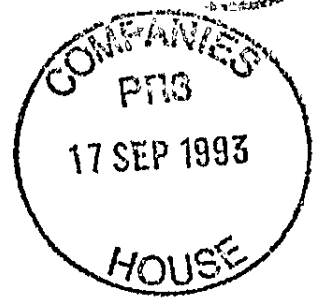


SIGNED COPY

236633

# WESSEX WATER Plc

ANNUAL REPORT 1993



## CONTENTS

Chairman's Statement	2
Wessex Water at a Glance	4
The Year in Brief	5
Managing Director's Review	6
Corporate Governance	13
Directors and Advisers	14
Directors' Report	16
Auditors' Report	19
The Accounts	20
Notes to the Accounts	24
Principal Subsidiary Companies and Associated Undertakings	40
Five Year Summary	41
Notice of Annual General Meeting	42
Shareholder Information	44

## FINANCIAL HIGHLIGHTS

*For the year to 31 March 1993*

	1993	1992
Turnover	£205.6m	£190.8m
Operating profit	£81.0m	£67.5m
Profit before tax	£86.0m	£76.9m
Earnings per ordinary share	70.9p	66.4p
Dividend per share – net	21.5p	19.5p

## CHAIRMAN'S STATEMENT

I am pleased to report that in the year to 31 March 1993 Wessex Water has produced excellent results for you, our shareholders, and for our customers.

Turnover increased by 8% to £205.6 million, but operational costs were held at the same level as last year and, with only a small increase in the charge for depreciation and infrastructure maintenance, this means a 20% increase in operating profit for the year.

Group profit before tax at £86 million is an increase of 12% over last year.

It is most encouraging to see the significant increase in the contribution to profits from Wessex Waste Management Ltd. This venture is going well and I am confident it is on target to become the leading waste management company in the UK.

Capital expenditure was as expected, £130 million for the year.

The directors are recommending a final dividend of 14.2p per share, making a total of 21.5p for the year.

Standards of quality and service have continued to improve. Overall, Wessex Water has the best standards of performance in the UK water industry. But, with Wessex Water's compliance with EC drinking water standards at 99.7% and compliance of waste water treatment works at 98.9%, we are approaching the position where there are questionable benefits to be derived from even higher levels of capital spending.

Wessex Water's market plan for the future has been described to all our customers and has provoked a most helpful response. It is clear our customers wish us to continue as we are and not spend substantially more; we agree with this commonsense approach and will press our customers' views in the forthcoming regulatory review.

In this context, I believe, the two principal regulators of the industry, the Office of Water Services and the National Rivers Authority, should work together to play a more positive role in assessing the consequences of their actions and help by regulation to produce a service customers want and are prepared to pay for.

*We recognise the concern of some commentators about the regulatory review and, whatever the outcome of the debate on future standards and their affordability, the company is well placed to deal with any new obligations in an efficient and profitable manner.*

Wessex Water Plc has a 50% interest in Wessex Waste Management Ltd and we are delighted with the continuing excellent relationship with our partners, Waste Management International plc. This has been a good year for Wessex Waste Management. For the year to 31 March 1993 total turnover was up to £48.3m and profit before tax was £9.4m, showing a healthy 19.5% margin.

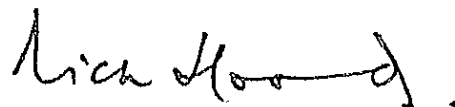
With the major acquisition of Waste Management Ltd in January 1993 and nine other smaller businesses during the year the company has grown to be one of the major companies in the UK waste market. Integration of the businesses is going well and material savings have been identified and made.

The Wessex Water Plc rights issue in January was a success with shareholders taking up 93% of the shares offered. Part of the money raised has already been used for the acquisition of waste management companies.

Your Board has a clear and focused strategy which is to run an efficient and profitable water and waste water company and to develop a material stream of profit, outside price regulation, through the investment in Wessex Waste Management. I am confident the successful execution of this strategy will produce enhanced value for shareholders.

In January this year Sir Terry Heiser GCB joined the Wessex Water Plc Board of directors. After many years in the Department of the Environment Sir Terry became its Permanent Secretary in 1985; his experience is already proving valuable to your Board.




This year, to everyone who works for Wessex Water, we owe special thanks; genuine concern for the welfare of our customers and for value for money is still their priority. There is a strong sense of care for the communities and environment we serve. There is pride in the efficiency of their company that I hope you, our shareholders, will acknowledge and applaud.

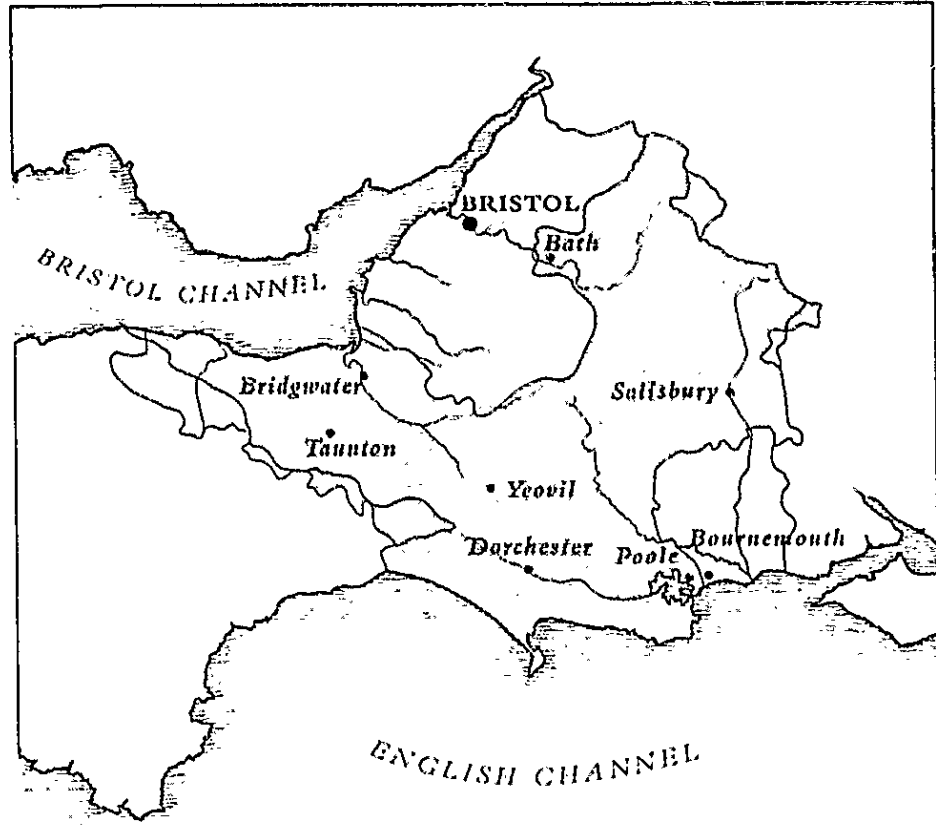


Nicholas Hood  
*Chairman*

## WESSEX WATER AT A GLANCE



-  Water supply and waste water services
-  Water supply only
-  Waste water services only



- WESSEX WATER**
- covers an area of over 10,000 square km (3,900 square miles), including all of Avon, most of Dorset and Somerset, and parts of Wiltshire, Gloucestershire and Hampshire.
  - obtains water from 148 different sources including rivers, natural underground reservoirs known as aquifers and impounding reservoirs.
  - supplies, on average, over 400 million litres (88 million gallons) of water every day to homes, factories and farms through a network of 115 treatment works, 297 pumping stations, 338 treated water reservoirs and over 10,400km (6,500 miles) of mains.
  - receives and treats more than 800 million litres (176 million gallons) of waste water every day from around 2.5 million customers using 14,600km (9,100 miles) of sewers, around 1,200 waste water pumping stations and 353 waste water treatment works.
  - spends around £130 million a year on capital schemes, such as new water treatment works and improvements to waste water treatment works.
  - carries out 1.5 million water quality tests each year at its Saltford laboratory, one of the most modern and automated in Europe.
  - owns 50% of one of the UK's largest waste management companies, Wessex Waste Management Ltd.

1992

- 
- APRIL**      Saltford laboratory retains independent NAMAS quality assurance accreditation.  
 Launch of Operation Stream Clean, with NRA and Bristol City Council, to clean up six streams and brooks in the Bristol area.
- MAY**        Research partnership set up with Bath University to investigate the use of membrane systems in water and waste water treatment.  
 Rainfall for month only 37% of long-term average.
- JUNE**        Start of trial borehole drilling to find new groundwater sources in south Dorset.  
 Romano-British archaeological remains found near Dorchester during pipe-laying.
- JULY**        1991/92 Environmental Report published.  
 Announcement of plans for new £27 million waste water treatment plant at Poole.
- AUGUST**     Independent audit of engineering design department confirms its efficiency and effectiveness.  
 Rainfall for month 52% above long-term average.
- SEPTEMBER** Prime Minister presents Charter Mark Award to Wessex Water Services Ltd.  
 Mobile Customer Information Unit starts regular visits to twenty towns in Wessex Water area.
- OCTOBER**    HRH The Prince of Wales opens new sludge Biodrier at Avonmouth, near Bristol.  
 End of disposal of sewage sludge at sea.  
 £7 million contract awarded for improvements to Durleigh water treatment works.
- NOVEMBER**   Lower increase in charges announced for 1993/94, sharing efficiency gains with customers.  
 Wessex sewage treatment workers first in the country to gain the National Vocational Qualification (NVQ) for good working practice.
- DECEMBER**   Pre-payment meter system pilot study in Bath, a possible alternative to disconnection.

1993

- 
- JANUARY**    Wessex Waste Management acquires Waste Management Ltd from NFC plc.  
 93% take up of the one for six rights issue by existing shareholders.
- FEBRUARY**   Wessex Watermark environmental awards scheme launched by Dr David Bellamy.  
 Customer Services Unit retains BS5750 quality assurance for third year.
- MARCH**      Wessex Water customer liaison panels meet for first time.  
 Water production department receives BS5750 quality accreditation.

The results for the year clearly demonstrate real progress by Wessex Water. The restructured Water Services subsidiary delivered the highest ever standards of quality and customer service. Public recognition came in the form of a Charter Mark award for the whole of Wessex Water Services Ltd. Tight control of costs gave significant profit growth, whilst the increase in charges to customers was kept below that allowed under the Government's pricing formula. Wessex Waste Management more than doubled in size and, despite difficult trading conditions, had a very successful year.

The strength of our water services business, the rapid growth of our joint waste management company and the increasing contribution from other trading activities put Wessex Water in an excellent position to grow shareholder value.

#### WESSEX WATER SERVICES

The restructuring from 1 April 1992 into five business units has introduced competitive pressures into all parts of the business and has made a fundamental change in the way the company operates. The success of this change is already shown by operational costs being held at the same level as last year despite additional regulatory charges and the costs of meeting higher standards.

#### WATER SUPPLY

Every day we supply around 80 gallons of water to each household in the Wessex Water supply area – water of a quality that is amongst the best in Europe. During the year we carried out 136,000 tests for 65 different substances; these showed that compliance with EC Drinking Water Standards reached an all time high of 99.7%. The quality and robustness of our supply operation was again demonstrated by no restrictions on water use, even after the exceptionally dry winter. Our compliance with standards for pressure, 99.6%, and for interruption to supply, 100%, were both above the standards agreed with the Director General of Water Services.

Water production at all our 148 sources and treatment plants was awarded BS5750 quality assurance certification. The disciplines and systems required for certification add to the security of this vital part of the business.

#### WASTE WATER COLLECTION AND TREATMENT

Almost all the water we deliver to customers we also take away after use. This, together with water supplied by other companies in the Wessex region and large volumes of storm water, means we transport and treat an average of 176 million gallons of waste

water every day. Again we achieved a record compliance level with 98.9% of treatment works, serving 99.5% of the connected population, meeting the required discharge standards.

The waste water received for processing at our 353 treatment works includes around 9 million gallons a day of industrial waste from over 1,000 companies. We have tightened our monitoring and enforcement procedures to prevent such wastes affecting the performance of our treatment processes or damaging the environment.

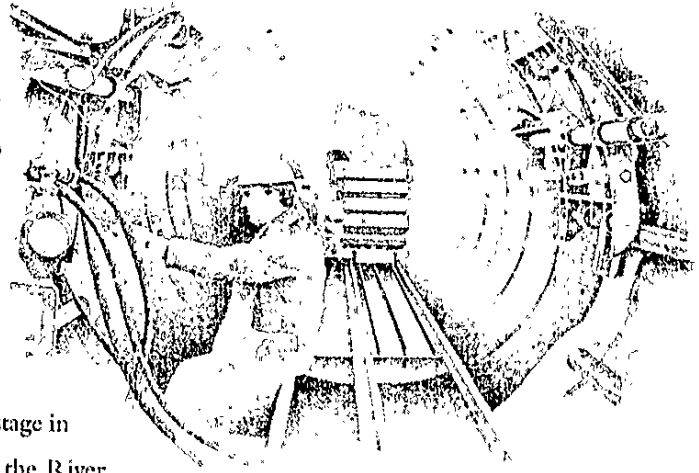
#### CAPITAL INVESTMENT

High compliance levels are being achieved but further major investment is needed if we are to put right problems caused by the many years of underfunding when the industry was in the public sector and to meet the even higher standards now required. Last year £130 million was invested: in new source development to further increase the security of water supply; to improve water treatment – mostly in Somerset; to strengthen and expand the distribution network; to improve the quality of inland sewage treatment and coastal discharges; and to extend and maintain the sewerage network. In Bristol, work on a £25 million waste water tunnel is nearly complete. This is the final stage in a long programme to eliminate sewage discharges to the River Avon through Bristol. The demands of a growing population in South East Dorset and the tighter standards which have to be met require major investment, with £61 million to be spent improving sewage treatment at Poole, Swanage and Bournemouth.

In all, 950 projects were completed during the year, most managed through Wessex Water's own Engineering Services business. Obtaining the best value for money from this investment is essential. An independent study of Engineering Services' performance showed their innovative methods of project management give us better results at lower costs than the common industry approach of using outside consulting engineers.

#### PAYING FOR SERVICES

Ultimately it is our customers who have to pay for new capital projects and the cost of operating and managing the water services business. Tight controls kept operational costs at the same level as last year, but the continuing need to finance the capital



*Concrete lining of the new waste water tunnel under Bristol.*

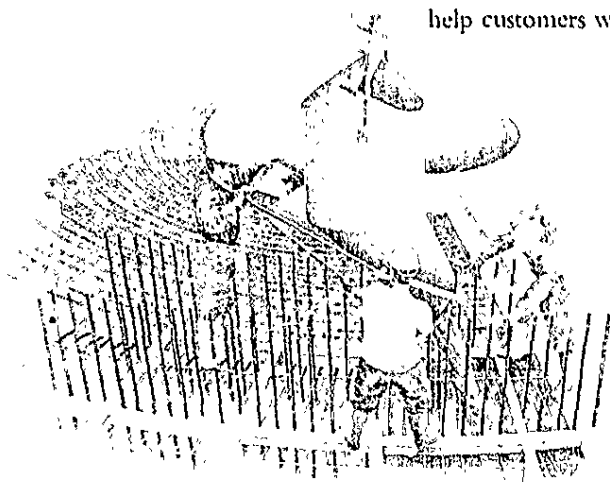


investment programme means charges have to rise faster than inflation. Two thirds of operating profits are retained towards capital investment but, even so, borrowings will rise for the foreseeable future.

New standards being introduced by EC and UK regulation will require even higher levels of investment in the future. We are concerned at the effect this will have on prices to customers if the work is not phased over a reasonable period. A major consultation programme has been undertaken to ask all customers for their views on the balance between bills and the timing of improvements.

Wessex Water customers and the local building industry are benefiting from our tight cost control. For both 1992/3 and 1993/4 increases in charges have been kept below that allowed by the Government's pricing formula and, to help stimulate development in the region, charges levied on each new property connected have been reduced by 24%.

*Construction of a primary settlement tank at Shaftesbury in Dorset.*



The impact of the recession on turnover was less than in the previous year but the effect on our customers' ability and willingness to pay continues. To

help customers with difficulties in paying we have a confidential counselling service operated by specially trained staff. This is one of a number of measures to help customers avoid getting into debt – others include flexible payment arrangements, a mobile information and billing unit and close links with Department of Social Services and Citizens Advice Bureaux

Some water companies' actions in disconnecting water supplies for non-payment have attracted criticism. For Wessex Water disconnection is a last resort applied only to those who can afford to pay but who, even after reminders, letters, court action and visits, still refuse to pay. Customers with genuine difficulty in paying are not disconnected but are dealt with through the Social Services system. During the year we completed trials with a pre-payment meter system which we hope will provide an alternative to disconnection.

#### WESSEX WASTE MANAGEMENT

Last year the turnover of our joint company, *Wessex Waste Management*, almost tripled and profits rose five fold. Building on the business acquired in October 1991, further acquisitions and organic growth have created one of the largest waste

management companies in the UK – a truly national business with 100 million cubic metres of available landfill space, 30 depots, 9 transfer stations, 1200 employees and a presence in most parts of the country.

Ten new acquisitions were made during the year – mainly small ‘tuck-ins’ in strategic locations or particular types of business. In January 1993 Waste Management Ltd was purchased from NFC plc for £113 million. Wessex Water’s half share of the purchase price came from the successful rights issue and further investment from our joint venture partner, Waste Management International, in Wessex Water Plc. Following the fundraising and purchase of Waste Management Ltd £88 million remains available to Wessex Water for further investment.

The integration of Waste Management Limited has proceeded quickly and smoothly; a significant reduction in overheads has already been achieved and more savings are expected from rationalising depots.

The benefits of working with a partner that is part of the world’s biggest and best waste management company are clearly demonstrated by the thoroughness of investigations before acquisitions and by the management and control techniques they bring to our joint business.

As well as further growth by acquisition, the prospects for organic growth of the existing business are good. Selective price increases have already improved margins and, as environmental legislation tightens, opportunities will grow rapidly for a national operator able to offer a full range of services to the highest environmental standards. A number of major new contracts and the recent opening of two new landfills are already producing growth in sales and profits.

#### **WESSEX WATER COMMERCIAL**

A number of successful activities continue to be developed alongside our core water and waste water business.

Wessex Water International has expanded its work primarily in consultancy and training. Our merchanting business is growing with the opening of outlets in the Midlands and Scotland. Wessex Scientific, benefiting from the laboratory’s quality assurance certifications, is developing new analytical and environmental business opportunities.

Wessex Water Technologies is proving successful at developing processes that both benefit Wessex Water Services and have wider commercial potential.

**PROTECTING AND IMPROVING THE ENVIRONMENT**

Every part of the Wessex Water business, both our wholly owned companies and our joint venture, is concerned with protecting and improving the environment. For many companies care for the environment is only a part of their responsibilities – for Wessex Water it is a core responsibility. In the autumn of 1992 we published our Environmental Charter, which clearly sets out Wessex Water's environmental objectives and includes an action plan with specific targets for improvement across all our activities. Separate reporting, regular audit and an independent group of environmental advisers ensure the environment is properly represented in board discussions. Both the Plc and Water Services boards have directors with environmental expertise and responsibilities. We will publish our progress against the targets in our Environmental Charter each year in a separate Environmental Report.

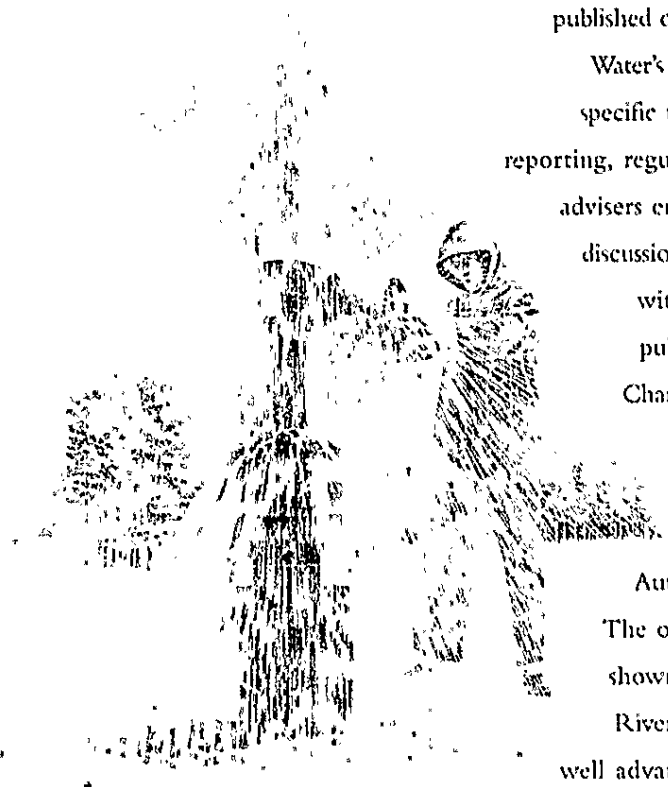
In 1992 we implemented a new leakage control plan to reduce the loss of water from our distribution pipes.

We continued to work with the National Rivers Authority to investigate the cause of low flows in some rivers. The only Wessex river where our water abstraction has been shown to be a significant contributor to the problem is the River Piddle in Dorset. Work to find an alternative source is well advanced. By intercepting deep groundwater springs that currently emerge under the sea we will provide an environmentally sound alternative – but at a cost of around £24 million.

Our waste water treatment processes remove over 200 tonnes of polluting matter each day. A by-product of this treatment is sewage sludge. Most of this sludge is recycled on farm land but about a quarter of the sludge, the output from our Bristol treatment works, used to be disposed of at sea. To replace this disposal route, in October 1992 we opened the UK's first 'Biodrier' – a Swiss developed drying process that produces a pasteurised, granular product suitable for sale as a soil conditioner and already much in demand.

New Wessex Water capital schemes are subject to environmental impact studies to ensure the best environmental options are followed. Post scheme monitoring and audit ensures the environmental objectives have been met and allows us to learn any lessons for future work.

Wessex Waste Management operates to the highest environmental standards. Our American partner brings experience of US environmental standards which are several



*Tapping new  
water resources in  
Dorset from 1,669  
feet underground.*

years ahead of UK law. As a result the standard of management and operation of Wessex Waste Management sites is ahead of regulation. Co-disposal of liquid and solid wastes or hazardous and non-hazardous wastes is not permitted – as in the USA and most of Europe – even though it is still allowed on other sites in the UK. Engineering of new sites is to the highest international standards. Rigorous monitoring and control systems, quality assurance techniques and independent audit ensure high standards are maintained. So, international companies committed to high environmental standards can be sure that the requirements for the properly controlled disposal of waste will always be met by Wessex Waste Management.

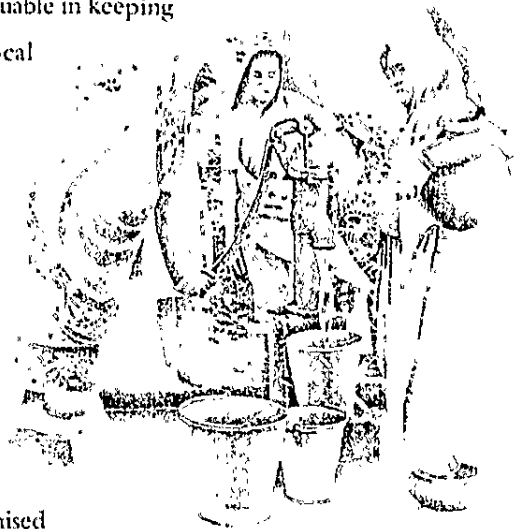
In March 1992 the British Standards Institution published the world's first environmental management standard, BS7750. Wessex Water is taking part in a pilot study to implement the standard. Dr AK Barbour, a non-executive director of Wessex Water Plc, chairs the BSI Committee charged with developing the new system.

#### SERVING THE COMMUNITY

As part of the new Wessex Water Services structure introduced in April 1992, divisional managers were appointed to provide a local Wessex Water presence in each area. Liaison panels were also set up involving representatives from local authorities and other interested organisations. These changes are proving very valuable in keeping us close to our customers and helping us play a full part in local communities.

Both Wessex Water and Wessex Waste Management encourage employees to become involved in local community projects. Wessex Water recently started a Community-Plus Fund to support local efforts and our Wessex Watermark scheme gives grants for improving local environments. During last year Wessex Water supported numerous environmental projects, help for the homeless, business development and enterprise initiatives and the work of Business in the Community. Support for the charity WaterAid again broke all previous records, with £233,445 raised from the Wessex Region to help some of the world's poorest people have clean water supplies and simple sanitation.

*Wessex Water  
supports WaterAid.*



#### EMPLOYEES

Employees in all parts of the Wessex Water businesses have faced a difficult and challenging year. Making the new organisation work, meeting higher standards,

cutting costs and developing new business all put considerable demands on our employees who responded magnificently. Team building and training are the keys to future success as we seek to involve fully every employee in the development of the business.

One of the Government's first Charter Mark awards was given to the whole of Wessex Water Services Ltd.

A good response to the annual employee survey showed the desire for greater involvement and identified areas that needed action. One particular area of concern was career development for female employees. Through a staff led working group more flexible working arrangements, child care vouchers, better career planning and advice and other improvements were introduced.

Wessex Water is taking part in the 'Investors in People' programme, committing us to train and realise the full potential of all our employees.



In September we were proud to be awarded one of the first of the Government's Charter Marks – awarded to the whole Wessex Water Services business to recognise its excellent standards of service. Whilst investment, systems and equipment all played a part, it is primarily our employees who

achieved this success. I am confident they will continue to provide growing success for the Wessex Water business – a business in which almost every one of them is a shareholder.

Colin Skellett  
*Managing Director*

In December 1992 the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance was published. The report sets out a code of best practice with which companies listed on the London Stock Exchange are required to report for years ending after 30 June 1993. Guidance is under development on the requirements of the code dealing with statements on internal control and of 'going concern'.

A summary of the present principal organisational arrangements concerned with effective stewardship is set out below.

#### **Board responsibilities**

The Board, which comprises four executive and six non-executive directors, meets regularly throughout the year and deals with important aspects of the Company's affairs including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources and reporting to shareholders. Details of directors are given overleaf.

#### **Committees**

The Board has established three committees with a common membership of four non-executive directors: DNA McLure (Chairman), Dr AK Barbour, RD Kent and AR Thornhill. Other directors and managers are invited to join the meetings as appropriate. The primary terms of reference of these committees are:

##### **AUDIT COMMITTEE**

the independent review of reports from the Company's auditors and commissioning such additional investigation work as may be appropriate to ensure the adequacy of the Group's accounting controls and procedures;

##### **REMUNERATION COMMITTEE**

to ensure that the Company's directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance;

##### **NOMINATION COMMITTEE**

to consider the appointment of new directors, review proposed nominations and recommend thereon to the board.

The Board has also set up an Environment Committee chaired by Dr AK Barbour and including Professor Sir Richard Doll and JC Jones (Director of Science and Quality Wessex Water Services Ltd). The committee advises the Board on issues relating to environment and health.

## DIRECTORS AND ADVISORS

### EXECUTIVE DIRECTORS

#### **WN Hood CBE, CBIM (57) *Chairman***

Appointed Chairman September 1989; Chairman of Wessex Water Authority 1987-89. Director of the Water Services Association, Provident Life Association Ltd and Commercial Union Environment Trust plc. Chairman of the WaterAid Council, a member of the Water Training Council and Vice President of the International Water Supply Association. Deputy Chairman of Business in the Community. Member of The Prince's Council.

#### **CF Skellett MSc, CChem, FRSC, FIWEM (48) *Managing Director***

Appointed Managing Director September 1989. Joined Wessex Water Authority in 1974, having worked within the water industry since 1961. Chairman of the Water Services Management Group, the executive committee of the Water Services Association. UK representative on the board of management of EUREAU, the European water supply association.

#### **NAW Wheatley FCA (51) *Finance Director***

Appointed Finance Director September 1989 having been Finance Director of Wessex Water Authority since March 1989. He was previously Finance Director of Henlys Group, Paterson Jenks Plc and Denbyware Ltd.

#### **R Huntington BSc, CEng, FICE, FIWEM (64)**

##### *Director of Engineering and Operations*

Appointed Director of Engineering and Operations September 1989; joined Wessex Water Authority in 1974, having worked within the water industry since 1956. Head of engineering and operations 1986-88 and Board member 1988-89.

### NON-EXECUTIVE DIRECTORS

#### **DNA McLure MA, FCIM (67) *Deputy Chairman***

Appointed Deputy Chairman September 1989; member of Wessex Water Authority 1986-89. Director of Burn Stewart Distillers plc. Former directorships include Beecham Group 1975-86, Arthur Bell Distillers 1986-93, United Distillers 1986-89 and London Buses 1986-93. Council member and past President of the Incorporated Society of British Advertisers.

**Dr AK Barbour OBE, BSc, PhD, CChem, FRSC, FIMM (66)**

Appointed September 1989; member of Wessex Water Authority 1980-89. Chief Environmental Scientist for RTZ Corporation 1972-89; Chairman of the Environment, Health and Safety Committee of Eurometaux (the trade association of the European Non-Ferrous Metals Industry) 1981-91. Visiting Professor of Chemistry (Environmental) at the University of Manchester Institute of Science and Technology.

**EG Falkman BA, MA, JD (48)**

Appointed February 1991. Chief Executive of Waste Management International plc. He has held various positions with WMX Technologies, Inc. since 1977.

**Sir Terry Heiser GCB (61)**

Appointed January 1993. Former Permanent Secretary at the Department of the Environment 1985-92. Non-executive director of Abbey National plc, J Sainsbury plc and Smith New Court plc. Member of the Executive Committee of the National Trust. Chairman of the General Advisory Council of the BBC.

**RD Kent MA, MBA (45)**

Appointed September 1989; member of Wessex Water Authority 1988-89. Managing Director of Close Brothers Group plc; Chairman of Close Brothers Ltd; non-executive director of English and Scottish Investors plc.

**AR Thornhill QC, BA (49)**

Appointed September 1989; member of Wessex Water Authority 1988-89. Practising barrister at the Revenue Bar since 1969, and QC since 1985, specialising in taxation.

**ADVISERS**

AUDITORS	<i>Coopers &amp; Lybrand</i>
LEGAL ADVISER	<i>Linklaters &amp; Paines</i>
BANKERS	<i>Barclays Bank PLC, Chemical Investment Bank Ltd</i>
FINANCIAL ADVISER	<i>SG Warburg &amp; Co Ltd</i>
STOCKBROKER	<i>Pannure Gordon &amp; Co Ltd</i>
REGISTRAR	<i>National Westminster Bank Plc</i>



## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report to shareholders together with the audited accounts for the year to 31 March 1993.

### PRINCIPAL ACTIVITIES

The main activities of the Group are the supply of clean water and the treatment and disposal of waste water. The Company has an investment in waste disposal through its associate company Wessex Waste Management Ltd.

A review of progress and the activities of the Group during the year and for the future is given in the *Managing Director's Review* (pages 6 to 12). The names and activities of the principal operating subsidiary companies and associated undertakings are given on page 40.

### PROFIT AND DIVIDEND

Group profit for the year after taxation amounted to £76.9m. The directors recommend a final dividend of 14.2p per ordinary share to be paid on 1 October 1993 to shareholders on the register at the close of business on 1 July 1993. Together with the interim dividend of 7.3p per share, this will make a total of 21.5p per share for the year. The profit retained in the business, after deduction of dividends, amounts to £51.0m and has been transferred to reserves.

### SHARE CAPITAL

Details of the changes in share capital of the Company are given in note 22 to the accounts.

In January 1993 shareholders were offered a one for six rights issue of new ordinary shares. Details of the issue, associated offers and the proposed subscription for new C shares by UK Waste Management Holdings Ltd, a subsidiary of Waste Management International plc, were set out in a circular to shareholders dated 27 January 1993. The creation and issue of new C and D ordinary shares and the increase in the authorised ordinary share capital was approved at an Extraordinary General Meeting on 19 February 1993. Following these transactions, at 1 June 1993 UK Waste Management Holdings Ltd held 19.9% by nominal value of the enlarged issued share capital of the Company.

At 1 June 1993 the Company had, been notified of the following other substantial interests of 3% or more in the ordinary shares of the Company: Prudential Corporation 9.0%; Kleinwort Benson Group 3.8%.

## DIRECTORS

The names and details of the directors are set out on pages 14 and 15.

All were directors throughout the financial year other than Sir Terry Heiser who was appointed by the Board with effect from 1 January 1993. In accordance with the Company's Articles of Association he offers himself for appointment at the Annual General Meeting on 3 September 1993.

DNA McLure and R Huntington will retire by rotation at the forthcoming Annual General Meeting and being eligible, will offer themselves for re-appointment. R Huntington has a service contract which will terminate on his retirement in February 1994, at which time he will also retire as a director.

## DIRECTORS' INTERESTS

The beneficial interests of the directors, together with those of their families, in the shares of the Company were:

41 ORDINARY SHARES	1 APRIL 1992	31 MARCH 1993	14 JUNE 1993
WN Hood	33,193	56,603	56,610
CF Skellett	4,083	56,466	42,850
NAW Wheatley	5,083	46,250	36,000
R Huntington	4,443	19,805	19,805
DNA McLure	10,000	12,500	12,500
Dr AK Barbour	800	956	966
EG Falkman	-	-	-
Sir Terry Heiser	*-	1,000	1,000
RD Kent	5,980	6,976	6,976
AR Thornhill	2,000	2,566	2,566

\* AT DATE OF APPOINTMENT, 1 JANUARY 1993.

Executive directors' interests in options over ordinary shares in the Company and movements during the year were as follows:

	AT 1 APRIL 1992	GRANTED IN YEAR	RIGHTS ADJUSTMENTS	EXERCISED IN YEAR	AT 31 MARCH 1993
WN Hood	146,654	37,307	4,284	(71,014)	117,231
CF Skellett	129,181	32,307	3,774	(72,463)	92,799
NAW Wheatley	91,988	26,923	2,706	(54,348)	67,269
R Huntington	78,142	-	2,234	(17,600)	62,776

Options to purchase fully paid ordinary shares were granted under the Wessex Water Sharesave Scheme and the Wessex Water Executive Share Option Scheme. 39% of all employees have options under the savings-related Sharesave Scheme and 56 directors and senior managers have options under the Executive Scheme. Further details are given in note 22(h) to the accounts.

In accordance with the rules of the share option schemes, adjustments were made to both the number and exercise price of share options to take account of the rights issue. The adjustments were agreed with the Inland Revenue and confirmed by the auditors to be fair and reasonable. Executive directors are also deemed to be interested in ordinary shares held in trust under the Wessex Water Profit Sharing Scheme as follows:

WN Hood 614; CF Skellett 631; R Huntington 631; NAW Wheatley 611.

WN Hood and CF Skellett are directors of Wessex Water Trustee Company Limited which on 31 March 1993 held 644,319 shares on behalf of employees of the Group. No directors had any other interest in the shares of the Company or any other group company.

#### CORPORATE GOVERNANCE

The directors support the recommendations of the Cadbury Committee report on the financial aspects of corporate governance and intend to comply fully with the code of best practice. Further details are given on page 13.

#### EMPLOYMENT

Wessex Water offers equal opportunities to all applicants for employment. Disabled people are considered for employment, training, career development and promotion on the basis of their aptitude and abilities, in common with all employees.

A high priority is given to employee communications which include team meetings, an employee newspaper, newsletters and conferences.

It is the policy throughout the Group to ensure that health and safety standards are maintained at a high level. Regular health and safety meetings are held. The accident rate continues to be one of the lowest in the water industry.

#### CHARITABLE DONATIONS

During the year, Wessex Water donated £45,000 to UK charities. No contributions were made to political organisations.

#### ENVIRONMENTAL POLICY

Wessex Water protects, conserves and improves the environment and operates in a socially responsible manner. Working practices are continually revised as improved techniques and technologies become available. The Company has an Environmental Charter and a separate Environmental Report has been prepared indicating the progress made in this area during the year. Further details are given in the *Managing Director's Review*.

## AUDITORS

A resolution to re-appoint Coopers & Lybrand as the Company's auditors will be proposed at the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 11.00am on Friday 3 September 1993 at the Assembly Rooms, Bennett Street, Bath. The resolutions together with explanatory notes on the special business are given on pages 42 to 44

## OTHER INFORMATION

On 1 April 1993, 112,091 shares were allotted following the Company's interim scrip dividend offer of 20 January 1993.

Details of changes in tangible fixed assets during the year are given in note 13 to the accounts.

During the financial year, insurance was maintained covering directors and officers against liabilities relating to the performance of their duties.

The Group carried out research and development in support of existing activities to improve the reliability and effectiveness of water and waste water services.

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

By Order of the Board

AF Crofts *Company Secretary* 15 June 1993



## AUDITORS' REPORT

### REPORT OF THE AUDITORS TO THE MEMBERS OF WESSEX WATER Plc

We have audited the financial statements set out on pages 20 to 40 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 1993 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*  
COOPERS & LYBRAND

Chartered Accountants and Registered Auditors

Bristol, 15 June 1993

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year to 31 March 1993

	NOTE	1993 £m	1992 £m
<b>Turnover</b>	1	205.6	190.8
<b>Operating profit</b>	2	81.0	67.5
Net interest receivable	3	0.5	8.5
<b>Profit on ordinary activities before taxation and associates</b>		81.5	76.0
Share of results of associated undertakings	4	4.5	0.9
<b>Profit on ordinary activities before taxation</b>		86.0	76.9
Taxation on profit on ordinary activities	5	9.1	6.5
<b>Profit attributable to shareholders</b>		76.9	70.4
Dividends	6	25.9	20.5
<b>Profit retained</b>	23	51.0	49.9
Earnings per ordinary share	7	70.9p	66.4p
Fully diluted earnings per ordinary share	8	60.1p	56.8p

There are no recognised gains or losses for the years to 31 March 1993 and 31 March 1992 other than those disclosed in the profit and loss account above.

The notes on pages 24 to 40 form part of these accounts.  
The movements on reserves are shown in note 23 on page 36.

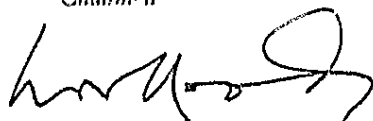
**CONSOLIDATED BALANCE SHEET**

at 31 March 1993

	NOTE	1993 £m	1992 £m	1992 £m	1992 £m
<b>Fixed assets</b>					
Tangible assets	13	809.6		715.8	
Investments	14	22.9	832.5	5.6	721.4
<b>Current assets</b>					
Stock and work in progress	15	2.4		3.2	
Debtors	16	43.4		40.5	
Listed investments	14	0.7		0.7	
Short term cash investments		267.9		206.2	
		314.4		250.6	
<b>Creditors – amounts due within one year</b>	17	102.4		106.7	
<b>Net current assets</b>			212.0		143.9
<b>Total assets less current liabilities</b>			1044.5		865.3
<b>Creditors – amounts due after more than one year</b>	18		218.7		188.5
<b>Provisions for liabilities and charges</b>	19		8.3		6.4
<b>Deferred income</b>	20		12.4		7.1
	21		805.1		663.3
<b>Capital and reserves</b>					
Called up share capital	22		151.7		121.1
Share premium account	23		163.1		44.8
Profit and loss account	23		490.3		497.4
	24		805.1		663.3

These accounts were approved by the board of directors on 15 June 1993.

Nicholas Hood  
Chairman



Nicholas Wheatley  
Director



The notes on pages 24 to 40 form part of these accounts.

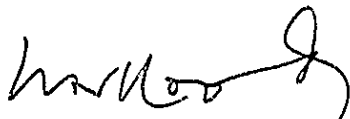
**COMPANY BALANCE SHEET**

at 31 March 1993

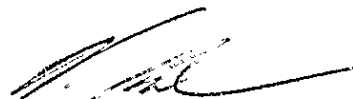
	NOTE	1993 £m	1992 £m	1991 £m
<b>Fixed assets</b>				
Investments	14		208.3	135.6
<b>Current assets</b>				
Debtors	16	50.2		34.4
Listed investments	14	0.7		0.7
Short term cash investments		321.3		206.2
		372.2		241.3
Creditors – amounts due within one year	17	70.9		36.9
Net current assets			301.3	204.4
Total assets less current liabilities			509.6	340.0
Creditors – amounts due after more than one year	18		34.2	60.0
			475.4	280.0
<b>Capital and reserves</b>				
Called up share capital	22		151.7	121.1
Share premium account	23		163.1	44.8
Profit and loss account	23		160.6	114.1
	24		475.4	280.0

These accounts were approved by the board of directors on 15 June 1993.

Nicholas Hood  
Chairman



Nicholas Wheatley  
Director



The notes on pages 24 to 40 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year to 31 March 1993*

	NOTE	1993 £m	1992 £m	1991 £m	1990 £m
<b>Net cash inflow from operating activities</b>	<b>25</b>		<b>100.7</b>		<b>88.5</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		21.4		15.5	
Interest paid		(11.6)		(2.4)	
Dividends paid		(18.6)		(12.1)	
Interest element of finance lease rental payments		(6.5)		(2.1)	
	<b>26</b>		<b>(15.3)</b>		<b>(1.1)</b>
<b>Taxation</b>					
Advance corporation tax	<b>27</b>		<b>(6.3)</b>		<b>(6.1)</b>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(135.5)		(117.6)	
Sale of tangible fixed assets		0.6		0.5	
Connection charges, grants and deferred income		11.9		10.6	
Investments		(64.5)		(54.3)	
	<b>28</b>		<b>(187.5)</b>		<b>(160.8)</b>
<b>Net cash outflow before financing</b>			<b>(108.4)</b>		<b>(79.5)</b>
<b>Financing</b>					
Issue of ordinary share capital		147.3		0.4	
Finance lease drawdown		9.9		65.1	
New long-term loans		16.2		60.0	
	<b>29</b>		<b>173.4</b>		<b>125.5</b>
<b>Increase in cash and cash equivalents</b>	<b>30</b>		<b>65.0</b>		<b>46.0</b>

Details supporting the consolidated cash flow statement are set out in notes 25 to 30.



## NOTES TO THE ACCOUNTS

For the year to 31 March 1993

### ACCOUNTING POLICIES

**a Basis of preparation**

The accounts have been prepared under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

**b Basis of consolidation**

The Group accounts include the accounts of the Company and its subsidiaries up to 31 March 1993. As permitted by the Companies Act 1985 a profit and loss account for Wessex Water Plc is not presented.

**c Associated undertakings**

The accounts incorporate the Group's share of the results of associated undertakings, where material. The consolidated profit and loss account incorporates the Group's share of profits less losses and the Group's share of net assets is included in the consolidated balance sheet.

The accounting policy used by the Wessex Waste Management group in respect of acquisitions by that group is as follows: for consolidation purposes the fair value of total purchase consideration is allocated between identifiable assets and liabilities acquired on the basis of their fair value to the Group at the date of acquisition. Any difference arising, representing goodwill, is eliminated against reserves. In determining the fair value of assets and liabilities acquired, provisions are made in respect of any business reorganisation costs to be incurred and any trading losses anticipated during the reorganisation period, together with provision for environmental liabilities and remediation costs.

**d Turnover**

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

**e Tangible fixed assets and depreciation**

Tangible fixed assets comprise infrastructure assets and other assets.

**i 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** include properties, plant and equipment and are shown 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:

Specialised operational properties and structures	15 – 80 years
Non-specialised operational properties	60 years
Plant machinery and vehicles	3 – 30 years
Other assets	4 – 15 years

**f Leased assets**

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance 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 written off in the year they are incurred.

**g Grants and contributions**

Grants and contributions in respect of specific expenditure on non-infrastructure fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets.

Grants and contributions and infrastructure charges relating to infrastructure assets, which are not depreciated, have been offset against the cost of related fixed assets. This treatment, although not in accordance with the Companies Act 1985, has been adopted to show a true and fair view.

**h 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.

**i Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In respect of work in progress cost includes labour, materials and attributable overheads.

**j Foreign currency**

All transactions denominated in foreign currencies are translated into sterling at the actual rates 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.

**k Interest rate instruments**

Interest rate instruments, which are used to provide a hedge against interest rate movements attaching to the Company's external financing, are valued on a basis consistent with the underlying transactions. Profits are accounted for on an accruals basis over the life of the hedge. Any losses arising are provided for in the financial period in which they occur.

**l Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**m Business development expenditure**

Expenditure incurred by the Group attributable to business development projects is deferred in circumstances where, in the opinion of the directors, there exists a reasonable expectation that a project will lead to the recovery of attributable expenditure through future commercial success.

Deferred business development expenditure is amortised over the period during which the related future income is expected to arise.

Unamortised expenditure is reviewed on a regular basis and its recoverability reassessed. Where doubt exists as to the continued recoverability of such expenditure it is written off.

**n Taxation**

The charge for taxation is based on the profit for the period adjusted in accordance with tax legislation. 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.

**o Pensions**

The cost of providing 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. The two main pension schemes of the Group are of the defined benefit type, which are externally funded and valued by an independent actuary.

**NOTES TO THE ACCOUNTS** (continued)  
**For the year to 31 March 1993**

1 Turnover	GROUP	
	1993 £m	1992 £m
Analysis by class of continuing business		
Water supply	65.3	61.5
Waste water	128.3	117.5
Other trading activities	12.0	11.8
	<u>205.6</u>	<u>190.8</u>
2 Operating profit		
a Analysis by class of continuing business		
Water supply	18.4	13.7
Waste water	60.0	52.0
Other trading activities	2.6	1.8
	<u>81.0</u>	<u>67.5</u>
<p>Operating profit by class of business is determined after allocating central service costs on the basis of time spent on each class of business.</p>		
<p>b Operating profit is shown after charging the following costs:</p>		
<p>OPERATIONAL COSTS</p>		
Manpower costs (note 10)	31.9	32.1
Materials and consumables	24.2	24.0
Other operational costs	37.4	37.4
	93.5	93.5
<p>DEPRECIATION</p>		
Depreciation	20.5	18.9
Amortisation of grants and contributions	(0.3)	(0.2)
Loss on disposals of fixed assets	0.9	0.4
	21.1	19.1
<p>INFRASTRUCTURE MAINTENANCE EXPENDITURE</p>		
Total costs	<u>124.6</u>	<u>123.3</u>
<p>c Operational costs include:</p>		
Operating leases for plant and machinery	0.2	0.4
Other operating leases	0.9	0.8
Research and development	0.9	0.7
Directors' remuneration (note 11)	0.7	0.7
Audit fees, company and group	0.1	0.1
Other fees paid to external auditors	0.2	0.2

3 Net interest receivable	GROUP	
	1993 £m	1992 £m
INTEREST PAYABLE		
Bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	(0.3)	(0.9)
Not wholly repayable within five years	(19.4)	(7.3)
Total interest payable	(19.7)	(8.2)
INTEREST RECEIVABLE	20.2	16.7
Net interest receivable	0.5	8.5

#### 4 Share of results of associated undertakings

The financial statements incorporate trading periods for the 12 months to 31 March 1993 for Wessex Waste Management Ltd and Wimpey Wessex Water Ltd. In each case the accounting reference date is 31 December 1992.

##### Wessex Waste Management Ltd

Turnover	48.3	17.3
Operating costs	38.8	15.5
Operating profit	9.5	1.8
Interest payable	(0.1)	—
Profit before tax	9.4	1.8
Wessex Water Group share — Wessex Waste Management Ltd	4.7	0.9
— Wimpey Wessex Water Ltd	(0.2)	—
	4.5	0.9

#### 5 Taxation

##### a TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Advance corporation tax	7.1	6.5
Share of tax charge of associated undertaking	1.6	—
Adjustment in respect of a previous year	0.4	—
	9.1	6.5

The advance corporation tax charge is in respect of dividends paid and proposed for the year. There is no other liability to UK corporation tax as a result of the availability of capital allowances.

For the year to 31 March 1993

**5 Taxation continued****b DEFERRED TAXATION**

The full potential amount of deferred taxation calculated at 33% on all timing differences is as follows:

	GROUP	
	1993	1992
	£m	£m
Fixed asset timing differences	97.9	84.0
Other timing differences	(7.5)	(6.7)
Advance corporation tax recoverable	(23.2)	(16.1)
Trading losses	(7.0)	(17.3)
	<u>60.2</u>	<u>43.9</u>

No deferred tax has been provided as projections indicate that the potential liability will not crystallise within the foreseeable future

**6 Dividends**

## ON ORDINARY SHARES

Interim dividend of 7.3p per share (1992 – 6.6p)	7.6	6.7
Proposed final dividend of 14.2p per share (1992 – 12.9p)	17.7	13.3
	<u>25.3</u>	<u>20.0</u>

## ON B ORDINARY SHARES

Total dividend of 2.595p per share	0.5	0.5
------------------------------------	-----	-----

## ON C ORDINARY SHARES

Dividend of 4.22p per share from the date of issue – £32,255	–	–
--	---	---

## ON D ORDINARY SHARES

Proposed dividend of 14.2p per share	0.1	–
	<u>25.9</u>	<u>20.5</u>

**7 Earnings per ordinary share**

The calculation of earnings per ordinary share is based on the profit after taxation, less the dividend payable on B and C ordinary shares, using a weighted average number of ordinary shares in issue of 107,749,870.

### 8 Fully diluted earnings per ordinary share

The calculation of fully diluted earnings per ordinary share is based on the profit after taxation plus notional interest on outstanding share options, as if they had been exercised on 1 April 1992. The weighted average number of ordinary shares for this purpose is 136,062,348 which assumes the exercise of all outstanding options and the full conversion of B, C and D ordinary shares.

### 9 Company profit and loss account

As permitted by Section 230 of the Companies Act 1985, a profit and loss account of the parent company is not presented. The amount of the consolidated profit attributable to shareholders dealt with in the accounts of the parent company is £72.4m (1992 – £71.7m) after including dividends from subsidiary companies of £65.0m (1992 – £61.8m).

### 10 Employee information

	GROUP	
	1993	1992
	£m	£m
a Total employment costs of the Group were:		
Wages and salaries	37.9	37.1
Social security costs	2.9	2.7
Other pension costs	4.1	3.7
	<u>44.9</u>	<u>43.5</u>
b Total employment costs are charged as follows:		
Capital schemes	12.2	10.4
Infrastructure maintenance expenditure	0.8	1.0
Manpower costs	31.9	32.1
	<u>44.9</u>	<u>43.5</u>
c The weekly average number of employees during the financial year was:	1993	1992
	<u>1871</u>	<u>1869</u>

**NOTES TO THE ACCOUNTS** *Continued*  
 For the year to 31 March 1993

**11 Directors' remuneration**

The remuneration of executive directors is determined by the Remuneration Committee, details of which are set out on page 13. Bonuses for the Chairman and other executive directors are payable on the achievement of the Group's profit target and an assessment of individual performance.

	GROUP	
	1993	1992
	£000	£000
<b>a Total remuneration:</b>		
Fees as directors	74	70
Salary for management services	431	409
Bonus	60	52
	565	531
Taxable benefits	32	30
Pension contributions	138	129
<b>b Chairman and highest paid director:</b>		
Salary	135	130
Bonus	19	16
	154	146
Taxable benefits	10	10
Pension contributions	44	42
<b>c Other directors within the following ranges, excluding pension contributions:</b>		
	£	
0 - 5000		1993
		1992
10001 - 15000		2
		2
20001 - 25000		2
		2
95001 - 100000		-
		1
105001 - 110000		1
		1
110001 - 115000		1
		-
120001 - 125000		-
		1
125001 - 130000		1
		-

**12 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.

### 13 Tangible fixed assets

	Specialised operational properties & structures	Non- specialised operational properties	Infra- structure assets	Plant machinery & vehicles	Other assets	Payments on account & assets in course of construction	Group total
	£m	£m	£m	£m	£m	£m	£m
<b>COST</b>							
At 1 April 1992	207.5	11.6	320.7	209.7	28.8	67.2	845.5
Additions	24.8	0.7	23.5	32.0	2.1	39.1	122.2
Disposals	(0.1)	—	—	(2.8)	—	(0.6)	(3.5)
Government grants and contributions	—	—	(6.3)	—	—	(0.1)	(6.4)
At 31 March 1993	<u>232.2</u>	<u>12.3</u>	<u>337.9</u>	<u>238.9</u>	<u>30.9</u>	<u>105.6</u>	<u>957.8</u>
<b>DEPRECIATION</b>							
At 1 April 1992	34.2	1.8	—	76.9	16.8	—	129.7
Provision for year	3.5	0.2	—	14.3	2.5	—	20.5
Disposals	—	—	—	(2.0)	—	—	(2.0)
At 31 March 1993	<u>37.7</u>	<u>2.0</u>	<u>—</u>	<u>89.2</u>	<u>19.3</u>	<u>—</u>	<u>148.2</u>
<b>NET BOOK VALUE</b>							
At 31 March 1993	<u>194.5</u>	<u>10.3</u>	<u>337.9</u>	<u>149.7</u>	<u>11.6</u>	<u>105.6</u>	<u>809.6</u>
At 31 March 1992	<u>173.3</u>	<u>9.8</u>	<u>320.7</u>	<u>132.8</u>	<u>12.0</u>	<u>67.2</u>	<u>715.8</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 waste water services and land held to protect the quality of water supplies.

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

The accounting treatment for contributions and infrastructure charges in respect of infrastructure assets is described in the Accounting Policies. In the opinion of the directors it is not appropriate to treat contributions and infrastructure charges on infrastructure assets as deferred income. The fixed assets to which they relate are not depreciated and accordingly no basis exists on which to recognise such contributions as deferred income. The contributions relate directly to investment in infrastructure assets and therefore are deducted directly from their purchase price or production cost.

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

The net book value of assets held under finance leases is £93.1m (1992 – £85.1m).

The depreciation charge for the year on assets held under finance leases is £1.4m (1992 – £0.6m).



14 Investments

	GROUP		COMPANY	
	1993	1992	1993	1992
a FIXED ASSET INVESTMENTS	£m	£m	£m	£m
Fixed asset investments represent the Company's investment in its principal subsidiary companies and associated undertakings				
At 1 April	5.6	0.1	135.6	81.5
Additions	72.7	54.1	72.7	54.1
Share of retained profit	2.7	0.9	—	—
Proportion of goodwill written off by associated undertaking	(58.1)	(49.5)	—	—
At 31 March	22.9	5.6	208.3	135.6

The principal subsidiary companies and associated undertakings are listed on page 40.

During the course of the year the Company provided funding to its associated undertakings of £72.7m of which £56.5m was for the acquisition of Waste Management Ltd. Payments of £7.5m were made following receipt of planning consent for landfill sites in accordance with the agreement for the acquisition of Wimpey Waste Management Ltd. £5.8m was provided for the acquisition of other waste management businesses and £2.9m for working capital requirements.

The Group's share of goodwill written off by its associated undertaking, Wessex Waste Management Ltd, comprises: £43.4m arising on the acquisition of Waste Management Ltd, £7.5m as a result of payments made following receipt of planning consent for landfill sites acquired as a part of the purchase of Wimpey Waste Management Ltd, £3.3m in respect of the finalisation of the fair value adjustments on the acquisition of Wimpey Waste Management Ltd and £3.9m arising on other acquisitions made during the year.

The total consideration for Waste Management Ltd was £113m of which £87.2m was paid in cash, £10.8m was the assumption of third party debt and £15m deferred. The capital employed at the date of acquisition, excluding debt assumed as part of the overall purchase price, was £51.1m. This value has been reduced by provisional acquisition adjustments of £24.9m to reflect the fair value to the acquiring company. At 31 March 1993 assessment of the fair value of landfill sites was not finalised and may be subject to further change. There was goodwill arising on acquisition of £86.8m of which £43.4m is attributable to Wessex Water Plc.

The Group's share of net assets of associated undertakings is £22.9m (1992 — £5.6m)

b CURRENT ASSET INVESTMENTS

The market value of listed investments at 31 March 1993 was £1.7m.

15 Stock and work in progress

	GROUP	
	1993	1992
	£m	£m
Stores	1.9	2.3
Work in progress	0.5	0.9
	2.4	3.2

16 Debtors

	GROUP		COMPANY	
	1993	1992	1993	1992
	£m	£m	£m	£m
Amounts due within one year				
Trade debtors	21.8	19.2	—	—
Amounts owed by group companies	1.7	—	47.8	28.3
Other debtors	1.7	1.8	—	—
Prepayments and accrued income	18.2	19.5	2.4	6.1
	43.4	40.5	50.2	34.4

**17 Creditors**

	GROUP		COMPANY	
	1993 £m	1992 £m	1993 £m	1992 £m
Amounts due within one year				
Bank loans, overdrafts and temporary borrowings	-	3.3	-	7.9
Trade creditors	4.2	5.7	-	-
Amounts owed to associated companies	0.1	-	-	-
Amounts owed to group companies	-	-	30.0	-
Proposed dividend	25.7	20.3	25.7	20.3
Other creditors	6.1	0.4	5.0	-
Advance corporation tax	7.3	6.5	7.3	6.5
Other taxation and social security	1.0	1.0	-	-
Accruals and deferred income	58.0	69.5	2.9	2.2
	<u>102.4</u>	<u>106.7</u>	<u>70.9</u>	<u>36.9</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 Plc has acted as guarantor for certain borrowing facilities made available to Wessex Water Services Ltd.

**18 Creditors**

Amounts due after more than one year				
Loans repayable - within 1 - 2 years	-	-	30.0	30.0
- within 2 - 5 years	1.6	7.6	-	30.0
- after 5 years	112.6	90.4	-	-
	<u>114.2</u>	<u>98.0</u>	<u>30.0</u>	<u>60.0</u>
Finance leases repayable - within 1 - 5 years	27.7	2.4	-	-
- after 5 years	72.3	87.7	-	-
Other	4.5	0.4	4.2	-
	<u>218.7</u>	<u>188.5</u>	<u>34.2</u>	<u>60.0</u>

Loans of £114.2m are at, or have been swapped into, floating rates and reinvested until required. The floating rates varied between 10.9% and 6% during the course of the year.

**19 Provisions for liabilities and charges**

	GROUP	
	1993 £m	1992 £m
Infrastructure maintenance provision		
At 1 April	6.4	8.2
Charged to profit and loss account	10.0	10.7
Infrastructure maintenance expenditure	(8.1)	(12.5)
At 31 March	<u>8.3</u>	<u>6.4</u>

**NOTES TO THE ACCOUNTS (Continued)**  
 For the year to 31 March 1993

**20 Deferred income**

	GROUP	
	1993 £m	1992 £m
Grants and contributions		
At 1 April	7.1	3.4
Received in the year	5.6	3.9
Less amortisation	(0.3)	(0.2)
At 31 March	12.4	7.1

**21 Net assets**

Analysis by class of business		
Water Supply	215.1	190.7
Waste Water	453.9	387.1
	669.0	577.8
Interest bearing net operating assets	136.1	85.5
	805.1	663.3

Interest bearing net operating assets include cash, loans, taxation, interest and dividends payable. In the opinion of the directors the allocation of net assets by class of business to other trading activities would be inappropriate.

**22 Called up share capital**

			COMPANY	
			1993 £m	1992 £m
Authorised:				
170,000,000		ordinary shares of £1 each	170.0	150.0
20,000,000	B	ordinary shares of £1 each	20.0	20.0
8,000,000	C	ordinary shares of £1 each	8.0	—
1,400,000	D	ordinary shares of £1 each	1.4	—
One special rights redeemable preference share of £1			—	—
			199.4	170.0
Allotted and fully paid:				
124,508,819		ordinary shares of £1 each	124.5	103.0
18,135,064	B	ordinary shares of £1 each	18.1	18.1
7,971,053	C	ordinary shares of £1 each	8.0	—
1,060,530	D	ordinary shares of £1 each	1.1	—
One special rights redeemable preference share of £1			—	—
			151.7	121.1

## 22 Called up share capital *continued*

- a On 19 February 1993 the authorised share capital of the Company was increased to £199,400,001 by the creation of an additional 20,000,000 ordinary shares of £1 each, 8,000,000 C ordinary shares of £1 each and 1,400,000 D ordinary shares of £1 each. The directors were authorised and empowered to allot the increased share capital. The C ordinary shares will convert into new ordinary shares on 28 February 1998, on a one-for-one basis. The D ordinary shares will convert into new ordinary shares on 1 January 1995, on a one-for-one basis.
- b On 22 February 1993 19,104,765 ordinary shares were issued at £4.80 per share and on 24 February 1993 1,168,692 ordinary shares were issued at £4.80 per share. These shares were offered as a one-for-six rights issue to the holders of ordinary and B ordinary shares respectively and the issue resulted in a share premium on allotment of £77,039,137.
- c On 25 February 1993 7,971,053 C ordinary shares at £5.63 per share and 1,060,530 D ordinary shares at £4.80 per share were issued to UK Waste Management Holdings Ltd. These issues resulted in a share premium on allotment of £40,935,989. Holders of C ordinary shares are entitled to a fixed dividend of 0.75% net per annum on the issue price. Holders of D ordinary shares are entitled to the same dividends as holders of ordinary shares. Both the C and D ordinary shares are non voting until 1 January 1995.
- d On 1 April 1992 150,058 ordinary shares were issued at £3.83 per share and on 1 October 1992 272,238 ordinary shares were issued at £4.94 per share. These shares were issued to existing shareholders in lieu of a cash dividend and resulted in a share premium on allotment of £1,498,426.
- e During the year 29,386 ordinary shares were issued at prices between £1.71 and £3.90 per share under the savings related share option scheme, 715,414 at £2.76 per share and 2,386 at £4.19 per share under the executive share option scheme and 113,528 at £5.84 per share under the 1992 profit sharing scheme. These issues resulted in a share premium on allotment of £1,839,916.
- f 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.
- g The B ordinary shares convert to new ordinary shares on 28 February 1998, on a one-for-one basis. Options granted to UK Waste Management Holdings Ltd in respect of 6,363,182 ordinary shares may be exercised between 1 January 1995 and 31 December 1999 at prices between £5.43 per share and £9.04 per share, dependent on the date of the exercise, provided certain performance targets are achieved by Wessex Waste Management Ltd. Holders of B ordinary shares are entitled to a fixed dividend of 0.75% net per annum on the issue price.
- h The Company has the following share schemes for employees:
- i 644,319 ordinary shares of the Company were held in trust at 31 March 1993 on behalf of employees who were beneficially entitled to the shares under the Wessex Water profit sharing scheme.
- ii A savings-related share option scheme, based on SAYE contracts, under which options were granted in December 1989, August 1991 and August 1992, at prices, adjusted for the rights issue, of £1.71, £2.94 and £3.80 per share respectively. At 31 March 1993 the number of options outstanding under this scheme was 2,062,289, exercisable between 10 February 1995 and 13 March 2000.
- iii An executive share option scheme whereby options outstanding in respect of 1,043,498 ordinary shares were granted at prices, adjusted for the rights issue, between £2.76 and £6.32 per share. These options are exercisable between 1 April 1993 and 25 March 2003.

**NOTES TO THE ACCOUNTS** (continued)

For the year to 31 March 1993

**23 Reserves**

	GROUP		COMPANY	
	Share premium account £m	Profit and loss account £m	Share premium account £m	Profit and loss account £m
At 1 April 1992	44.8	497.4	44.8	114.1
Retained profit for the year	-	51.0	-	46.5
Premium on shares issued (see note 22)	121.3	-	121.3	-
Scrip dividend and costs of rights issue	(3.0)	-	(3.0)	-
Proportion of goodwill written off by associated undertaking (see note 14)	-	(58.1)	-	-
At 31 March 1993	163.1	490.3	163.1	160.6

Group reserves are stated after adjustment for the Group's share of post acquisition reserves of associated undertakings of (£104.2m). These comprise retained profits of £3.1m less accumulated goodwill written off amounting to £107.6m.

**24 Reconciliation of movements in shareholders funds**

	1993 £m	1992 £m	1993 £m	1992 £m
Profit attributable to shareholders	76.9	70.4	72.4	71.7
Dividends	(25.9)	(20.5)	(25.9)	(20.5)
	51.0	49.9	46.5	51.2
Share capital issued	30.6	0.2	30.6	0.2
Share premium created	118.3	0.2	118.3	0.2
Proportion of goodwill written off on acquisition by associated undertaking	(58.1)	(49.5)	-	-
Net addition to shareholders funds	141.8	0.8	195.4	51.6
Opening shareholders funds	663.3	662.5	280.0	228.4
Closing shareholders funds	805.1	663.3	475.4	280.0

**25 Reconciliation of operating profit to net cash inflow from operating activities**

	GROUP	
	1993 £m	1992 £m
Operating profit	81.0	67.5
Depreciation	20.5	18.9
Release of deferred income	(0.3)	(0.2)
Infrastructure maintenance provision	1.9	(1.8)
Loss on sale of fixed assets	0.9	0.4
Decrease in stock and work in progress	0.8	1.4
(Increase) in debtors	(2.8)	(6.2)
(Decrease)/increase in creditors	(1.3)	8.5
	100.7	88.5

## 26 Reconciliation of returns on investments and servicing of finance

	1993 £m	1993 £m	1992 £m	1992 £m
Interest receivable	20.2		16.7	
Decrease/(increase) in debtors	1.2	21.4	(1.2)	15.5
Interest payable	(11.2)		(3.5)	
(Decrease)/increase in creditors	(0.4)	(11.6)	1.1	(2.4)
Dividends payable	(25.9)		(20.5)	
Scrip issue of shares in lieu of dividend	1.9		-	
Increase in creditors	5.4	(18.6)	8.4	(12.1)
Interest payable on finance leases	(8.5)		(4.7)	
Increase in creditors	2.0	(6.5)	2.6	(2.1)
		<u>(15.3)</u>		<u>(1.1)</u>

## 27 Reconciliation of taxation

Taxation – advance corporation tax	(7.1)		(6.5)	
Increase in taxation creditor	0.8	(6.3)	0.4	(6.1)

## 28 Reconciliation of investing activities

Capital expenditure	(122.2)		(125.3)	
(Decrease)/increase in capital creditors	(13.3)	(135.5)	7.7	(117.6)
Sale of tangible assets		0.6		0.5
Government grants and contributions	6.4		6.8	
Deferred income	5.6		3.9	
(Increase) in capital debtors	(0.1)	11.9	(0.1)	10.6
Investments	(75.4)		(55.2)	
Income from interests in associated undertakings	2.5		0.9	
Increase in creditors	9.6		-	
(Increase) in debtors	(1.2)	(64.5)	-	(54.3)
		<u>(187.5)</u>		<u>(160.8)</u>

**NOTES TO THE ACCOUNTS** (continued)  
For the year to 31 March 1993

**29 Analysis of changes in financing**

	31/3/93 £m	31/3/92 £m	31/3/91 £m	1993 £m	1992 £m
Called up share capital	151.7	121.1	120.9	30.6	0.2
Share premium account	163.1	44.8	44.6	118.3	0.2
	314.8	165.9	165.5	148.9	0.4
Script issue in lieu of dividend				(1.9)	—
Increase in creditors				0.3	—
				147.3	0.4
Creditors more than one year	214.5	188.5	64.0		
Less other	0.3	0.4	1.0		
	214.2	188.1	63.0	26.1	125.1
				173.4	125.5

**30 Analysis of changes in cash and cash equivalents during the period**

Short term cash investments	267.9	206.2	161.8	61.7	44.4
Bank overdraft	—	(3.3)	(4.9)	3.3	1.6
	267.9	202.9	156.9	65.0	46.0

**31 Commitments**

a Capital expenditure authorised by the directors:

Committed	38.3	96.2
Not yet committed	80.5	44.9
	118.8	141.1

In addition to these commitments, at 31 March 1993, Wessex Water Services Ltd had longer term investment expenditure plans which included expenditure to improve the performance and condition of its assets and to provide for growth in demand.

b Operating lease payments under leases on land and buildings due within the next year in respect of leases which expire:

Between 1 and 5 years	0.2	—
Over 5 years	0.8	0.9
	1.0	0.9

c At 31 March 1993 the Company had interest rate and currency instrument agreements outstanding with commercial banks with a principal value of £129.2m (1992 - £148m).

### 32 Contingent liabilities

There are no material contingent liabilities at 31 March 1993 for which provision has not been made in these accounts.

### 33 Pensions

The two main pension arrangements operated by the Group 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 Group's staff; the assets of the schemes are held in separate trustee administered funds. The pension cost charged to the profit and loss account has been determined on the advice of independent qualified actuaries and is such to spread the cost of pensions over the service lives of the members of the schemes.

The pension cost for the year was £4.1m (1992 - £3.7m).

The balance sheet includes a prepayment of £0.5m (1992 - £0.7m) resulting from the accumulation of employer contributions in excess of net pension costs.

The first actuarial valuations of both WWPS and WWMIS were undertaken as at 31 March 1990. The projected unit method was used for the WWPS valuation and the attained age method for the WWMIS valuation. The assumptions which have the most significant effect on the results of a valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 5% per annum in the WWPS and 5.5% per annum in the WWMIS. The same actuarial methods and assumptions were used for assessing pension cost.

The market value of the WWPS assets as at 31 March 1990 was £22.7m and those for WWMIS £8.9m. In addition payments of £7.1m and £6.4m respectively were received after that date from the Water Authorities Superannuation Fund in respect of the outstanding transfer payments. These payments were taken into account in the actuarial valuations.

The valuations showed that the actuarial value of the assets at 31 March 1990 represented 110% and 107% of the actuarial value of the accrued benefits for the WWPS and WWMIS respectively.

The next actuarial valuation will be as at 31 March 1993.

The pension costs shown take no account of possible changes to the schemes arising from the 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 SUBSIDIARY COMPANIES AND ASSOCIATED UNDERTAKINGS

### SUBSIDIARY COMPANIES

All subsidiary companies, unless otherwise specified, are incorporated and operate in the United Kingdom. Wessex Water Plc owns 100% of the issued ordinary share capital of each subsidiary company:

COMPANY	PRINCIPAL ACTIVITIES
Wessex Water Services Ltd	Water supply and waste water services
Wessex Water Commercial Ltd	Research, development and international water supply and waste water services
Wessex Water Trustee Company Ltd	Trustee of employee share schemes
Wessex Water B.V. (incorporated in the Netherlands)	Financial services

Other subsidiary companies are dormant and not considered material to the Group.

### ASSOCIATED UNDERTAKINGS

COMPANY	SHARES HELD	PROPORTION OF ISSUED SHARES HELD	PRINCIPAL ACTIVITIES
Wessex Waste Management Ltd	55,688,000 B shares of £1 each	50 per cent	Waste management
Wimpey Wessex Water Ltd	50,000 B shares of £1 each	50 per cent	Water and sewerage construction
Brunel Insurance Company Ltd	(a) 800,000 funding shares of £1 each	80 per cent	Insurance
	(b) 50 management shares of £1 each	50 per cent	

On 26 January 1993 Wessex Waste Management Ltd acquired the entire share capital of Waste Management Ltd from NFC Plc. Further details are given in note 14. Waste Management Ltd operates a waste management business involving waste collection, transportation and disposal.

The interests in the above companies, which are incorporated in Great Britain and registered in England, apart from Brunel Insurance Company Ltd, registered in the States of Guernsey, are held directly by Wessex Water Plc.

### ACCOUNTS OF WESSEX WATER SERVICES LTD

Condition F of the Instrument of Appointment under which Wessex Water Services Ltd (the Appointee) operates, requires specified accounting statements to be published with the annual accounts. 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.

## FIVE YEAR SUMMARY

Year to 31 March

	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m
Turnover	205.6	190.8	166.9	147.8	130.8
Operating profit	81.0	67.5	57.5	40.3	52.9
Net interest receivable/(payable)	0.5	8.5	8.5	(17.5)	(29.8)
Profit on ordinary activities before taxation and associates	81.5	76.0	66.0	22.8	23.1
Share of results of associated companies	4.5	0.9	—	—	—
Profit on ordinary activities before taxation	86.0	76.9	66.0	22.8	23.1
Taxation on profit on ordinary activities	9.1	6.5	6.1	3.5	—
Profit attributable to shareholders	76.9	70.4	59.9	19.3	23.1
Dividends	25.9	20.5	18.2	10.4	—
Profit retained	51.0	49.9	41.7	8.9	23.1
Fixed assets	832.5	721.4	617.2	556.9	485.8
Current assets	314.4	250.6	199.9	70.9	50.7
Current liabilities	(102.4)	(106.7)	(79.0)	(61.9)	(97.1)
Net current assets/(liabilities)	212.0	143.9	120.9	9.0	(46.4)
Amounts due after more than one year	218.7	188.5	64.0	0.9	281.3
Provisions	8.3	6.4	8.2	6.5	—
Deferred income	12.4	7.1	3.4	—	—
	805.1	663.3	662.5	558.5	158.1
Called up share capital	151.7	121.1	120.9	102.6	—
Share premium account	163.1	44.8	44.6	0.6	—
Profit and loss account	490.3	497.4	497.0	455.3	158.1
	805.1	663.3	662.5	558.5	158.1
Average number of employees	1871	1869	1755	1639	1556

The figures for 1989 are derived from the Prospectus issued in connection with the Water Share Offer.

## NOTICE OF ANNUAL GENERAL MEETING

*The fourth Annual General Meeting of Wessex Water Plc will be held at the Assembly Rooms, Bennett Street, Bath on Friday 3 September 1993 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 1993.
- 2 To declare a final dividend.
- 3 To appoint Sir Terry Heiser as a director.
- 4 To re-appoint Mr DNA McLure as a director.
- 5 To re-appoint R. Huntington as a director.
- 6 To re-appoint Coopers & Lybrand as auditors and authorise the directors to fix the auditors' remuneration.

### SPECIAL BUSINESS

*To consider and, if thought fit, pass the following as an ordinary resolution:*

- 7 That the directors be authorised to offer holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole or some part (to be determined by the directors) of any dividend declared or paid during the period from the date of passing this resolution to the beginning of the next Annual General Meeting of the Company, in accordance with the provisions of Article 135.

*To consider and, if thought fit, pass the following as an ordinary resolution:*

- 8 That the directors shall have general and unconditional authority to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £41,550,000, such authority to expire five years after the passing of this resolution. The directors shall be entitled under this authority, or any renewal thereof, to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority. The authority shall be in substitution for and supersede and revoke any earlier such authority conferred on directors.

*To consider and, if thought fit, pass the following as a special resolution:*

- 9 That the directors 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 1994, to allot equity securities (within the meaning of Section 94(2) of the Companies Act 1985) wholly for cash pursuant to the general authority conferred by resolution 8 above, 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 (other than B shares and C shares) in connection with a rights issue; for the purposes of this resolution "rights issue" means an offer or offers of equity securities open for acceptance for a period fixed by the directors whereby (1) ordinary shares or other equity securities are offered to (a) holders on the register on a fixed record date of ordinary shares in proportion to their respective holdings of ordinary shares and (b) holders on the register on a fixed record date of B shares and C shares to the extent required by the rights attached to such shares and (c) holders of options issued pursuant to an option instrument dated 26 February 1991 (as amended) in accordance with their rights and (2) D shares are offered to holders on the register on a fixed record date of D shares to the extent required by the rights attached to such shares, but subject in all cases to such exclusions or to other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or stock exchange in any territory whatsoever; and
  - ii to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities (other than B, C

and D shares) up to an aggregate nominal value of £6,233,000; and

iii to the allotment of B shares to holders of B shares up to an aggregate nominal value of £906,753; and

iv to the allotment of C shares to holders of C shares up to an aggregate nominal value of £28,947; and

v to the allotment (other than pursuant to sub-paragraph i above) of D shares to the holders of D shares up to an aggregate nominal value of £53,026.

For the purpose of this resolution words and expressions defined in or for the purposes of the Articles of Association and Part IV of the Companies Act 1985 shall bear the same meanings herein.

Registered office:	By order of the Board
Wessex House	A F Crofts
Passage Street	<i>Company Secretary</i>
Bristol BS2 0JQ	25 June 1993

#### NOTES

- 1 A member of the Company is entitled to appoint a proxy to attend and, on a poll, vote instead of him or her. 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, PO Box 39, Caxton House, Redcliffe Way, Bristol BS99 7ZQ, no later than 11.00 am on 1 September 1993.
- 2 Copies of directors' service contracts are available for inspection by shareholders at the registered office during business hours until 2 September 1993 and thereafter at the place of the Annual General Meeting from 10.30 am until the conclusion of the meeting.

#### EXPLANATION OF RESOLUTIONS 7, 8 and 9

##### RESOLUTION 7: SCRIP DIVIDEND

The Company's Articles of Association allow the directors, if authorised by an ordinary resolution of the Company, to offer shareholders the option to receive fully paid ordinary shares as an alternative to the cash which they would otherwise receive as a dividend. This is commonly referred to as a "scrip dividend" option. The directors believe that this option is of benefit to the Company and of particular value to shareholders who may wish to increase their holdings without incurring dealing costs or stamp duty.

##### RESOLUTION 8: GENERAL 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. At the Extraordinary General Meeting of 19 February 1993 the directors were generally authorised to allot further shares up to a nominal amount of £20,000,000 such authority expiring on 18 August 1994. The total number of ordinary shares issued at the date of this notice, excluding B, C and D shares, is 124,660,032.

Resolution 8 seeks to update these authorities and replace them with a single general authority to allow the directors to allot new securities up to a maximum aggregate nominal value of £41,550,000, equivalent to approximately one third of the Company's issued ordinary share capital at the date of this notice.

##### RESOLUTION 9: AUTHORITY TO ALLOT SHARES FOR CASH

Under Section 89(1) of the Companies Act 1985 if the directors wish to allot any of the unissued ordinary shares for cash they must, unless a special resolution is passed to disapply the Section, offer them first to shareholders in proportion to the number of shares they each hold at that time. An offer of this type is called a "rights issue" and the

**EXPLANATION OF RESOLUTIONS** *Continued*

entitlement to be offered the new securities first is known as a "pre-emption right."

However, the Act makes no distinction between the ordinary shares and other classes of ordinary shares for the purposes of pre-emption rights. Accordingly the Company must disapply Section 89 to distinguish the ordinary shares from the other classes of ordinary shares.

There may also be legal, regulatory or practical reasons why it may not be possible to issue new securities under a rights issue to some shareholders, particularly those resident overseas, or circumstances in which the directors may wish to allot a limited number of the new ordinary shares for cash without making any offer to shareholders (eg., on an acquisition).

Resolution 9 therefore disapplies the pre-emption provisions of the Companies Act 1985:

- completely for an offer which is made to all shareholders;
- so as to allow the directors to allot new ordinary shares to anyone, wholly for cash, up to a maximum aggregate nominal value of £6,233,000 equivalent to 5% of the company's issued ordinary share capital at the date of this notice;
- so as to allow the directors to allot new B, C or D shares, wholly for cash, up to a maximum aggregate nominal value of 5% of the issued shares at the date of this notice, limited in the case of the C shares to the remaining authorised but un-issued shares.

If the directors wished, without taking account of pre-emption rights, to allot wholly for cash new ordinary shares in excess of these limits, they would first have to request the shareholders to waive their pre-emption rights in respect of the new securities which exceed it.

**FINANCIAL CALENDAR**

Annual General Meeting	3 September 1993
Final dividend for 1992/93	payable 1 October 1993
Half year results to be announced	December 1993
Interim dividend for 1993/94	payable 6 April 1994
Results to 31 March 1994	June 1994

**SHARE PRICE HISTORY FOR TAX PURPOSES**

<b>12 December 1989</b>	
Initial price, fully paid (payable by instalments of 100p in December 1989 and 70p, subject to discounts, in both July 1990 and July 1991)	240.0p
<b>1 April 1992</b>	
Scrip dividend shares	383.4p
<b>1 October 1992</b>	
Scrip dividend shares	494.2p
<b>31 December 1992</b>	
Bonus shares	597.0p
<b>22 February 1993</b>	
Rights shares	480.0p
<b>1 April 1993</b>	
Scrip dividend shares	595.2p

