

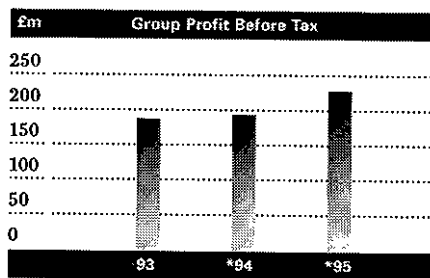
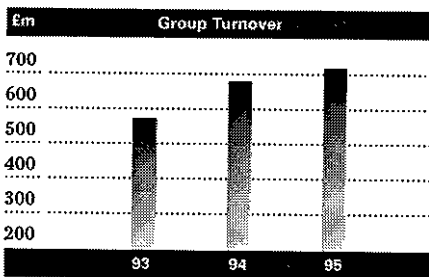
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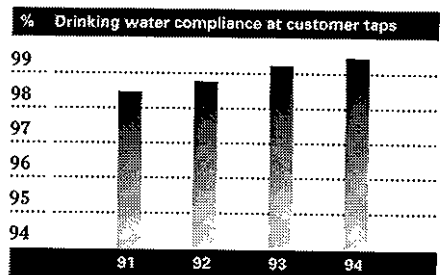
# Anglian Water

**I**n the first five years we have achieved everything we set out to achieve in terms of investment and quality standards. Our new structure is sharply focused on giving better value to customers, reducing costs and providing increasing returns for shareholders.

## Financial Highlights

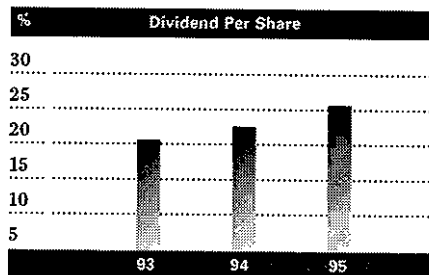
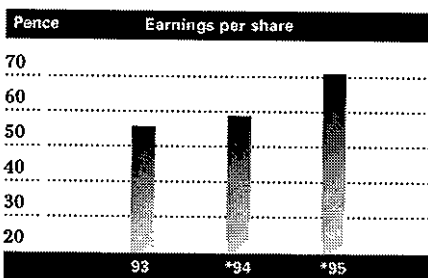


## Quality Highlights

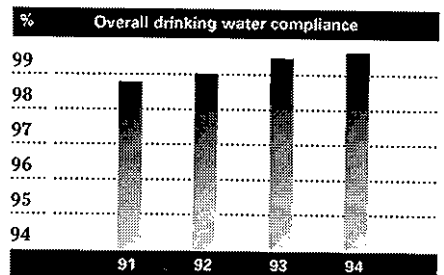


\* before exceptional charges

Water compliance with drinking water quality standards within public water supply zones



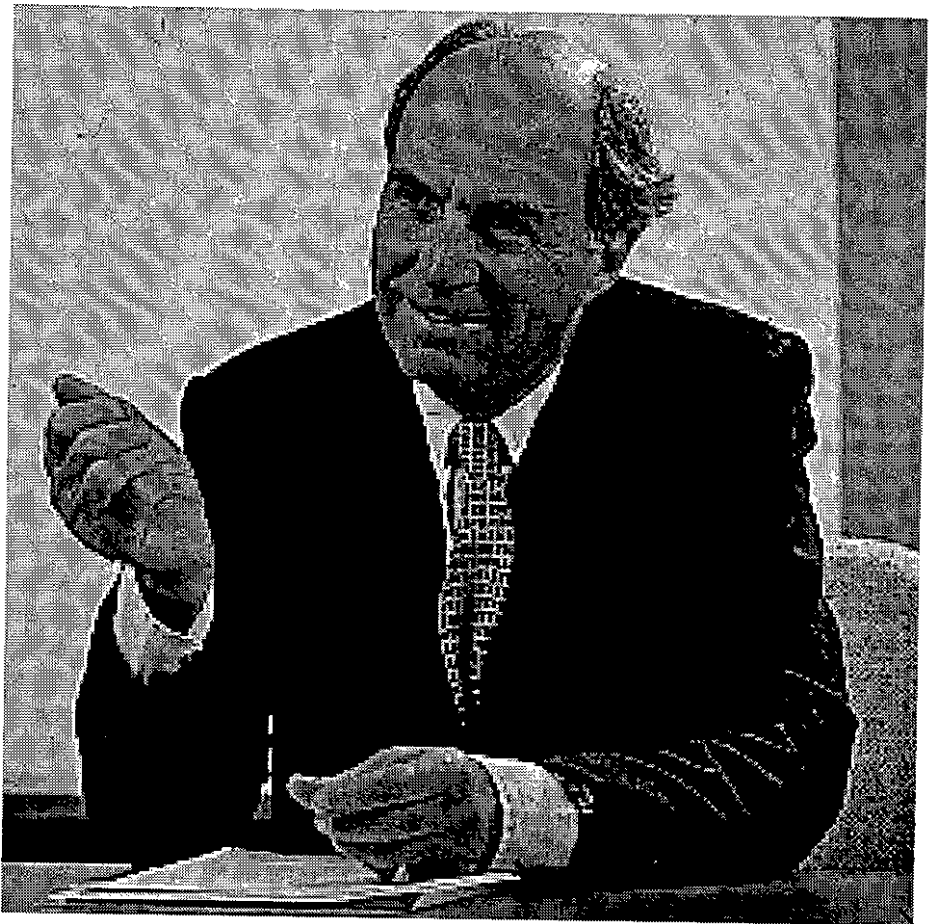
\* before exceptional charges



Overall compliance which includes source works, reservoirs and towers

## Chairman's Statement

**W**e have laid the foundations to deliver substantial benefits to our customers and significant dividend growth for our shareholders.



Robin Gourlay, Chairman

This has been a landmark year for Anglian Water. It marked the end of our first five years since privatisation, a period in which the company

achieved everything it set out to achieve in terms of investment and compliance with stringent quality standards.

It was also a year of further profits progress, with a 19.7 per cent increase in pre-tax profits (before exceptional charges) to £230 million from £192 million in the previous year.

Your Board is recommending a final dividend of 18.0 pence per share, making a total of 26.0 pence for the year. This increase marks the completion of the first five year K period and reflects the company's outperformance during that time. The Board is confident that the company can continue to improve on the cost and investment targets it has been set and that, from this dividend base, we will be able to deliver significant real dividend growth over the next five years.

#### *Customer Programme*

In our first five years as a public company we concentrated on improving our assets to enhance water quality and achieve high operational standards. This was, to some extent, at the expense of some aspects of our customer service, which we are now giving priority to improving. As future efficiency savings are achieved, we anticipate carrying out further discretionary investment, as we did in the middle of this year with a package of benefits to customers and the environment, beyond the expenditure already approved by OFWAT.

Also this year, to mark the end of the first five year K period and the efficiencies achieved during that time,

we have announced a £6 rebate for customers. The company has, in addition, provided £2 million in the 1994/95 Accounts to establish an independently-administered Trust Fund to help those customers who find themselves genuinely unable to pay their water services bills.

#### *International Business*

Since the year end, the Board has completed a thorough review of the non-regulated businesses and has confirmed its commitment to the further growth and development of our international business, through the export of our skills. Our ambition is for a steadily increasing portfolio of water management contracts, combined with growing earnings from our process product and engineering companies.

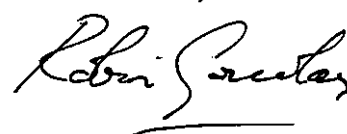
#### *Board Changes*

During the year there were changes to the composition of the Board, including my own appointment as Chairman. Until his retirement, my predecessor, Bernard Henderson, had led Anglian Water for 13 years. Bernard's influence on the company was profound. We wish him good health, happiness and success. I also thank Francis Cator, who retired from the Board in July 1994. Also during the year, Richard Jewson became deputy chairman, having been a valued non-executive director of the company since 1991.

#### *Outlook*

Since I became Chairman, during visits around the Group, I have been impressed not only by the quality of staff throughout the businesses, but by their enthusiasm, even after the unsettling period of the Strategic Systems Review, and by their dedication at all levels in our organisation to meeting customers' needs in the best possible way. We recognise that on occasions our performance does not live up to the standards we set, but throughout Anglian Water a culture of customer service is now in place. I am sure the benefits will, over time, be felt and become recognised widely in the community.

During the first five years, we have made good progress throughout our business and have delivered consistent value to shareholders. Looking ahead, with a strong framework for efficiency now in place, we are confident that we can drive the business forward towards even better results, increasing both the quality and the approachability of the services we provide to our customers, whilst maintaining significant dividend growth for our shareholders.



**Robin Gourlay**  
Chairman

## Managing Director's Report

**W**e are committed to exploring new and better ways to conduct our business. What we do well today, we aim to do better tomorrow. What we haven't done well in the past, we will do well in the future.

Of the many challenges during 1994, our single biggest task was to turn our planned Strategic Systems Review from vision into reality.

I am delighted that although the change was immense, the transition was achieved without disruption to our customers. While the majority of our 900 redundancies were voluntary, we were all saddened by the departure of so many colleagues and friends, and I want to thank all our employees for their continued commitment during this difficult time.

Our new structure is leaner, with far fewer layers of management. Our targets are clear: excellence of service to customers, efficiency and quality in all we do. All sharply focused on giving better value to customers, reducing costs and providing increasing returns for shareholders.

Last year the quality of our drinking water continued to improve and all

our sewage treatment works can meet the required standards. The quality of customer service also rose significantly, achieving measurably higher levels of performance. Our decision, in 1994, to change our metering policy from compulsory to optional, signalled our willingness to listen and give our customers choice whenever possible.

By effective management and procurement, we are ensuring the maximum benefit from our capital spending for the least cost, and our investment programme for 1994/95 was completed for £305 million, £25 million less than forecast.

Quality is a definable element in how we work and we were pleased, during the year, to be the first water services company to receive one of Europe's top quality awards for our entire water supply operation. Under the new structure we are increasing the measures we use to monitor our performance more closely.



Alan Smith, Managing Director

### *K Review*

July 1994 saw the announcement of the new K determination for the ten years from April 1995. The new price limit - 4 per cent lower than set at privatisation - reflects the passing on to customers of efficiency savings already made, plus the further savings we expect to make over the next five years and lower capital spending.

While the limit is tough, it will enable us to finance the business

satisfactorily. At the same time, the changes we have made to the company will help us to outperform OFWAT's challenging efficiency targets. As well as providing value to shareholders, this will also benefit customers by delivering lower price increases at the next Review.

As we move forward, the process of change will continue as we explore new and better ways to conduct our business. We are increasing our

investment in the training and personal development of all our people, our most critical resource for our long term success. And we are increasing funding for research and development so that we stay at the forefront of technology, providing more economical, more customer and environmentally-friendly water treatment methods.

### *International Strategy*

As we approached the year end, our review of the business extended to include the non-core companies. While we recognise that it will take time to build the business and deliver satisfactory returns, we believe the development of our international business is the right strategy to pursue in the long term interests of the company and shareholders. As a result of the review, Anglian Water International and Anglian Water Processes will be merged into a single, integrated management structure, to extract the maximum benefit from the synergies between the two companies and to allow it to build a stronger presence in key markets around the world.

I am confident that the actions of this year have given us a sound base to build an ever better performance, to deliver substantial benefits to our customers and increasing value to our shareholders.

## Customer Services

**O**ur Strategic Systems Review has brought customer service to the front of our minds, whether mending a burst or answering a billing query.

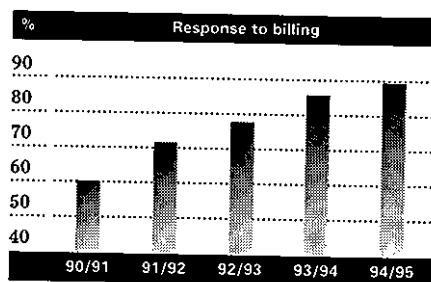
Top priority of the Strategic Systems Review was a dramatic increase in customer focus and during the year we took several major steps towards achieving that aim.

We brought together all our customer-facing staff into a single service Process, handling everything from bills to bursts, and

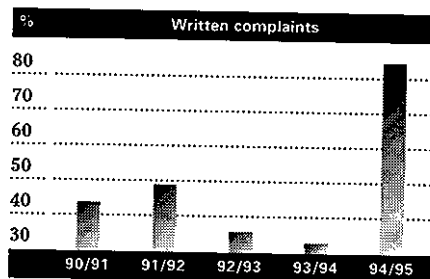
empowering them to make decisions on the customer's behalf. The streamlining of customer services in this way will ensure a much improved service, whilst helping us to continue to reduce costs. Investment in new technology is enabling us to monitor customer queries more closely and to spotlight aspects of our service which need improvement.

We are also providing employees in the field with powerful computing and communications technology to enable them to be more responsive to customer calls, with fewer delays, faster turnaround and better management information to help us anticipate problems.

The success of our drive to deliver better customer services can be seen in the two graphs opposite, with improvements in the response time to billing queries and in the percentage of written complaints dealt with in less than five days.



*Response to billing queries dealt with in two working days or less*



*Percentage of written complaints dealt with in five working days or less*

### *Customer Initiatives*

Initiatives to improve our service included the introduction of a freephone telephone number to make it easier for customers to contact us - a first in the UK water industry. For those customers for whom English is not their first language, we have introduced a Language Line service, enabling them to communicate with us in any of 140 languages.

Increased personal contact between front-line employees and customers has led to a dramatic fall in disconnections. Disconnections in 1994-95 were 403 compared with 978 in the previous year, due largely to the wider range of payment options now introduced and increased awareness of those options through better publicity. Our bad debt charge also fell significantly.

### *Metering*

At Anglian Water we have chosen metering as our preferred replacement system of charging on the basis of its fairness and its benefits for water conservation. To support this charging system we are at the leading edge of meter reading technology.

We are continuing to extend the metering programme, installing meters when other remedial work is being done on our network.

However, use of these meters by customers is voluntary and where meters are installed existing customers have the choice of paying by meter or retaining the current rateable value charging basis. Recent promotion of metering drew almost 60,000 requests for further information and we believe that metering will gradually become the accepted way of paying for water.

We are working to provide higher standards of water to our customers by upgrading the distribution network. Over the next five years, many customers can expect clearer water, improved pressure and fewer supply interruptions as we renovate 2,500 km of water mains.

Leakage from our distribution mains amounts to about 13 per cent of the water we produce - one of the lowest levels of leakage in the industry. This achievement is due to our active leakage detection policy and our continued investment in replacement of old mains, which will reduce leakage even further in the future.



Our ambition is to become a company which is renowned for the quality of its customer services, to provide an example which other companies try to emulate.

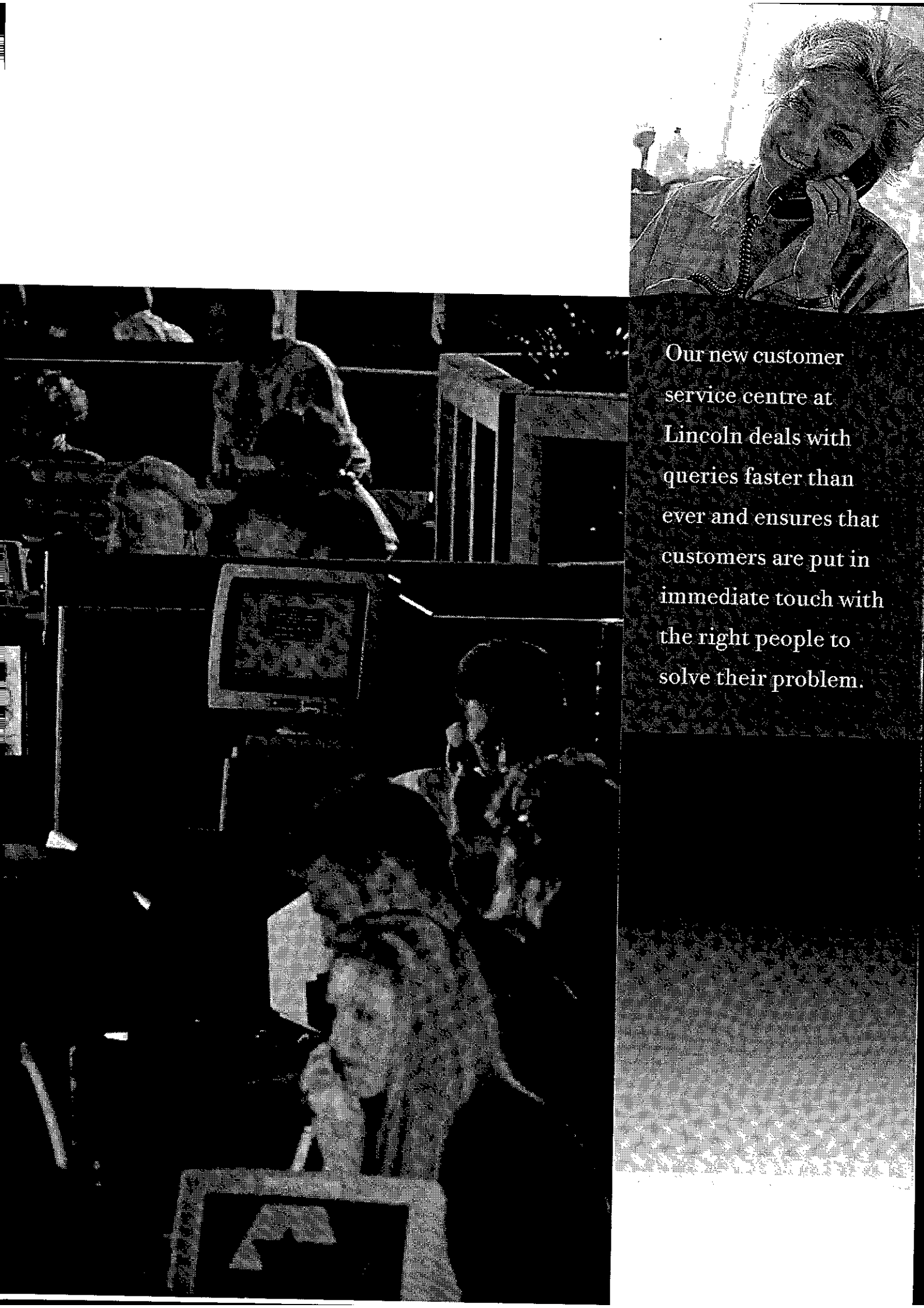
The streamlining of Customer Services through our new Lincoln customer contact centre has brought together a highly trained and motivated workforce capable of using 'state of the art' technology to deliver world-class service. The challenge of handling 1.25 million telephone enquiries and

200,000 letters a year is being met by the introduction of computer integrated telephony, document imaging and work flow management technology. Innovative technology has allowed us to link our customer contact centre with our field operations ensuring that operational

incidents are dealt with without delay. Investing in our people is critical in building our customer teams. New training initiatives - including a learning resource centre at Lincoln - are tackling the issues of leadership, customer care, empowerment and improved specialist skills.







Our new customer service centre at Lincoln deals with queries faster than ever and ensures that customers are put in immediate touch with the right people to solve their problem.

## Drinking Water

**O**ur drinking water quality is now among the highest in the UK. We are vigilant to maintain it and continue to invest to improve it still further.

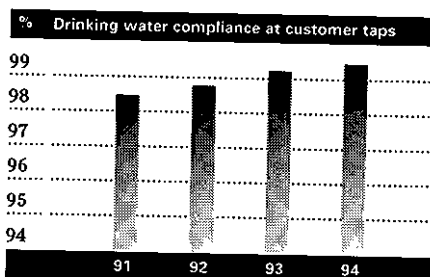
The target of reaching compliance in water treatment has been particularly challenging because of the problems associated with the use of pesticides and nitrate in our intensely farmed area.

Our extensive five year programme for upgrading water treatment

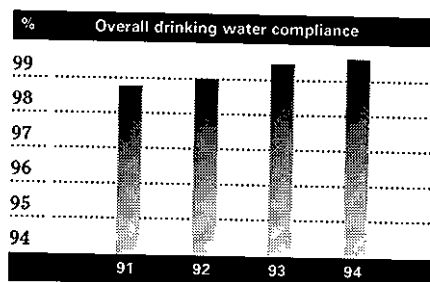
works continued during the year, improving even further our water quality, which the Drinking Water Inspectorate again found to be extremely high in its most recent report. Our excellent compliance record showed further improvement, reflecting both the level of investment and the dedication of our employees.

We are proud of our record and will continue working hard to maintain it for the benefit of our customers.

One of the key achievements of the year was the major improvement to the water treatment works at Grafham, Cambridgeshire, one of the largest projects in the industry. Grafham's four-year extension programme, at a cost of £60 million, will enable us to comply with stringent drinking water regulations on pesticides and other substances, and to meet future growth in demand for water.



*Water compliance with drinking water quality standards within public water supply zones*



*Overall compliance which includes source works, reservoirs and towers*

### *Nitrate Standards*

One of the most demanding tasks has been to ensure that all of our drinking water meets the strict European Union standards for nitrate. We have almost completed, ahead of schedule, a five year investment programme which will ensure that all our water supplies comply. The programme represented over £75 million in capital investment.

Our small experimental nitrate removal plant at Wighton in Norfolk was the first in the UK to go into supply in 1989 and the Barrow plant on Humberside, commissioned in 1992, is now the largest nitrate removal plant in the world.

In all, the company now operates 10 nitrate removal plants, the last of which, a £3 million scheme at Norwich, serving 60,000 customers, was commissioned in September 1994. We have also developed new low-nitrate water sources for blending with supplies with a higher nitrate content. This has proved to be cost-effective at 22 Anglian Water sites.

### *Total Quality*

We have commissioned a number of plants using ozone and filtration through granular activated carbon, both of which are particularly

effective in the removal of pesticides and the elimination of taste and odour.

As each plant comes on stream we start a rigorous process of optimising the complex treatment processes to ensure compliance at the lowest possible cost. We do this through continuous review and improvement of our operational procedures, reflected in our commitment to total quality. The procedures will continue to form the heart of our quality assurance system for water supply, which is registered to ISO9002.

Now that our investment programme in water treatment is substantially complete, our engineering teams are turning their attention to work on our trunk mains system, pumping stations and local water storage.

Typical of this work is the imminent completion of 55 km of 500-1,000 mm diameter trunk mains on Humberside and construction of two local service reservoirs - one at Elsham and the other at Grimsby - where we are achieving savings of £0.6 million through innovative design.



We maintain the  
purity of our drinking  
water through  
continuous review  
and improvement of  
our operational  
procedures, reflected  
in our commitment to  
total quality.

Marham water treatment works, which supplies over 19,000 cubic metres of drinking water every day to Ely, March, Wisbech and 43,000 residents in Downham Market, has been upgraded at a cost of £4.6 million. This was part of Anglian Water's five year

programme to ensure that all of its drinking water meets the stringent European Union standards for nitrate. The total programme, which will be completed in 1995, will cost just over £75 million in capital investment.

Underpinning the entire programme is an ion-exchange process which involves passing water through a resin specially designed to absorb nitrate ions. Anglian Water was the first of the major water services companies to apply this process to drinking water.





In our intensely farmed region, pesticides and nitrate posed challenging problems. Our new treatment processes will ensure that all our drinking water complies with strict UK standards.



## Waste Water

**T**hrough well-managed investment, we are providing cost-effective waste water treatment solutions to make our rivers and beaches cleaner and more attractive.

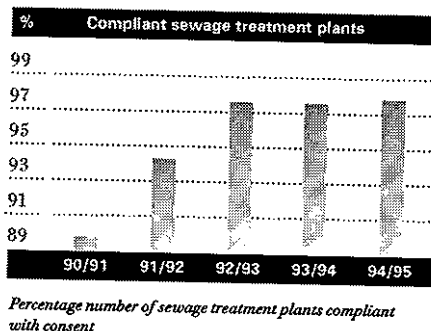
We have already made considerable progress in waste water treatment, completing successfully, by 1993, a £220 million programme to ensure that every one of our 1,072 waste water plants was able to comply with their consents. We have also contributed to the improvement, since 1990, in the quality of some 500 miles of rivers throughout our region - 17 per cent of the total river length.

As the programme for upgrading our drinking water treatment works now draws to a conclusion, the top priority in Production switches back to waste water in

order to meet the new European environmental standards and to complete our bathing water improvement programme by the end of 1998.

There are 36 bathing waters along the region's coast, from Cleethorpes to Southend. Our major, £266 million investment programme - Project Clear Water - is now well under way. It is aimed at providing sewerage and sewage treatment at all designated bathing waters, at removing discharges through short sea outfalls and at ensuring that our discharges in future do not cause any of these bathing waters to fail EU quality standards.

We are bringing about the necessary improvements as rapidly as possible. The two biggest schemes so far - the £50m Cleethorpes programme and the £23m scheme for North Norfolk (Cromer and Sheringham) - have



been completed in time for the 1995 bathing season, well ahead of schedule.

Work has now begun to upgrade sewage treatment and improve the coastal waters at Clacton, Heacham and Hunstanton, Harwich, Felixstowe, Great Yarmouth, West Mersea, Lowestoft and Southend.

#### *River Quality*

Our customers also attach a high priority to the quality of the region's rivers and we intend to continue the improvement we have already begun. We plan to reduce further the input of phosphorus to rivers and reservoirs by improving the level of treatment at our major works. This is designed to limit algal growth which can interfere with recreational activities and spoil the appearance of a river or reservoir.

The programme, which includes the plants serving 500,000 customers in Peterborough, Wisbech, Cambridge, Bury St Edmunds, Colchester and Towcester, will improve the quality of six major rivers. Nutrient removal will also be extended to cover further treatment works in or near the Norfolk Broads.

Following investment to improve our works, our aim is to maintain

standards of treatment at a high level at the same time as driving down the costs of operating the plants.

#### *Innovation*

Our proven record as innovators in the area of waste water treatment serves us well in achieving these aims. For example, our deep shaft treatment plant at Tilbury, which is recognised worldwide as the most significant of its type, is particularly efficient in dealing with difficult sewages.

We are also leaders in the application of ultra violet light systems for waste water disinfection. This efficient technology has been installed in treatment works at Mablethorpe, Wells and Cleethorpes. In these plants bacteria destruction is high, with the added advantage that no harmful by-products are formed.

We continue to develop our economical modular sewage treatment plants for smaller rural communities and have recently installed at Bury St Edmunds our first plant in the UK using the revolutionary Kaldnes process, developed in Scandinavia by one of our subsidiary companies.



Our major investment programme - Project Clear Water - will make sea bathing safer along our coastline. We are bringing about the necessary improvements as rapidly as possible in this vital area of public interest.

The seaside town of Cleethorpes is an early beneficiary of Anglian Water's major investment programme - Project Clear Water - which aims to protect and enhance the coastal waters and beaches in the Anglian Water region. Over the next three

years, this £266 million programme will ensure that our discharges in future do not cause any of the region's 36 bathing waters to fail EU quality standards. The Cleethorpes project, which was completed in time for the 1995 bathing season, involved

installation of a massive new sewer and construction of a new sewage treatment works. The town is now served by one of the most advanced sewage treatment systems in the UK, using disinfection by ultra-violet light to produce a very clean effluent.







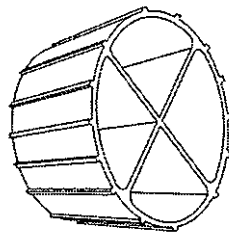
With our investment  
at Cleethorpes  
completed, ahead of  
schedule, this seaside  
resort now benefits  
from some of the most  
advanced treatment  
technology in the UK.

## International Business

**W**e will use our strengths in designing, building and operating water and sewerage systems to develop into related markets in the UK and overseas.

It is now three years since we embarked on our strategy of exporting to international markets the expertise developed in our UK business, which over many years has earned us an excellent reputation around the world.

Breaking into new markets demands considerable investment and results for Anglian Water International (AWI) and Anglian Water Processes (AWP)



This small cylinder (nine mm in diameter) is at the heart of Kaldnes, Anglian

Water's highly advanced waste water treatment process. Millions of these cylinders in a sewage treatment tank provide an exceptionally large surface area for bacteria to colonise, breaking down the organic matter in sewage both efficiently and economically.

were again constrained, not only by tough competition, but by the stepping up of marketing investment to establish and expand their presence in key markets. AWP's results also reflected increased investment in research and development to produce advanced and cost-effective processes.

### *Major Success*

During this year, we achieved our first major success, when the combination of AWI and AWP's skills secured the £50 million contract to design and build sewage treatment facilities for Wellington, New Zealand's capital city, and to operate the plant for the next 21 years at £2.5 million per annum (at 1995 prices).

The contract, which is described in more detail on page 22, employs Anglian Water's newly-acquired and highly advanced technology, the Kaldnes treatment process.

We were also pleased with our Buenos Aires partnership project, which moved into profit during the year and is expected to make a positive contribution during its remaining 27 years.

We are pursuing other major concession opportunities as well as design, build and operate contracts in targeted parts of the world.

During the year, AWP sought to expand into new countries and had significant success, winning projects in Thailand and Australia, and a number of new contracts in China, although the full benefit of new work will not be felt until 1996/97. The resources and skills within the AWP group continue to play a vital part in our success in winning contracts overseas.

#### *Board Review*

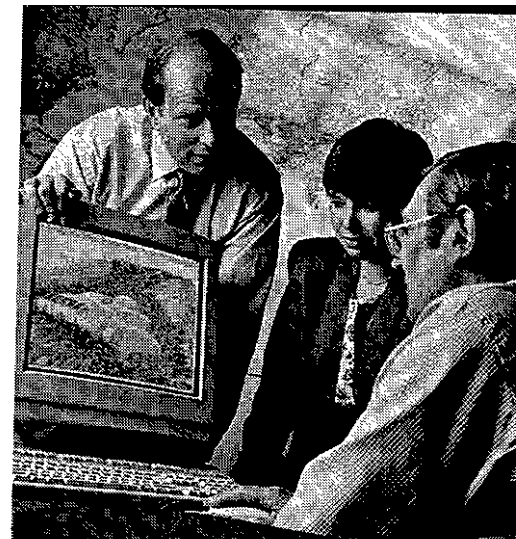
In recent months the Board has carried out a thorough review of the company's international activities. Having evaluated our experience to date and the potential in world markets, we have reaffirmed our commitment to expansion through the exporting of our operating and process engineering skills.

Recognising the increased market potential of a multi-skilled approach, we have taken the

decision to merge Anglian Water International and Anglian Water Processes into a single, integrated management structure. This will allow the maximum benefit to be extracted from the synergies which exist between the two organisations.

The newly merged group will focus on building a strong presence in key markets, and we will support that strategy with increased marketing investment in the next few years.

While we recognise that it will take some time to build the business and for our international operations to produce satisfactory returns, we are confident that this is the right strategy to pursue in order to deliver long term benefits for the company and value for shareholders.



We will export  
our expertise for  
the long term benefit  
of shareholders  
and customers.

In March, 1995, Anglian Water International sealed a multi-million pound contract to design, build and operate an extensive new waste water treatment system for Wellington, New Zealand's capital city. The contract involves two major elements - £50

million for the design and construction of two sewage treatment plants, a sludge de-watering plant and a sea outfall 1,800 metres out into the Cook Straits, and a further £2.5 million per year (at 1995 prices) for operating the plant during the first 21 years of its life. Both waste

water treatment plants will use Anglian Water's most advanced technology, the Kaldnes Suspended Carrier process. The facilities will provide for the needs of over 300,000 people. Construction will begin later this year, with completion and commissioning set for 1998.





At Moa Point, in Wellington, New Zealand, we will use Anglian Water's highly advanced sewage treatment technology to clean the waste water both efficiently and economically.

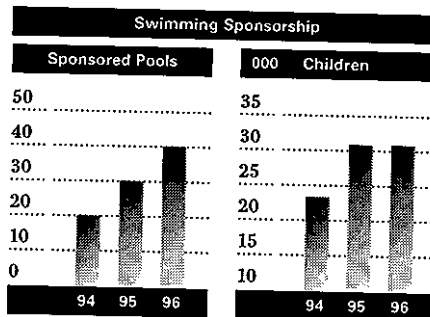
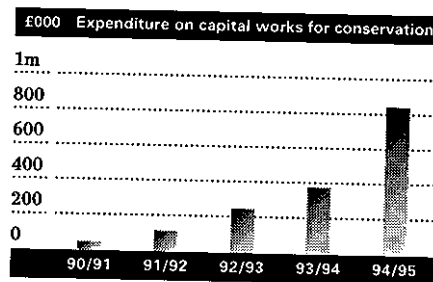
## Community & Environment

**A** central responsibility for us is to protect and enhance the environment for the benefit of our customers and the wider community.

The protection and enhancement of the water environment is critical for the benefit of our customers and the wider community. For many companies this is only a part of their responsibility. For us it is a core one.

We are the largest investor in environmental improvements in the

region and we are concerned to make both water and sewage treatment sites as environmentally-friendly as possible. Sites are landscaped and planted with a variety of native trees which attract birds and other wildlife. Bird scrapes are also an integral feature of some sites and we have an active and successful nest box programme for bats and birds of prey throughout the region.



Number of sponsored swimming pools and the children taught to swim

### Recycling

Recycling is an important element of our environmental policy, an excellent example being the water cycle, which we play such a large part in sustaining. Our treatment of waste water, too, leaves solid matter called sludge, which is a valuable resource containing nutrients. We aim to recycle as much as possible as a conditioner for agricultural land. Currently over 80 per cent of our sludge is recycled in this way, which is the most environmentally responsible use of the product. To promote this

policy, we have bought a 314 acre arable farm in Lincolnshire, which will be run as a commercial farm to show farmers how sludge can benefit their operations.

We are also investing in research to create new, less intrusive and more economical treatment plants for waste water, and have developed a plant which takes up less than a third of the space of a conventional treatment works. The first full scale plant is being built in Bury St Edmunds.

In our office environment, too, we are seeking out new and better ways of working. In conjunction with several other major companies, we have assisted the Department of the Environment to develop a methodology for measuring the environmental impact of office-based business. A pilot project was undertaken at our Northampton office.

Each year we publish an independently verified analysis of our environmental performance and we are fast establishing ourselves in the premier division of environmental reporting. We were one of 10 companies to be shortlisted this year, for the second year running, in the environmental reporting awards sponsored by the Chartered Association of Certified Accountants.

This year we established a Board Environment Committee, which is responsible for reviewing policies, strategies and activities of the Group which may affect the environment, and for recommending to the Board actions to improve still further the company's environmental performance.

This was the third year in which we ran our highly successful Caring for the Environment Awards to assist environmental projects in the region.

#### *Community*

We also have a locally focused sponsorship programme under which our principal current commitment is a 'Lessons for Life' programme teaching children in the Anglian region to swim. The scheme, started last year, now covers 40 swimming pools throughout the region and will help more than 70,000 children. Its success won support from the Government's Sportsmatch scheme to match Anglian Water's investment on a pound for pound basis.

The Group's charitable contributions are directed at WaterAid - the water industry's overseas charity for third world countries - and at regional community initiatives and charities covering the disadvantaged and the disabled.



In everything we do,  
we are constantly  
seeking ways of  
making our activities -  
and the by-products of  
our activities - as  
environmentally and  
customer friendly as  
we possibly can.

Red Leas farm, pictured below, was bought by Anglian Water in 1994 to promote its recycling policy for biosolids (sludge), a by-product of the sewage treatment process. The farm will be operated on a commercial basis, demonstrating to the farming

community the use of biosolids as a fertiliser and their value in raising a variety of crops. A range of trials is planned, with the support and help of ADAS, the Agricultural Development and Advisory Service, to evaluate the yields on different

crop varieties and to try out various application methods.

There will also be a visitors' centre and conservation area in the garden of the farmhouse, which is expected to be used eventually by a local agricultural college.







Recycling the sludge left behind by waste water treatment is an environmentally-friendly method of disposal and provides a valuable soil conditioner for farming land.

## Operating and Financial Review



Chris Mellor, Group Finance Director

### *Accounting Standards*

The 1995 annual report and financial statements have been produced in accordance with the standards issued by the Accounting Standards Board. The Group's policy is for early adoption of accounting standards in keeping with best practice.

### *Operating Results*

Turnover for the year increased by 4.7 per cent from £687.9 million to £720.1 million, principally as a result of a £35.2 million increase in the regulated water and sewerage business. The vast majority of external turnover during the year (87.4 per cent) came from the regulated business.

The growth in regulated turnover represents an increase of 5.9 per cent over 1994. The effect of price increases resulted in an extra 6.4 per cent but this was partly offset by the effect of customers switching to water meters.

The RPI+K price control formula allowed us to increase charges by RPI+5.5 per cent. However, as in the previous two years, we passed on some of the benefits secured from efficiency initiatives and lower capital inflation by abating our increase by 0.5 per cent. The abatement equates to a £3.1 million reduction in charges to our customers.

Following Ofwat's review of K factors in July 1994 our permitted price increases were reset at RPI+1.5 per cent for the ten years from 1 April 1995. This sets us a challenge for the future but, as explained in the Managing Director's report, we believe that the changes we have made in the Company will enable us to outperform Ofwat's efficiency targets.

Some 95 per cent of regulated turnover in the year came from main charges for water, sewerage and trade effluent services. Some 73 per cent (1994: 75 per cent) of this was unmeasured and 27 per cent (1994: 25 per cent) measured. We meter all new properties and will be progressively installing meters throughout the region in existing properties. We also continue to offer customers the opportunity to switch to a meter outside of the main metering programme.

Regulated business operating costs overall (before exceptional charges) have reduced by 2.7 per cent from £362.7 million to £352.9 million. Depreciation increased from £65.4

million to £75.7 million as a result of the capital expenditure programme. Around £1.6 billion of investment has now been undertaken since privatisation.

The infrastructure renewals charge which represents our assessment of the cost of maintaining our network of underground pipes and sewers in perpetuity is £17.6 million lower than in 1994, at £17.9 million. The reduction reflects our latest estimates of future costs following a reassessment of our asset management plan covering the next ten years. Actual expenditure has exceeded, and will continue to exceed, the charge in the profit and loss account as we utilise the brought forward infrastructure renewals provision.

Other regulated business operating costs (before exceptional charges) have reduced by £2.5 million this year, which after taking account of the effects of inflation represents a real reduction of £10.6 million. Cost increases of meeting new obligations and quality standards of £7.3 million and the increase in the employee profit share of £1.0 million have been more than offset by reduced bad debt charges of £7.8 million, rates of £2.3 million and other net savings arising largely from our 1994 restructuring of £8.8 million. We anticipate that savings will rise to £20 million per annum in 1995/96 as a result of the restructuring. This is a year earlier than originally anticipated.

The 1995 results have included exceptional operating charges of £14.0 million, which represents the cost of a £6 refund to each of our customers (£12.0 million) and the cost of setting up a Customer Trust Fund to help disadvantaged individuals (£2.0 million).

The results of Anglian Water Processes (AWP) were disappointing. There was a marginal increase in turnover to £98.4 million but results at the operating level moved from a profit of £2.3 million to a loss of £3.4 million. This is mainly due to difficult market conditions in the UK and Germany. The operating loss includes £0.8 million of redundancy costs incurred in reducing the AWP workforce. During 1994/95 we continued to invest in R&D and marketing, and the resources and skills within the AWP group continue to play a vital part in our success in obtaining international contracts. On the trading front, AWP increased its presence successfully in new key markets, including Australasia and China, although the full benefit of this new work will not be felt until 1996/97.

For Anglian Water International, 1995 turnover increased from £0.4 million to £1.8 million reflecting the commencement of work on the £50 million contract we have won in Wellington, New Zealand. However, we are still at a very early stage of the contract so it has had no effect on our profit performance. The international operating losses

rose from £1.5 million to £2.9 million as we continue to prudently write off the up front costs of marketing and development.

Following a review of the activities and markets of our process engineering and international business segments, we have decided that to achieve a greater effectiveness in establishing Anglian Water in overseas markets, these operations should be merged. We shall be bringing them together in 1996, and increasing resources to enable them to establish a stronger presence in key markets. While we recognise that it will take time to build the business and deliver satisfactory returns, we believe the development of our integrated international business is the right strategy to pursue in the long term interests of the company and shareholders and we intend to increase the resources put into marketing and bidding from the current £3 million a year to approximately £6 million a year.

Group profits have benefited from £3.2 million profits on sale of properties and other fixed assets against £1.6 million in 1994.

Group borrowings have increased to finance the capital expenditure programme and net interest has risen accordingly. Our net interest for the year at £42.7 million shows an increase of 15 per cent. Profit before exceptional charges and tax at £230.1 million is 19.7 per cent

higher than in 1994. Interest cover stands at 6.1 times.

The Group became liable for corporation tax in 1989. We have sufficient allowances on our capital expenditure to ensure that no liability will arise for 1994/95.

However, we are required to pay advance corporation tax (ACT) in respect of dividends. Since we are not currently a tax payer it is considered prudent to write off the ACT against profits as it is unclear when it will be utilised. The ACT written off to date amounts to £101.4 million and remains available for set off against future corporation tax liabilities.

#### *Financial Needs and Resources*

At 31 March 1995 the Group had net borrowings of £584.7 million, an increase of £81.7 million over the year. The increased net borrowings have been financed by £50 million from the European Investment Bank and also reflect a reduction in cash and deposits. Before investing activities, the business generated a net cash inflow of £212.7 million in 1995.

Year end gearing (debt/equity) at 38.2 per cent compares to 35.6 per cent in 1994. Net borrowings are a mixture of fixed and variable rate debt of £643.3 million offset by cash and deposits, net of overdrafts, of £58.6 million. Borrowings include £223.9 million 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. The debt maturity profile is indicated in note 20 to the accounts. Our treasury policy reflects the need to secure funds to finance the substantial long term capital investment programme of our regulated water and sewerage business and the expansion of our non-regulated operations.

The majority of treasury activities are carried out in the UK and there are no significant foreign currency borrowings. Existing borrowings are supplemented by further unutilised facilities of £120.0 million.

With the first Periodic Review completed and the Company's reorganisation largely implemented, the Directors have made a detailed assessment of the Company's prospective capital requirements and its resulting capital structure. In the light of this and in order to increase the Company's flexibility to optimise the long term financial and tax efficiency of its capital structure, the Board will be seeking powers from its shareholders at the Annual General Meeting on 26 July 1995, to purchase up to 10 per cent of its ordinary share capital.

Borrowings to fund our regulated activities are ring fenced from the rest of the Group and non-regulated

diversification is financed on an 'arm's-length' basis from the regulated business. No further debt issues were made during the year to fund non-regulated activities.

The capital investment programme for the year with total expenditure at £304.7 million was 18.1% lower than in 1994. The Managing Director's report on pages 6 to 27 gives more details on the programme itself. The reduction principally reflects a revision of expenditure plans which we have implemented following the K determination.

#### *Shareholders' Return and Value Created*

Earnings (before exceptional charges) increased by 20.3 per cent from £175.3 million to £210.8 million. After allowing for a small increase in the number of shares in issue during the year this translates to a 20.1 per cent increase in earnings per share from 59.2p to 71.1p. The full year dividend has been increased by 14 per cent from 22.8p to 26.0p, a real increase of 10.9 per cent over the average rate of inflation during the year.

The Board's objective is to produce sustainable dividend increases from the regulated business through operating efficiencies and from the non-regulated business through the development of our international operations. We intend to pay real dividend increases where we can justify this through the Group's performance.

## Directors' Biographies

**Robin Gourlay** BSc (56) Chairman (1994 to date); Deputy Chairman (Feb 1994–Sept 1994); Non-Exec. Director (Sept 1993–Sept 1994), Anglian Water Plc; Non-Exec. Director, Rugby Group plc (1994 to date); Non-Exec. Director, Beazer Homes plc (1994 to date); Chief Executive and Managing Director, BP Nutrition (1990–1994); Managing Director, BP Group Australia (1986–1990); Board Member, Petroleum Institute, Australia; Director, Australian Administrative Staff College; Chairman, Business in the Community, Victoria (1986–1990). ♣ ♠

**Richard Jewson** MA (50) Non-Exec. Deputy Chairman (Oct 1994 to date); Non-Exec. Director (1991 to date), Anglian Water Plc; Director and Chairman, Meyer International Plc (1983–1993); Non-Exec. Director, Eastern Counties Newspaper Group (1982 to date); Council Member, University of East Anglia (1980 to date); Director, Proshare Limited (1992 to date); Non-Exec Director, Delian Lloyds Investment Trust (1993 to date); Chairman, Ideal Hardware plc (1994 to date); Director, Queen's Moat House Plc (1994 to date); Non-Exec. Director, Savills (1994 to date); Chairman of Savills (1995 to date); Non-Exec. Director, Miller Insurance Group (1995) ♠ ▲ ☉

**Alan Smith** IPFA (50) 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). ♣ ♠

**Chris Mellor** IPFA (46) Group Finance Director, Anglian Water Plc (1990 to date); Head of Finance and Planning, Anglian Water Plc and Anglian Water Authority (1988–1990);

Non-Exec. Director, Addenbrooke's NHS Trust (1993 to date) ♣ ♠

**John Green** BSc (51) Group Technical Director (1994 to date); Executive Director, Anglian Water Plc (1993 to date); Managing Director, Anglian Water Engineering and Business Systems Ltd (1992–1994); Director of Water Services, Anglian Water Services Ltd (1990–1992). ♣ ☉

**David Challen** (53) Non-Exec Director, Anglian Water Plc (1993 to date); Director (1979 to date), Vice-Chairman (1995), J. Henry Schroder Wagg & Co. Limited; Member of the Takeover Panel (1993–1994); Member of the Governing Body of Morley College (1993 to date); Member of the Advisory Committee on Business and the Environment (1991–1993).

▲ ☉

**The Earl of Cranbrook** DSc DL (61) Non-Exec. Director, Anglian Water Plc (1989 to date); Board 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. ▲ ☉ ☉

**June de Moller** (47) Non-Exec Director, Anglian Water Plc (1992 to date); Director and Managing Director, Carlton Communications Plc (1983 to date); Non-Exec. Director, Riverside Mental Health NHS Trust (1992 to date) ☉

**Dinah Nichols** BA (51) Non-Exec. Director, Anglian Water Plc (1992 to date); Deputy Secretary, Department of the Environment, Housing and Construction (1994 to date); Property and Construction (1991–1993); Head of Water Directorate (1989–1991); Non-Exec. Director of John Laing ETE (1987–1990) ▲ ☉ ☉

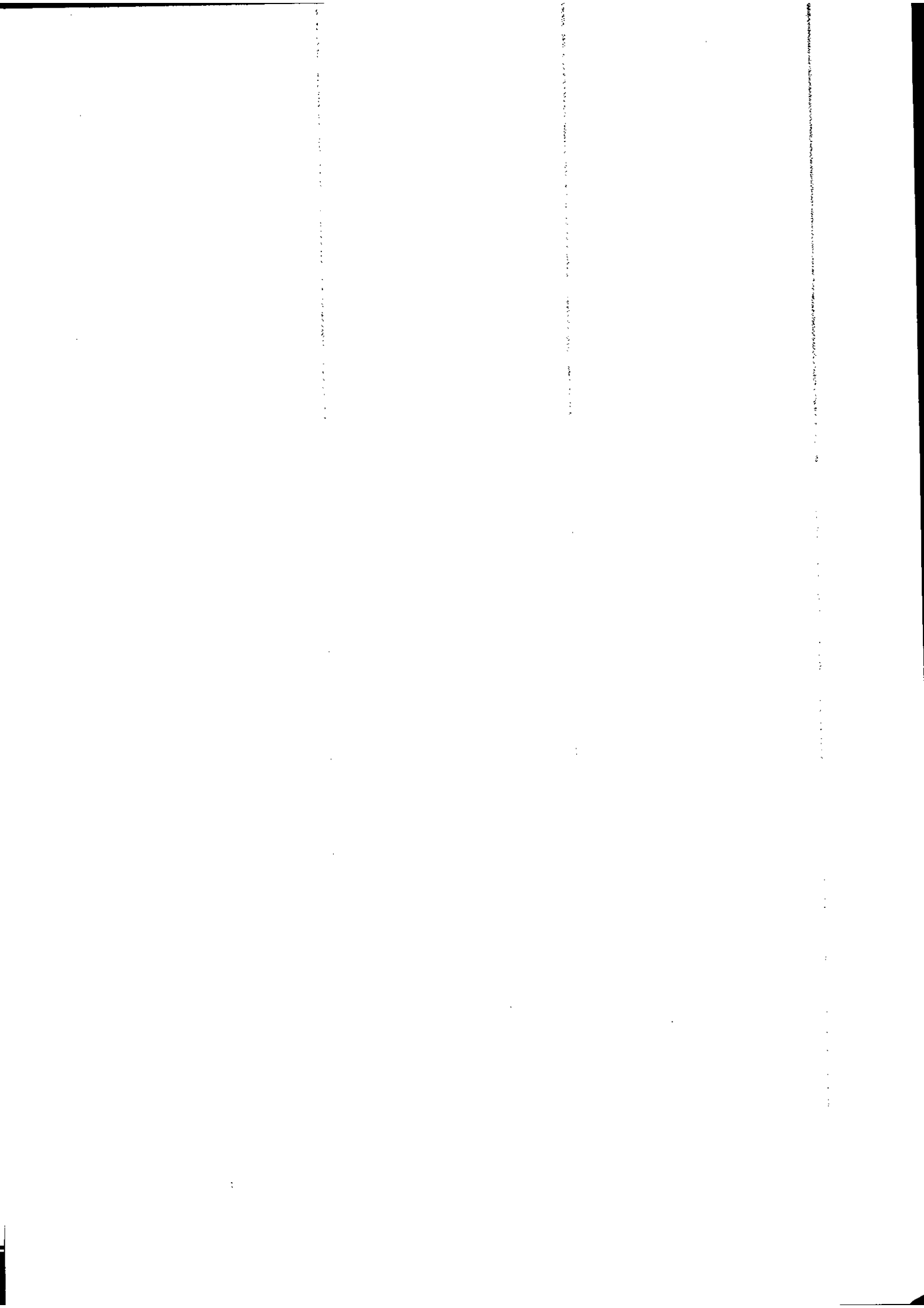
♣ *Executive Committee*

♠ *Acquisition Committee*

▲ *Audit Committee*

☉ *Remuneration Committee*

☉ *Environment Committee*



## Corporate Governance

### **Overall Compliance**

The directors are satisfied that the Company has complied throughout the year with the provisions of the Code of Best Practice recommended by the Cadbury Committee.

The Board comprises 9 members, 5 of whom are non-executive directors with a considerable breadth and depth of business, government and environmental experience. It meets regularly and monitors executive management through its review of strategic, operational and financial matters.

The roles of Chairman and Managing Director are separate and all directors have access to the advice of the Company Secretary and to independent professional advice.

All Board appointments are subject to full Board approval and no director has a service contract of more than 3 years. The pay of executive directors is determined by the Remuneration Committee which is made up entirely of non-executive directors. Details of the structure of directors' remuneration are set out in note 11 to the accounts.

The Board has established an Audit Committee, the constitution and terms of reference of which are in accordance with Cadbury Committee recommendations. Other reporting requirements are dealt with in the Statement of Directors' Responsibilities on page 34 and in the following explanations covering going concern and internal control.

The membership of the Audit and Remuneration Committees is set out on page 32.

### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

### **Internal Financial Control**

In addition to their responsibilities under company law set out in the Statement of Directors' Responsibilities, the directors also acknowledge their responsibility for the Group's systems of internal financial control. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss.

The Board retains responsibility for a schedule of matters covering strategic, operational, financial and compliance issues and receives regular reports in all of these areas, including treasury strategy and capital investment matters. The implementation of systems of internal financial control is delegated to executive management within the framework of a specific scheme of delegated authority.

The Group's overall management process includes arrangements which integrate the roles of the Plc Board, an Executive Committee and a network of other executive groups which meet regularly to consider key business issues including those relating to financial management and budgetary control.

Systems of internal financial control are monitored through the work of internal and external auditors who report the results of their work, and are accountable, to the Audit Committee, which comprises non-executive directors.

Through these arrangements the directors have reviewed the effectiveness of the Group's systems of internal financial control.

## 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors' Report on Corporate Governance

### Report to the Directors on Corporate Governance Matters

In addition to our audit of the financial statements we have reviewed your statements on page 33 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code not otherwise disclosed.

#### **Basis of opinion**

We carried out our review in accordance with Bulletin 1995/1 'Disclosures Relating to Corporate Governance' issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, nor on the ability of the Group to continue in operational existence.

#### **Opinion**

In our opinion the Directors' statements on internal financial control and going concern on page 33 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are not inconsistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Group and examination of relevant documents, your statement on page 33 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

**Price Waterhouse**  
Chartered Accountants  
Cornwall Court  
19 Cornwall Street  
Birmingham B3 2DT

2 June 1995

**Price Waterhouse**





## Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of Anglian Water Plc for the year ended 31 March 1995.

### 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 on pages 4 to 30.

### Group results and dividends

The profit and loss account on page 37 shows the Group's results and retained profit for the year. An interim dividend of 8.0p per share was paid on 20 February 1995. The directors are recommending the payment of a final dividend of 18.0p per ordinary share to shareholders on the register at the close of business on 29 June 1995, making a total net dividend for the year of 26.0p. The final dividend, if approved at the Annual General Meeting, will be paid on 2 October 1995.

### Fixed assets

Details of total movements in fixed assets are shown in notes 14 and 15 on pages 48 to 50.

### Research and development

Details of research and development activities are described in the Managing Director's report on pages 6 to 27.

### Share capital

Details of the Company's share capital are shown in note 25 on page 54. Options outstanding (including options granted to directors detailed on pages 46 and 47) under the Company's share option schemes at 31 March 1995 were as follows:

	No. of shares	Date of grant	Option price
Sharesave Scheme	570,689	12 December 1989	£1.76
Sharesave Scheme	617,126	6 December 1990	£2.67
Sharesave Scheme	1,033,966	30 December 1991	£2.72
Sharesave Scheme	486,589	21 December 1992	£3.82
Sharesave Scheme	785,240	20 December 1993	£4.04
Executive Share Option Scheme	5,893	19 February 1990	£2.99
Executive Share Option Scheme	42,959	20 June 1990	£2.93
Executive Share Option Scheme	104,150	10 January 1991	£3.31
Executive Share Option Scheme	183,218	7 December 1991	£3.26
Executive Share Option Scheme	55,190	24 June 1992	£3.95
Executive Share Option Scheme	50,095	15 December 1992	£4.73
Executive Share Option Scheme	137,239	7 July 1993	£4.74
Executive Share Option Scheme	18,580	1 December 1993	£5.30
Executive Share Option Scheme	224,651	15 August 1994	£5.375

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.

In addition to the options shown above, 14,651,000 warrants were outstanding at 31 March 1995. These grant the holders the right to exercise each warrant for one ordinary share at a price of £4.95 during the period to 24 August 1998.

## Directors' Report continued

### Directors

A list of directors at 31 March 1995 and their biographies are shown on pages 31 and 32. Mr BV Henderson retired on 30 September 1994 and was replaced as Chairman by Mr RM Gourlay. Mr F Cator retired on 27 July 1994.

The Earl of Cranbrook and Miss DA Nichols retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Neither the Earl of Cranbrook nor Miss DA Nichols has a 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 in note 12 to the accounts.

### Substantial shareholdings

According to notifications received, at 2 June 1995 there were no shareholders with "material" interests (as defined in the Disclosure of Interests in Shares (Amendment) Regulations 1993) in 3% or more of the Company's issued share capital, and none with any aggregate interest ("material" or otherwise) in 10% or more.

### Charitable and political donations

During the year the Group made charitable donations of £26,720. In addition the group contributed £112,835 to the Learn to Swim campaign, a scheme of support for swimming pools in the region to encourage people to learn to swim. 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 Group 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 26 July 1995 is sent to shareholders separately with this report, together with an explanation of the business to be conducted at the meeting.

By order of the Board

Roger Dickinson, Company Secretary

Registered Office: Anglian House, Ambury Road, Huntingdon,

Cambridgeshire PE18 6NZ

Registered in England No.2366618

2 June 1995

## Group Profit and Loss Account

For the year ended 31 March 1995	Notes	1995 £m	1994 £m
<b>Turnover from continuing operations</b>	2	<b>720.1</b>	687.9
Operating costs:			
- Excluding exceptional charges		<b>(450.5)</b>	(460.2)
- Exceptional charges	4	<b>(14.0)</b>	(60.0)
<b>Total operating costs</b>	3	<b>(464.5)</b>	(520.2)
<b>Operating profit from continuing operations</b>	2, 5	<b>255.6</b>	167.7
Profit on sale of assets in continuing operations		<b>3.2</b>	1.6
<b>Profit on ordinary activities before interest</b>		<b>258.8</b>	169.3
Interest payable (net)	6	<b>(42.7)</b>	(37.1)
<b>Profit on ordinary activities before taxation</b>		<b>216.1</b>	132.2
Taxation	7	<b>(19.3)</b>	(16.9)
<b>Profit for the financial year</b>	13	<b>196.8</b>	115.3
Dividends	8	<b>(77.3)</b>	(67.5)
<b>Retained profit for the financial year</b>		<b>119.5</b>	47.8
<b>Earnings per share</b>	9	<b>66.4p</b>	39.0p
<b>Earnings per share before exceptional charges</b>	9	<b>71.1p</b>	59.2p

## Statement of Total Recognised Gains and Losses

For the year ended 31 March 1995		1995 £m	1994 £m
Profit for the financial year		<b>196.8</b>	115.3
Currency translation differences on foreign currency net investments		<b>(0.3)</b>	-
<b>Total recognised gains relating to the year</b>	13, 26	<b>196.5</b>	115.3

The notes on pages 40 to 57 form part of these financial statements.

## Balance Sheets

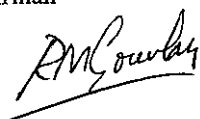
At 31 March 1995	Notes	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
<b>Fixed assets</b>					
Tangible assets	14	2,487.8	2,308.7	1.4	1.4
Investments	15	12.1	6.8	1,054.7	1,157.5
		<b>2,499.9</b>	<b>2,315.5</b>	<b>1,056.1</b>	<b>1,158.9</b>
<b>Current assets</b>					
Stocks	17	12.6	12.0	-	-
Debtors	18	133.7	124.2	76.8	62.1
Cash and deposits		73.5	101.5	123.9	139.0
		<b>219.8</b>	<b>237.7</b>	<b>200.7</b>	<b>201.1</b>
<b>Creditors: amounts falling due within one year</b>					
Short term borrowings	19	(17.4)	(17.1)	(5.9)	(100.8)
Other creditors	19	(316.6)	(298.1)	(81.8)	(93.3)
<b>Net current (liabilities)/assets</b>		<b>(114.2)</b>	<b>(77.5)</b>	<b>113.0</b>	<b>7.0</b>
<b>Total assets less current liabilities</b>		<b>2,385.7</b>	<b>2,238.0</b>	<b>1,169.1</b>	<b>1,165.9</b>
<b>Creditors: amounts falling due after more than one year</b>					
Loans and other borrowings	20	(640.8)	(587.4)	(304.4)	(301.8)
Other creditors	21	(76.8)	(66.4)	-	-
		<b>(717.6)</b>	<b>(653.8)</b>	<b>(304.4)</b>	<b>(301.8)</b>
<b>Provisions for liabilities and charges</b>	22	<b>(137.5)</b>	<b>(171.4)</b>	<b>-</b>	<b>-</b>
		<b>1,530.6</b>	<b>1,412.8</b>	<b>864.7</b>	<b>864.1</b>
<b>Capital and reserves</b>					
Called up share capital	25,26	297.4	296.2	297.4	296.2
Share premium account	26	5.3	4.0	5.3	4.0
Other reserves	26	8.8	8.8	8.8	8.8
Profit and loss account	26	1,219.1	1,103.8	553.2	555.1
<b>Total shareholders' funds</b>		<b>1,530.6</b>	<b>1,412.8</b>	<b>864.7</b>	<b>864.1</b>

The notes on pages 40 to 57 form part of these financial statements.

Approved by the Board on 2 June 1995.

RM Gourlay  
Chairman

CJ Mellor  
Group Finance Director




## Group Cash Flow Statement

<b>For the year ended 31 March 1995</b>	Notes	<b>1995</b>	<b>1994</b>
		<b>£m</b>	<b>£m</b>
<b>Net cash inflow from operating activities</b>	29(a)	<b>355.5</b>	<b>335.8</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		8.0	8.1
Interest paid		(39.1)	(34.0)
Interest element of finance lease rental payments		(3.6)	(7.4)
Dividends paid		(91.2)	(42.2)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(125.9)</b>	<b>(75.5)</b>
<b>Taxation</b>			
Advance Corporation Tax paid		(16.9)	(19.0)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(289.3)	(348.3)
Investment in infrastructure renewals		(29.9)	(23.8)
Grants and contributions received		31.3	30.4
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired)	29(b)	(3.6)	(19.0)
Sales of fixed assets		4.6	3.3
Investment in associated undertakings		(4.8)	(1.2)
Investment in other participating interests		(0.8)	(1.7)
Decrease in short term deposits	29(c)	52.0	8.0
<b>Net cash outflow from investing activities</b>		<b>(240.5)</b>	<b>(352.3)</b>
<b>Net cash outflow before financing</b>		<b>(27.8)</b>	<b>(111.0)</b>
<b>Financing</b>			
Issue of 6½% Fixed Rate Bond 1998		-	62.0
Loans from the European Investment Bank		50.0	10.0
Other long term loans		1.5	-
Amounts received under finance lease arrangements		-	21.8
Repayments of amounts borrowed		(0.4)	(2.8)
Capital element of finance lease rental payments		(0.1)	(2.0)
Issue of warrants		-	8.8
New share capital subscribed		2.1	1.6
<b>Net cash inflow from financing</b>	29(d)	<b>53.1</b>	<b>99.4</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	29(e)	<b>25.3</b>	<b>(11.6)</b>

The notes on pages 40 to 57 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 1e below, in accordance with the Companies Act 1985. 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 included 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 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 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	3-10 years
Assets in the course of construction are not depreciated until they are commissioned.	

#### e. Grants and contributions

Grants and contributions on capital expenditure, other than those relating to infrastructure assets, are credited to a deferral account and are released to revenue evenly over the expected useful life of the relevant asset in accordance with the provisions of the Companies Act. Grants and contributions to capital expenditure on infrastructure assets are deducted from the costs of these assets. This policy is not in accordance with the provisions of the Companies

**e. Grants and contributions (continued)**

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 14. Revenue grants and contributions are credited to the 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 primary 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 any 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 the 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 potential taxation liabilities 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

	Turnover		Operating profit		Net operating assets	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
<b>2. Segmental analysis</b>						
<b>By class of business</b>						
Water supply and sewerage services	629.7	594.5	262.8	171.8	2,190.0	1,998.7
Process engineering	98.4	97.0	(3.4)	2.3	(4.8)	(2.1)
International	1.8	0.4	(2.9)	(1.5)	3.3	3.1
Other	-	5.0	(0.9)	(4.3)	(0.4)	0.5
Less intersegment trading	(9.8)	(9.0)	-	(0.6)	-	-
	<b>720.1</b>	<b>687.9</b>	<b>255.6</b>	<b>167.7</b>	<b>2,188.1</b>	<b>2,000.2</b>
<b>By geographical origin</b>						
United Kingdom	658.5	640.0	257.1	167.2	2,185.9	1,997.9
Europe	43.9	45.6	(0.6)	1.0	(1.7)	(0.8)
Other	17.7	2.3	(0.9)	(0.5)	3.9	3.1
	<b>720.1</b>	<b>687.9</b>	<b>255.6</b>	<b>167.7</b>	<b>2,188.1</b>	<b>2,000.2</b>

Turnover by destination is not significantly different from turnover by origin. Net operating assets are shown before deduction of net debt, dividends payable and advance corporation tax of £657.5m (1994 - £587.4m). The acquisition during the year described in note 16 relates to the process engineering segment. This business contributed £0.5m of net operating liabilities and its contribution to turnover and operating profit was immaterial.

	1995 £m	1994 £m
<b>3. Operating costs</b>		
Raw materials and consumables	81.9	88.8
Other external charges	200.0	199.8
Staff costs (see note 10)	134.2	173.0
Change in stocks of finished goods and work in progress	(1.2)	3.5
Own work capitalised	(45.8)	(47.2)
	<b>369.1</b>	<b>417.9</b>
Depreciation of tangible fixed assets	79.7	68.6
Amortisation of deferred grants and contributions	(2.2)	(1.8)
Infrastructure renewals	17.9	35.5
	<b>464.5</b>	<b>520.2</b>

Operating costs include the exceptional items set out in note 4.

	1995 £m	1994 £m
<b>4. Exceptional charges</b>		
External charges:		
- Customer rebates	12.0	-
- Customer trust fund	2.0	-
- Restructuring costs	-	14.3
Staff costs:		
- Restructuring costs	-	45.7
	<b>14.0</b>	<b>60.0</b>



<b>5. Operating profit</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Operating profit is stated after charging/(crediting):		
Share of losses of associated undertakings	1.6	1.1
Hire of plant and machinery	0.9	1.9
Other operating lease costs	2.3	2.0
Research and development expenditure	5.1	4.1
Grants and contributions	(0.1)	(0.4)
Closure costs of terminated businesses (1994 - including goodwill of £0.6m)	-	1.5
Fees paid to auditors:		
for audit work	0.4	0.4
for other work (including £0.3m overseas (1994 - £0.1m))	0.9	0.3

<b>6. Interest payable (net)</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Overdrafts and other loans repayable wholly within five years	8.7	5.7
Long term loans (any part repayable after five years)	34.8	34.2
Finance leases	5.3	5.6
Interest receivable	48.8	45.5
	(6.1)	(8.4)
	<b>42.7</b>	<b>37.1</b>

Interest payable on long term loans includes the indexation element of the Index Linked Loan Stock (see note 20).

<b>7. Taxation</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Advance corporation tax	19.3	16.9

Taxation allowances on past and current year 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 overseas tax liability arises because of the availability of losses. No provision for deferred taxation is required for the year ended 31 March 1995 (see note 23).

<b>8. Dividends</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Interim dividend 8.0p (1994 - 7.3p) per ordinary share	23.7	21.6
Proposed final dividend 18.0p (1994 - 15.5p) per ordinary share	53.6	45.9
	<b>77.3</b>	<b>67.5</b>

### **9. Earnings per share**

Earnings per ordinary share has been calculated by dividing profit on ordinary activities after taxation of £196.8m (1994 - £115.3m) by 296.4m (1994 - 295.9m) being the weighted average number of ordinary shares in issue during the year. Earnings per ordinary share would have been 4.7p (1994 - 20.2p) higher if calculated before the exceptional charges. On a nil distribution basis earnings per ordinary share is 72.9p (1994 - 44.7p). Earnings per ordinary share is not materially affected if calculated on a fully diluted basis.

## Notes to the Financial Statements

<b>10. Employee information</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Staff costs:		
Wages and salaries:		
- Excluding exceptional items	<b>110.4</b>	105.7
- Exceptional wages and salaries	-	20.5
Social security costs	<b>11.1</b>	10.4
Other pension costs (see note 27):		
- Excluding exceptional items	<b>10.7</b>	10.2
- Exceptional pension costs	-	25.2
Employee profit share	<b>2.0</b>	1.0
	<b>134.2</b>	<b>173.0</b>

The employee profit share for 1995 represents an amount provided for the issue of shares to employees in 1995/96.

Average number of full time equivalent persons employed:	<b>1995</b>	1994
Water and sewerage services	<b>4,832</b>	5,180
Process engineering	<b>887</b>	729
International	<b>14</b>	10
Other	-	112
	<b>5,733</b>	<b>6,031</b>

The numbers include 498 full time equivalent persons employed outside the UK (1994 - 414).

### 11. Directors' emoluments

Remuneration is reviewed annually. Decisions on executive directors' remuneration are taken by the Remuneration Committee comprising the non-executive directors of the Company. The Committee has received external advice from Hay Management Consultants.

Anglian Water aims to remunerate directors at levels which attract, retain and motivate people of high quality. With the exception of the Chairman, who does not receive an annual bonus or share options, executive directors' remuneration packages consist of annual salary, an annual bonus scheme, share option schemes, car, pension and health insurance benefits. The annual bonus scheme rewards the meeting of financial, quality and service targets. The Company aims to remunerate at around the median level indicated by comparisons with other companies.

In early 1995 the Committee compared Anglian Water executive directors' remuneration with that of directors in two groups of companies:

- a group of water and regional electricity companies; and
- a broader group of public companies spanning a range of industry sectors.

In the latter comparison allowance was made, not only for company size and complexity, but also for the nature of the market in which Anglian Water operates compared with the majority of other public companies. In making its assessments the Committee considered the total remuneration of directors, including benefits. These comparisons indicated that Anglian Water directors are currently paid below the median level of remuneration in each of the two groups of companies.

**11. Directors' emoluments (continued)**

**Changes in directors' remuneration**

The Committee has reviewed current and emerging "best practice" in the remuneration of the executive directors, and has introduced the following changes from 1 April 1995:

- Three year rolling contracts have been replaced without compensation by two year rolling contracts.
- No further grants will be made under the executive share option scheme.
- The company will operate two performance-related incentive schemes:
  - An annual scheme which will provide a cash bonus determined by reference to specific financial, quality and service performance targets. These cash bonuses will not be pensionable.
  - A new long term incentive scheme will be introduced which will generate reward by reference to change in shareholder value relative to a comparative group of other water companies.

The emoluments of the directors of Anglian Water Plc for their services as directors of the Company and its subsidiaries are set out below.

	Salary £000	Benefits £000	Bonus £000	1994/95 Total £000	1993/94 Total £000
BV Henderson - Chairman (Retired 30 September 1994)	53	-	n/a	53	101
RM Gourlay - Chairman from 1 October 1994	53	3	n/a	56	-
AF Smith - Managing Director	150	8	41	199	169
CJ Mellor	110	8	23	141	127
JW Green (Appointed to the Board 9 September 1993)	101	5	19	125	73
Directors who did not serve in current year	-	-	-	-	172
	467	24	83	574	642
Contributions to pension schemes				79	111
Fees to non-executive directors*				105	94
				758	847
Pension to a former director				6	6
Compensation to a former director in respect of early retirement:					
Compensation for loss of office				-	30
Pension augmentation				-	180
				764	1,063

\*Includes Mr Gourlay's fees (£12,000) as a non-executive director for the period to 30 September 1994. Included within fees are amounts totalling £45,000 paid to third parties for making available the services of three of the non-executive directors (1994 - £30,000).

Pension contributions were paid on behalf of Mr RM Gourlay £17,886 (1994 - Nil); Mr BV Henderson £14,175 (1994 - £34,800); Mr AF Smith £19,735 (1994 - £17,931). The amounts for Mr Gourlay include contributions to a funded unapproved retirement benefits scheme in 1994/95 of £12,972.

## Notes to the Financial Statements

### 11. Directors' emoluments (continued)

Mr RM Gourlay was appointed part time executive Chairman on 1 October 1994 at a salary of £105,000 subject to review with effect from 1 October 1995. The Remuneration Committee carried out this review in May and has determined an annual salary of £120,000 with effect from this date.

With effect from 1 April 1995 the following salaries have been agreed; Mr AF Smith - £160,000; Mr CJ Mellor - £130,000; Mr JW Green - £105,000.

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

	No. of Directors			No. of Directors	
	1995	1994		1995	1994
£5,001 - £10,000	1	2	£100,001 - £105,000	-	1
£15,001 - £20,000	4	5	£120,001 - £125,000	1	-
£20,001 - £25,000	1	-	£125,001 - £130,000	-	1
£50,001 - £55,000	1	-	£140,001 - £145,000	1	-
£65,001 - £70,000	1	-	£165,001 - £170,000	-	1
£70,001 - £75,000	-	2	£195,001 - £200,000	1	-
£95,001 - £100,000	-	1			

Details of share options granted to directors are shown in note 12.

### 12. Directors' interests in shares and debentures

The interests in the shares of the Company at 31 March 1995 of persons who were directors on that date are shown below.

Beneficial and family interests in shares:	31 March 1995	1 April 1994
	No. of shares	No. of shares
RM Gourlay	1,000	1,000
AF Smith	5,249	1,063
CJ Mellor	5,829	3,557
JW Green	2,718	3,731
DJ Challen	1,000	-
The Earl of Cranbrook	1,100	1,100
RW Jewson	840	840
Mrs JF de Moller	750	750
Miss DA Nichols	-	-

Options to subscribe for Ordinary shares, under the Executive share option and Sharesave schemes, granted to and exercised by directors during the year are summarised below. Details of these schemes including exercise dates are shown in the Directors' Report on page 35.

**12. Directors' interests in shares and debentures (continued)**

	1 April 1994	Options granted		Options exercised			Options outstanding at 31 March 1995	
	Number	Number	Option Price (£)	Number	Exercise Price (£)	Market Price (£)	Number	Weighted average exercise Price (£)
<b>Executive share options</b>								
AF Smith	88,607	8,930	5.375	-	-	-	97,537	3.72
CJ Mellor	41,616	6,474	5.375	26,227	3.26	5.07	21,863	4.95
JW Green	43,296	8,497	5.375	-	-	-	51,793	4.37
<b>Sharesave scheme options</b>								
AF Smith	8,893	-	-	6,136	1.76	4.83	2,757	2.72
CJ Mellor	6,724	-	-	2,045	1.76	4.83	4,679	3.15
JW Green	9,916	-	-	-	-	-	9,916	2.03

No options lapsed during the year. Executive directors retain the right to participate in the employee Sharesave scheme. Full details of directors' options are available in the Company's Register of Directors' Interests, which is open to inspection.

The market price of the Company's shares at 31 March 1995 was £4.79, and the range during the year was £4.46 to £6.02. Options outstanding under the Executive scheme include 9,779 for Mr AF Smith, 7,606 for Mr CJ Mellor, and 19,063 for Mr JW Green where the exercise price exceeds the market price at 31 March 1995. If these share options are excluded from the table shown above, the revised weighted average exercise prices for the remaining options would be £3.53 for Mr AF Smith, £4.73 for Mr CJ Mellor and £3.81 for Mr JW Green.

At 31 March 1995, and throughout the year, Mr DJ Challen held £24,000 of the Company's 5 1/8% Index Linked Loan Stock 2008.

No director has an interest in the shares or debentures of the Company other than as shown above, and no changes in the interests have occurred in the period from 31 March 1995 to 2 June 1995.

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.

**13. Profit of parent company**

Anglian Water Plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the profit for the financial year dealt with in the accounts of the parent company is £75.4m (1994 - £64.1m). No statement of total recognised gains and losses has been presented as all gains and losses have been included in the profit and loss account.

## Notes to the Financial Statements

<b>14. Tangible fixed assets</b>	Land and buildings £m	Infrastructure assets £m	Operational structures £m	Vehicles, plant and equipment £m	Total £m
<b>The Group</b>					
<b>Cost</b>					
At 31 March 1994	50.1	968.0	1,548.5	183.8	2,750.4
New subsidiaries	-	-	-	0.5	0.5
Additions	3.9	84.5	158.9	34.1	281.4
Disposals	(0.2)	-	(0.1)	(8.3)	(8.6)
At 31 March 1995	53.8	1,052.5	1,707.3	210.1	3,023.7
<b>Grants and contributions</b>					
At 31 March 1994	-	65.0	-	-	65.0
Additions	-	21.6	-	-	21.6
At 31 March 1995	-	86.6	-	-	86.6
<b>Depreciation</b>					
At 31 March 1994	8.7	-	272.9	95.1	376.7
New subsidiaries	-	-	-	0.1	0.1
Charge for the year	1.8	-	58.0	19.9	79.7
Disposals	-	-	-	(7.2)	(7.2)
At 31 March 1995	10.5	-	330.9	107.9	449.3
<b>Net book amount</b>					
At 31 March 1995	43.3	965.9	1,376.4	102.2	2,487.8
At 31 March 1994	41.4	903.0	1,275.6	88.7	2,308.7

Tangible fixed assets of the Group at 31 March 1995 include £276.9m of assets in the course of construction (1994 - £382.7m) and also include land of £9.9m (1994 - £8.6m) 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 1995 was £109.3m (1994 - £113.4m). Depreciation charged on assets held under finance leases during the year ended 31 March 1995 amounted to £4.1m (1994 - £3.3m).

<b>14. Tangible fixed assets (continued)</b>			
	Freehold land and buildings £m	Vehicles plant and equipment £m	Total £m
<b>The Company</b>			
<b>Cost</b>			
At 31 March 1994			
Additions	1.4	0.1	1.5
Disposals	-	0.1	0.1
	-	(0.1)	(0.1)
At 31 March 1995	1.4	0.1	1.5
<b>Depreciation</b>			
At 31 March 1994			
Charge for the year	0.1	-	0.1
	-	-	-
At 31 March 1995	0.1	-	0.1
<b>Net book amount</b>			
At 31 March 1995	1.3	0.1	1.4
At 31 March 1994	1.3	0.1	1.4

**Investment commitments**

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 commitments shown below reflect only the value of orders placed and expenditure specifically authorised but not placed at 31 March 1995.

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Contracted for but not provided in the financial statements	171.6	244.8	-	-
Authorised but not yet contracted for	322.7	325.2	-	-

<b>15. Investments</b>			
	Associated undertakings £m	Other participating interests £m	Total £m
<b>The Group</b>			
<b>Shares at cost or amount under equity method of accounting</b>			
At 31 March 1994			
Net movement	0.5	3.1	3.6
	(0.3)	0.8	0.5
At 31 March 1995	0.2	3.9	4.1
<b>Loans</b>			
At 31 March 1994			
Net movement	3.2	-	3.2
	4.8	-	4.8
At 31 March 1995	8.0	-	8.0
<b>Total</b>			
At 31 March 1995	8.2	3.9	12.1
At 31 March 1994	3.7	3.1	6.8

## Notes to the Financial Statements

### 15. Investments (continued)

The associated undertakings are:

	Country of registration	Activity	Number of shares in issue	Nominal value of share capital in issue	% held	Class of share
Grafham Carbons Limited	England	Regeneration of granular activated carbon (GAC)	40,000	£40,000	50	Ordinary £1 shares
Anglian H&G Limited	England	CAC regeneration technology	200,000	£200,000	50	Ordinary £1 shares
Gibb-Anglian Limited	England	Engineering and design consultancy	1,000	£1,000	50	Ordinary £1 shares
Exxchange Technology Limited	England	Marketing nitrate removal equipment	10,000	£10,000	50	Ordinary £1 shares
Saepur SARL	France	Process engineering	4,000	FF2.0m	50	Ordinary FF500 shares
American-Anglian Environmental Technologies	USA	Waste water treatment	Partnership		50	-

These undertakings principally operate in their country of registration.

Other participating interests include the Group's investment in Aguas Argentinas, a consortium which operates the water and sewerage system in Buenos Aires, Argentina.

	Cost £m	Provisions £m	Net book amount £m
<b>The Company</b>			
<b>Investment in subsidiary undertakings</b>			
<b>Shares</b>			
At 31 March 1994	866.8	(5.8)	861.0
Additions	1.0	-	1.0
At 31 March 1995	867.8	(5.8)	862.0
<b>Loans</b>			
At 31 March 1994	296.5	-	296.5
Net movement during the year	(103.8)	-	(103.8)
At 31 March 1995	192.7	-	192.7
<b>Total</b>			
At 31 March 1995	1,060.5	(5.8)	1,054.7
At 31 March 1994	1,163.3	(5.8)	1,157.5

The principal subsidiary undertakings of the Group are listed in note 30 on page 57.

### 16. Acquisitions

On 31 May 1994 the Group acquired 100% of the issued share capital of Kaldnes Miljøteknologi A/S of Norway for a consideration of Nkr 32.3 million (£3 million), including acquisition costs, payable in cash. The acquisition was accounted for using the acquisition method and goodwill written off to reserves amounted to £3.5 million after fair value adjustments of £0.5 million. A further £0.4 million of goodwill was written off during the year relating to costs arising on prior year acquisitions. No businesses were disposed of during the year.



	Group	
	1995 £m	1994 £m
<b>17. Stocks</b>		
Work in progress	3.4	2.2
Payments on account	(0.2)	(0.4)
Raw materials and consumables	3.2	1.8
	9.4	10.2
	12.6	12.0

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

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>18. Debtors</b>				
<b>Amounts falling due within one year</b>				
Trade debtors	98.7	92.4	-	-
Amounts recoverable on contracts	6.1	2.1	-	-
Amounts owed by subsidiary undertakings	-	-	76.1	59.9
Other debtors	20.8	21.3	0.7	-
Prepayments and accrued income	6.2	7.6	-	2.2
	131.8	123.4	76.8	62.1
<b>Amounts falling due after more than one year</b>				
Trade debtors	0.8	0.8	-	-
Other debtors	1.1	-	-	-
	133.7	124.2	76.8	62.1

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>19. Creditors: amounts falling due within one year</b>				
Bank loans, overdrafts and temporary borrowings	14.9	16.2	4.8	100.4
Current portion of long term loans	2.5	0.8	1.1	0.4
Obligations under finance leases	-	0.1	-	-
<b>Short term borrowings</b>	17.4	17.1	5.9	100.8
Trade creditors	136.0	134.9	0.5	0.5
Payments on account in excess of contract value	11.3	9.3	-	-
Receipts in advance	49.2	43.9	-	-
Advance corporation tax	19.3	16.9	19.3	16.9
Other taxation and social security	6.7	6.4	0.8	0.8
Accruals and deferred income	40.5	19.2	7.6	7.6
Proposed dividends	53.6	67.5	53.6	67.5
<b>Other creditors</b>	316.6	298.1	81.8	93.3

## Notes to the Financial Statements

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>20. Loans and other borrowings falling due after more than one year</b>				
<b>Repayable wholly after five years</b>				
5 1/8% Index Linked Loan Stock 2008 (a)	121.5	118.7	121.5	118.7
12% Fixed Rate Bond 2014	100.0	100.0	100.0	100.0
European Investment Bank 1999 (Interest at LIBOR minus 0.2%)	-	25.0	-	-
European Investment Bank 2003 (Interest at 6.6%)	10.0	10.0	-	-
European Investment Bank 2001 (Interest at LIBOR minus 0.15%)	50.0	-	-	-
<b>Repayable by instalments, any of which is due for repayment after five years</b>				
European Investment Bank 2004/2007 (interest in the range 6.75 - 11.5%)	105.0	105.0	-	-
Finance leases (b)	122.0	120.9	-	-
Other borrowings	23.4	24.9	-	-
<b>Repayable wholly within five years</b>				
European Investment Bank 1999 (Interest at LIBOR minus 0.2%)	25.0	-	-	-
6 1/2% Fixed Rate Bond 1998	62.8	62.3	62.8	62.3
Other loans	23.6	21.4	21.2	21.2
Finance leases (b)	-	0.1	-	-
<b>Total loans and other borrowings</b>	<b>643.3</b>	<b>588.3</b>	<b>305.5</b>	<b>302.2</b>
Less amounts included in creditors falling due within one year	(2.5)	(0.9)	(1.1)	(0.4)
	<b>640.8</b>	<b>587.4</b>	<b>304.4</b>	<b>301.8</b>
<b>Due for repayment as follows:</b>				
Between one and two years	7.2	2.0	-	0.4
Between two and five years	149.4	114.2	82.9	82.7
After five years	484.2	471.2	221.5	218.7
	<b>640.8</b>	<b>587.4</b>	<b>304.4</b>	<b>301.8</b>

(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 £2.8m (1994 - £1.6m) has been taken to the profit and loss account as part of interest payable.

(b) Amounts due under finance leases include £8.9m (1994 - £3.7m) payable between one and five years and £113.1m (1994 - £117.2m) payable after five years.

(c) Of the unspecified loans and other borrowings £20.0m (1994 - £21.4m) are at fixed rates and the remainder are at variable rates. Loans and other borrowings include £1.3m (1994 - £1.4m) secured on the revenues of a subsidiary undertaking.

	Group	
	1995 £m	1994 £m
<b>21. Other creditors falling due after more than one year</b>		
Trade creditors	1.7	4.7
Receipts in advance	-	4.3
Accruals and deferred income	3.0	1.8
Deferred grants and contributions	72.1	55.6
	<b>76.8</b>	<b>66.4</b>

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

<b>22. Provisions for liabilities and charges</b>	Infrastructure renewals £m	Restructuring costs £m	Acquisition provisions £m	Total £m
<b>The Group</b>				
At 31 March 1994	111.4	59.2	0.8	171.4
Charge for the year	17.9	-	-	17.9
Utilised in the year	(23.3)	(28.0)	(0.5)	(51.8)
<b>At 31 March 1995</b>	<b>106.0</b>	<b>31.2</b>	<b>0.3</b>	<b>137.5</b>

At 31 March 1995 acquisition provisions relate to relocation costs. There were no provisions for liabilities and charges in the Company.

### 23. Deferred taxation

In accordance with the Group's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1995. The Group's full potential deferred taxation liability, calculated under the liability method at a tax rate of 33%, is:

	1995 £m	1994 £m
Accelerated capital allowances	184.7	140.5
Other timing differences	(51.4)	(64.2)
Available tax losses	(46.4)	(19.3)
Advance corporation tax	(52.7)	(34.5)
	<b>34.2</b>	<b>22.5</b>

Had provision for deferred taxation been made on the full liability method, there would have been a tax charge of £11.7m (1994 - £8.6m).

As infrastructure assets are not depreciated, deferred taxation will crystallise only in the event of a disposal of such assets at amounts in excess of their tax written down value. In the opinion of the directors, the likelihood of a liability crystallising in the foreseeable future is remote. Accelerated capital allowances on infrastructure assets of £218.6m (1994 - £172.9m), assuming a tax rate of 33%, have therefore been excluded from the amounts set out above.

In addition to the amounts set out in the table above, there is advance corporation tax of £48.7m (1994 - £47.6m) which will be available to set against the Group's liability on taxable profits arising in future periods.

### 24. Commitments under operating leases

At 31 March 1995 the Group had commitments to make payments during the next twelve months under non-cancellable operating leases which expire as follows:

	Land and buildings £m	Other £m
<b>The Group</b>		
Within one year	0.4	0.1
Between one and five years	0.6	0.4
After five years	0.8	-
	<b>1.8</b>	<b>0.5</b>

There were no such commitments by the Company.

## Notes to the Financial Statements

<b>25. Share capital of Anglian Water Plc</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
<b>Authorised</b>		
Ordinary shares of £1 each	<b>400.0</b>	400.0
	<b>400.0</b>	400.0
<b>Allotted, issued and fully paid</b>		
Ordinary shares of £1 each	<b>297.4</b>	296.2
	<b>297.4</b>	296.2

In addition to the amount shown above, at 31 March 1994 there was a non-equity special rights redeemable preference share of £1. This share was redeemed by the Company on 31 December 1994.

In May 1994 92,789 fully paid ordinary shares were allotted at a market price of £4.60 on conversion of certain loan notes, thereby giving rise to a share premium of £0.3m.

During the year 38,498 options were exercised under the Executive Share Option Scheme at an average price of £3.44 giving rise to a share premium of £0.1m and 1,077,306 options were exercised under the Sharesave Scheme at an average price of £1.81, giving rise to a share premium of £0.9 m.

Details of outstanding options and warrants are shown in the Directors' Report on page 35.

<b>26. Movement in shareholders' funds</b>	Share capital £m	Share premium account £m	Other reserves £m	Profit and loss account £m	<b>1995</b> <b>Total</b> <b>£m</b>	1994 <b>Total</b> <b>£m</b>
<b>The Group</b>						
At beginning of year	296.2	4.0	8.8	1,103.8	<b>1,412.8</b>	1,369.0
Total recognised gains relating to the year	-	-	-	196.5	<b>196.5</b>	115.3
Dividends	-	-	-	(77.3)	<b>(77.3)</b>	(67.5)
Goodwill written back on terminated businesses	-	-	-	-	-	0.6
Goodwill written off (see note 16)	-	-	-	(3.9)	<b>(3.9)</b>	(16.0)
New share capital subscribed (see note 25)	1.2	1.3	-	-	<b>2.5</b>	2.6
New warrants issued	-	-	-	-	-	8.8
At end of year	<b>297.4</b>	<b>5.3</b>	<b>8.8</b>	<b>1,219.1</b>	<b>1,530.6</b>	<b>1,412.8</b>
<b>The Company</b>						
At beginning of year	296.2	4.0	8.8	555.1	<b>864.1</b>	856.1
Profit for the financial year	-	-	-	75.4	<b>75.4</b>	64.1
Dividends	-	-	-	(77.3)	<b>(77.3)</b>	(67.5)
New share capital subscribed (see note 25)	1.2	1.3	-	-	<b>2.5</b>	2.6
New warrants issued	-	-	-	-	-	8.8
At end of year	<b>297.4</b>	<b>5.3</b>	<b>8.8</b>	<b>553.2</b>	<b>864.7</b>	<b>864.1</b>

The cumulative goodwill taken to reserves, net of goodwill relating to undertakings disposed of, as at 31 March 1995 amounts to £70.7m.

Other reserves comprise warrants to subscribe for equity share capital as described in the Directors' Report on page 35.

**27. 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 1993	31 March 1992
Actuarial method	Attained age	Projected unit
<b>Main assumptions</b>		
Excess of investment returns over:		
- general salary increases	2.5%	2.0%
- dividend growth	4.5%	4.5%
- annual increases in pensions	4.5%	4.0%
<b>Results</b>		
Market value of assets	£164.2m	£23.0m
Funding level	101%	101%

The pensions charge for the year ended 31 March 1995 was £10.7m (1994 - £10.2m before exceptional restructuring charge). The Company has a commitment to a former director to pay a pension of £5,759 per annum which is adjusted by the increase in the retail price index each year.

**28. Contingent liabilities**

The Group has entered into a number of performance bonding and guarantee arrangements in the normal course of business. Provision is made for any amounts that the directors consider may become payable under such arrangements. In addition, the Company has guaranteed the overdrafts of a number of subsidiaries amounting to £88.0m at 31 March 1995 (1994 - £66.8m).

**29. Notes to the Group cash flow statement**

	1995	1994
(a) Reconciliation of operating profit to net cash inflow from operating activities	£m	£m
Operating profit	255.6	167.7
Depreciation (net of amortisation of deferred grants and contributions)	77.5	66.8
Provision for infrastructure renewals	17.9	35.5
Net movements on other provisions	(28.5)	55.4
Goodwill written back on terminated businesses	-	0.6
Employee profit share	2.0	1.0
Other	0.3	-
	<b>324.8</b>	<b>327.0</b>
(Increase)/decrease in working capital:		
Stocks	(1.4)	1.4
Debtors	(11.1)	(1.6)
Creditors	43.2	9.0
	<b>30.7</b>	<b>8.8</b>
Net cash inflow from operating activities	<b>355.5</b>	<b>335.8</b>

Net cash inflow from operating activities for the year ended 31 March 1995, is arrived at after cash outflows of £28.0m in relation to the 1994 exceptional restructuring charge.

## Notes to the Financial Statements

### 29. Notes to the Group cash flow statement (continued)

(b) Purchase of subsidiary undertakings	1995 £m	1994 £m	Change in year	
Fair value of net (liabilities)/assets acquired (see note 16)	(0.5)	2.5		
Goodwill	3.5	16.0		
Consideration	3.0	18.5		
Deferred payments relating to prior year acquisitions	0.6	0.5		
Satisfied in cash	3.6	19.0		
Cash acquired	(0.4)	-		
Bank overdrafts of subsidiaries acquired	0.4	-		
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	3.6	19.0		
(c) Analysis of cash and cash equivalents as shown in the balance sheet	1995 £m	1994 £m	1995 £m	1994 £m
Cash and deposits	53.5	29.5	24.0	(3.5)
Bank loans, overdrafts and temporary borrowings	(14.9)	(16.2)	1.3	(8.1)
	38.6	13.3	25.3	(11.6)

Cash and deposits includes only investments which were within three months of maturity when acquired. At 31 March 1995 the Group also held deposits of £20.0m (1994 - £72.0m) which were more than three months but less than one year from maturity when acquired.

(d) Analysis of changes in financing during the year	Loans and other borrowings		Share capital, share premium and other reserves	
	1995 £m	1994 £m	1995 £m	1994 £m
At beginning of period	588.3	497.4	309.0	297.6
Cash inflow from financing	51.0	89.0	2.1	10.4
Indexation of loan stock	2.8	1.6	-	-
Amortisation of discount and expenses relating to debt issue	0.5	0.3	-	-
Deferred finance charges on finance lease arrangements	1.1	-	-	-
Conversion of loan notes into shares	(0.4)	-	0.4	-
Employee profit share scheme	-	-	-	1.0
At end of period	643.3	588.3	311.5	309.0

**30. Principal group companies**

The principal subsidiary undertakings at 31 March 1995 are shown below:

	Country of incorporation	Activities
<b>Water and sewerage services</b>		
Anglian Water Services Limited*	England	Water and sewerage undertaker, regulated principally by the Water Industry Act 1991.
<b>Process engineering</b>		
Anglian Water Processes Limited*	England	Holding company
Purac Engineering Inc.	USA	Contracting for water and sewerage treatment processes.
Purac AB	Sweden	
Purac Industry AB	Sweden	
Purac Leuna GmbH	Germany	
Purac Pacific Pty Limited	Australia	
Purac Rosewater Limited	England	
Purac Water Spolka Z.o.o.	Poland	
Kaldnes Miljoteknologi A/S	Norway	
<b>Water treatment products</b>		
Aquafine Engineering Services Limited	England	Water treatment products
Axel Johnson Engineering GmbH	Germany	
Fluid Systems Corporation Inc.	USA	
Nordic Water Products AB	Sweden	
Noxon AB	Sweden	
Zickert Products AB	Sweden	
Alpheus Environmental Limited	England	
<b>Other group companies</b>		
Anglian Water International Limited*	England	Engineering consultancy services
Anglian Water International (NZ) Limited	New Zealand	Management and operation of waste water projects
Rutland Insurance Company Limited*	Guernsey	Provides insurance to Group companies

The Group also owns a number of smaller and 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. All shareholdings are of ordinary equity share capital. 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.

## Auditors' Report

### Auditors' Report to the Shareholders of Anglian Water Plc

We have audited the financial statements on pages 37 to 57 which have been prepared under the historical cost convention and the accounting policies set out on pages 40 and 41.

#### Respective responsibilities of directors and auditors

As described on page 34, 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.

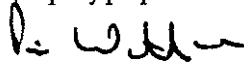
#### Basis of opinion

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 and the Group'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 of the Group as at 31 March 1995 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

2 June 1995

Price Waterhouse





## Group Financial History

<b>Profit and loss account</b>	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m
<b>Turnover</b>					
Water supply and sewerage services	454.0	514.2	561.1	594.5	629.7
Process engineering	7.6	12.1	23.5	97.0	98.4
International	-	-	0.2	0.4	1.8
Other	1.1	2.6	5.4	5.0	-
Less intersegment trading	(2.1)	(5.8)	(7.0)	(9.0)	(9.8)
	460.6	523.1	583.2	687.9	720.1
<b>Operating profit</b>					
Water supply and sewerage services	170.4	195.5	216.2	171.8*	262.8*
Process engineering	0.4	0.5	(3.2)	2.3	(3.4)
International	-	-	(0.6)	(1.5)	(2.9)
Other	(0.2)	(1.6)	(0.6)	(4.3)	(0.9)
Less intersegment trading	(0.2)	(0.4)	(0.2)	(0.6)	-
	170.4	194.0	211.6	167.7	255.6
Profit on sales of assets	0.3	0.2	3.3	1.6	3.2
Interest payable (net)	(18.1)	(22.9)	(29.5)	(37.1)	(42.7)
<b>Profit on ordinary activities before taxation</b>	152.6	171.3	185.4	132.2	216.1
Taxation	(17.2)	(19.0)	(19.0)	(16.9)	(19.3)
<b>Profit for the financial year</b>	135.4	152.3	166.4	115.3	196.8
<b>Dividend per ordinary share</b>	17.5p	19.3p	21.1p	22.8p	26.0p
<b>Earnings per ordinary share</b>	45.9p	51.7p	56.4p	39.0p	66.4p
<b>Earnings per ordinary share before exceptional charges</b>	45.9p	51.7p	56.4p	59.2p	71.1p
<b>Balance sheet</b>					
Fixed assets	1,596.4	1,814.3	2,053.5	2,315.5	2,499.9
Net current liabilities†	(107.8)	(82.7)	(137.3)	(161.9)	(170.3)
Long term liabilities	(22.0)	(32.2)	(48.6)	(66.4)	(76.8)
Provisions for liabilities and charges	(59.3)	(86.9)	(106.1)	(171.4)	(137.5)
Net borrowings	(194.7)	(303.8)	(392.5)	(503.0)	(584.7)
<b>Shareholders' funds</b>	1,212.6	1,308.7	1,369.0	1,412.8	1,530.6

\* After exceptional charges of £14.0m in 1995 and £60.0m in 1994.

† Excluding cash and deposits and short term borrowings.

## Shareholder information

Analysis of shareholdings (as at 31 March 1995)	Number of		Number of	
	shareholders	%	shares held	%
1 - 99	2,512	2.8	108,375	-
100 - 499	46,249	51.5	8,945,614	3.0
500 - 999	32,622	36.4	21,805,041	7.3
1,000 - 4,999	7,261	8.1	10,896,113	3.7
5,000 - 9,999	244	0.3	1,596,183	0.5
10,000 - 49,999	387	0.4	8,588,095	2.9
50,000 - 99,999	118	0.1	7,837,999	2.6
100,000 - highest	332	0.4	237,596,735	80.0
	89,725	100.0	297,374,155	100.0

Corporate bodies represent 87% of the total share capital in terms of numbers of shares held. Individuals represent 13% of the total share capital in terms of numbers of shares held.

### Shareholder enquiries

Shareholders with enquiries about Anglian Water Plc or shareholder matters can contact the Shareholder Enquiry Unit Telephone 01480 443000.

### Share register

The Company's share register is maintained by Lloyds Bank Plc. Shareholders requiring help or information about their shareholding may either write to The Registrar, Lloyds Bank Plc, 54 Pershore Road South, Birmingham B30 1BR or telephone 0121 433 8000.

### Registered office

Anglian Water Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE18 6NZ.  
Telephone 01480 443000. Fax 01480 443115.

### Advisers

#### Merchant bank

J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6HDS.

#### Auditors

Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT.

#### Solicitors

Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS.

#### Brokers

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.

Allied Provincial Securities Ltd, Trinity Court, Trinity Street, Peterborough PE1 1DA.

#### Registrars

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

#### Principal bankers

Barclays Bank Plc, 1 Market Hill, Huntingdon, Cambridgeshire PE18 6AE.

## 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.

### **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. 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 that 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, for which the actual expenditures are expected to arise in future accounting periods.

### **Reserves**

Shareholders' funds, excluding share capital and share premium.

### **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 was redeemed on 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.

### **Warrant**

A financial instrument which confers the right to acquire shares in the Company at a fixed price over a specified period.