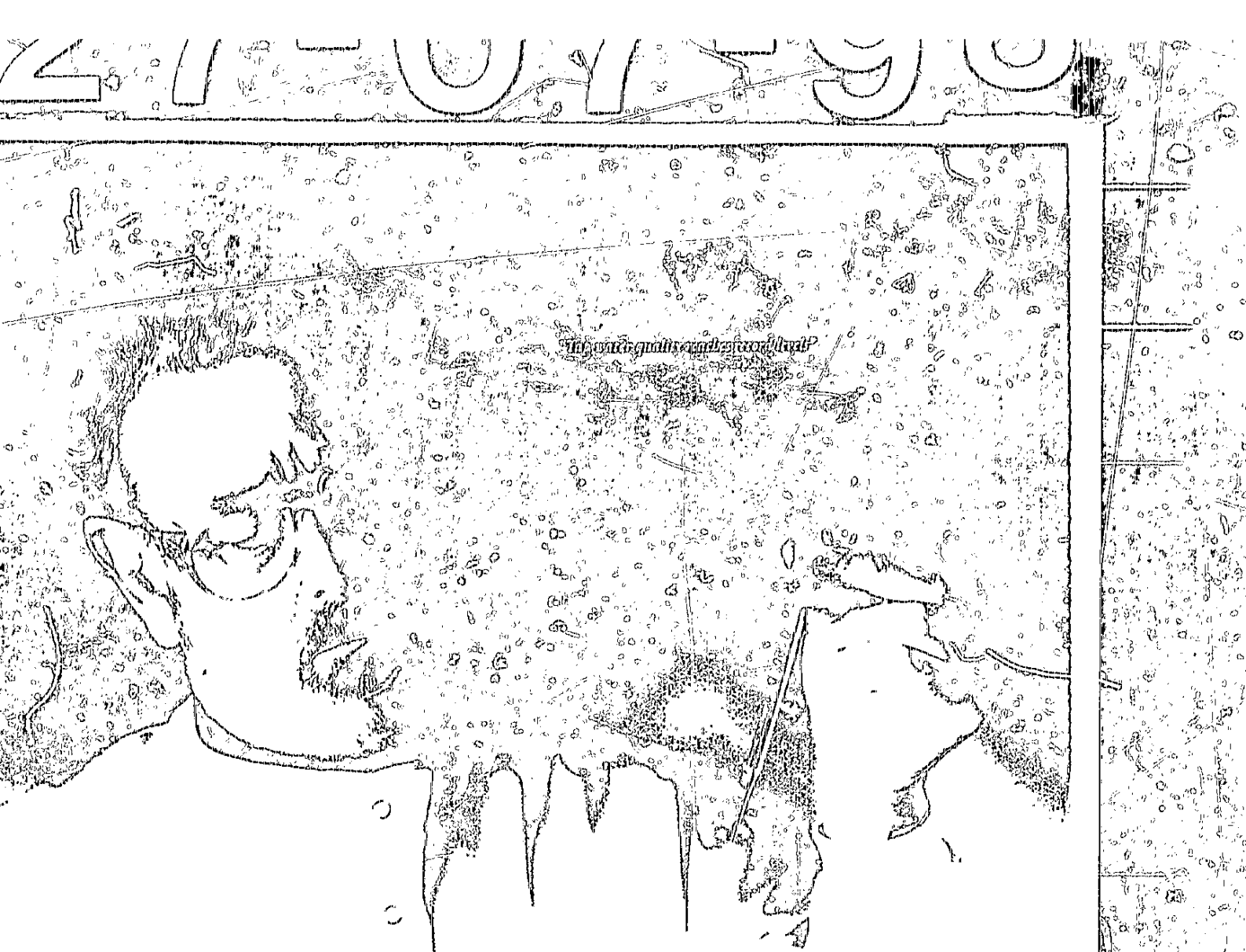
CAPITAL INVESTMENT

Comparison of planned and actual spending by area of expenditure



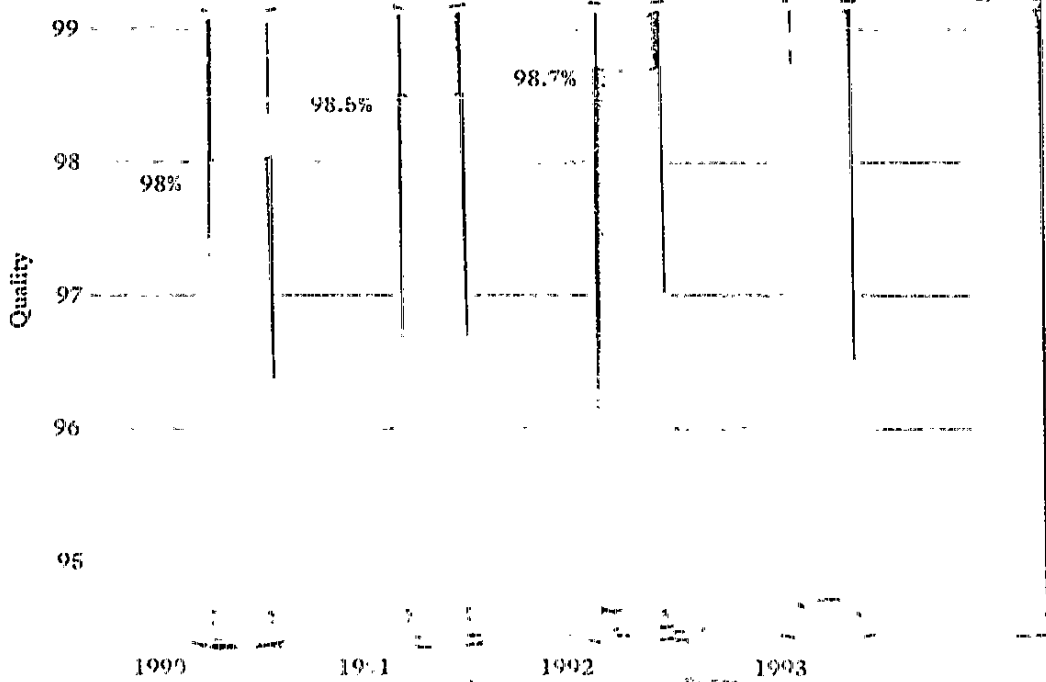
- Water mains replacement & renovation
- Drinking water quality
- Bathing waters & unsatisfactory sea outfalls
- Sewage treatment & disposal
- Sewerage
- Growth
- Telemetry, instrumentation, control & automation
- Cost saving & other

"WE MAINTAIN 33,000 KM (20,500 MILES) OF WATER MAINS, ENOUGH TO TAKE WATER TO AUSTRALIA AND BACK."



High quality and the record that

Percentage



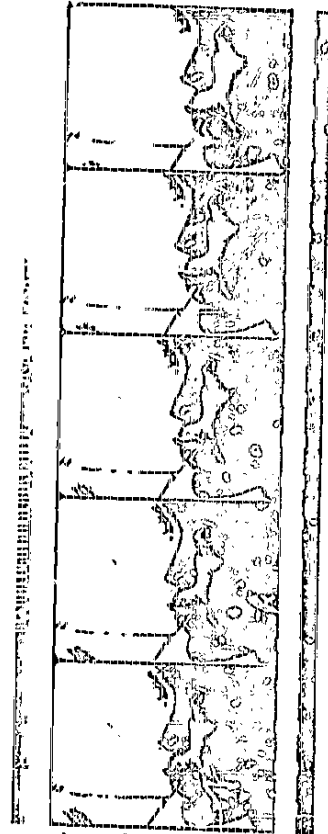
QUALITY WATER SERVICES

THE SAFETY AND QUALITY OF THE WATER WE PROVIDE TO OUR CUSTOMERS REMAINS OF PARAMOUNT IMPORTANCE.

Water quality is at its highest ever level, a fact which is confirmed by the 1,000 quality tests we carry out every day and contributing to this success is the efficient management and operation of our laboratories which meet the highest standards. The introduction of tailor-made systems into these laboratories has streamlined the handling of 350,000 samples and two million determinations made each year.

During the year over 99% of tests on samples taken at water treatment works, service reservoirs and water towers complied with microbiological quality standards. Some 99% of tests on samples taken from customers' taps met chemical and microbiological standards and our performance on monitoring compliance with quality standards was amongst the best of all the water services companies.

As an extra measure of our commitment to quality we achieved BS5750 certification for our water supply sampling and the accreditation of our



A taste of quality

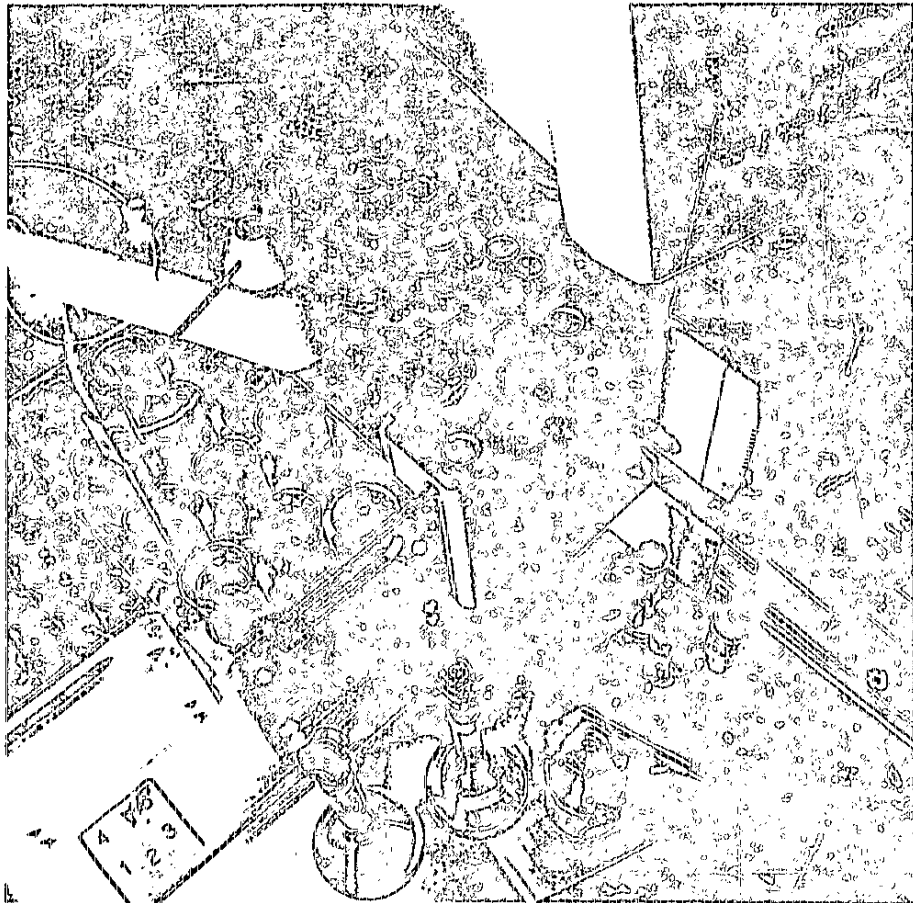
"WE SUPPLY AN AVERAGE 1,118 MILLION LITRES OF WATER A DAY (246 MILLION GALLONS) TO OUR CUSTOMERS"

QUALITY WATER SERVICES

laboratories for water supply analysis under NAMAS, a national measurement accreditation scheme for laboratories.

This underlines our confidence in the soundness and quality of our water testing procedures and has contributed to our excellent compliance with the Government's monitoring requirements.

A further development during the year was the launching of a comprehensive communications campaign designed to increase public awareness and understanding of the services we provide. The first element in the campaign dealt with water quality and this will be followed by information on other aspects of our work.



Robotic water sampling machine

"TWO THIRDS OF THE WATER WE SUPPLY GOES TO HOMES, THE REST TO COMMERCE AND INDUSTRY."

QUALITY CUSTOMER SERVICES

DEDICATION TO PROVIDING A QUALITY AND VALUE FOR MONEY SERVICE HAS LED TO A FURTHER RANGE OF IMPROVEMENTS IN OUR CUSTOMER SERVICES.

Enquiries about water services bills are now handled through an upgraded telephone network which enables staff to handle up to 72 incoming customer calls at a time.

To help customers who have genuine difficulty in paying their water services bill we repeated our successful special telephone 'helpline' advertising campaign, an initiative which was widely commended by customer and advice organisations. This enabled customer-care staff to provide about 16,000 customers with assistance.

We also responded to market research which highlighted that our customers want to know more about the services we provide. In January we sent customers an information leaflet and gave them the opportunity to learn more about drinking water quality, our investment programme,

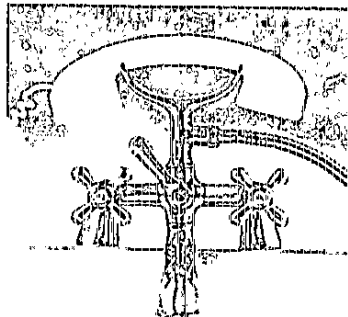
our service record and environmental work. We were heartened by their response.

To help our elderly and disabled customers get special help and advice about their water services we introduced a new and free service called WATERCARE.

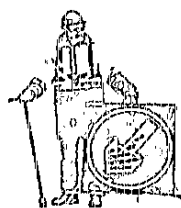
Customers who register with WATERCARE benefit from a range of

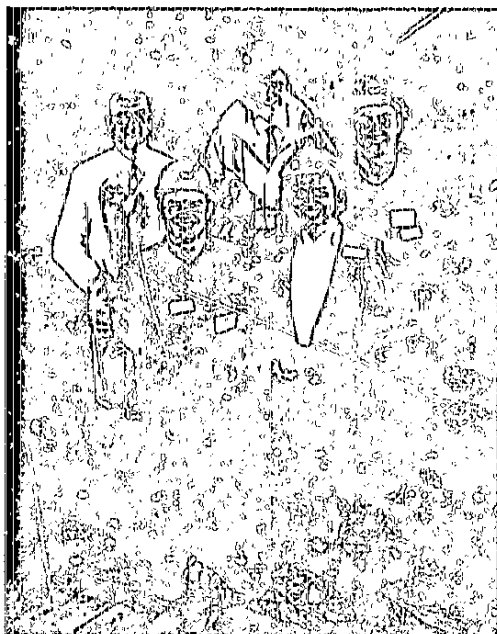
services including being personally notified if their water supply is going to be interrupted and having details of their bill read to them over the telephone. Our aim is to provide a range of services which best suits the needs of these customers. Already more than 300 customers have registered under the new scheme.

During the year we took over responsibility for the management of the region's public sewerage system, which means that customers have a direct link to our operational customer services bureaux for all sewerage maintenance and emergencies.



Help is a call away





Serving the customer

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Our Employees

To achieve, deliver and maintain quality customer services we recognise the need to invest time and resources in the training and development of our employees.

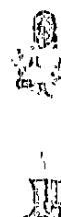
We have continued to encourage our workforce to achieve National Vocational Qualifications in recognition of their skills and competence to work to nationally agreed standards. NVQ's are now available across the many disciplines of the company in providing water and sewerage services.

Whitwell Manor in Leicestershire, our training centre, plays a leading role in managing our NVQ initiative as well as developing training programmes to meet the needs of all employees within the Group.

To enable the development of senior managers we have encouraged selected senior staff to follow a management MBA programme. This will ensure that they are able to meet the management challenges of the future.

While recognising the vital importance of having a skilled workforce we have also taken steps through the introduction of standard workwear to ensure they present a smart and professional image to our customers.

As we grow and develop as a business we are encouraging improved individual contributions to the success of the company through our performance related pay scheme. This year was the first in which staff had their pay linked directly to their personal performance.



OUR INVESTMENT IN THE ENVIRONMENT

OUR CONTINUING COMMITMENT TO THE ENVIRONMENT AND CONSERVATION HAS STRENGTHENED AS THE IMPETUS OF OUR GROUP ENVIRONMENTAL POLICY HAS GATHERED MOMENTUM.

This policy states clearly our support for the sustainable management of the regional water environment. We have increased the resources available for environmental initiatives and are continuing to take steps towards implementing our policy. These initiatives include developing the wildlife value of operational sites in harmony with other uses and making improvements to the visual amenity by landscaping and appropriate design. We are reporting in more detail on our policy and the achievement of its objectives in a separate environmental progress report being published this year. A major element of our policy remains the environmental assessments which we carry out on our capital schemes. These help us to build and invest in ways which are sympathetic to the

local environment and provide a programme which brings us into close working contact with a range of local trusts and organisations. This results in an ever widening appreciation and recognition of our role as the leading environmental investor in the region.



A Royal occasion - the first Anglian Water Conservation Awards

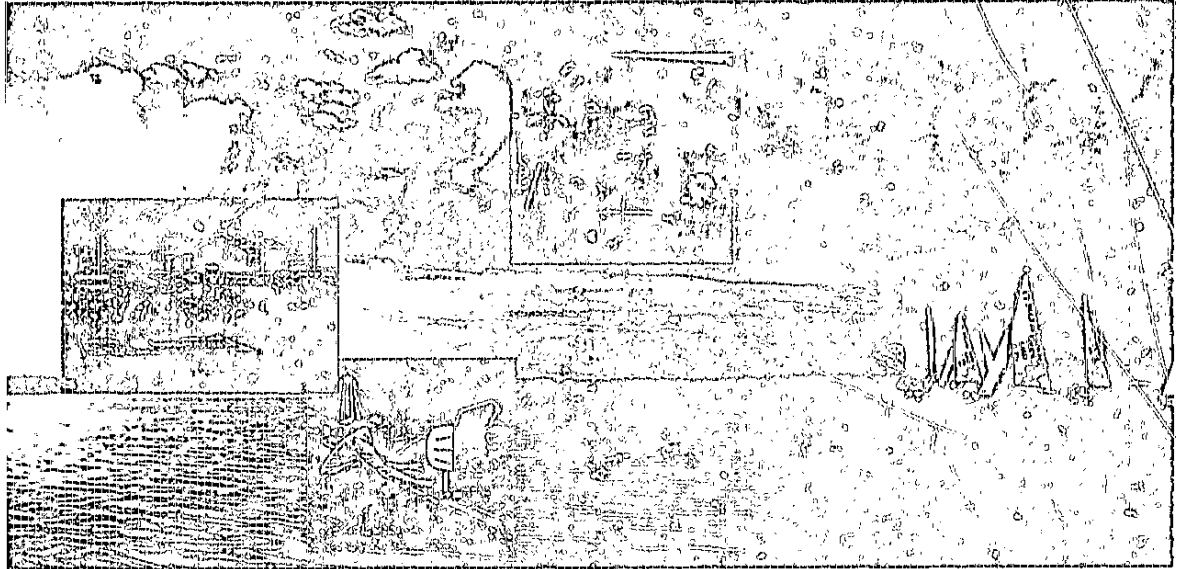
A key to actioning our environmental policy is our investment to improve the quality of discharges from our sewage treatment works into the water environment.

In 1992/93 our sewage works achieved the highest level of compliance ever recorded with consequent improvements in river water quality.

However we were prosecuted by the National Rivers Authority for five incidents in the previous year where discharges from our works had failed to meet the required standard. We were fined a total of £29,500 in respect of infringements at works at: Doddinghurst, Essex; Northrepps and Wells, Norfolk; Hexton, Hertfordshire; Marston, Lincolnshire.

"OUR SEWAGE WORKS INVESTMENT HAS RAISED WATER QUALITY ON 120 KM (75 MILES) OF THE REGION'S RIVERS."

OUR INVESTMENT IN THE ENVIRONMENT



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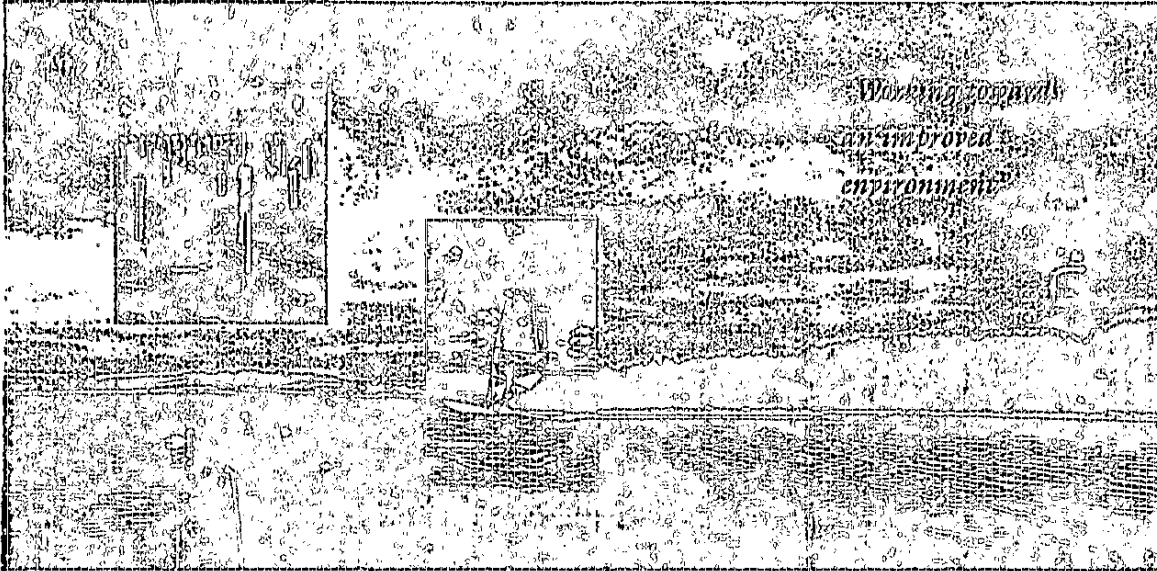
As a company we are also ensuring that we invest and operate to meet environmental requirements on such issues as noise and odour control, health and safety, the recycling of waste paper and the use of diesel and unleaded fuels.

On the leisure front our reservoirs have established reputations of excellence for the recreational opportunities they provide. We

are committed to maintaining this high standard and extending the range of facilities they offer. Careful management, planning and consultation, help ensure a balance of uses is maintained which means that first class recreational opportunities can be provided and wildlife protected alongside the all important water supply use of the reservoirs. Rutland Water in

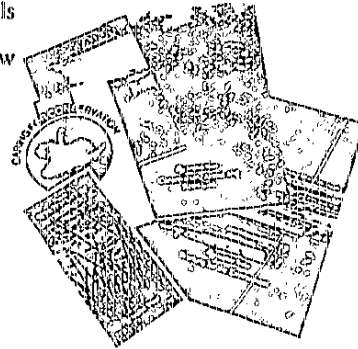
"THIS YEAR WE CREATED ABOUT 13 HECTARES OF NEW WOODLAND."

OUR INVESTMENT IN THE ENVIRONMENT



Leicestershire, our biggest reservoir remains our recreational showcase. Here we have continued to invest in quality leisure facilities to meet the ever increasing expectations of users and visitors. At Alton Water in Suffolk we opened an extension to the Water Sports Centre, enabling increased tuition opportunities for schools and other youth groups and also a new

visitor centre. Building on the increasing popularity of Grafton Water in Cambridgeshire, we have made further improvements. Access to the nature reserve has been upgraded and work has started on a wildlife garden.



"OUR FIRST CONSERVATION AWARD SCHEME ATTRACTED MORE THAN 60 ENTRIES FROM REGIONAL TRUSTS AND GROUPS."

RESEARCH AND DEVELOPMENT

AS WE MOVE FURTHER INTO ADVANCED PROCESS TECHNOLOGIES AND FACE EVER MORE STRINGENT WATER QUALITY AND ENVIRONMENTAL REGULATIONS OUR FOCUS ON RESEARCH AND DEVELOPMENT IS BECOMING MORE SHARPLY DEFINED.

With most of our reservoirs filled from slow flowing lowland rivers, control measures are being developed to reduce the incidence of algal blooms. We have developed the technique of using iron salts to remove phosphate, on which the algae feed, from water entering the reservoir.

An equally important area of activity has centred on a small pilot plant located at Grafham Water Treatment Works in Cambridgeshire. Here work to improve the treatment of reservoir waters for potable purposes has led to the development of ozone and granular activated carbon (GAC) treatment methods now being installed at the water treatment works.

We are now developing a second phase of this programme and investigating a two-stage GAC filtration system.

In the area of sewage treatment further development has taken place of a plastic bead sewage treatment system which has proved particularly effective at removing suspended solids and ammonia.

Odour control, nutrient removal from final effluent and sewerage refurbishment techniques are other areas under active investigation. Added to these will be the requirements involved in meeting the EC Urban Waste Water Treatment Directive.

The need to remove nutrients from sewage effluent will also develop in the future, and work on obtaining the maximum use out of chemicals for this purpose has continued with prospects for cost reductions.

PERIODIC REVIEW

LAST YEAR THE OFFICE OF WATER SERVICES (OFWAT) GAVE NOTICE THAT IN 1994 IT WOULD REVIEW THE PRICE CONTROL LIMITS FOR ALL WATER COMPANIES. THE RESULTS OF THIS REVIEW WILL APPLY FROM 1 APRIL 1995.

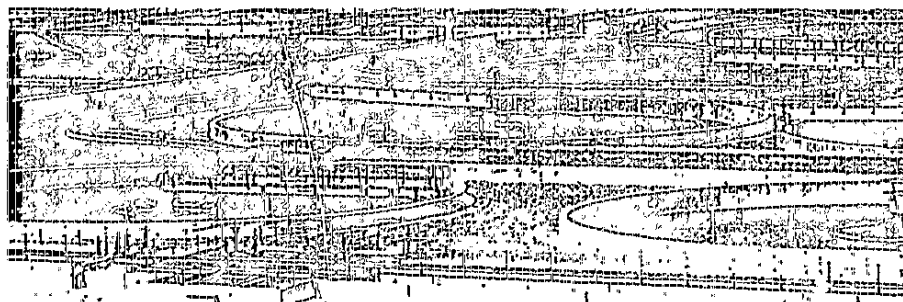
The review includes a comprehensive assessment of progress since privatisation and of future requirements.

Detailed work has begun. We are looking at likely expenditure needs for a 20 year period from April 1995. This will take into account the costs of meeting new drinking water standards, environmental quality obligations including the EC Urban Waste Water Treatment Directive, improving levels of service, asset condition and population growth.

In comparing the submissions of the companies the Director General of Water Services intends to use a yardstick of comparative efficiency.

The costs of providing water services in the Anglian region are high because of the low population density which requires long pipe runs to customers, many pumping stations and a large number of small treatment works.

Additional treatment to remove nitrates and pesticides as a result of operating in an important agricultural area adds very significantly to our costs. The slow flowing rivers extensively used for water supply and recreation result in our sewage treatment works having to meet some of the highest standards in the country.



Largest number of sewage treatment works

"WE HAVE 29,000 KM (18,000 MILES) OF RIVERS, OVER 1,000 SEWAGE TREATMENT WORKS AND 3,800 SEWAGE PUMPING STATIONS."

PERIODIC REVIEW

In framing our views for the Director General we will be re-emphasising these issues and drawing attention to the views of our customers about the future of their water services.

Part of the preparatory work for the review has involved an extensive survey of households throughout the region.

Customers were asked for their views on a range of water services issues, about those aspects of our services they would most like to see improved and about their willingness to pay for different types of service improvements.

The purpose was to find out what improvements customers would most like and to balance these against what they are prepared to pay to achieve them.

The research results were fed into our Market Plan, published in May 1993 which is part of the review to be submitted to OFWAT in March 1994. The Plan itself will be the subject of public consultation. The views which are expressed to us will be considered in drawing up our final submission to the Director General from which our spending plans and level of price increases after 1995 will be determined.



*Pumping -
a major
cost factor*



*Investment
leading to
improved
services*

"NEARLY A QUARTER OF ALL SEWAGE PUMPING STATIONS IN ENGLAND AND WALES ARE IN THE ANGLIAN AREA, REFLECTING THE FLAT NATURE OF THE REGION."

DEVELOPING OUR BUSINESS

THE MOST SIGNIFICANT DEVELOPMENT DURING THE YEAR WAS OUR ACQUISITION IN FEBRUARY OF THE SWEDISH BASED INTERNATIONAL WATER PROCESSING ENGINEERING GROUP OF NORDIC WATER COMPANIES.

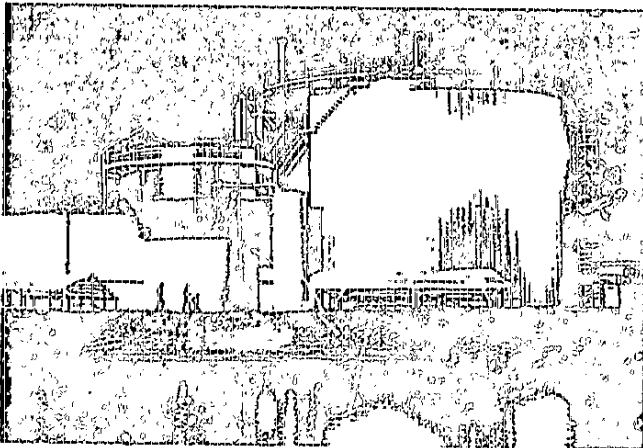
This major acquisition underpins our strategy of developing businesses outside of, but related to, our core water and sewerage services and brings to the Group a significant expansion of our process engineering capability while providing access for us to the expanding markets of Europe and overseas.

Specialising in process technology and advanced water treatment products, the Nordic Water companies provide design, contracting and equipment supply services to water companies, including UK companies, municipalities and industry.

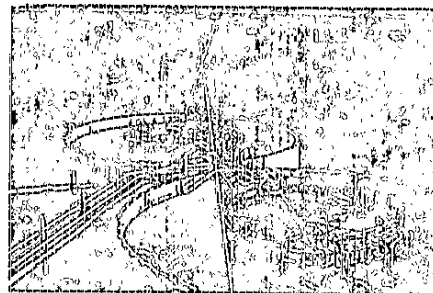
Following the acquisition of these companies we have integrated all our process engineering capabilities under a new company – Anglian Water Process Engineering (AWPE) – to create a broadly based multi-national process engineering and equipment supply group.

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Overseas projects...



... Sugar mill in Spain



... Pectin plant in Denmark

"OUR PROCESS ENGINEERING COMPANY IS NOW ONE OF THE LARGEST IN THE UK."

DEVELOPING OUR BUSINESS

The former President of Nordic Water, Göran Wijkmark, has joined Anglian Water as Managing Director of AWPE.

Purac, part of Nordic Water and the UK's third largest process contractor in the potable water industry, has been combined with the wastewater process engineering business of Rosewater, acquired in July 1992 and Farm Gas, acquired in July 1990 into a new company Purac-Rosewater operating from headquarters at Kidderminster in Worcestershire.

Our engineering fabrication business, Anglian Engineering Services now trades as Aquafine Engineering Services, from its site in Ely, Cambridgeshire.

Another company within the Group is Anglian H&G, a 50/50 joint venture between Anglian Water and Humphreys and Glasgow Process Contracting. H&G have a strong track record in the process engineering industry and together with Anglian, are exploiting the technology of granular activated carbon adsorption which is particularly effective in removing herbicides and pesticides from drinking water sources.

The international spread of business and process engineering skills provided by AWPE will also assist in building our international operating and consulting subsidiary - Anglian Water International, which was formed in July 1992, in recognition of our growing involvement in overseas activities.

The biggest project secured to date is Anglian Water's participation in the world's largest water services contract. A consortium, of which Anglian is a member, won a 30 year concession to modernise and run water services in Buenos Aires, home to nearly a third of Argentina's 33 million population.

Our contribution is to provide practical operational advice and assistance to the consortium company particularly on the introduction of advanced water technology and management systems.



Central Buenos Aires

OPERATING AND FINANCIAL REVIEW

Introduction

The inclusion of this operating and financial review reflects our commitment to supporting best practice in financial reporting in line with the recommendations of the Accounting Standards Board.

Operating Results

Turnover for the year increased by 11.5% from £523.1m to £583.2m. There has been a £46.9m increase in the core water and sewerage business and £14.3m in the Group's non-core activities. Inter-segmental trading increased by £1.1m. The vast majority of turnover during the year (some 95%) came from our core business.

The £46.9m growth in core turnover represents an increase of 9.1% over 1992, almost all of which arose from price increases in accordance with the price control limits agreed at the time of privatisation. The effect of the recession continued to be felt in 1992/93. Some 18,400 new houses were connected to our water system, the lowest level for some time, and measured consumption showed a marginal reduction. However, the overall impact on turnover was less than 1%.

The regulatory (RPI + K) price control

formula allowed us to increase charges by RPI + 5.5%. However, in 1993 we passed on some of the benefits secured from efficiency initiatives and lower inflation by absorbing our increase by 0.5%.

	RPI*	K	K
	%	Permitted	Implemented
1990/91	7.7	5.5	5.5
1991/92	9.7	5.5	5.5
1992/93	4.3	5.5	5.0

*As at November in the preceding year

Although our K factor will not be reviewed until 1994 with a new K effective from April 1995, we agreed with OFWAT that in the two years leading up to the Periodic Review, our charges increases would be restricted to RPI + 5.0%, that is 0.5% less in each year than permitted under the formula agreed with Government at privatisation. This reduction mainly reflects the benefits of lower construction price inflation. The two year arrangement with OFWAT restores the stability in our price controls for 1993/94 and 1994/95.

Some 93% of core turnover in the year came from main charges for water, sewerage and trade effluent services. Some 74% of this was unmeasured and 26%

measured. This incidence will change significantly as we progressively introduce a programme of extended metering over the next 15-20 years (all new properties have been metered since 1990). As a policy we believe that metering is a more equitable basis for charging but we recognise that there are additional costs associated with its introduction. Progress on metering will depend on the agreements reached on funding this investment during the K setting process at Periodic Review.

Increased operating costs in the core business in the first two years after privatisation reflected changes which were necessary to bring about improvements in the standards and levels of service.

This initial backlog of work has now been completed. Core business operating costs have shown an 8.2% increase from £318.7m to £344.9m. Inflation added some 4% to our costs. Depreciation increased from £45.2m to £56.3m, as a result of capital expenditure, where around £1 billion of investment has been undertaken since privatisation. Increasing depreciation costs will continue to feature as the effect of rising levels of capital expenditure feed through as charges against profits.

Core operating costs are largely fixed in the short term. Marginal changes result from movements in customer demand, but more significant changes arise from the need to meet increased standards arising from new obligations. From the fixed cost base the single most significant component of our operating costs is manpower, where increases in the year include the impact of taking over work previously carried out by sewerage agent authorities.

The infrastructure renewals charge derives from our long term investment plans and represents the cost of maintaining our network of underground pipes and sewers in perpetuity. At £37.9m it is almost unchanged from 1992, reflecting the downward trend in inflation. The profile of our expenditure programme means that in the last three years our actual expenditure has been less than the profit and loss account charge.

This trend will reverse in the second half of the decade as we undertake significant amounts of work on those assets which are part of the water mains replacement and renovation programme.

OPERATING AND FINANCIAL REVIEW

The other principal areas of increase in core business operating costs are in meeting increased quality standards £3.2m, provisions for bad debts £3.4m and the increased cost from the National Rivers Authority for direct discharges £1.3m. Against this, increased efficiencies of £4.1m have been secured.

The increased bad debt charge reflects the prevailing economic climate. We have made significant efforts to ensure that through television advertising and other campaigns, those of our customers who face genuine difficulty have the opportunity to enter into flexible payment schemes. However, provisions against potential exposure in this area have been increased accordingly.

The year has seen a number of changes in the corporate structure of the Group. Acquisitions of Rosewater Engineering Ltd in July 1992 and the Nordic Water companies in February 1993 significantly increased the scale of non-core activities but the full year impact of their respective results will not be reflected until 1993/94.

The acquired companies are now integrated under our new process engineering subsidiary -- Anglian Water

Process Engineering Ltd. Non-core turnover increased during the year by 97%.

Group operating profit for the year rose by 9.1% from £194.0m to £211.6m, wholly from the core business. Non-core businesses made an operating loss of £4.4m of which £1.1m resulted from acquired companies. There were start up costs for our overseas business Anglian Water International, and we had anticipated a difficult period for our process engineering businesses during a recession which has given rise to intense competition throughout the sector. However we believe that the development of these businesses ensures we are well positioned for the future.

Group profits have benefited from £3.3m profits on sale of properties and other fixed assets. We continue to review our asset base to identify surplus assets for disposal. As Group borrowings have increased to finance the capital expenditure programme, net interest has risen accordingly. Our net interest for the year at £29.5m shows an increase of 28.8%. Profit before tax at £185.4m is 8.2% higher than in 1992.

OPERATING AND FINANCIAL REVIEW

Financial Needs and Resources

At 31 March the Group had net borrowings of £392.5m, an increase of £88.7m over the year. This is in line with our plans. We were one of only two water companies floated with net debt at the time of privatisation. The K setting process allows for our capital investment programme to be funded not only by internal generation of funds (all retained profit over the last three years having been used to help finance capital investment) but also by increased borrowings. Before expenditure on fixed assets (£288.8m), infrastructure renewals (£15.4m) and investments in subsidiaries and other participating interests (£28.5m), the business generated a net cash inflow of £239.5m in 1993. The increased net borrowings have been financed by £55.3m from leasing, £25m from EIB and £20m from a private placement. The increasing use of leasing is enabling us to maximise the benefits of our mainstream tax position, where capital allowances have and continue to give us significant taxable losses.

Year end gearing (Debt/Debt plus Equity) at 22.3% compares to 18.8% in

1992. Net borrowings are a mixture of fixed and variable rate elements (£497.4m) offset by cash and deposits, net of overdrafts (£104.9m). Borrowings include some £154m at floating rates. The balance between fixed and floating rate debt is aimed at securing funds to meet our increasing requirements whilst achieving the lowest cost in the medium term and minimising exposure to short term interest rate fluctuations. Where opportunities have presented themselves the Group has pre-funded its operations. Excess cash is invested only where the timely repayment of principal and interest is certain. Our existing borrowings are supplemented by a revolving credit facility of £200m. This has been progressively reduced from the £1 billion in place at privatisation. This facility expires in 1995 and negotiations are underway to replace it.

In 1991 our debt was rated by two leading credit agencies, Moody's (AA rating) and Standard and Poor's (AA3). These excellent ratings have been maintained enabling us to borrow on preferential terms and gain access to a wide range of capital markets.

The capital investment programme for the year has been completed on time and on budget. The section on capital investment on pages 13 to 17 gives more details of the programme itself.

The Periodic Review of K in 1994 will have a significant impact on our borrowing requirements, since it will determine the maximum price limits for the second half of the decade. This will partly determine profits that can be retained to finance capital investment and the level of external finance needed. The Director General of Water Services has indicated that he would like to see Water Companies' obligations being financed by increased levels of gearing. This issue will form part of the discussions taking place in the run up to setting.

The non-core businesses are financed separately from the regulated core business and run on an 'arms length' basis. To finance non-core acquisitions a five year £20m private placement was made in November 1992 with no guarantees or financial covenants from the core business.

The Nordic Water acquisition in February 1993 costing £22.7m net was

temporarily financed at market rates from internal funds. This will be refinanced.

The Group's balance sheet shows a reduced working capital requirement despite the significant increase in debtors. As a long term measure to enable us to control our billing and debt collection process more effectively, we have introduced a major new computer system to improve income management. We would expect to see the benefits of this development beginning to flow through in 1994.

Shareholder's Return and Value Created

Earnings increased by 9.3% from £152.3m to £166.4m. After allowing for an increase in the number of shares in issue during the year (principally as part of an employee profit sharing scheme) this translates into a 9.1% increase in earnings per share from 51.7p to 56.4p. The full year dividend has been increased by 9.3% from 19.3p to 21.1p, a real increase of 6.0% over the average rate of inflation during the year.

The table opposite shows the trend in Earnings per Share and Dividends per Share since privatisation.

OPERATING AND FINANCIAL REVIEW

The 1993 dividend increase reflects our policy of paying a higher dividend than was anticipated at privatisation where we can justify it either through increased efficiency or through non core earnings.

	EPS (p)	Increase (%)	DPS (p)	Increase (%)
1989/90	39.5*	--	15.3	--
1990/91	45.9	16.2	17.5	14.4
1991/92	51.7	12.6	19.3	10.3
1992/93	56.4	9.1	21.1	9.3

*Restated to reflect requirements of FRS3.
Original pro-forma 42.1p.

The outcome of negotiations at the Periodic Review will influence the future level of return to shareholders. The Director General has a duty under the Water Industry Act 1991 to ensure that companies can finance the proper carrying out of their functions. It will also be

important to ensure that sufficient incentives exist for the companies and their shareholders to continue to improve the efficiency and quality of services to customers. We will be looking to promote such incentives whilst maintaining a balance between shareholder and customer interests.

The year has seen a number of developments which are expected to add shareholder value. Continuing efficiencies in the core business, further acquisitions that have enhanced our process engineering capability and progress being made in the use of our water and sewerage skills are all areas which should provide a foundation for real improvements in the returns to shareholders.

Note: Throughout this Operating and Financial Review (OFR), disclosures of core business results represent the composite of Anglian Water Services (AWS) and, to the extent that activities of Anglian Water Engineering and Business Systems and Anglian Water Plc relate to Appointed Business, those results also.

The Directors' Report and Financial Statements of AWS (published separately) also include an OFR. Results reported as core business differ from the above, since they are prepared on the basis of AWS as a separate entity and include transactions which are eliminated on Group consolidation.

SUMMARY FINANCIAL STATEMENT

Summary Directors' Report

The Directors have pleasure in presenting the Summary Financial Statement for Anglian Water Plc for the year ended 31 March 1993. It is only a summary of information contained in the Group's Directors' Report and Financial Statements.

Principal Activities and Business Review

The principal activities of the Group during the year, comments on the financial performance and future developments are

included in pages 2 to 37 of this Annual Review.

Directors

The Directors who held office throughout the year were those listed on pages 10 and 11. Mrs J de Moller was appointed to the Board on 12 November 1992.

Mr A G Semple, retired on 29 July 1992 and Mrs A C Healey, Mr J V Boodle and Dr J R G Bradfield retired on 31 March 1993.

Summary Group Profit and Loss Account for the year ended 31 March 1993	1993 £m	1992 £m
Turnover --		
Continuing operations	567.9	523.1
Acquisitions	15.3	-
	583.2	523.1
Operating profit --		
Continuing operations	212.7	194.0
Acquisitions	(1.1)	-
	211.6	194.0
Profit on sale of assets in continuing operations	3.3	0.2
Interest payable: (net)	(29.5)	(22.9)
Profit on ordinary activities before taxation	185.4	171.3
Taxation	(19.0)	(19.0)
Profit for the financial year	166.4	152.3
Dividends paid and proposed	(62.3)	(56.9)
Retained profit for the year	104.1	95.4
Earnings per ordinary share	56.4p	51.7p
Directors' emoluments	£977,000	£591,000

Summary Group Balance Sheet at 31 March 1993	1993 £m	1992 £m
Fixed assets	2,053.5	1,814.3
Current assets	244.4	193.9
Creditors: amounts falling due within one year	(278.6)	(190.6)
Net current (liabilities)/assets	(34.2)	3.3
Total assets less current liabilities	2,019.3	1,817.6
Creditors: amounts falling due after more than one year	(544.2)	(422.0)
Provisions for liabilities and charges	(106.1)	(86.9)
Capital and reserves	1,369.0	1,308.7

SUMMARY FINANCIAL STATEMENT

Notes

1. This Summary Financial Statement was approved by the Board of Directors on 7 June 1993 and signed on the Board's behalf by B V Henderson CBE, Chairman, and C J Mellow, Group Finance Director.
2. The Auditors have issued an unqualified audit report on the Annual Accounts which contains no statement therein under Section 237(2) or Section 237(3) of the Companies Act 1985.
3. This Summary Financial Statement does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or of the Group. For further information the full Financial Statements, the Auditors' Report on those Financial Statements and the Directors' Report should be consulted.
4. The receipt of the Summary Financial Statement will not remove the right of shareholders under Section 239 of the Companies Act 1985 to demand, free of charge, a copy of the Company's last full Financial Statements together with the Directors' Report and Auditors' Report on those Financial Statements.
5. Copies of the full Report and Financial Statements may be obtained from the Company Secretary, Anglian Water Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE18 6NZ.
6. Anglian Water Services Limited is required to provide additional information relating to its business as a water and sewerage undertaker. A full copy of this information is available by application to the Company Secretary, Anglian Water Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE18 6NZ.

Auditors' Statement to the Shareholders of Anglian Water Plc

We have audited the Summary Financial Statement set out on pages 38 and 39.

Respective Responsibilities of Directors and Auditors


The Summary Financial Statement is the responsibility of the Directors. Our responsibility is to report to you our opinion as to whether the statement is consistent with the full Financial Statements and Directors' Report.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. The audit of a summary financial statement comprises an assessment of whether the statement contains all information necessary to ensure consistency with the full financial statements and directors' report and of whether the detailed information required by law has been properly extracted from those documents and included in the summary statement. Our report on Anglian Water Plc's full financial statements includes information on the responsibilities of directors and auditors relating to the preparation and audit of financial statements and on the basis of our opinion on the financial statements.

Opinion

In our opinion the Summary Financial Statement on pages 38 and 39 is consistent with the full Financial Statements and Directors' Report of Anglian Water Plc for the year ended 31 March 1993 and complies with the requirements of the Companies Act 1985, and the regulations made thereunder, applicable to summary financial statements.


PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

7 June 1993



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With thanks to the following employees whose photographs appear in the Review: Lorna Patten, John Emmony, James Ketch, Derek Wharton, Andrew Kersley, Ralph Booth, Keith Legge, Brian Hart, Steven Savidge, George Armstrong, Alan Stokes, Roger Janet, Jackie Newport, Alan Lay, Gary Standley, Yvette McCallip, Vernon Ingham, Andy Bagworth, Tony Ford, Terry Clark, Barrie Holden, Edward Hannan.

ADVISERS

MERCHANT BANKS

J. Henry Selinger Waite & Co. Limited, 120 Collyer Quay, Singapore
LC2Y 018

ADVISERS

Ridge Warehouse, Cornwall Court, 19 Cornwall Street,
Singapore BS 2011

SALEAGENTS

Horton Smith, Exchange Avenue, Singapore
LC2A 2118

EXCHANGES

Cazenove & Co., 12 Robinson Road, Singapore 218 2188

REGISTERED

Allied Provincial Securities Ltd. of India Court, Market Street,
Singapore PH1 1184

REGISTERED

Lloyds Bank Plc. Registrar's Department, 54 Park Lane Road,
South, Birmingham B30 1BR

PANAMA BANKERS

Barclay Bank Plc., 1 Market Hill, Southampton, Cambridge Street,
Singapore PH18 6AD

ANALYSIS OF SHAREHOLDINGS

	Number of Shares		Percentage of Shares	
	Number	Percentage	Number	Percentage
1-500	52,214	54.89	9,489,121	31.7
500-1,000	33,968	37.40	24,066,490	81.4
1,000-5,000	6,124	6.44	3,697,576	12.4
5,000-10,000	177	0.18	1,161,939	3.9
10,000-50,000	352	0.36	8,770,900	29.7
50,000-100,000	132	0.14	9,152,075	31.0
100,000 and over	348	0.35	23,129,497	78.3
	93,507	100	29,516,604	100

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about Anglian Water Plc or
shareholder matters can contact the Shareholder Enquiry Line
(0800 433000).

SHARE REGISTER

The Company's share register is maintained by Lloyds Bank Plc
shareholders requiring help or information about their
shareholding may contact the Registrar, Lloyds Bank Plc,
54 Park Lane Road, South, Birmingham B30 1BR
or telephone 021 433 8000.

REGISTERED OFFICE

Anglian Water Plc, Anglian Plc, Audley Road, Peterborough,
Cambridgeshire PE18 6SZ

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