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The Directors present their Report, together with the Accounts for the year ended 31 March 1991.

Principal activities and Business Review

The principal activities of the Company during the year were water supply and distribution, sewerage and sewage treatment and disposal.

On 1 April 1990 the Company transferred certain business activities and assets and liabilities, at book values, to its fellow subsidiaries Anglian Water Engineering and Business Systems Limited and Anglian Water Commercial Developments Limited. Further details are set out in note 28 on page 18.

1990/91 represented the first full year of trading since privatisation. Turnover (£451.7m) increased by some 13% over 1990, operating profit (£170.1m) increased by some 10%, and profit on ordinary activities amounted to £153.1m. Interest charges reduced by £51.7m from 1990, principally reflecting the full year effect of the capital restructuring which took place on privatisation and the impact of major borrowing initiatives. Under the regulatory regime, the Company is allowed to increase the average of its principal charges by the percentage change in RPI plus an adjustment factor "K" (currently 5.5%).

The Directors regard the Company's investment programme as central to the achievement of corporate objectives. It is targeted at enabling the Company to comply with the standards and obligations of the water and sewerage business. The management of the programme has been given the highest priority, and has resulted in the successful completion of the first stage of the Company's ten year investment plan of some £4 billion.

During the year the investment programme covered some 1,250 schemes, the value of the work done being around £222m. This level of spending was in line with the Company's forecasts. Overall, the level of investment expenditure will increase significantly in the future, but the profile of investment over the next few years makes the Directors confident that the programme will be successfully completed. In addition to expenditure required by the investment programme, substantial additional expenditure may be required in respect of existing or future legal or regulatory obligations.

The Directors are committed to providing improved customer service at a fair charge. This is underlined by the steps taken during the year to raise standards and improve water quality.

Research and development

The Company has made significant advances in the development of water treatment processes which will assist in meeting drinking water quality requirements. Sewage treatment research has concentrated on improving process and engineering techniques.

Through involvement with national research programmes the Company has continued to support projects with other companies and organisations in order to address issues of common interest to the water industry.

Directors' Report

Regulation

The Company's activities are regulated principally by the Water Act 1989, the regulations made under that Act and the conditions of an Instrument of Appointment ("the Licence") granted to the Company by the Secretary of State for the Environment on 1 September 1989. With certain exceptions, the regulatory provisions do not apply to business activities which are not connected with the carrying out of the water and sewerage functions.

Under the conditions of the Licence the Company is obliged to provide the Director General of Water Services with additional accounting information to that contained in the statutory accounts in order to comply with Licence Condition F. This information is presented on pages 20 to 27 for the benefit of customers and other interested parties.

Pages 24 to 27 include current cost accounting information which the Director General requires to judge the financial performance of the regulated business.

The regulatory information has been prepared in accordance with the guidelines issued by the Director General.

Results and dividends

The results of the Company and the dividends for the year ended 31 March 1991 are set out on page 7.

Fixed Assets

Movements in tangible fixed assets are shown in note 14 on page 14.

Directors and Directors' interests

The present Directors are set out below:

A F Smith	P J Matthews
J A Simpson	D C F Latham
A G Semple	T Bolongaro (resigned 1 March 1991)
C J Mellor (appointed 23 April 1990)	P Howarth (appointed 1 March 1991)
J W Green	J W Smith (appointed 1 April 1991)

Mr A G Semple served as Chairman until 23 April 1990 when he was replaced by Mr A F Smith.

The beneficial interests of the Directors in the shares of Anglian Water Plc and in options over such shares are set out in note 13 on page 13.

None of the Directors had during the year or has a material interest in any contracts of significance to which the Company or any other Group company is or was a party.

Employee involvement

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

Share option schemes are in place within the Anglian Water Plc Group which encourage the involvement of participants in the Company's performance.

The care and maintenance of the health and safety of employees and the public is a corporate objective.

The Company operates an equal opportunities policy.

Disabled employees

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

Liability insurance

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

Auditors

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

By Order of the Board

10 June 1991

Jackie Fox
Acting Company Secretary

Registered Office
Anglian House
Ambury Road
Huntingdon
Cambridgeshire PE18 6NZ

Registered in England No 2366656

Auditors' Report to the Members of Anglian Water Services Limited

We have audited the financial statements on pages 7 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ave Waterhouse.

PRICE WATERHOUSE
Chartered Accountants
Birmingham

10 June 1991

Profit and Loss Account

Anglian Water Services Limited

For the year ended 31 March 1991

	Notes	1991 £m	1990 £m
TURNOVER	3	451.7	401.3
Operating costs	4	(281.6)	(243.6)
Exceptional items	5	—	(3.0)
OPERATING PROFIT	3,6	170.1	154.7
Other income	7	0.3	0.4
Interest	8	(17.3)	(69.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	9	153.1	86.1
Extraordinary items	10	—	(7.7)
PROFIT FOR THE FINANCIAL YEAR		153.1	78.4
Dividends	11	(68.8)	(905.5)
RETAINED PROFIT FOR THE YEAR/(TRANSFER FROM RESERVES)	25	84.3	(827.1)

The notes on pages 10 to 18 form part of these financial statements.

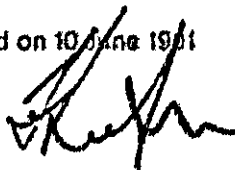
Balance Sheet

At 31 March 1991	Notes	1991 £m	1990 £m
FIXED ASSETS			
Tangible assets	14	1,575.4	1,424.3
Investments	15	2.7	0.5
		1,578.1	1,424.8
CURRENT ASSETS			
Stocks and work in progress	16	6.5	6.8
Debtors	17	79.1	66.6
Cash and deposits		-	1.7
		85.6	75.1
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short term borrowings	18	(8.8)	(134.7)
Other creditors	18	(184.9)	(151.9)
NET CURRENT LIABILITIES		(108.1)	(211.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,470.0	1,213.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans and other borrowings	19	(180.2)	(49.9)
Other creditors	20	(19.1)	(5.6)
		(199.3)	(55.5)
PROVISION FOR LIABILITIES AND CHARGES	21	(57.5)	(28.9)
		1,213.2	1,128.9
CAPITAL AND RESERVES			
Called up share capital	24	860.0	860.0
Profit and loss account	25	353.2	268.9
		1,213.2	1,128.9

The notes on pages 10 to 18 form part of these financial statements.

Approved by the Board on 10 June 1991

J A SIMPSON
Managing Director



P HOWARTH
Finance Director



Source and Application of Funds Statement

Anglian Water Services Limited

<i>For the year ended 31 March 1991</i>	1991 £m	1990 £m
SOURCES		
Generated from operations:		
Profit on ordinary activities	153.1	86.1
Depreciation	33.5	32.6
Provision for infrastructure renewals	36.7	32.2
Extraordinary items	-	(7.7)
Restructuring provision	-	(4.5)
FUNDS FROM OPERATIONS	223.3	138.7
Working capital changes:		
Decrease/(increase) in stocks and work in progress	0.3	(0.2)
Increase in debtors	(12.5)	(15.4)
Increase in creditors (excluding dividends and capital grants)	32.7	33.8
FUNDS FROM WORKING CAPITAL	20.5	18.2
Issue of shares	-	859.9
TOTAL FUNDS AVAILABLE	243.8	1,016.8
APPLICATIONS		
Dividends paid	(68.8)	(859.9)
Divestment of NRA	-	(15.8)
AVAILABLE FOR INVESTMENT	175.0	141.1
Investment expenditure:		
Tangible assets	213.5	188.7
Infrastructure renewals	8.1	3.3
Capital grants and contributions	(26.8)	(8.9)
Disposals of fixed assets	(15.9)	(2.0)
Investments	2.2	0.3
	181.1	181.4
EXCESS OF INVESTMENT EXPENDITURE FINANCED BY INCREASED BORROWINGS	6.1	40.3
FINANCED BY		
Increase/(decrease) in long term borrowings	130.3	(52.4)
Increase/(decrease) in short term borrowings	(125.9)	94.2
(Increase)/decrease in cash and short term deposits	1.7	(1.5)
	6.1	40.3

The notes on pages 10 to 18 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 applying the following principal accounting policies:

(A) TURNOVER

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

(B) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets comprise:

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

(a) Infrastructure assets

Infrastructure assets comprise a network of systems. 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 the Company's Asset Management Plan. The timing of the investment programme and other operational considerations results in uneven patterns of infrastructure renewals expenditure. Charges to the profit and loss account therefore comprise actual expenditure together with accruals which recognise planned expenditure identified in the 20 year Asset Management Plan.

(b) Other Assets

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

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

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

(C) 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 over the expected useful life of the relevant asset by equal annual instalments. Grants and contributions to capital expenditure on infrastructure assets are deducted from the cost of these assets (see note 2). Other grants and contributions are credited to profit and loss account in the year to which they apply.

(D) LEASED ASSETS

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

(E) INVESTMENTS

Investments held as fixed assets, including investments in subsidiary and associated undertakings, are stated at cost less provisions for permanent diminution in value.

(F) STOCKS AND WORK IN PROGRESS

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

(G) PENSION COSTS

The Company is a member of the Anglian Water Plc Group, which operates two defined benefit pension schemes. Contributions to the Group's 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.

(H) RESEARCH AND DEVELOPMENT

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

(I) DEFERRED TAXATION

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

2. Change in Accounting Policy

With effect from 1 April 1990 the Company changed its accounting policy for grants and contributions on capital expenditure other than those relating to infrastructure assets. Previously the policy had been to deduct the value of such grants and contributions from the cost of fixed assets. Leading Counsel has recently advised that this policy is not permitted under the provisions of the Companies Act and it has therefore been changed to that set out in paragraph 1(C). Grants and contributions on infrastructure assets continue to be deducted from the cost of those assets in order to give a true and fair view. Figures for 1990 have not been restated since the amounts involved are not considered material.

3. Analysis of Turnover and Operating Profit by Class of Business	Turnover		Operating Profit	
	1991 £m	1990 £m	1991 £m	1990 £m
Water supply	195.4	161.9	46.8	31.2
Sewerage services	255.2	236.9	123.6	123.7
Other trading activities	1.1	2.5	(0.3)	(0.2)
	451.7	401.3	170.1	154.7

Substantially all turnover and operating profit arise in the UK.

4. Operating Costs	1991 £m	1990 £m
Raw materials and consumables	27.2	22.0
Other external charges	130.7	109.3
Staff costs	59.9	64.0
Depreciation of intangible assets	(6.4)	(16.5)
	211.4	178.8
Depreciation of tangible fixed assets	33.5	32.6
Infrastructure renewals	36.7	32.2
	281.6	243.6

5. Exceptional Items	1991 £m	1990 £m
Restructuring and relocation costs	—	3.0

Notes to the Financial Statements

6. Operating Profit	1991 £m	1990 £m
Operating profit is stated after charging/(crediting):		
Hire of plant and machinery	0.6	0.9
Other operating lease costs	0.2	0.4
Auditors' remuneration	0.2	0.2
Research and development expenditure	2.9	1.9
Grants and contributions	(0.3)	(0.2)
<hr/>		
7. Other Income	1991 £m	1990 £m
Profit on sale of tangible fixed assets	0.3	0.4
<hr/>		
8. Interest	1991 £m	1990 £m
Overdrafts and other loans repayable wholly within five years	1.6	69.1
Long term loans (any part payable after five years)	16.1	0.6
Finance leases	0.6	0.5
	18.3	70.2
Interest receivable	(1.0)	(1.2)
	17.3	69.0
<hr/>		
Interest payable on overdrafts and other loans repayable wholly within five years includes £1.2m payable to the parent company in respect of finance charges. Interest payable on long term loans of £10.3m is payable to the parent company and includes the indexation element of the index linked loan (see note 19)		
<hr/>		
9. Taxation		
Taxation allowances on capital expenditure are sufficient to ensure that no corporation tax liability arises. No provision for deferred taxation is required for the year ended 31 March 1991 (see note 22).		
<hr/>		
10. Extraordinary Items	1991 £m	1990 £m
Privatisation costs	-	7.7
<hr/>		
11. Dividends	1991 £m	1990 £m
Interim dividend	23.2	859.9
Proposed final dividend	45.6	45.6
	68.8	905.5
<hr/>		
12. Employee Information	1991 £m	1990 £m
Staff costs:		
Wages and salaries	50.7	54.8
Social security costs	3.8	4.0
Other pension costs (see note 26)	5.4	5.2
	59.9	64.0
<hr/>		
Average number of full time equivalent persons employed in the UK:		
	1991 Total	1990 Total
Numbers employed	3,629	4,328

The movement on numbers employed includes the effect of transferring certain business activities on 1 April 1990 to the Company's fellow subsidiaries. Further details appear at note 28 on page 18.

13. Directors

Emoluments of Directors	1991 £000	1990 £000
Fees	-	-
Other emoluments	612	440
	612	440

The emoluments of the Chairman and highest paid Director, excluding pension contributions, were 96* 77

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

	No. of Directors			No. of Directors	
	1991	1990		1991	1990
£ 0 - £ 5,000	1	2	£60,001 - £65,000	1*	-
£40,001 - £45,000	1	2	£70,001 - £75,000	-	2
£45,001 - £50,000	-	2	£80,001 - £85,000	1*	-
£50,001 - £55,000	2	-	£85,001 - £90,000	1*	-
£55,001 - £60,000	1	-			

*In 1991, the emoluments of A F Smith, J A Simpson, A G Semple and C J Mellor were the same as, and not additional to, those reported within the accounts of Anglian Water Plc. The emoluments of these Directors are paid by Anglian Water Plc but are included within management recharges.

Directors' Interests

The interests of the Directors in the shares of Anglian Water Plc and in options over such shares granted under that Company's Executive Share Option Scheme and Sharesave Scheme are set out below.

Beneficial and family interests	31 March 1991	1 April 1990
	No of shares	(or date of appointment if later) No of shares
A F Smith*	786	786
J A Simpson*	786	786
A G Semple*	1,080	1,080
C J Mellor*	567	1,087
J W Green	2,291	2,291
P J Matthews	3,295	3,295
D C F Latham	1,481	1,481
P Howarth	-	-

	Options at 31 March 1991		Options granted during the year	
	Anglian Water Sharesave Scheme	Anglian Water Executive Share Option Scheme	Anglian Water Sharesave Scheme	Anglian Water Executive Share Option Scheme
A F Smith*	6,136	65,748	-	30,631
J A Simpson*	6,136	60,579	-	25,462
A G Semple*	4,772	54,619	-	16,994
C J Mellor*	3,449	47,565	1,404	40,952
J W Green	7,159	12,172	-	5,559
P J Matthews	7,159	12,172	-	5,559
D C F Latham	6,136	26,932	-	19,790
P Howarth	-	-	-	-

*These beneficial interests in shares and options are the same as, and not additional to, those reported in the Annual Report of Anglian Water Plc. No options have been exercised by Directors during the year. No Director has an interest in the shares of the Company or any other Group company other than as shown above.

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. These options were granted on 12 December 1989 at £1.76 and on 6 December 1990 at £2.67. 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. These options were granted on 19 February 1990 at £2.99, on 20 June 1990 at £2.93 and on 10 January 1991 at £3.31.

Notes to the Financial Statements

14. Tangible Fixed Assets	Water Supply £m	Sewerage Services £m	Other Trading Activities £m	General £m	Total £m
Cost					
At 31 March 1990	508.7	980.8	0.6	112.4	1,602.5
Reclassification	(1.5)	-	1.5	-	-
Additions	61.1	132.0	-	20.4	213.5
Disposals	(0.1)	(0.1)	-	(3.2)	(3.4)
Intra-group transfers	-	-	(0.2)	(26.5)	(26.7)
At 31 March 1991	568.2	1,112.7	1.9	103.1	1,785.9
Grants and Contributions					
Additions	6.6	6.4	-	-	13.0
At 31 March 1991	6.6	6.4	-	-	13.0
Depreciation					
At 31 March 1990	36.6	103.7	0.1	37.8	178.2
Reclassification	(0.4)	-	0.4	-	-
Charge for the year	7.5	17.2	-	8.8	33.5
Disposals	-	-	-	(2.8)	(2.8)
Intra-group transfers	-	-	(0.1)	(11.3)	(11.4)
At 31 March 1991	43.7	120.9	0.4	32.5	197.5
Net Book Amount					
At 31 March 1991	517.9	985.4	1.5	70.6	1,575.4
At 31 March 1990	472.1	877.1	0.5	74.6	1,424.3

General assets comprise assets which are shared by a number of services. The reclassification relates to recreation assets previously included within Water Supply. Tangible fixed assets at 31 March 1991 include £204.4m of assets in the course of construction (1990 - £171.5m)

Tangible fixed assets include assets not subject to depreciation as follows:

	1991 £m	1990 £m
Land	6.1	5.9
Infrastructure assets	698.2	655.0
	704.3	660.9

The net book value of tangible fixed assets held under finance leases at 31 March 1991 was £2.7m (1990 - £1.8m). Depreciation charged on assets held under finance leases during the year ended 31 March 1991 amounted to £1.3m (1990 - £1.7m).

Investment Commitments

As described in the Directors' Report on page 3, the Company has a substantial long term investment programme, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition and to provide for new demand and growth.

The table below only includes short term investment commitments for projects where contracts have been placed or for authorised projects where contracts have not yet been placed:

	1991 £m	1990 £m
Contracted for but not provided in the financial statements	154.1	78.7
Authorised but not yet contracted for	410.9	431.3

15. Investments	Subsidiary Undertakings £m	Associated Undertakings £m	Other participating interests £m	Total £m
Shares at valuation				
At 31 March 1990 and 1991	-	-	0.2	0.2
Loans				
At 31 March 1990	-	0.3	-	0.3
Additions	0.3	1.9	-	2.2
At 31 March 1991	0.3	2.2	-	2.5
Net Book Amount				
At 31 March 1991	0.3	2.2	0.2	2.7
At 31 March 1990	-	0.3	0.2	0.5

The associated undertaking, which is registered and principally operates in England, is:

Activity	Number of shares in issue	Nominal value of share capital in issue	% held	Class of share
Grafham Carbons Limited Regeneration of granular activated carbon	40,000	£40,000	50	Ordinary £1 Shares

At 31 March 1991 the following subsidiary undertaking, which is registered and principally operates in England, was 100% owned by the Company.

Activities
F. Smith & Son (Grimsby) Limited Well-drilling and hole-boring.

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

Consolidated accounts have not been prepared as permitted under Section 228 of the Companies Act 1985, since the Company is itself a wholly owned subsidiary of Anglian Water Plc. In the opinion of the directors the value of the Company's investments is not less than the amount at which they are stated in the balance sheet.

16. Stocks and Work in Progress	1991 £m	1990 £m
Consumable stores	5.7	5.6
Work in progress	0.8	1.2
	6.5	6.8

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

17. Debtors	1991 £m	1990 £m
Amounts falling due within one year:		
Trade debtors	60.8	49.5
Amounts owed by Group undertakings	0.9	-
Other debtors	13.9	11.9
Prepayments and accrued income	0.3	1.8
	75.9	63.2
Amounts falling due after more than one year:		
Other debtors	3.2	3.4
	79.1	66.6

Included in other debtors is £3.3m due from Thames Water Plc (1990 - £3.5m) in respect of assets transferred in a previous year.

	Infrastructure renewals £m
21. Provisions for Liabilities and Charges	
At 31 March 1990	28.9
Utilised in the year	(8.1)
Charge for the year	36.7
At 31 March 1991	57.5

22. Deferred Taxation

In accordance with the Company's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1991.

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

	1991 £m	1990 £m
Accelerated capital allowances	73.3	18.3
Other timing differences	(23.5)	(6.9)
Available tax losses	(49.8)	(11.4)
	Nil	Nil

In addition to the amounts set out above, there are available tax losses of £10.8m (1990 - £15.1m), calculated at a tax rate of 33%, which will be available to set against the Company's liability on taxable profits arising in future periods.

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

23. Commitments under Operating Leases

At 31 March 1991 the Company had commitments to make payments of £0.5m for land and buildings during the next 12 months under non-cancellable operating leases which expire after five years.

	1991 £m	1990 £m
24. Share Capital		
Authorised		
Ordinary shares of £1 each	860.0	860.0
Allotted, issued and fully paid		
Ordinary shares of £1 each	860.0	860.0

25. Profit and Loss Account

	£m
At 31 March 1990	268.9
Retained profit for the year	84.3
At 31 March 1991	353.2

Notes to the Financial Statements

26. Pension Commitments

The Company is a member of the Anglian Water Plc Group. The Group operates pension schemes covering the majority of its employees. The two principal schemes are the Anglian Water Mirror Image Pension Scheme and the Anglian Water Pension Scheme. These schemes are both of the defined benefit type, with assets held in separately administered funds. Further details may be found within the accounts of Anglian Water Plc.

The pensions charge for the year ended 31 March 1991 was £5.4m (1990 – £5.2m). There were additional pension costs of £2.0m in 1990 arising from the arrangements prior to vesting.

27. Contingent Liabilities

There were contingent liabilities at 31 March 1991 in respect of bridging guarantees amounting to £0.3m (1990 – £0.9m) upon which no material losses are likely to arise.

28. Transfer of businesses

In accordance with an agreement dated 30 September 1989, on 1 April 1990 the Company transferred at book value certain business activities and the related assets and liabilities to its fellow subsidiaries, Anglian Water Engineering and Business Systems Limited and Anglian Water Commercial Developments Limited. In the period from 1 October 1989 to 31 March 1990 these companies traded as undisclosed agents for the Company in respect of the following activities:

	Activities
Anglian Water Engineering and Business Systems Limited	Engineering, computer, customer accounting and exchequer services to Group companies and external clients.
Anglian Water Commercial Developments Limited	Fabrication services.

Set out below are details of the assets and liabilities as at 1 April 1990 which were transferred.

Assets	£m	Liabilities	£m
Tangible fixed assets	15.3	Short term borrowings	0.1
Stocks	0.4	Other creditors due within one year	3.7
Debtors	2.0	Loans and other borrowings falling due after more than one year	0.1
Cash and deposits	2.7	Amount due to Anglian Water Services Limited	16.5
	20.4		20.4

29. Ultimate parent company

The Company's ultimate parent company is Anglian Water Plc, which is registered in England, copies of whose accounts may be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE18 6NZ.

Regulatory Information

Regulatory Information

Auditors' Report to the Director General of Water Services

We have audited the financial statements on pages 21 to 27 in accordance with Auditing Standards.

In our opinion the financial statements contain the information for the year to 31 March 1991 required to be published and submitted to you by Anglian Water Services Limited to comply with Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewerage undertaker under the Water Act 1989.

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

- (a) Proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F of the Instrument.
- (b) The information is in agreement with the appointee's accounting records, complies with the requirements of Condition F of the Instrument, and has been properly prepared in accordance with the Contents of Regulatory Accounts guideline issued in March 1991 by the Office of Water Services.
- (c) The financial statements on pages 7 to 18 and pages 21 to 23 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the appointee and its appointed business.
- (d) The supplementary current cost financial information on pages 24 to 27 has been properly prepared in accordance with the Accounting for Current Costs guideline issued in March 1991 by the Office of Water Services.
- (e) The bases used for the allocation and apportionment of revenues, costs, assets and liabilities between:
 - water supply, sewerage and sewage treatment and disposal;
 - the appointed business and any other business or activity of the appointee; and
 - the appointee and any associated company;are as described on pages 22 and 23 and are reasonable.

PRICE WATERHOUSE
Chartered Accountants
Birmingham

10 June 1991

Information required by the Licence

The aggregate profit and loss account for Anglian Water Services Limited is set out in the historical cost accounts on page 7. As required by Licence Condition F a supplementary analysis of the profit and loss account between appointed and non appointed business, and which provides details of operating profit by principal service is set out below. A current cost profit and loss account analysed between appointed and non appointed business and an aggregated balance sheet are shown on page 24. Other current cost disclosures appear on pages 25 to 27.

The regulatory statements are prepared in accordance with guidelines issued by the Director General of Water Services. Under the guidelines, the treatment of certain turnover and expenditure items differs from that disclosed in the statutory accounts.

Profit and loss account for the year ended 31 March 1991

	Appointed Business		Non Appointed Business £m	Total £m
	Water Supply £m	Sewerage Services £m		
TURNOVER				
Measured	57.0	37.2	-	94.2
Unmeasured	116.3	195.4	-	311.7
Trade effluent	-	13.5	-	13.5
Grants	0.3	-	-	0.3
Non tariff basket charges	9.7	4.8	-	14.5
Rechargeable work	10.4	0.1	0.1	10.6
Services charged to associated companies	-	0.1	0.1	0.2
Other	2.4	5.3	0.9	8.6
Total Turnover	196.1	256.4	1.1	453.6

	Appointed Business				Non Appointed Business £m	Total £m
	Water Supply £m	Sewerage £m	Sewage Treatment & Disposal £m	Sewerage Services £m		
EXPENDITURE						
Manpower costs	25.9	4.3	22.8	27.1	0.5	53.5
Other costs of employment	1.8	0.4	1.6	2.0	-	3.8
Power	13.3	1.0	7.7	8.7	-	22.0
Rates	14.2	0.2	8.2	8.4	-	22.8
Service charges	6.3	-	-	-	-	6.3
Local authority sewerage agencies	-	8.8	-	8.8	-	8.8
Materials and consumables	15.9	1.5	9.3	10.8	0.5	27.2
Hired and contracted services	9.3	1.9	12.4	14.3	0.2	23.8
Services sub-contracted from associated companies	14.8	7.1	12.3	19.4	-	34.2
Doubtful debts	1.6	0.8	1.5	2.3	-	3.9
Discounts	0.9	0.4	0.8	1.2	-	2.1
Other costs	3.4	1.0	2.9	3.9	0.2	7.5
	107.4	27.4	79.5	106.9	1.4	215.7
Depreciation	11.2	4.7	17.6	22.3	-	33.5
Infrastructure renewals expenditure	6.3	1.6	0.2	1.8	-	8.1
Infrastructure renewals accrual	25.6	3.0	-	3.0	-	28.6
TOTAL OPERATING COSTS	150.5	36.7	97.3	134.0	1.4	285.9
OPERATING PROFIT	45.6			122.4	(0.3)	167.7
Other income (including interest receivable)						3.7
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST PAYABLE						171.4

Regulatory Information

Notes and additional information required by the Licence

1. Accounting policies

The accounting policies are set out on pages 10 and 11, except that as noted on page 21 certain turnover and expenditure items are treated differently in the regulatory accounts.

2. Statement of assets and liabilities and cash flows

The assets and liabilities of the Company are shown on page 8. Since net operating assets of the non appointed business are less than 1% of those of the appointed business, a statement of assets and liabilities and a source and application of funds have been published only for the Company as a whole.

3. Information in relation to allocations and apportionments between the appointed and any other business or activity of the appointee or associated company

The non appointed businesses relate mainly to recreation, leisure, training and the provision of engineering and plumbing services. A proportion of the operating costs relating to these activities are directly incurred and do not require allocation. The remaining operating costs have been allocated pro rata to the level of sales attributable to the non appointed businesses.

4. Allocations to principal service

- (i) **Operating costs.** The majority of costs are incurred directly by specific service and have not required allocation. Divisional administration costs are allocated pro rata to direct operating costs. Office and managerial costs are allocated according to time spent on each principal service by the staff concerned.

The allocation to principal service of the charge for infrastructure renewals is based on the Asset Management Plan.

- (ii) **Capital costs.** The majority of capital costs, and hence the related depreciation charges, are incurred directly by specific service and have not required allocation.

5. Ring fencing

In the opinion of the Directors, the Company was in compliance with paragraph 31 of Condition K of the Licence throughout the year.

6. Information in respect of transactions with any other business or activity of the appointee or any associated company

To the best of the Directors' knowledge, all appropriate transactions with associated companies have been disclosed in notes (a) to (f) below.

(a) Borrowings or sums lent

Sums lent by the appointee to associated companies

Borrower	Principal Amount £m	Repayment Date	Interest Rate
Graham Carbons Limited	2.2	On demand	-
F. Smith & Son (Grimsby) Limited	0.3	On demand	-
	2.5		

Sums borrowed by the appointee from associated companies

Lender	Principal Amount £m	Repayment Date	Interest Rate
Anglian Water Plc	107.0	Repayable on 366 days notice	5.125%*

*The loan bears interest of 5.125%. However, the value of the capital and interest elements are linked to movements in the Retail Price Index. The increase in the capital value during the year was £70m.

(b) Guarantees/securities

The appointee has guaranteed the following borrowings of Anglian Water Plc:

	Amount £m	Repayment Date	Interest Rate %
Index Linked Loan Stock	107.0	2008	5.125
Fixed Rate Bond	100.0	2014	12.000

(c) Transfers of assets/liabilities

In accordance with an agreement dated 30 September 1989, on 1 April 1990 the Company transferred at book value certain business activities and the related assets and liabilities to its fellow subsidiaries, Anglian Water Engineering and Business Systems Limited and Anglian Water Commercial Developments Limited.

The aggregate value of the net assets transferred by the Company on 1 April 1990 was £16.5m. Details of the activities and assets and liabilities transferred are set out in note 28 to the statutory accounts on page 18.

No other material transfers took place during the year.

(d) Supply of services

Services supplied by the appointee to associated companies:

Nature of Transaction	Company	Value £m	Terms of Supply
Rental of office accommodation	Anglian Water Engineering and Business Systems Limited	1.6	Market rent or allocation of cost
Rental of office accommodation	Anglian Water Plc	0.2	Market rent
Other services	Various	0.2	Market rates
		2.0	

Services supplied to the appointee by associated companies:

Nature of Transaction	Company	Value £m	Terms of Supply
Supply of customer accounting, exchequer and computer services	Anglian Water Engineering and Business Systems Limited	28.6	At cost of supply
Supply of engineering design and project control services	Anglian Water Engineering and Business Systems Limited	15.7	At cost of supply
Management charge	Anglian Water Plc	6.2	Recharge of appropriate costs
Engineering construction and fabrication	Anglian Engineering Services Limited	0.8	Competitive tendering
Engineering construction and fabrication	Anglian Water Commercial Developments Limited	0.6	Competitive tendering
Engineering construction and fabrication	Farm Gas Limited	0.7	Competitive tendering
Other services	Various	0.2	Competitive tendering
		52.7*	

*This total includes amounts of £18.5m which were capitalised by the appointed business.

(e) Omissions of rights

None

(f) Waivers

None

Regulatory Information

	Appointed Business		Non Appointed Business	1991 Total
	Water Supply	Sewerage Services		
	£m	£m	£m	£m
Current cost profit and loss account for the year ended 31 March 1991				
TURNOVER	196.1	256.4	1.1	453.6
HISTORIC COST OPERATING PROFIT	45.6	122.4	(0.3)	167.7
Other income	1.6	2.1	-	3.7
Current cost operating adjustments (note 1d):				
Depreciation	(12.5)	(21.8)	-	(34.3)
Disposal of fixed assets	-	-	-	-
Working capital	2.4	3.1	-	5.5
CURRENT COST OPERATING PROFIT	37.1	105.8	(0.3)	142.6
Interest payable				(18.3)
Financing adjustment (note 1d)				15.1
CURRENT COST PROFIT BEFORE TAXATION				139.4
Taxation				-
NET CURRENT COST PROFIT				139.4
Dividends				(68.8)
CURRENT COST PROFIT RETAINED				70.6

	1991
	£m
Current cost balance sheet at 31 March 1991	
ASSETS EMPLOYED	
Fixed assets:	
Infrastructure assets	8,992.2
Specialised operational assets	1,618.7
Non-specialised operational properties	57.5
Other tangible assets	46.2
	10,714.6
Grants and third party contributions	(78.0)
	10,636.6
Working capital	(116.5)
NET OPERATING ASSETS	10,520.1
Investments	2.7
Non-trade creditors due within one year	(54.4)
Creditors due after one year	(180.2)
NET ASSETS EMPLOYED	10,288.2
FINANCED BY	
Called up share capital	860.0
Current cost reserve	9,341.1
Profit and loss account	87.1
	10,288.2

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

Notes to the Current Cost Financial Statements

Anglian Water Services Limited

1. Accounting Policies

(a) General

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

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

(b) Tangible fixed assets

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

Land and buildings

Non-specialised operational properties were valued on the basis of open market value for existing use at 31 March 1990 and have been expressed in real terms by indexing using the Retail Price Index (RPI) since that date.

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

Infrastructure assets

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

A process of continuing refinement of asset records is expected to produce adjustments to existing values when periodic reviews of the AMP take place. In intervening years, values are restated to take account of changes in the general level of inflation, as measured by changes in the RPI over the year.

Other fixed assets

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

Surplus land

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

Notes to the current cost financial statements

(c) Grants and other third party contributions

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

(d) Real Financial Capital Maintenance adjustments

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

Depreciation adjustment – this is the difference between depreciation based on the current cost value of assets in these accounts and depreciation charged in arriving at historical cost profit.

Disposal of fixed assets adjustment – the difference between the values of realised assets in these current cost accounts and in the historical cost accounts.

Working capital adjustment – this is calculated by applying the change in the RPI over the year to the opening total of trade debtors and stock less trade creditors.

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

2. (a) Fixed assets by service

	Water Supply £m	Sewerage £m	Sewage Treatment & Disposal £m	Total £m
Gross replacement cost				
At 31 March 1990	1,813.4	2,134.4	1,630.8	5,578.6
AMP/SIR adjustment	1,631.1	3,782.6	(82.8)	5,330.9
RPI adjustment	283.7	487.4	127.5	898.6
Disposals	(13.2)	(6.4)	(11.3)	(30.9)
Additions	77.0	87.5	100.4	264.9
At 31 March 1991	3,792.0	6,485.5	1,764.6	12,042.1
Depreciation				
At 31 March 1990	361.9	114.3	624.3	1,100.5
SIR adjustment	75.1	58.8	(56.7)	77.2
RPI adjustment	36.0	14.3	46.7	97.0
Disposals	(6.4)	(3.2)	(5.4)	(15.0)
Charge for year	23.7	9.9	34.2	67.8
At 31 March 1991	490.3	194.1	643.1	1,327.5
Net book amount at 31 March 1991	3,301.7	6,291.4	1,121.5	10,714.6

2. (b) Fixed assets by type

	Specialised Operational Assets £m	Non- Specialised Operational Properties £m	Infra- structure Assets £m	Other Tangible Assets £m	Total £m
Gross replacement cost					
At 31 March 1990	2,488.6	87.0	2,920.0	83.0	5,578.6
AMP/SIR adjustment	64.1	(33.7)	5,288.4	12.1	5,330.9
RPI adjustment	210.3	4.4	676.1	7.8	898.6
Disposals	(0.2)	-	-	(30.7)	(30.9)
Additions	136.9	2.5	107.7	17.8	264.9
At 31 March 1991	2,899.7	60.2	8,992.2	90.0	12,042.1
Depreciation					
At 31 March 1990	1,036.5	18.0	-	46.0	1,100.5
SIR adjustment	95.5	(16.1)	-	(2.2)	77.2
RPI adjustment	93.2	0.2	-	3.6	97.0
Disposals	(0.2)	-	-	(14.8)	(15.0)
Charge for year	56.0	0.6	-	11.2	67.8
At 31 March 1991	1,281.0	2.7	-	43.8	1,327.5
Net book amount at 31 March 1991	1,618.7	57.5	8,992.2	46.2	10,714.6

2. (c) Net book values of fixed assets by service and by type

	Specialised Operational Assets £m	Non- Specialised Operational Properties £m	Infra- structure Assets £m	Other Tangible Assets £m	Total £m
Water supply	539.3	28.6	2,713.9	19.9	3,301.7
Sewerage	232.8	9.7	6,039.2	9.7	6,291.4
Sewerage treatment and disposal	846.6	19.2	239.1	16.6	1,121.5
	1,618.7	57.5	8,992.2	46.2	10,714.6

The analyses of fixed assets in notes 2 (a), (b) and (c) include those of the non appointed business. These are not sufficiently material to warrant separate disclosure.