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## FINANCIAL HIGHLIGHTS

	Actual	Prospectus forecast
Turnover	£147.8m	-
Profit before tax	£27.0m	£25.0m
Pro forma profit before tax	£56.5m	£54.5m
Pro forma earnings per share	50.0p	48.1p
Dividend per share	10.14p	10.14p
Capital expenditure	£9.5m	-



## CHAIRMAN'S STATEMENT

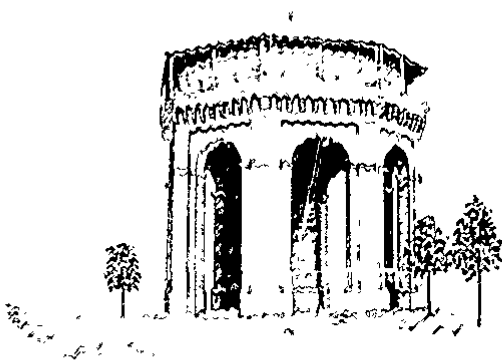
**T**HE successful privatisation and flotation of Wessex Water would not have been achieved without the hard work and skill of everyone in the group. Thanks are due to all our employees. Our customers and shareholders are served by an excellent management team.

I am pleased to welcome all our new shareholders. Wessex Water has a broad shareholder structure including financial institutions, over 80 per cent of Wessex staff and nearly 60,000 customers.

The financial year to 31 March 1990 was a good one for Wessex. Turnover for the year was £147.8m, and profit before tax £27m. This was eight per cent above the forecast made at the time of the flotation last November. The increase came from higher turnover and successful control of operating and capital costs. Pro forma earnings per share were 50.0p against a forecast of 48.1p.

In line with the prospectus forecast, the directors recommend a dividend of 10.14p per share. The dividend will be paid on 1 October 1990 to all shareholders on the register on 23 July 1990.

During the year, we improved our already high standards of service to customers. We made significant improvements to pollution control and environmental protection. We strengthened control of the business by combining the operating management of Wessex Water into one regional structure. This reduced the numbers employed in the core business and released management to work in new ventures like the joint company Wessex Water has formed with



*Water tower,  
Dorchester,  
Dorset*

Wimpey Construction Ltd. Following restructuring, we introduced profit related reward for all senior managers.

Wessex Water has spent over £300m in the past five years on capital projects to protect the environment and improve service to customers. The board is determined the company and customers continue to get real benefit for the money Wessex Water spends. Projects have to be completed on time, to performance standards and within budget. The Wessex long term capital expenditure programme has continued on target. Last year a further £95m was spent on over 1,350 projects. Efficiency of design and tight financial controls resulted in the cost of projects being some four per cent below that originally budgeted.

Overall standards of water supply and waste water treatment in the United Kingdom are higher than in most of Europe, and standards in Wessex are among the best in the UK. But we are not complacent. We are constantly looking for ways to provide even better customer service and to care for the environment by increased attention to conservation and improved pollution treatment.

Wessex Water is fortunate because we can supply our customers with high quality water throughout the driest periods. Last summer we placed no restrictions on the use of water and I expect no restrictions this year.

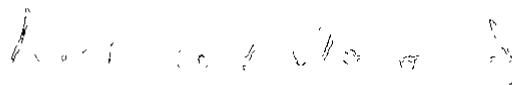
On 1 September 1989 Wessex Water became a Plc, wholly owned by the Government, and 351 Wessex staff left to form the Wessex region of the National Rivers Authority (NRA). We wish them well.

Also on 1 September 1989 four Wessex Water directors left the board. I am happy to thank The Lady Digby, Major John Mills OBE, Kenneth Roberts CBE and Ralph Baker for their long and valuable contributions.

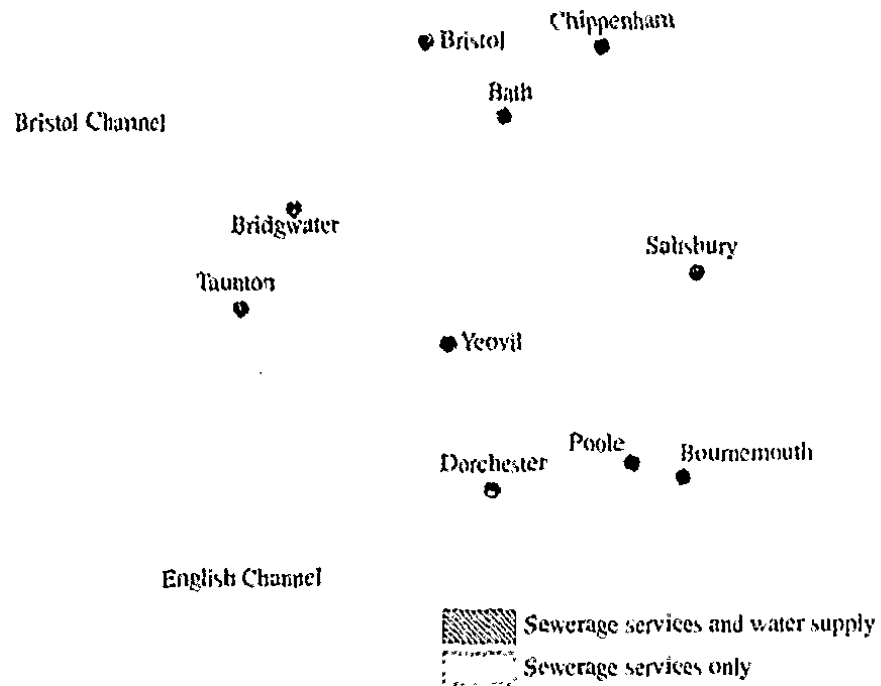
One result of privatisation is stronger independent regulation of the industry than ever before; this is good. Our principal regulators - the Director General of Water Services and his team and the NRA - have a most important part to play within the water industry.

It was right for Wessex Water to be privatised. With strong management and with financial resources under tight control we shall take full advantage of the opportunities. We shall build on the success we already have by using known skills and not wandering into adventures we do not understand.

We have responsibilities: to our customers, employees and the environment within our care. Equally we are committed to providing our shareholders with a progressive and rewarding return on their investment. The board will honour these responsibilities. I view the future with considerable confidence as we get on with the job without interference but with fair - and now independent - regulation.



C Hartman



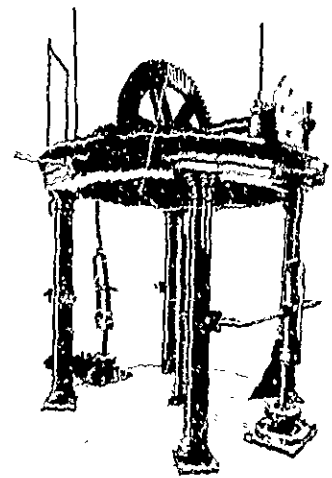
#### WILTSEX WATER:

- Covers an area of 10,000 square km, including all of Avon, most of Dorset and Somerset and parts of Wiltshire, Gloucestershire and Hampshire.
- Supplies water to over one million customers by 10,000km of water mains.
- Draws over 70 per cent of water supplies from natural underground aquifers, mostly pumped from wells and boreholes. The remainder comes from rivers and reservoirs.
- Achieves high standards ~ last year 99.7 per cent of water samples complied with European Commission directive.
- Provides sewerage services to around 2.5 million customers by a sewerage network of 13,000km.
- Operates over 1,000 sewage pumping stations and 359 sewage treatment works ~ 97 per cent compliance with consent standards.
- Includes 38 designated bathing waters ~ 31 complied with EC directive.
- Is growing into new businesses including plumbing, engineering, construction and cytology.
- Spent £95m in 1989-90 on over 1,350 new projects to improve services.

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1989

April	Wessex Water Plc incorporated. Water metering trials start in Poole, Dorset.
May	Beginning of drought.
July	Water Act 1989 receives Royal Assent. Opening of water storage and treatment works at Blashford Lakes, Dorset.
August	Marine treatment scheme completed at Charmouth, Dorset.
September	Vesting Day: Water supply and sewerage services of Wessex Water Authority transferred to Wessex Water Services Ltd. Environmental regulatory functions transferred to National Rivers Authority. £450m revolving credit facility signed. Opening of Water History Museum at Sutton Poyntz, Dorset.
October	Marine treatment scheme inaugurated at Minehead, Somerset.
November	Impact Day: Wessex Water Plc share price is announced at 240p fully paid. Wessex Water Plc receives British Quality Association award for customer service.
December	Flotation - first day of trading on Stock Exchange. Wessex Water Plc shares 4.3 times over-subscribed in total; public offer eight times over-subscribed. 97 per cent of qualifying Wessex Water employees became shareholders. End of driest seven months since records began. Water main link completed from East to West Dorset.



*Water pump at  
Water History Museum,  
Sutton Poyntz, Dorset*

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1990

January	Wessex Water Plc receives RIBA award for design of pumping station, Chilton, Wiltshire. Wessex Cytocare established for cancer screening. Severe storms disrupt power supplies.
February	Joint company Wimpey Wessex Water Ltd formed with Wimpey Construction Ltd. Severe storms cause widespread flooding.
March	Start of northern interceptor tunnel, Avon Gorge, Bristol, one of the largest tunnelling projects in Europe.

# WESSEX WATER SERVICES REPORT

LAST year we had the driest summer and autumn ever recorded, the wettest February, severe gales, interruption to power supplies and the company was privatised. It is a tribute to the hard work and dedication of our employees that there were no restrictions on water use; services were maintained without any serious disruption and we achieved the highest ever quality standards.

## THE BUSINESS

The core business of supplying clean water and disposing of waste water will be the largest part of Wessex for the foreseeable future. Working within the new regulatory framework we shall ensure that quality and service standards are maintained and, where appropriate, improved. Last year we made further progress in raising standards and improving efficiency.

Privatisation has given us opportunities to develop into new areas of business at home and overseas. Our development strategy is based on three principles:

- stick to things we know about,
- build on existing strengths and expertise,
- develop high quality businesses that enhance our reputation.

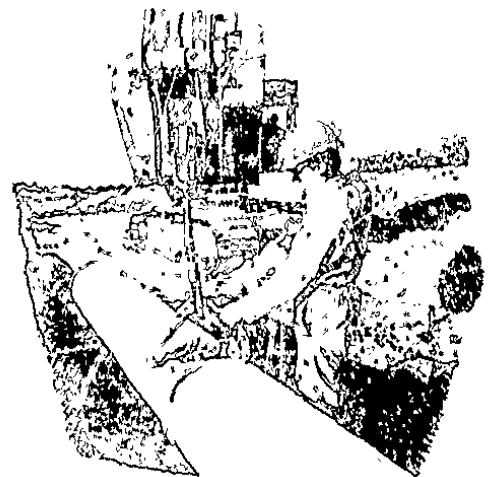
We recognise the importance of strong management. The organisation of the company provides separate dedicated management for the core business and for each new commercial initiative. A development group allows new opportunities to be evaluated and tested without interfering with existing operations.

The operational services subsidiary company, which runs the core business, has been restructured. Divisional tiers of management have been removed and local area management strengthened. The new leaner structure creates business units clearly accountable for achieving financial and operational targets. By linking pay to achievement of targets all our employees will become involved in improving and growing the business. An additional benefit of restructuring has been the release of experienced staff into new business areas.

New financial systems have been introduced to meet private sector needs and improve control. Management information has been greatly improved by the introduction of a computer-based information system.

## MEETING STANDARDS

Standards in Wessex are among the best in the UK. Even so, there is still much to do to achieve the even higher standards now being required of us. Last year our main achievements were:



*Water treatment works*

### *Water supply*

In spite of a severe drought there were no restrictions on water use. Work was completed on a major new resource at Blashford Lakes near Poole to meet the growing needs of South East Dorset. During the year over 160km of new mains were laid to reinforce the regional supply grid and improve flexibility.

The 5,200 samples taken from the distribution system showed 99.7 per cent compliance with the European Commission drinking water directive. The main reason for non-compliance was iron in water, particularly in parts of Somerset where old iron mains are corroding. Iron is not a hazard to health but can be a nuisance to customers. A programme has begun to replace or re-line 300km of mains over the next five years. Levels of unaccounted for water within Wessex are among the lowest in the UK. A continuing programme aims to keep the level at the economic minimum.

### *Sewerage*

The severe storms in January and February highlighted a number of deficiencies in the sewerage system, particularly where high levels of river and ground water entered sewers and caused flooding. Work continues to prepare drainage area plans for all cities and towns. These plans identify physical defects in the system and use mathematical models to find hydraulic deficiencies. From the models the most cost effective solutions are determined.

In Bristol, work started on a 6km interceptor sewer, 3.5m in diameter, which will reduce flooding and pollution in the city. This is one of the largest tunnelling projects in Europe.

### *Sewage treatment*

Wessex operates 359 works treating domestic and industrial waste water. Last year we achieved 97 per cent compliance with discharge consents. Major capital schemes were carried out at 35 works to improve reliability and quality of effluent.

*Bathing  
water  
standard  
improved*

### *Bathing waters*

There are 38 European Commission designated bathing waters around the Wessex coast. Last year 31 complied with the bacterial standards set by the directive. New treatment and disposal schemes were completed at Minehead and Charmouth and work started at Weston-Super-Mare and Portishead. The EC is proposing a new waste water directive which will require additional treatment for waste discharged to sea. In all recent schemes we have allowed for additional treatment and, when the requirements of the directive are clear, work will begin to install the extra plant.



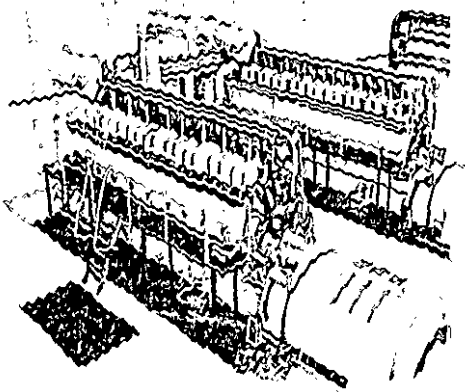


### *Treatment and disposal of sewage sludge*

Sludge produced as a by-product of sewage treatment is either used on agricultural land (69 per cent), disposed to sea (23 per cent), or used on landfill sites (8 per cent). Last year all of the sludge produced in the Wessex region was disposed of in accordance with government guidelines.

Although regular monitoring shows no evidence that sludge disposed to sea by Wessex causes any harm to the marine environment, the government decision to phase out sea disposal means an alternative method will have to be found. Work is under way to find the most environmentally acceptable alternative.

Methane gas produced by sludge treatment is already a source of energy for several of our treatment plants, with surplus electricity being sold to the national grid.



*Generating  
electricity  
from sewage  
sludge gas*

million litres of waste water was treated every day.

Demand for water in the Wessex region is growing at around two per cent each year. New resources require sensitive development to avoid environmental damage. A good example of what can be achieved is the new Blashford Lakes source which was commissioned during the year. Disused gravel workings have been deepened to provide water storage. Careful planning and design has produced considerable environmental improvement, meeting the needs of both conservation and recreation.

Wessex has its own conservation officer to ensure that new schemes are subject to environmental impact assessment. The help of local conservation groups in carrying out this work is invaluable.

An environment committee, headed by scientist Sir Richard Doll, has been set up to help us provide positive action on environmental issues.

### **CUSTOMER SERVICES**

We recognise that we are in a privileged position because our customers cannot obtain their services elsewhere. On average a customer only contacts us with an enquiry or problem once every five years – when they do, our customer service systems help ensure a rapid, effective response. Customer services are being re-organised and when complete there will be a single telephone number for all customer contacts, charged at a local call rate.

The Director General of Water Services has recently appointed a customer service committee in all the water regions. We look forward to working constructively with the Wessex committee. We are well placed to meet the requirements of the new Customer Charter, introduced to safeguard the interests of our customers.

In November we became the first utility to be highly commended in the annual awards of the British Quality Association. The commendation was: "For their achievement in utilising modern technology to provide an excellent quality of service to the customer and for their commitment to high standards of performance".

### ASSET CONDITION

As part of the preparation for privatisation, a complete survey was made of overground assets and a statistical survey of underground assets. As a result we know more about the condition of our assets than ever before.

A 20 year asset management plan has been produced setting out the work that will have to be done to maintain and, where necessary, improve systems to meet the required standards.

Achieving the asset management plan as cost effectively as possible is vital to the future success of the business. We have revised our capital control procedures and increased the in-house design teams so that almost all of our capital expenditure can be managed in-house without the need for expensive outside resources. The staff and systems now in place will enable us to take full benefit of standardisation, computer aided techniques and use of local contractors. I am confident that this will provide the most cost effective solutions.

### GROWING THE BUSINESS

Development of new business has shown steady progress. Our plumbing service division, Wessex Watercare, now operates across the whole region and in neighbouring areas. The construction division has been increasingly successful in gaining outside contracts. In January we started a cytology unit as part of the development of our laboratory services. Overseas work has increased - during the year Wessex worked in 10 countries.

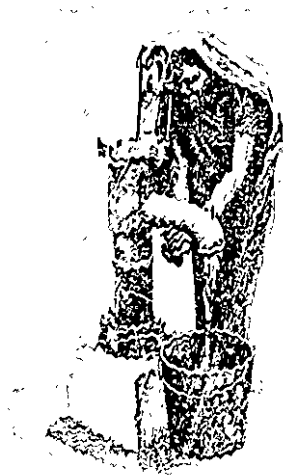
A new joint company, Wimpey Wessex Water Ltd, was launched in February 1990. This company brings together our process design and operational skills with Wimpey's international contracting expertise to provide a total capability for water and wastewater work worldwide.

### EMPLOYEES

The number of employees has increased as the business has grown and the use of external consultants has decreased. On a like-for-like basis the underlying trend in core business employees shows a continuing reduction due to improved efficiency.

The withdrawal from national negotiations of pay and conditions gives us much greater freedom to install more flexible employment packages that will

attract and retain good staff. Individual contracts of employment have been introduced for senior managers, all with a significant element of performance related reward. New negotiating arrangements have been agreed for all other employees. Good industrial relations have been maintained throughout the considerable changes of the last year. Good employee communication is essential and much management effort is devoted to improving communications. Our monthly team briefing system provides a regular forum for keeping staff informed.



*WaterAid helps underdeveloped countries*

### WORKING IN THE COMMUNITY

During the last year many staff have taken part in presentations and talks to a wide range of groups across the region. Work with schools and open days help us to explain the water and sewage business to our customers and future customers.

We have sponsored a number of water-related and environmental improvement projects within the Wessex region. A number of employees give time to help community projects and charities. A record £82,200 was raised for WaterAid, the industry's charity that supports underdeveloped countries.

### RESEARCH AND DEVELOPMENT

Our research and development effort has been focused on two main areas – solving operational problems within Wessex and working on a small number of specific projects with commercial potential. We are moving away from general research to targeted projects, either in-house or through universities.

### PAYING FOR WATER SERVICES

The government has given the water industry until the year 2000 to find an alternative to rateable value based charges for domestic customers. The main options are general metering or some form of licence fee. Metering trials are being carried out in the Wessex region and we are actively investigating alternative charging systems. The Director General of Water Services will issue a consultation paper later this year.

Water services are good value for money. For about 7p per person per day Wessex supplies clean drinking water and for a further 9p takes away and cleans dirty water. For the cost of one bottle of mineral water our customers can have the equivalent of 1,400 bottles of Wessex water – delivered to the tap!

We will continue to strive for higher standards, for better services and lower costs giving good value to customers and good returns to shareholders.

Colin Skellett  
Group managing director

# DIRECTORS AND ADVISERS

## EXECUTIVE DIRECTORS

W N Hood ~ Chairman  
C F Skellett ~ Group managing director  
R Huntington ~ Director of engineering and operations  
N A W Wheatley ~ Group finance director

## NON EXECUTIVE DIRECTORS

D N A McLure ~ Deputy chairman  
Dr A K Barbour OBE  
R D Kent  
A R Thornhill QC

*Company secretary*  
A F Crofts

*Auditors*  
Coopers & Lybrand Deloitte

*Legal advisers*  
Linklaters and Paines

*Bankers and financial advisers*  
Barclays Bank Plc  
Manufacturers Hanover Ltd  
S G Warburg & Co Ltd

*Stockbrokers*  
Panmure Gordon & Co Ltd

*Registrars*  
National Westminster Bank Plc

# DIRECTORS' REPORT

The directors have pleasure in submitting their report and audited accounts for the year to 31 March 1990.

## PRINCIPAL ACTIVITIES

The main activities of Wessex Water Plc and its subsidiaries are water supply, sewerage, sewage treatment and disposal, plumbing services and construction.

On 1 September 1989 the functions of Wessex Water Authority relating to water supply and sewerage services and the majority of the property, rights and liabilities were transferred to Wessex Water Services Ltd, a wholly owned subsidiary of the company.

A review of the business and an indication of future developments are given in the chairman's statement and the managing director's review on pages 2 to 10.

## PROFIT AND DIVIDEND

Group profit for the year after taxation and extraordinary items amounted to £19.3m. The directors recommend a dividend of 10.14p per ordinary share, amounting to £10.4m. If approved, the dividend will be paid on 1 October 1990 to members on the register on 23 July 1990.

The amount to be transferred to reserves is £8.9m.

## SUBSTANTIAL SHAREHOLDINGS

6,156,000 ordinary shares are registered in the name of Lyonnaisse UK Plc. The company has not been notified of any other interest in three per cent or more of the issued ordinary share capital of the company.

## TAXATION

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

## FIXED ASSETS

Changes in fixed assets during the year are shown in note 11 to the accounts.

The market value, on an existing use basis, of the group's major non-specialised operational properties was assessed at some £13m by independent valuers in connection with the issue of shares in November 1989. This amount represents approximately £9m in excess of the net book value at 31 March 1990. There is no current intention to dispose of these properties.

## DIRECTORS

The names of the directors are set out on page 11. All the directors were members of Wessex Water Authority and were appointed to the board of Wessex Water Plc in September 1989. The first directors of the company were J A L Gurn and A D Whetball - nominees of the Secretary of State for the Environment, who were appointed on 1 April 1989 and resigned on 31 August 1989.

In accordance with Article 106 of the Company's Articles of Association, D N A McLure and R Huntington will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. R Huntington has a service contract which is subject to termination on three years' notice.

The interests of the directors in the shares of the company at 31 March 1990 were as follows:-

Beneficial interests	Ordinary shares	Share options	
		Sharesave	Executive
W N Hood	33,110	7,159	69,014
C F Skellett	4,000	7,159	70,422
R Huntington	4,360	-	52,817
N A W Wheatley	5,000	4,090	52,817
D N A McLure	10,000	-	-
Dr A K Barbour OBE	800	-	-
R D Kenr	5,980	-	-
A R Thornhill QC	2,000	-	-

The options to purchase fully paid ordinary shares were granted under the Wessex Water Sharesave Scheme and the Wessex Water Executive Share Option Scheme, which are described in note 18 to the accounts.

W N Hood and C F Skellett are directors of Wessex Water Trustee Company Ltd which holds 356,129 shares on behalf of employees of the company.

When appointed, none of the directors had any interest in the shares of the company or its subsidiaries.

## SECRETARY

A F Crofts was appointed company secretary on 1 September 1989.

## DONATIONS

During the year, £9,000 was donated to United Kingdom charities and £62,000 was given by way of sponsorship to local, environmental and water related activities. No political donations were made.

## EMPLOYMENT POLICIES

### *Recruitment*

Wessex Water offers equal opportunities to all applicants for employment, whatever their sex, race, religion or marital status. Employment policies are under review and will take into account our future ability to attract and retain staff.

## DIRECTORS' REPORT *continued*

It is Wessex Water's policy that disabled persons shall be considered for employment, training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees.

### *Communication*

A high priority is given to employee communications which include a team briefing system, newsletters, house journal, conferences and meetings.

The flotation of the company provided a major theme of consultation with trade unions and the workforce throughout the year. Within the general programme a major communications exercise was mounted on the opportunities for employees to secure shares in the company.

### *Health and safety*

Regular health and safety meetings are held at operational and regional level. During the year the health and safety constitution has been revised to reflect the changes in organisation structure.

## AUDITORS

Coopers and Lybrand were appointed by the directors as the first auditors of the company on 1 September 1989. Coopers & Lybrand have merged their practice with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed the auditors' report in their new name. A resolution to re-appoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

## ANNUAL GENERAL MEETING

The notice of the company's first annual general meeting, which is to be held on Tuesday 18 September 1990 at 11am in the Showering Pavilion, Royal Bath and West Showground, Shepton Mallet, Somerset, appears on pages 34 to 36 together with explanatory notes on the resolutions.

By order of the board  
A F Crofts  
Company secretary  
2 July 1990



# AUDITORS' REPORT

Report of the auditors to the members of Wessex Water Plc.

We have audited the accounts set out on pages 16 to 32 in accordance with Auditing Standards.

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

Coopers & Lybrand Deloitte  
Chartered Accountants  
BRISTOL  
2 July 1990



# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR TO 31 MARCH 1990

	Note	1990 £m	1989 £m
Turnover	1	147.8	130.8
Operating profit	2	44.5	53.9
Net interest payable	3	17.5	29.8
Profit on ordinary activities before taxation		27.0	24.1
Taxation on profit on ordinary activities	4	3.5	-
Profit on ordinary activities after taxation		23.5	24.1
Extraordinary items	5	4.2	1.0
Profit for the financial year attributable to shareholders		19.3	23.1
Dividend	6	10.4	-
Profit for the financial year retained in the business	19	8.9	23.1
Pro forma earnings per ordinary share	7	50.0p	-

The notes on pages 20 to 31 form part of these accounts.  
The movements on reserves are shown in note 19 on page 30.

WISSEX WATER PLC

Report of the auditors to the members of  
WESSEX WATER PLC

We have audited the accounts set out on pages 1/6 to 3/1 in accordance with Auditing Standards.

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

*Campbell & Lybman Deloitte*

Chartered Accountants  
BRISTOL, 2 Feb 1990

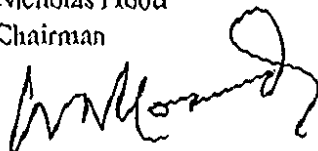
# CONSOLIDATED BALANCE SHEET

AT 31 MARCH 1990

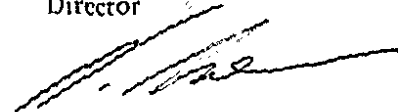
	Note	1990		1989	
		£m	£m	£m	£m
<b>Fixed assets</b>					
Tangible assets	11	556.9		485.8	
<hr/>					
<b>Current assets</b>					
Stock and work in progress	13	4.9		2.7	
Debtors	14	22.7		18.0	
Short term cash investments		43.3		30.0	
		<hr/>		<hr/>	
		70.9		50.7	
<b>Current liabilities</b>					
Creditors - amounts falling due within one year	15	61.9		97.1	
		<hr/>		<hr/>	
Net current assets (liabilities)		9.0		(46.4)	
		<hr/>		<hr/>	
Total assets less current liabilities		565.9		439.4	
Creditors - amounts falling due after more than one year	16	0.9		281.3	
Provisions for liabilities and charges	17	6.5		-	
		<hr/>		<hr/>	
		558.5		158.1	
<b>Capital and reserves</b>					
Called up share capital	18	102.6		-	
Share premium account	19	0.6		-	
Profit and loss account	19	455.3		158.1	
		<hr/>		<hr/>	
		558.5		158.1	

These accounts were approved by the board of directors on 2 July 1990.

Nicholas Hood  
Chairman



N A W Wheatley  
Director



The notes on pages 20 to 31 form part of these accounts.

WISSEX WATER PLC

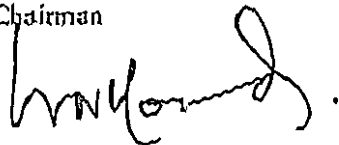
# COMPANY BALANCE SHEET

31 DECEMBER 1990

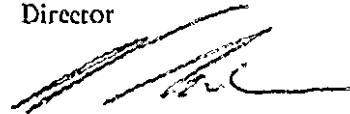
	Note	1990	
		£m	£m
Fixed assets			
Investments	12		81.4
<hr/>			
Current assets			
Debtors	14	14.7	
Short term cash investments		43.4	
<hr/>			
			58.1
Current liabilities			
Creditors ~ amounts falling due within one year	15	14.5	
<hr/>			
Net current assets			43.6
<hr/>			
			<u>125.0</u>
Capital and reserves			
Called up share capital	18		102.6
Share premium account	19		0.6
Profit and loss account	19		21.8
<hr/>			
			<u>125.0</u>

These accounts were approved by the board of directors on 2 July 1990.

Nicholas Hood  
Chairman



N A W Wheatley  
Director



The notes on pages 20 to 31 form part of these accounts.

WISSEN WALTER PL

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1990

	1990	1989
	£m	£m
<b>Source of funds</b>		
Profit on ordinary activities before taxation	27.0	24.1
Items not involving the movement of funds:		
Depreciation	15.2	12.7
Infrastructure maintenance provision	0.5	-
Disposal of fixed assets	1.0	-
<hr/>		
Funds generated from operations	49.7	36.8
Connection charges and grants	0.3	4.8
Proceeds from the sale of fixed assets	1.3	0.2
<hr/>		
Total source of funds	57.3	41.8
<hr/>		
<b>Application of funds</b>		
Capital expenditure	(94.9)	(67.7)
Extraordinary items	(4.2)	(1.0)
Other	(0.2)	0.2
<hr/>		
	(99.3)	(68.5)
(Increase) decrease in working capital:		
Stocks and work in progress	(2.2)	(0.2)
Debtors	(4.7)	0.5
Creditors	4.2	0.2
<hr/>		
Total application of funds	(102.0)	(68.0)
<hr/>		
Operating cash flow	(44.7)	(26.2)
<hr/>		
<b>Capital and loan movements</b>		
Ordinary shares issued	81.3	-
Movements on loans	2.5	51.5
NRA restructuring costs	(1.0)	-
<hr/>		
Increase in cash resources	33.1	25.3
<hr/>		
<b>Represented by</b>		
Decrease (increase) in short term borrowings	19.8	(4.7)
Increase in short term cash investments	13.3	30.0
<hr/>		
	33.1	25.3

The notes on pages 20 to 31 form part of these accounts.

WISSEX WATER PLC

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1990

## ACCOUNTING POLICIES

### a. Basis of preparation

Wessex Water Plc (the company) was formed as a public limited company on 1 April 1989. On 1 September 1989, it acquired the entire issued share capital of Wessex Water Services Limited, a company formed to continue the business of Wessex Water Authority (the Authority), other than the part of the business which was vested in the National Rivers Authority (NRA). On 1 September 1989, in accordance with a transfer scheme made under Schedule 2 of the Water Act 1989, the property, rights and liabilities of the Authority, other than those applicable to the NRA, were vested in Wessex Water Services Limited. However, for statutory accounts purposes, all the property, rights and liabilities to which the Authority was entitled or subject, other than those applicable to the NRA, immediately before the end of the Authority's last financial year are to be treated as having vested in Wessex Water Services Limited immediately after the end of that year. Accordingly, the accounts of Wessex Water Services Limited which are consolidated in the Group accounts, based on the accounting policies set out below, are presented for the financial year from 1 April 1989 to 31 March 1990. Comparative figures are included in respect of Wessex Water Services Limited after adjustment in respect of property, rights and liabilities vested in the NRA.

The accounts have been prepared under the historic cost convention.

### b. Basis of consolidation

The Group accounts include the accounts of the company and its subsidiaries to 31 March 1990. As permitted by the Companies Act 1985 a profit and loss account for Wessex Water Plc is not presented.

### c. Turnover

Turnover represents income receivable in the ordinary course of business, excluding VAT, for services provided to external customers.

### d. Tangible fixed assets and depreciation

Tangible fixed assets comprise infrastructure assets and other assets.

#### (i) Infrastructure assets

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls.

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

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.

#### (ii) Other assets

Other assets, which include properties, plant and equipment, are shown at cost, less accumulated depreciation. Additions are included at cost, after deducting connection charges and grants.

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

Specialised operational properties and structures	15 - 80 years
Non-specialised operational properties	60 years
Plant machinery and vehicles	3 - 30 years
Other	7 - 15 years

WESSEX WATER PLC

*e. 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 charge being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the outstanding obligations. The assets are depreciated over the shorter of their estimated useful lives and the period of the lease.

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

*f. Investments*

Investments held as fixed assets are stated at cost, less any provisions for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

*g. 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 attributable overheads.

*h. Foreign currency*

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the dates of the transactions. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date.

*i. Research and development*

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

*j. Taxation*

The charge for taxation is based on the profit for the period as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to apply when the liability or asset crystallises.

*k. Pensions*

The cost of providing pension benefits is charged to the profit and loss account on a basis designed to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated either as provisions or prepayments in the balance sheet.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 1990

	Group	
	1990	1989
<b>1. TURNOVER</b>	<b>£m</b>	<b>£m</b>
Analysis by class of business:		
Water supply	47.2	42.1
Sewerage services	94.9	86.5
Other trading activities	5.7	2.2
	<b>147.8</b>	<b>130.8</b>

<b>2. OPERATING PROFIT</b>	<b>1990</b>	<b>1989</b>
a. Analysis by class of business:	<b>£m</b>	<b>£m</b>
Water supply	8.3	13.6
Sewerage services	35.9	40.1
Other trading activities	0.3	0.2
	<b>44.5</b>	<b>53.9</b>

Operating profit by class of business is stated after charging direct costs to the appropriate class of business and allocating indirect costs in proportion to turnover.

In the opinion of the directors the apportionment of interest costs by class of business would not be meaningful.

b. Operating profit is shown after charging the following operating costs:	<b>1990</b>	<b>1989</b>
	<b>£m</b>	<b>£m</b>
Materials and consumables	16.9	12.8
Other external charges	26.0	21.1
Manpower costs (note 8)	23.6	19.2
Depreciation	15.2	12.7
Infrastructure renewals expenditure	11.6	6.8
Other operating charges	6.5	3.3
Disposal of fixed assets	1.0	-
Exceptional items:		
Redundancy and rationalisation	1.7	1.0
Banking arrangement fees	0.8	-
Operating costs	<b>103.3</b>	<b>76.9</b>

c. Operating costs include:	<b>1990</b>	<b>1989</b>
Operating leases:	<b>£m</b>	<b>£m</b>
Plant and machinery	0.7	0.7
Other operating leases	0.4	0.5
Research and development	0.9	0.9
Directors' remuneration (note 9)	0.3	0.2
Auditors' remuneration	0.1	0.1

Care should be taken in drawing conclusions from a comparison of the operating costs between the two years because of changes which have taken place during the year to 31 March 1990 in the regulatory environment and the costs associated with Plc status.



**7. PRO FORMA EARNINGS PER ORDINARY SHARE**

The pro forma earnings per ordinary share has been calculated on the basis of a pro forma profit after taxation of £53.3m and by reference to 102,601,000 ordinary shares which have been assumed to be in issue throughout the year.

The pro forma profit after taxation has been calculated by making the following adjustments to the profit on ordinary activities after taxation of £23.5m.

- (i) plus £29.5m in respect of interest on the basis that the new capital structure had been in place since 1 April 1989; and
- (ii) less £1.7m in respect of advanced corporation tax on the difference between the proposed dividend for the year to 31 March 1990 and the notional dividend which the directors consider they would have recommended if the new capital structure had been in place since 1 April 1989.

	Group	
	1990	1989
<b>8. EMPLOYEE INFORMATION</b>	£m	£m
<i>a.</i> Total employment costs of the Group were:		
Wages and salaries	23.7	18.7
Social security costs	1.8	1.6
Other pension costs	3.0	2.6
	28.5	22.9
 <i>b.</i> Total employment costs are charged as follows:	1990	1989
	£m	£m
Capital schemes	4.5	3.3
Infrastructure renewals expenditure	0.4	0.4
Manpower costs	23.6	19.2
	28.5	22.9
 <i>c.</i> The average number of employees during the financial year was as follows:	1990	1989
Craft and manual	576	594
Management and staff	1,063	962
	1,639	1,556
 <i>d.</i> The remuneration, excluding pension contributions, of senior employees of the Group, other than directors of the company, for the year to 31 March 1990 were within the following ranges:		
£	1990	1989
30,001 ~ 35,000	21	5
35,001 ~ 40,000	4	1
40,001 ~ 45,000	3	-
45,001 ~ 50,000	3	-
50,001 ~ 55,000	3	-

## 9. DIRECTORS' REMUNERATION

The directors of the company were appointed with effect from 1 September 1989. Remuneration shown below is in respect of the period since their appointment. Prior to that date, all of the directors served as members of the Wessex Water Authority. Also set out below is the remuneration of the members of the Wessex Water Authority for the period from 1 April 1989 to 31 August 1989. These figures include four members of the authority who were not appointed directors of the company.

Two directors of the company who served from 1 April 1989 to 31 August 1989 did not receive remuneration in respect of their service to the company and are not included in the figures set out below.

Of the company: (1 September 1989 to 31 March 1990)	1990 £000	
Total remuneration including pension contributions:		
As directors	16	
For management services	190	
	<u>206</u>	
The remuneration, excluding pension contribution, was:		
Chairman	37	
Highest paid director	<u>56</u>	
Other directors within the following ranges:		
£		
0 - 5,000	2	
5,001 - 10,000	2	
35,001 - 40,000	2	
Of the Authority: (1 April 1989 to 31 August 1989)	1990 £000	1989 £000
Total remuneration excluding pension contributions	<u>119</u>	<u>156</u>
Chairman	18	43
Highest paid member	<u>31</u>	<u>43</u>
Other members within the following ranges:	1990	1989
£		
0 - 5,000	7	4
5,001 - 10,000	1	7
15,001 - 20,000	1	-
20,001 - 25,000	1	1
25,001 - 30,000	-	1

#### 10. TRANSACTIONS WITH DIRECTORS AND OFFICERS

There were no transactions or arrangements with directors and officers which require disclosure under the provisions of the Companies Act 1985.

#### 11. TANGIBLE FIXED ASSETS

	Specialised operational properties and structures £m	Non specialised operational properties £m	Infra- structure assets £m	Plant machinery and vehicles £m	Other assets £m	Payments on account and assets in course of construction £m	Group total £m
<b>Cost</b>							
At 1 April 1989	137.2	7.4	222.8	126.9	19.4	54.8	568.5
Additions	52.4	1.3	20.1	32.0	6.2	(7.1)	94.9
Disposals	(0.2)	-	(0.8)	(2.9)	(0.3)	-	(4.2)
Connection charges & grants	(0.7)	-	(1.5)	(0.3)	(0.3)	(3.5)	(6.3)
At 31 March 1990	<u>188.7</u>	<u>8.7</u>	<u>240.6</u>	<u>145.7</u>	<u>25.0</u>	<u>44.2</u>	<u>652.9</u>
<b>Depreciation</b>							
At 1 April 1989	25.9	1.4	-	47.2	8.2	-	82.7
Provision for the year	2.6	0.1	-	9.5	3.0	-	15.2
Disposals	-	-	-	(1.8)	(0.1)	-	(1.9)
At 31 March 1990	<u>28.5</u>	<u>1.5</u>	<u>-</u>	<u>54.9</u>	<u>11.1</u>	<u>-</u>	<u>96.0</u>
<b>Net Book Value</b>							
At 31 March 1990	<u>160.2</u>	<u>7.2</u>	<u>240.6</u>	<u>90.8</u>	<u>13.9</u>	<u>44.2</u>	<u>556.9</u>
At 31 March 1989	<u>111.3</u>	<u>6.0</u>	<u>222.8</u>	<u>79.7</u>	<u>11.2</u>	<u>54.8</u>	<u>485.8</u>

Specialised operational properties and structures principally comprise intake works, pumping stations, treatment works and boreholes.

Non-specialised operational properties comprise offices, depots, workshops, residential properties directly connected with water and sewerage services and land held for the purpose of protecting the quality of water supplies.

Infrastructure assets comprise mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls.

Other assets includes furniture and fittings, laboratory and other equipment.

All of the specialised operational properties and structures together with non-specialised operational properties are freehold.

12. FIXED ASSET INVESTMENTS	Company
Shares in Group companies	
Cost:	£m
At 1 April 1989	
Additions	81.4
Disposals	-
At 31 March 1990	<u>81.4</u>

The principal subsidiaries are listed on page 32.

13. STOCK AND WORK IN PROGRESS	Group	
	1990	1989
	£m	£m
Stores	2.4	1.7
Work in progress	2.5	1.0
	<u>4.9</u>	<u>2.7</u>

14. DEBTORS	Group		Company
	1990	1989	1990
Amounts falling due within one year:	£m	£m	£m
Trade debtors	11.1	8.0	-
Amounts owed by Group companies	-	-	14.2
Other debtors	2.4	2.2	-
Prepayments and accrued income	9.2	7.8	0.5
	<u>22.7</u>	<u>18.0</u>	<u>14.7</u>

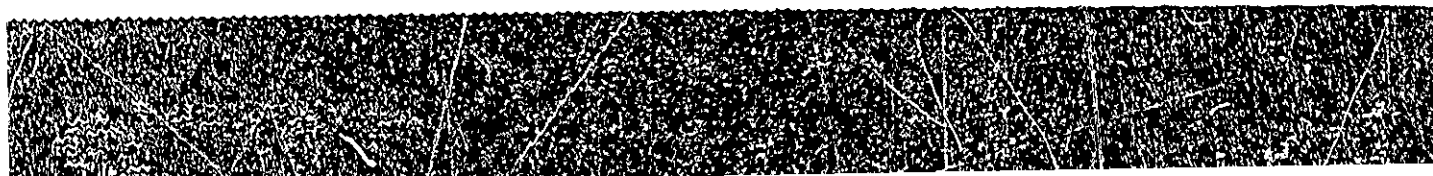
15. CREDITORS	Group		Company
	1990	1989	1990
Amounts falling due within one year:	£m	£m	£m
Bank loans, overdrafts and temporary borrowings	6.0	25.8	-
Other loans	-	33.5	-
Trade creditors	3.2	4.0	-
Proposed dividend	10.4	-	10.4
Other creditors	0.5	0.4	-
Advanced corporation tax	3.5	-	3.5
Other taxation and social security	0.3	0.5	-
Accruals and deferred income	38.0	32.9	0.6
	<u>61.9</u>	<u>97.1</u>	<u>14.5</u>

As a part of the group's banking arrangements each of the companies in the group is jointly and severally liable for the overdrafts of the other group companies. Wessex Water Services Limited has acted as guarantor for certain borrowing facilities made available to Wessex Water Plc.

	Group	
	1990	1989
<b>16. CREDITORS</b>	<b>£m</b>	<b>£m</b>
Amounts falling due after more than one year:		
Loans (See note 19 (a))	-	280.2
Other	0.9	1.1
	0.9	281.3
<b>17. PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>1990</b>	
Infrastructure maintenance provision:	<b>£m</b>	
At 1 April 1989	-	
Provision for the year	6.5	
	6.5	
At 31 March 1990		
	<b>Company</b>	
<b>18. CALLED UP SHARE CAPITAL</b>	<b>1990</b>	
Authorised:	<b>£m</b>	
150,000,000 ordinary shares of £1 each	150.0	
One special rights redeemable preference share of £1	-	
	150.0	
	<b>1990</b>	
Allotted and fully paid:	<b>£m</b>	
102,601,000 ordinary shares of £1 each	102.6	
One special rights redeemable preference share of £1	-	
	102.6	

a. Wessex Water Plc was incorporated on 1 April 1989. The company's authorised share capital on incorporation was £50,000, divided into 50,000 shares of £1 each, of which two were subscribed at par by nominees of the Crown.

b. On 29 August 1989 the authorised share capital of the company was increased to £50,001 by the creation of one special rights redeemable preference share of £1 and the 50,000 shares of £1 each were redesignated as ordinary shares of £1 each. On 1 September 1989, some 49,998 ordinary shares were issued at par to the Secretary of State for the Environment, credited as fully paid.



c. On 20 November 1989 the authorised share capital of the company was further increased to £608,001 by the creation of 558,000 additional ordinary shares and the directors were authorised and empowered to allot the increased share capital and, in accordance with a direction made by the Secretary of State under Section 83(2), (4) and (5) of the 1989 Water Act, 558,000 ordinary shares were issued at par, credited as fully paid, to the Secretary of State.

d. On 20 November 1989

- i. the authorised share capital of the company was further increased to £150,000,001 by the creation of 149,392,000 additional ordinary shares;
- ii. 80,743,423 ordinary shares were allotted, credited as fully paid, to the Secretary of State for a cash sum of £81.3m pursuant to Section 87 of the Water Act 1989. This resulted in a share premium on allotment of £556,577 and
- iii. in accordance with a direction made by the Secretary of State under Section 83(2), (4) and (5) of the Water Act 21,249,577 ordinary shares and the special rights redeemable preference share were allotted at par, credited as fully paid, to the Secretary of State.

e. The special rights redeemable preference share is redeemable at par, on 31 December 1994 or at any time prior to that date at the option of the Secretary of State after consulting the company. This share, which may only be held by the Secretary of State or another person acting on behalf of HM Government, does not carry any rights to vote at general meetings but entitles the holder to attend and speak at such meetings. Certain matters, in particular the alteration of specific sections of the Articles of Association of the company (including the Article relating to limitations that prevent a person from owning or having an interest in 15 per cent or more of the ordinary share capital of Wessex Water Plc), require the prior written consent of the holder of the special share. The special share confers no right to participate in the capital or profits of the company, except that on a winding-up the special shareholder is entitled to repayment of £1 in priority to other shareholders.

f. The company has the following share schemes for employees:

- i. 356,129 ordinary shares of the company were held in trust at 31 March 1990 on behalf of employees who were beneficially entitled to the shares under special arrangements made at the time of the offer for sale in November 1989.
- ii. A savings-related share option scheme is based on SAYE contracts and under this scheme options were granted in December 1989 in respect of 1,253,268 ordinary shares at a price of 176p per share exercisable normally within the six month periods after March 1995 and March 1997. At 31 March 1990 options exercisable under this scheme were 884,081 after March 1995 and 369,187 after March 1997.
- iii. An executive share option scheme whereby options in respect of 861,255 ordinary shares were granted as at January 1990 at 284p. These options are exercisable between 16 January 1993 and 15 January 2000.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED MARCH 1990

19. RESERVES	Group	
	Share premium account £m	Profit & loss account £m
At 1 April 1989	-	158.1
Retained profit for the year	-	8.9
Premium on shares issued (see note 18(d))	0.6	-
Capital restructuring (see note (a))	-	288.3
At 31 March 1990	0.6	455.3
	Company	
At 1 April 1989	-	43.7
Retained profit for the year	0.6	-
Premium on shares issued (see note 18(d))	-	(21.9)
Appropriation of distributable reserves (see note (b))	-	-
At 31 March 1990	0.6	21.8

a. i Capital restructuring is analysed as follows:

	£m
Wessex Water Services Limited:	
Extinguishment of loans (see note (ii))	314.8
Transfer of functions to the National Rivers Authority	(4.6)
	310.2
Wessex Water Plc (see note (b))	(21.9)
	288.3

ii Wessex Water Services Limited inherited, on vesting, the outstanding loans of Wessex Water Authority. On 1 September 1989 loans amounting to £314.8m were transferred to Wessex Water Plc in return for the issue of a £314.8m debenture in accordance with a direction made by the Secretary of State for the Environment under Section 85(1) of the Water Act 1989.

On 15 November 1989 the outstanding loans of Wessex Water Plc and the outstanding debenture of Wessex Water Services Limited, both amounting to £314.8m, were extinguished in accordance with an order made by the Secretary of State under Sections 86(1) and (2) of the Water Act 1989. As a result of this extinguishment order £314.8m has been taken to the reserves of Wessex Water Services Limited.

b. The appropriation of distributable reserves arises from the issue of the following 21,857,575 ordinary shares credited as fully paid: 49,998 (see note 18(b)), 558,000 (see note 18(c)) and 21,249,577 (see note 18(d)).

20. COMMITMENTS	Group	
	1990	1989
Capital expenditure authorised by the directors:	£m	£m
Committed	17.6	27.4
Not yet committed	76.7	56.2
	<u>94.3</u>	<u>83.6</u>
Operating lease payments under leases on land and buildings due within the next year in respect of leases which expire after more than 5 years	0.4	0.5

In addition to these commitments, at 31 March 1990, Wessex Water Services Limited had longer term investment expenditure plans which included expenditure to meet shortfalls in performance and condition of its assets and to provide for new demand and growth.

## 21. CONTINGENT LIABILITIES

There are no material contingent liabilities at 31 March 1990 for which provision has not been made in these accounts.

## 22. PENSIONS

The two main pension arrangements operated by the company are the Wessex Water Pension Scheme (WWPS) and the Wessex Water Mirror Image Pension Scheme (WWMIS). Both WWPS and WWMIS are defined benefit schemes covering the majority of the company's staff; the assets of the schemes are held in separate trustee administered funds.

The pension cost for the year 1989/90 was £3.5m (1988/89 - £2.6m). The pension cost has been determined on the advice of independent qualified actuaries and spreads the cost of pensions over the service lives of the members of the schemes.

The first actuarial valuations of both WWPS and WWMIS, as at 1 April 1990, are currently in progress. Pending the results of these valuations the company's pension cost for WWPS and WWMIS for 1989/90 has been taken as the actual contributions paid to the schemes for that year. The pension cost has been derived from the results of an actuarial valuation of the former pension arrangement, the Water Authorities Superannuation Fund (WASF). Transfers of assets are being paid from WASF to WWPS and WWMIS, sufficient to cover 100 per cent of the value of benefits that had accrued to members in WASF, allowing for future increases in pensions and earnings. The principal actuarial assumptions used to determine both the transfers from WASF and the cost of benefits under that scheme were that the return on investments would exceed salary increases by two per cent per annum and would exceed price inflation by three per cent per annum; the funding method used was the attained age method.

Included in the pension costs for the year was £0.8m which arose as a result of recharges from certain local authorities and from WASF; these recharges will not recur in future years. A further cost of £0.5m represents the capital cost of additional benefits granted under the severance scheme.

The pension costs shown take no account of possible changes to the schemes arising from the recent judgement in the case of Barber v Guardian Royal Exchange Assurance in the European Court of Justice. In the opinion of the directors, based on actuarial advice received, it is not anticipated that such changes would have a material impact on the pension costs in future years.



## PRINCIPAL SUBSIDIARIES

All subsidiaries are incorporated and operate in the United Kingdom. Wessex Water Plc owns 100 per cent of the issued ordinary share capital of each company.

COMPANY	PRINCIPAL ACTIVITIES
Wessex Water Services Ltd	Water and sewerage services
Wessex Water Operational Services Ltd	Operational and financial services
Wessex Water Business Services Ltd	Scientific, administrative and other services
Wessex Water Commercial Ltd	Construction and plumbing services
Wessex Property Services Ltd	Development of non-operational property
Wessex Water Trustee Company Ltd	Trustee of employee share schemes

### ASSOCIATE COMPANY

Winpey Wessex Water Ltd (50 per cent owned)

### ACCOUNTS OF WESSEX WATER SERVICES LIMITED

Condition F of the Instrument of Appointment under which Wessex Water Services Limited (the Appointee) operates, requires specified accounting statements to be published with the annual accounts of the Appointee or its parent company. These will be available from September, 1990. Anyone requiring a copy of these accounts including the specified statements should apply to: The company secretary, Wessex Water Services Ltd, Wessex House, Passage Street, Bristol BS2 0JQ.

## FINANCIAL CALENDAR

Annual general meeting:	18 September 1990
Dividend for 1989/90 payable:	1 October 1990
Interim results for six months to 30 September 1990:	December 1990
Interim dividend for 1990/91 payable:	4 March 1991
Results for year to 31 March 1991:	July 1991
Final dividend for 1990/91 payable:	1 October 1991

## FIVE YEAR SUMMARY

	1990	1989	1988	1987	1986
	£m	£m	£m	£m	£m
Turnover	147.8	130.8	118.9	109.7	98.4
Operating profit	44.5	53.9	53.6	49.3	41.4
Net interest payable	17.5	29.8	28.6	27.8	26.4
Profit on ordinary activities before taxation	27.0	24.1	25.0	21.5	15.0
Taxation on profit on ordinary activities	3.5	-	-	-	-
Profit on ordinary activities after taxation	23.5	24.1	25.0	21.5	15.0
Extraordinary items	4.2	1.0	-	-	-
Profit attributable to shareholders	19.3	-	-	-	-
Dividends	10.4	-	-	-	-
Profit retained in the business	8.9	23.1	25.0	21.5	15.0
<b>BALANCE SHEETS</b>					
Tangible fixed assets	556.9	485.8	435.8	387.9	349.8
Current assets	70.9	50.7	21.0	17.9	16.8
Current liabilities	61.9	97.1	78.6	66.1	74.9
Net current assets (liabilities)	9.0	(46.4)	(57.6)	(48.2)	(58.1)
Amounts falling due after one year	0.9	281.3	243.2	229.7	203.2
Provisions for liabilities and charges	6.5	-	-	-	-
	558.5	158.1	135.0	110.0	88.5
Capital and reserves					
Called up share capital	102.0	-	-	-	-
Share premium account	0.4	-	-	-	-
Profit and loss account	455.9	158.1	135.0	110.0	88.5
	558.5	158.1	135.0	110.0	88.5
<b>EMPLOYEES</b>					
Craft and manual	576	594	607	637	676
Management and staff	1,063	962	932	933	964
	1,639	1,556	1,539	1,570	1,640

The five year summary is derived from the prospectus for the offer for sale of shares in Wessex Water Plc. The figures exclude activities transferred to the NRA.

Employee numbers for the years 1986 to 1988 inclusive are as shown in the accounts for those years adjusted in respect of 351 employees transferred to the NRA on 1 September 1989. Numbers for 1989 and 1990 are as disclosed in Note 8(c).

# NOTICE OF ANNUAL GENERAL MEETING

The first annual general meeting of Wessex Water Plc will be held at the Showering Pavilion, Royal Barb and West Showground, near Shepton Mallet on Tuesday 18 September 1990, at 11.00 am for the following purposes:

## ORDINARY BUSINESS

1. To receive the directors' report and the audited accounts for the year to 31 March 1990.
2. To declare a dividend.
3. To re-elect D N A McLure as a director.
4. To re-elect R Huntington as a director.
5. To re-appoint Coopers & Lybrand Deloitte as auditors and authorise the directors to fix their remuneration.

## SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following as an ordinary resolution:  
That the directors be authorised to amend the rules of the Wessex Water Share Schemes to allow distribution of shares following the announcement of interim results.
7. To consider and, if thought fit, pass the following as a special resolution:  
That the directors shall be empowered, pursuant to section 95 of the Companies Act 1985, for a period expiring 15 months following the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the company to be held in 1991, to allot equity securities (within the meaning of section 94(2) of the Companies Act 1985) for cash pursuant to the general authority conferred by a special resolution of the company passed on 20 November 1989, as if section 89(1) of that Act did not apply to such allotment and the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power provided that such power shall be limited:
  - (i) to the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
  - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £5,130,000.

Registered office:  
Wessex House  
Passage Street  
Bristol BS2 0JQ

By order of the Board  
A F Crofts  
Company secretary  
30 July 1990



## NOTES:

1. Most people receiving this notice will be registered holders of interim rights (including rights acquired in respect of package units comprising shares in each water holding company including Wessex Water Plc) in accordance with the instalment agreement dated 22 November 1989. The instalment agreement provides that until shortly after the final instalment of the purchase price is paid on 30 July 1991, shares in Wessex Water Plc on which instalments are payable will be held by National Westminster Bank Plc. However, arrangements have been made for persons in respect of whom shares are held by National Westminster Bank Plc to attend, speak at, and exercise the voting rights attached to those shares by attending the annual general meeting as representatives of National Westminster Bank Plc. The personalised letter enclosed provides a form of representation and should be brought to the meeting.
2. A member is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. A proxy form is enclosed with this notice. Instructions for use are shown on the form. Forms of proxy must be deposited at the office of the Registrar, National Westminster Bank Plc, Redcliffe Way, Bristol BS99 7YA not less than 48 hours before the time for holding the meeting.
3. Copies of directors' service contracts and the rules of the Wessex Water Share Schemes including the proposed amendment are available for inspection at the registered office during business hours until 17 September 1990 and at the place of the annual general meeting from 10.30 am until the conclusion of the meeting.

## EXPLANATORY NOTES

The notice on page 34 is the formal notification to shareholders of the meeting, its date, time and place, and the matters to be considered.

Separate notes on the proxy voting form explain the arrangements for shareholders to attend the meeting and to exercise their voting rights.

### Resolution 1: Report and accounts

The directors are required to present to the meeting the report of the directors and the accounts for the company. The report and accounts and the auditors' report are contained in this document. The auditors' report will be read at the meeting.

### Resolution 2: Declaration of dividend

A dividend can only be paid after it has been approved by the shareholders at a general meeting. The resolution seeks approval to the declaration of a final dividend of 10.14p as recommended by the directors.

### Resolutions 3 and 4: Re-election of directors

The company's Articles of Association (the rules which regulate the company's internal management and administrative structure) require a proportion of the directors to retire and be re-elected each year. At the annual general meeting, Mr D N A McLure and Mr R Huntington will retire by rotation and resolutions three and four propose their re-appointment as directors.

### Resolution 5: Re-appointment of auditors

The auditors of a company may not continue in office unless re-appointed at each meeting at which accounts are presented. The resolution proposes the re-appointment of the company's existing auditors, Coopers & Lybrand Deloitte. The resolution also follows common practice in giving authority to the directors to approve the remuneration to be paid to the auditors.

#### Resolution 6: Wessex Water Share Schemes

The Wessex Water Share Schemes, comprising a profit sharing scheme and a contributory share scheme were introduced prior to the flotation of the company last year. The schemes can be operated only after the announcement of final results in each year. The directors would like to be able to operate the schemes at times other than immediately after the announcement of final results. The directors propose to make an amendment to the rules to allow them to operate the schemes after the announcement of final or interim results, but the schemes will only be operated once in any financial year.

#### Resolution 7: Authority to allot shares

At an Extraordinary General Meeting of the Company held on 20 November 1989 the directors were generally authorised to allot shares up to an aggregate nominal amount of £136,193,000. This authority is valid until 19 November 1994. The issued share capital is £102,601,001. Under Section 89(1) of the Companies Act 1985 if the directors wish to allot any of the unissued shares for cash they must in the first instance offer them to existing shareholders in proportion to the number of ordinary shares they each hold at that time. An offer of this type is called a 'rights issue' and the entitlement to be offered the new securities first is known as 'pre-emption rights'.

There may be circumstances, however, when it is in the interests of the company for the directors to be able to allot some of the new securities for cash other than by way of a rights issue. This cannot be done under the Companies Act unless the shareholders have first waived their pre-emption rights. Resolution 7 asks shareholders to do this but only for new securities having a maximum aggregate nominal value of £5,130,000 which is equivalent to five per cent of the company's issued ordinary share capital at the date of this notice.

The directors will be able to use this authority without obtaining further authority from shareholders before they allot new securities covered by it. However, by setting the limit of five per cent the interests of existing shareholders are protected, as their proportionate interest in the company cannot, without their agreement, be reduced by more than five per cent by the issues of new securities to new shareholders. If the directors wish, other than by a rights issue, to allot for cash new securities which would exceed this limit they would first have to request the shareholders to waive their pre-emption rights in respect of the new securities which exceed it.

There are legal, regulatory and practical reasons why it may not always be possible to issue new securities under a rights issue to some shareholders, particularly those resident overseas. To cater for this, resolution 7, in authorising the directors to allot the new securities by way of a rights issue, goes on to permit the directors to make appropriate exclusions or arrangements to deal with such difficulties.

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