

WESSEX WATER SERVICES LTD

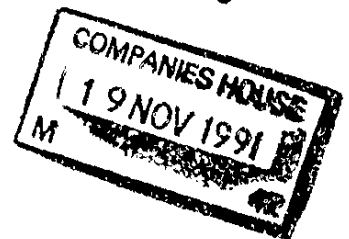
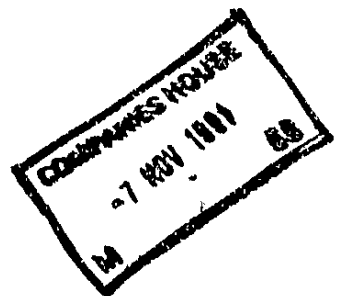
Annual Report 1991

Incorporation No: 2366648

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*Wessex
Water*

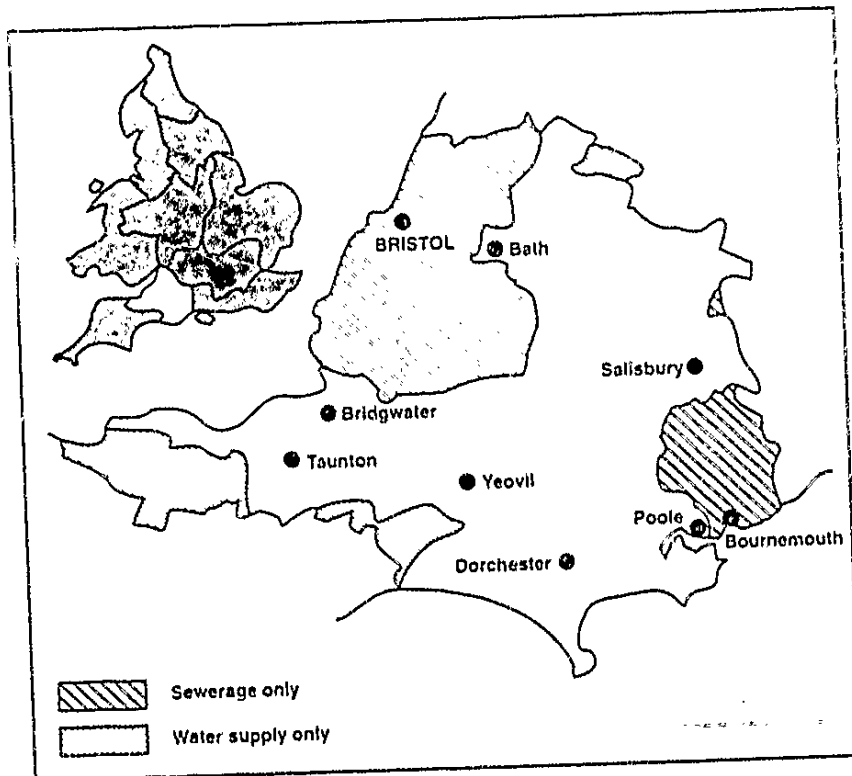


CONTENTS

STATUTORY ACCOUNTS

Wessex Water at a Glance	2
Directors' Report	3
Auditors' Report	7
Profit & Loss Account	8
Balance Sheet	9
Statement of Source and Application of Funds	10
Notes to the Accounts	11

WESSEX WATER AT A GLANCE



WESSEX 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
- draws over 70% of water supplies from natural underground aquifers, mostly pumped from wells and boreholes. The remainder comes from rivers and reservoirs
- supplies water to over one million customers through 10,000 km of water mains
- provides sewerage services to around 2.5 million customers by a network of 13,000 km of sewers
- operates 359 sewage treatment works and over 1,000 sewage pumping stations
- has high standards, last year:
 - 99.6% of drinking water tests complied with EC and UK standards
 - 97.5% compliance with sewage treatment consent standards was achieved
 - 100% of the region's 39 EC designated bathing waters complied with EC directive bacteriological standards
- was the first utility to gain the BS5750 quality assurance certification for its customer services

DIRECTORS' REPORT

The directors present their report and audited accounts for the year to 31 March 1991.

PRINCIPAL ACTIVITIES

The main activities of the Company are water supply, sewerage and sewage treatment and disposal.

REVIEW OF THE YEAR

We have made considerable progress in our first full year in the private sector. The compliance of drinking water, effluents and bathing waters with national and EC standards is better than ever before. The level of new capital investment, to improve quality further, is at an all time high. Response to customers has been greatly improved by investment in new systems and staff training.

A major restructuring took place at 1 April 1990 and therefore care should be taken in drawing conclusions from a comparison with figures disclosed for the year to 31 March 1990.

Meeting Quality Standards

The quality of the drinking water we supply is regularly tested from sources, treatment works, the distribution system and customers' taps. Last year we carried out nearly two million tests on over 170,000 samples. The results showed 99.6% compliance with the high standards of the EC Drinking Water Directive. Our Scientific Centre at Saltford, near Bath, has some of the most sophisticated testing facilities in the country, for example, pesticides are detected down to one part in 50,000 million. The major reason for samples failing to comply with standards was the presence of traces of iron in water delivered through old iron mains. Iron does not cause any health problems but may discolour water. Last year 37 kilometres of main were replaced or relined as part of a major programme to eliminate this problem.

Wessex Water operates 359 treatment works that purify sewage, producing treated effluent for discharge to watercourses. Standards for these discharges are set and monitored by the National Rivers Authority. Last year we achieved 97.5% compliance with the required standards.

Around the Wessex coast there are 39 EC designated bathing waters. For the first time all of these met the bacteriological standards of the EC Bathing Water Directive. Six bathing beaches in Wessex obtained a Blue Flag, awarded to beaches with good water quality, high standards of cleanliness and good facilities.

Responding to Customers

Operating within the freedom and responsibility of the private sector Wessex Water can identify and react more quickly to customers' needs and requests. Letters and telephone calls from customers, liaison with the Director General's Customer Service Committee, surveys and checks after customers report problems, all help us to gauge areas of particular concern and to put them right.

In the light of customer priorities our capital investment programme is being continually adjusted. For example:

- about one third of sewage sludge produced as a by-product of sewage treatment is currently disposed of at sea. The North Sea Conference agreement requires the ending of disposal at sea by 1998. Wessex Water aims to stop by the end of 1993
- we are ending the use of aluminium salts in water treatment. Aluminium is only used at six of our 117 sources and control systems ensure the aluminium content of treated water stays within EC standards. However, we recognise customers are increasingly concerned at potential, although as yet unproved, health risks. The programme of work to convert these plants to alternative treatments has been advanced so that we stop using aluminium salts as quickly as possible
- throughout the water industry some water sources contain minute traces of pesticides. The Government requires the industry to eliminate pesticides from water by 1998. Wessex Water aims to install treatment at those sources that occasionally contain traces of pesticide by the end of 1994

Directors' Report continued

- the new EC Urban Wastewater Treatment Directive will require even higher standards of treatment for coastal discharges. We are already designing schemes so improvements can be implemented ahead of schedule.

The speed with which improvements can be made is limited first by the funds available from charges and retained profits to pay for improvements and secondly by the time needed physically to implement major engineering schemes. Within these constraints we are determined Wessex Water will respond to customers' views. During the coming year we will be introducing new initiatives to help us better understand customer priorities.

Wessex Water was the first utility to obtain BS5750 quality assurance certification for customer service.

A significant investment in new systems has been made to shorten the time and improve the quality of reaction to customers who contact us. A single telephone number, charged at local rate, now connects customers with a professional customer services unit that deals with operational and financial enquiries.

We have introduced special facilities for blind customers including publications in braille and on tape. Also we have invited disabled customers to register with us so that we can take account of their special needs.

A regular survey is made of a random selection of customers who have reported water or sewerage problems to ask for their views on the quality of service provided. Results for last year showed 79% were satisfied with the service and 96% of customers who had direct contact with our staff rated them as excellent or good. While these results are encouraging, the main benefit is in identifying any deficiencies so that we can put them right.

Securing Water Supplies

March to December 1990 was the driest period since records began. In the week commencing 15 July, Wessex met its highest ever level of water demand, an average of 517 million litres per day. Because of investment made over the last two years to reinforce the regional distribution grid, we have been able to maintain supplies to customers without any restrictions.

Water consumption in the Wessex region is growing at around 2% each year so new resources will have to be developed to maintain supplies. We recognise the environmental sensitivity of water resource development. Our last major resource development was of disused gravel workings near Ringwood in Hampshire. The next major resource will be from the River Avon downstream of Bath - a position well down the river system where abstraction will have minimal impact. As well as developing new resources, we are intensifying our leak detection programme so that we make best use of the water we abstract and collect.

There has been considerable public concern about the impact of water abstraction on river flows, particularly in the Piddle and Wylve catchments. Wessex Water is working with the National Rivers Authority to identify the extent and cause of the problems. In the case of the Piddle we have offered voluntary changes in abstraction arrangements whilst further work is undertaken to identify the right long term solution.

Improving the Environment

The major part of Wessex Water's business is treating domestic and industrial waste water. Standards are being steadily tightened, last year we spent £54 million on 770 schemes to improve the quality of the sewerage network and the performance of sewage treatment plants. This investment is targeted to give the most rapid improvement in river water quality.

All 39 EC designated bathing waters around the Wessex coast complied with the requirements of the existing EC legislation. The new Urban Waste Water Treatment Directive will require even higher standards and major treatment schemes will have to be installed for coastal discharges.

Almost all our work affects the environment. Our conservation officer and engineers work closely with environmental groups to make sure we protect the local environment. We have received a number of awards for new installations, including a Civic Trust award for the recently completed Chitterne Water Treatment plant near Warminster and the PA Gold Leaf Environmental award for the Blashford Lakes scheme.

PROSPECTS

The level of business and financial position at the year end were satisfactory. The directors expect that a profitable level of activity will be maintained.

DIVIDENDS AND RESERVES

The dividends paid and proposed for the year are set out in note 6 to the accounts. The retained profit for the year, after dividends, available for transfer to reserves was nil.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 10 to the accounts.

RING FENCING

Under condition K of its instrument of appointment, the Company is at all times required to ensure, so far as reasonably practicable, that if a special administration order were made the Company would have available to it sufficient rights and assets (other than financial resources) to enable the special administrator to manage the affairs, business and property of the Company.

The Company was in compliance with that requirement as at 31 March 1991.

DIRECTORS

The directors of the Company during the year to 31 March 1991 were:

D Beal (resigned 26 March 1991)
D Eastwood
J B Hill (resigned 26 March 1991)
W N Hood
R Huntington
J G Jones
K Manley
D Piggott
C F Skellett
N A W Wheatley

DIRECTORS' INTERESTS IN SHARES

The whole of the issued share capital of the Company is owned by Wessex Water Plc. The following directors are also directors of Wessex Water Plc:

W N Hood
R Huntington
C F Skellett
N A W Wheatley

Their interests in the shares of that Company are shown in the accounts of Wessex Water Plc.

Directors' Report continued

The beneficial interests of other directors in the share capital of Wessex Water Plc at 31 March 1991 were

Beneficial interests	£1 Ordinary shares		Share options	
	1991	1990	1991	1990
D Eastwood	0	0	46,974	16,699
J G Jones	1,056	980	47,147	41,347
K Manley	0	5,980	47,147	41,347
D Piggott	6,700	6,700	47,147	41,347

The options to purchase fully paid ordinary shares in Wessex Water Plc were granted under the Wessex Water Sharesave Scheme and the Wessex Water Executive Share Option Scheme, at prices between £2.84 and £4.31.

In addition, directors are deemed to be interested in ordinary shares held in trust under the employee profit sharing scheme as follows: D Eastwood 444; J G Jones 446, K Manley 321 and D Piggott 446

None of the directors had any other interest in the shares of the Company or of Wessex Water Plc

EMPLOYMENT POLICIES

The Company offers equal opportunities to all applicants for employment, whatever their sex, race, religion or marital status. Disabled persons are considered for employment training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees

A high priority is given to employee communications which includes a team briefing system, newsletter, house journal, conferences and meetings

Regular health and safety meetings are held. The accident rate continues to be one of the lowest in the water industry

RESEARCH AND DEVELOPMENT

The Company is committed to a programme of research and development activities.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

During the financial year, insurance was maintained covering directors and officers of the Company against liabilities relating to the Company

CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the Company, there has been no change in this respect since incorporation

AUDITORS

Coopers & Lybrand Deloitte were appointed as the Company's auditors at the Annual General Meeting on 25 September 1990. A resolution to re-appoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the annual general meeting

By Order of the Board
A F Crofts
Company Secretary
11 September 1991



AUDITORS' REPORT

Report of the auditors to the members of
Wessex Water Services Limited

We have audited the accounts set out on pages 8 to 19 in accordance with Auditing Standards
In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1991 and of the
result and source and application of funds of the company for the year then ended and have been properly prepared
in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants
BRISTOL
16 September 1991

PROFIT AND LOSS ACCOUNT

For the Year to 31 March 1991

	Note	1991 £m	1990 £m
Turnover	1	158.1	146.6
Operating profit	2	57.3	45.8
Net interest (payable)	3	(1.3)	(22.5)
Profit on ordinary activities before taxation		56.0	23.3
Taxation on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		56.0	23.3
Extraordinary items	5	-	2.4
Profit attributable to shareholders		56.0	20.9
Dividends	6	56.0	55.1
Profit retained for the period		-	(34.2)

The notes on pages 11 to 19 form part of these accounts

The movements on reserves are shown in note 18 on page 18.

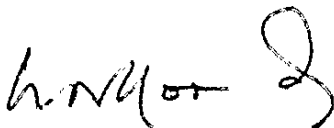
BALANCE SHEET

At 31 March 1991

	Note	1991 £m	1990 £m
Fixed Assets			
Tangible assets	10	596.7	557.0
Current Assets			
Stock and work in progress	11	-	4.6
Debtors	12	31.7	22.2
Short term cash investments		52.2	-
		83.9	26.8
Creditors: Amounts falling due within one year	13	(89.8)	(61.0)
Net current liabilities		(5.9)	(34.2)
Total assets less current liabilities		590.8	522.8
Creditors: Amounts falling due after more than one year	14	(64.0)	(0.9)
Provisions for liabilities and charges	15	(8.0)	(6.5)
Deferred income	16	(3.4)	-
		515.4	515.4
Capital and reserves			
Called up share capital	17	81.3	81.3
Profit and loss account	18	434.1	434.1
		515.4	515.4

These accounts were approved by the board of directors on 11 September 1991

Nicholas Hood
Chairman



Derek Piggott
Director



The notes on pages 11 to 19 form part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year to 31 March 1991

	1991	1990
	£m	£m
Source of funds		
Profit on ordinary activities before taxation	56.0	23.3
Items not involving the movement of funds:		
Depreciation	12.2	15.2
Infrastructure maintenance provision	1.5	6.5
Disposal of fixed assets	0.4	1.0
<hr/>		
Funds generated from operations	70.1	46.0
Connection charges and grants	8.0	6.3
Deferred income	3.4	-
Proceeds from the sale of fixed assets	-	1.3
Transfer of assets to other group companies	18.9	0.1
<hr/>		
Total source of funds	100.4	53.7
<hr/>		
Application of funds		
Capital expenditure	(79.2)	(95.1)
Dividends paid	(50.0)	(35.1)
Extraordinary items	-	(2.4)
Other	0.1	(0.2)
<hr/>		
	(129.1)	(132.8)
(Increase)/decrease in working capital:		
Stock and work in progress	4.6	(1.9)
Debtors	(9.5)	(4.2)
Creditors	28.9	(2.9)
<hr/>		
Total application of funds	(105.1)	(141.8)
<hr/>		
Operating cash outflow	(4.7)	(88.1)
Capital and loan movements		
Shares issued	-	81.3
Increase/(decrease) in loans	38.0	(2.5)
Increase in finance leases	25.0	-
NRA restructuring costs	-	(1.0)
<hr/>		
Increase/(decrease) in cash resources	58.3	(10.3)
<hr/>		
Represented by		
Decrease in short term borrowings	6.1	19.7
Increase/(decrease) in short term cash investments	52.2	(30.0)
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	58.3	(10.3)

The notes on pages 11 to 19 form part of these accounts.

NOTES TO THE ACCOUNTS

For the Year to 31 March 1991

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 Turnover

Turnover represents income receivable in the ordinary course of business, excluding VAT, for services provided inclusive of transactions with other subsidiaries of Wessex Water Plc.

c 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

Other assets which include properties, plant and equipment, 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 - 30 years

Non-specialised operational properties

60 years

Plant machinery and vehicles

3 - 30 years

Other

7 - 15 years

d Leased assets

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

e 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. The cost and accumulated depreciation have not been restated in prior years, as in the opinion of the directors this is not material.

Grants and contributions and infrastructure charges relating to infrastructure assets, which are non-depreciating assets, have been offset against the cost of related fixed assets.

Notes to the Accounts continued

For the Year to 31 March 1991

f Stock 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.

g 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.

h Research and development

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

i 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.

j 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. Employees of the Company participate in either of the two main pension schemes of the group which are of the defined benefit type, and are externally funded and valued by an independent actuary.

1 Turnover	1991	1990
	£m	£m
Analysis by class of business		
Water supply	53.4	47.3
Sewerage services	104.6	93.9
Other trading activities	0.1	5.4
	<u>158.1</u>	<u>146.6</u>
2 Operating profit		
a Analysis by class of business		
Water supply	11.3	8.5
Sewerage services	46.0	35.9
Other trading activities	-	1.4
	<u>57.3</u>	<u>45.8</u>

Operating profit by class of business is determined 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 by class of business would not be meaningful.

Notes to the Accounts continued

For the Year to 31 March 1991

b Operating profit is shown after charging the following operating costs:

	1991	1990
	£m	£m
Materials and consumables	-	16.4
Other external charges	75.9	26.4
Manpower costs (note 7)	0.1	24.4
Depreciation	12.2	15.2
Infrastructure maintenance expenditure	12.1	11.6
Other operating charges	0.2	5.8
Loss on disposals of fixed assets	0.3	1.0
	<u>100.8</u>	<u>100.8</u>

c Operating costs include:

Operating leases for plant and machinery	-	0.6
Other operating leases	-	0.4
Research and development	0.3	0.9
Directors' remuneration (note 8)	0.5	0.2
Auditors' remuneration	-	0.1
	<u>-</u>	<u>0.1</u>

3 Net interest (payable)

	1991	1990
	£m	£m
Net interest (payable) is made up of:		
Interest payable to other group companies	(1.7)	(9.9)
Interest payable on bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	(0.3)	(0.9)
Repayable within five years by instalments	(1.3)	-
Loans extinguished	-	(14.0)
	<u>(3.3)</u>	<u>(24.8)</u>
Total interest payable	(3.3)	(24.8)
Interest receivable	2.0	1.0
Compensation received arising from loan refinancing	-	1.3
	<u>(1.3)</u>	<u>(22.5)</u>

4 Taxation on profit on ordinary activities

- a There is no liability to UK corporation tax as a result of the availability of capital allowances. The accumulated capital allowances available at 31 March 1991 are estimated to be £368m (1990 - £449m).
- b The full potential amount of deferred taxation calculated at 33% (1990 - 35%) on all timing differences is as follows:

Notes to the Accounts continued

For the Year to 31 March 1991

	1991 £m	1990 £m
Accelerated capital allowances	52.2	35.6
Other timing differences	(3.4)	(2.3)
	<u>48.8</u>	<u>33.3</u>
Less - trading losses	(26.8)	(15.8)
	<u>22.0</u>	<u>17.5</u>

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

5 Extraordinary Items

	1991 £m	1990 £m
Expenses in connection with the offer for sale of the holding Company's shares	-	2.4

No taxation was attributable to the extraordinary items.

6 Dividends

	1991 £m	1990 £m
Interim dividend paid of £702.43 per share on 50,000 ordinary shares	-	35.1
Interim dividend paid of 36.88p per share on 81,350,000 ordinary shares	30.0	-
Final dividend proposed of 31.96p per share on 81,350,000 ordinary shares (1990 - 24.59p)	26.0	20.0
	<u>56.0</u>	<u>55.1</u>

7 Employee Information

	1991 £m	1990 £m
a Total employment costs of all employees of the Company were.		
Wages and salaries	0.1	23.8
Social security costs	-	1.8
Other pension costs	-	3.4
	<u>0.1</u>	<u>29.0</u>
b Total employment costs are charged as follows:		
Capital schemes	-	4.2
Infrastructure maintenance expenditure	-	0.4
Manpower costs	0.1	24.4
	<u>0.1</u>	<u>29.0</u>

Notes to the Accounts continued

For the Year to 31 March 1991

	1991	1990
c The average number of employees during the financial year was:	4	1586

8 Directors' remuneration

The Chairman and three other directors did not receive any remuneration in respect of their services to Wessex Water Services Ltd. The remuneration of other directors in respect of their services to the company was paid by a fellow group company.

	1991	1990
	£000	£000
i Total emoluments including pension contributions, for management services	460	192
ii Emoluments (excluding pension contributions) of the Chairman and highest paid director were:		
Chairman	-	-
Highest paid director	65	37

The emoluments (excluding pension contributions) of the other directors were within the following ranges:

£	1991	1990
0 - 5,000	3	3
10,001 - 15,000	-	1
30,001 - 35,000	-	3
35,001 - 40,000	-	1
75,001 - 60,000	4	-
60,001 - 65,000	1	-

9 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.

Notes to the Accounts continued

For the Year to 31 March 1991

10 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 & assets in course of construction £m	Total £m
Cost							
At 1 April 1990	179.5	8.2	256.0	141.4	23.7	44.2	653.0
Reclassification	(14.5)	(0.8)	4.1	12.3	(1.1)	-	-
Additions	24.0	1.1	20.8	17.9	2.3	13.1	79.2
Disposals	(0.4)	-	-	(0.1)	-	(0.2)	(0.7)
Transfer to other group companies	-	-	-	(28.3)	(5.4)	-	(33.7)
Connection charges & grants	-	-	(6.4)	-	-	(1.6)	(8.0)
At 31 March 1991	<u>188.6</u>	<u>8.5</u>	<u>274.5</u>	<u>143.2</u>	<u>19.5</u>	<u>55.5</u>	<u>689.8</u>
Depreciation							
At 1 April 1990	28.5	1.5	-	51.9	11.1	-	96.0
Provision for year	2.8	0.1	-	6.9	2.4	-	12.2
Disposals	(0.2)	-	-	(0.1)	-	-	(0.3)
Transfers to other group companies	-	-	-	(12.1)	(2.7)	-	(14.8)
At 31 March 1991	<u>31.1</u>	<u>1.6</u>	<u>-</u>	<u>49.6</u>	<u>10.8</u>	<u>-</u>	<u>93.1</u>
Net book value							
At 31 March 1991	<u>157.5</u>	<u>6.9</u>	<u>274.5</u>	<u>93.6</u>	<u>8.7</u>	<u>55.5</u>	<u>596.7</u>
At 31 March 1990	<u>151.0</u>	<u>6.7</u>	<u>256.0</u>	<u>86.5</u>	<u>12.6</u>	<u>44.2</u>	<u>557.0</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 a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, and sea outfalls.

The analysis of cost and depreciation at 1 April 1990 includes assets in the course of construction which were not separately identified in the 1990 regulatory accounts.

Notes to the Accounts continued

For the Year to 31 March 1991

The accounting treatment for contributions and infrastructure charges in respect of infrastructure assets is described in the Accounting Policies. This treatment has been adopted in order to show a true and fair view. 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 or production cost.

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

The net book value of assets held under finance leases is £23.3m (1990 - Nil).

The depreciation charge for the year on assets held under finance leases is £0.1m (1990 - Nil)

11 Stock and work in progress

	1991	1990
	£m	£m
Stores	-	2.4
Work in progress	-	2.2
	<u>-</u>	<u>4.6</u>

12 Debtors

	1991	1990
	£m	£m
Amounts falling due within one year:		
Trade debtors	15.7	10.7
Amounts owed by group companies	4.1	0.7
Other debtors	1.0	2.4
Prepayments and accrued income	10.9	8.4
	<u>31.7</u>	<u>22.2</u>

13 Creditors

	1991	1990
	£m	£m
Amounts falling due within one year:		
Bank loans, overdrafts and temporary borrowings	-	6.1
Trade creditors	-	3.2
Amounts owed to group companies	52.3	14.1
Other creditors	-	0.5
Taxation and social security	-	0.3
Accruals and deferred income	37.5	36.8
	<u>89.8</u>	<u>61.0</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 Ltd has acted as guarantor for certain borrowing facilities made available to Wessex Water Plc.

Notes to the Accounts continued

For the Year to 31 March 1991

14 Creditors	1991	1990
	£m	£m
Amounts falling due after more than one year:		
Loans and finance leases repayable within 2 - 5 years	0.6	-
over 5 years	62.4	-
Other creditors	1.0	0.9
	<u>64.0</u>	<u>0.9</u>
15 Provisions for liabilities and charges	1991	1990
	£m	£m
Infrastructure maintenance provision		
At 1 April 1990	6.5	-
Provision for the year	1.5	6.5
	<u>8.0</u>	<u>6.5</u>
Balance at 31 March 1991	<u>8.0</u>	<u>6.5</u>
16 Deferred income		
Grants and contributions in respect of non-infrastructure assets are treated as a deferred credit and released to the profit and loss account over the life of the underlying asset.		
	1991	1990
	£m	£m
At 1 April 1990	-	-
Received in year	3.5	-
Less amortisation	(0.1)	-
	<u>3.4</u>	<u>-</u>
At 31 March 1991	<u>3.4</u>	<u>-</u>
17 Called up share capital	1991	1990
	£m	£m
Authorised:		
Ordinary shares of £1 each	81.3	81.3
	<u>81.3</u>	<u>81.3</u>
Issued and fully paid	81.3	81.3
	<u>81.3</u>	<u>81.3</u>
18 Reserves		Profit & loss account £m
Balance at 1 April 1990		434.1
Profit retained for the year		-
		<u>434.1</u>
Balance at 31 March 1991		<u>434.1</u>

Notes to the Accounts continued

For the Year to 31 March 1991

19 Commitments	1991	1990
	£m	£m
Capital expenditure authorised by the directors:		
Committed	40.7	17.6
Not yet committed	90.9	76.7
	<u>131.6</u>	<u>94.3</u>

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

Between one and five years	0.1	-
Over five years	-	0.4

In addition to these commitments, at 31 March 1991, 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.

20 Contingent liabilities

There are no material contingent liabilities at 31 March 1991 for which provision has not been made in these accounts.

21 Pensions

The Company contributes to the two main pension arrangements operated by the Group: the Wessex Water Pension Scheme (WWPS) and the Wessex Water Mirror Image Pension Scheme (WWMIS). Both schemes 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 funds are valued every 3 years by professionally qualified independent actuaries. The latest actuarial assessment of the schemes was at 31 March 1990. Particulars of the basis of charge and valuations are contained in the accounts of Wessex Water Plc.

The total pension cost of the Company was £15,000 (1990 - £3.4m).

22 Ultimate holding company

Wessex Water Plc, a company incorporated in the United Kingdom is the Company's ultimate holding company.