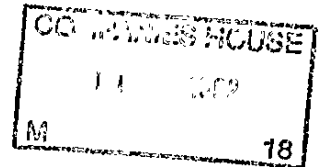


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WESSEX WATER SERVICES LIMITED

DIRECTORS' REPORT



The directors present their report and the audited accounts for the year to 31 March 1992.

PRINCIPAL ACTIVITIES

The main activities of the Company are the supply of clean water and the treatment of waste water.

At 1 April 1991 the assets and liabilities of Wessex Water Commercial Ltd, Wessex Water Operational Services Ltd and Wessex Water Business Services Ltd were transferred to the Company. The financial effect of these transfers are reflected within the balances for the current year but are not reflected in the 1991 comparative figures.

REVIEW OF THE YEAR

The year to 31 March 1992 was marked by continued improvement in standards, quality and service, and record levels of investment. It was also a year largely dominated by environmental issues, with continuing low rainfall, the introduction of the European Urban Waste Water Treatment Directive and growing demands from the environmental regulator

The 1990s are heralded as the decade of the customer; certainly this is true for Wessex Water. A number of initiatives have been introduced during the year to strengthen customer service systems, increase our local presence and improve understanding of customer needs and priorities.

For the long term, probably the most important development was the strengthening of our management. By promoting a number of excellent young managers we have ensured that Wessex Water has depth of management skills for the future.

Protecting the Environment

There have now been five consecutive years of below-average rainfall. Last winter the Wessex Water region had only 53% of average rainfall, making it the driest winter since 1976. Nevertheless, recent investment in new water resources and the effectiveness of our distribution network enabled supplies to all customers to be maintained without any restrictions. Leak detection activity has been increased - during the year over 8,000 leaks were repaired and over £6 million spent on renewing the distribution system. Publicity campaigns were run to encourage customers to use water wisely.

During a drought the problem of low flows in some rivers attracts considerable publicity. The causes are complex and difficult to explain - not least because in times of low rainfall river flows will be low. There are, however, some areas where abstraction does affect river flows, such as the River Piddle in Dorset. Wessex Water has a clear policy - we will not allow any river to be seriously depleted because of our abstraction, so we are working with the National Rivers Authority to find a new resource to replace the

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465

abstraction that affects the River Piddle. In the meantime, we have halved abstraction in this area.

The proportion of treated sludge recycled on agricultural land is being increased because this is the most environmentally sound use of this valuable nutrient. During the year work has progressed well on the construction of a Swiss Combi biodrier plant at our Avonmouth treatment works. This plant will take sludge currently disposed of at sea and turn it into dry, pasteurised granules which will be sold as a soil conditioner.

The Environmental Services team has been expanded to provide a full environmental assessment capability so that all significant capital schemes can be subject to environmental assessment at the planning stage. Environmental policy has been revised and extended by developing an Environmental Charter - the first in the water industry - setting clear targets in every area of Wessex Water's activities. Environmental audits are part of this policy.

The Wessex Water region is rich in sites of special scientific interest, areas of outstanding natural beauty and nature reserves. Our work takes us into these areas, requiring extra planning and special care to ensure the environment is protected. Close relations are maintained with county and local conservation organisations and these are invaluable.

Balancing the conservation and recreational demands on our reservoirs is also very important. Sports activities have been successfully developed, including special facilities for the disabled, providing increased access, whilst at the same time protecting the flora and fauna in these sensitive sites.

Meeting Quality Standards

The quality of the water we supply remains high. Overall compliance with drinking water standards, as measured by 76,500 tests on samples from customers' taps, was 99.6%. The small element of non-compliance was principally caused by an occasional presence of iron - which is not a hazard to health - from old iron mains in parts of our network, and by problems that arise within customers' own domestic plumbing.

Seven of our 118 water sources occasionally have low levels of herbicides in the water. During the year work began to install activated carbon treatment at these sites. This programme, costing £12 million, will be completed by the end of 1993 and will remove herbicides from treated water.

The performance of our waste water treatment plants showed a further improvement, with only six of our 351 plants failing to comply fully with discharge consent standards. Compliance of our waste water treatment plants has risen steadily from 95.5% in 1988/89 to 98.3% last year, even though 40 consents were tightened by the National Rivers Authority. Of the 39 designated bathing waters around Wessex Water's coastline, 36 met the bacteriological standards of the EC Bathing Water Directive. This was not as good as last year, when all 39 complied; however, through our 'duty of care' monitoring programme we were able to demonstrate that the three failures were not due to any deficiency in waste water treatment operation.

Serving our Customers

Wessex Water is committed to providing customers with the services they want at a price they can afford. Cost and affordability must be taken into account when standards are set, so our customer research has been extended to discover the views of customers. Local business managers have been appointed to provide a focus for the local services we provide.

Handling all contacts from customers quickly and efficiently is very important - last year we received over 800,000 telephone calls and letters. Our systems have BS5750 quality assurance certification and this was renewed during the year. Compliance with our Customer Charter reached 99.9%. New facilities were introduced including textline and password services for disabled customers and a water quality 'hotline' to make it easy for any customer to obtain an analysis (with explanation) of the water supply to their property, a service unique in the industry.

With over 900,000 separate accounts, making sure bills are paid on time is vital for the financial health of the business. The range of payment facilities we offer has been extended and greater effort directed to clearing outstanding debts. Genuine 'can't pay' customers are identified so that they can be helped through social services; those who can but will not pay are pursued through agreed court procedures. As a result supplies to only 39 customers had to be disconnected. The use of pre-payment meters is being investigated as an alternative to disconnection.

Capital Investment

Maintaining and improving standards drives our capital investment needs. Years of public sector under-investment and the requirement to meet higher standards mean that high levels of investment will continue to be needed for many years to come.

All major water treatment works either have been or are in the process of being upgraded. During the year, Ashford Treatment Works near Bridgwater and Fulwood near Taunton were rebuilt to be capable of producing over 26 million litres a day of high quality water using the latest treatment technology. Work has begun on a series of schemes to develop additional water resources and improve security of supply to Bath and Wiltshire. Costing a total of £30 million, the schemes include abstraction of water from the River Avon downstream of Bath, new treatment facilities and additional storage. The first stage of this project, the construction of an 8 million litre capacity reservoir in St Catherine's valley, is in progress.

Sewer improvement and waste water treatment continue to form the largest part of our investment programme. Sewer renovation schemes were completed in Shepton Mallet and Salisbury and a giant tunnelling scheme to complete the sewerage network in Bristol is continuing to plan. At Poole, work has started on a £25 million, three year project to improve waste water treatment. The new plant will be largely enclosed to avoid smell nuisance and will employ a new technique, biological aerated filtration. When complete it will provide Poole with one of the most advanced waste water treatment systems in Europe, giving a very high quality effluent and improving water quality in Holes Bay and Poole Harbour.

Work has also started on the first plant to be constructed to meet the new European Urban Waste Water Treatment Directive. At Weston-super-Mare, a £27 million investment will provide a new inland treatment works to replace the existing sea discharge.

The enormous capital programme, £138 million on over 2,000 projects last year, was managed by our Engineering Services Division. Their innovative approach to capital works enabled us to complete the programme at less than the projected level of expenditure.

Other Business Activities

Merchanting and scientific services continued to develop. The Scientific Centre is benefiting from having obtained Department of Health Good Laboratory Practice certification and our small Building Hygiene business gained BS5750 quality assurance certification.

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 5 to the accounts. The retained profit for the year, after dividends, available for transfer to reserves was £0.6m.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 9 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 1992.

DIRECTORS

The following directors are also directors of Wessex Water Plc, which owns the whole of the issued share capital of the Company:

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

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

Other directors and their beneficial interests in the share capital of Wessex Water Plc at 31 March 1992 were:

Beneficial interests	£1 Ordinary Shares		Share Options	
	1992	1991	1992	1991
C J Bishop (appointed 11.11.91)	83	-	51,744	-
D Eastwood	83	-	56,974	46,974
J G Jones	1,139	1,056	51,147	47,147
K Manley	83	-	57,147	47,147
D Piggott	6783	6,700	51,147	47,147

The options to purchase fully paid ordinary shares in Wessex Water Plc were granted under the Wessex Water Sharesave Scheme at £1.76 per share, 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: C J Bishop 489; D Eastwood 491; J G Jones 493; Manley 264; and D Piggott 493.

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 people are offered employment, training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees.

Management development schemes have been revised with particular emphasis on future needs for management succession and growth of new business. The training facilities at Yeovil were improved by the opening of a new skills training centre, which includes special facilities for confined spaces safety training.

During the year the restructuring of the core business was completed, decentralising profit responsibility and ensuring that all support services are subject to the pressure of

competition. The introduction of performance related rewards for all employees was also completed.

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

OTHER INFORMATION

The Company is committed to a programme of research and development activities to improve the reliability and effectiveness of water and waste water services.

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

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

AUDITOR

A resolution to re-appoint Coopers and Lybrand as the Company's auditor will be proposed at the Annual General Meeting. Until 1 June 1992 the firm practised in the name of Coopers & Lybrand Deloitte.



By Order of the Board
A F Crofts
28 July 1992

Report of the auditor to the members of
WESSEX WATER SERVICES LIMITED

We have audited the accounts set out on pages 10 to 20 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 1992 and of the profit and cash flow of the Company 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 Auditor
BRISTOL, 28 July 1992

WESSEX WATER SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the year to 31 March 1992

	Note	1992 £m	1991 £m
TURNOVER	1	190.1	158.1
OPERATING PROFIT	2	68.6	57.3
Net interest payable	3	(8.4)	(1.3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		60.2	56.0
Taxation on profit on ordinary activities	4	0.4	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		60.6	56.0
Dividend	5	60.0	56.0
PROFIT RETAINED		0.6	-

The notes on pages 13 to 20 form part of these accounts.

The movements on reserves are shown in note 18 on page 19.

WESSEX WATER SERVICES LIMITED

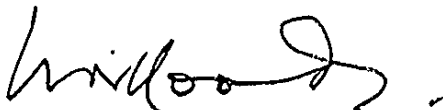
BALANCE SHEET

at 31 March 1992

	Note	1992 £m	1991 £m
FIXED ASSETS			
Tangible assets	9	716.7	596.7
<hr/>			
CURRENT ASSETS			
Stock and work in progress	10	3.2	-
Debtors	11	95.5	31.7
Short term cash investments		4.8	52.2
		<hr/>	<hr/>
		103.5	83.9
CREDITORS: amounts due within one year	12	(102.4)	(89.8)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		1.1	(5.9)
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		717.8	590.8
CREDITORS: amounts due after more than one year	13	(188.5)	(64.0)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(6.2)	(8.0)
DEFERRED INCOME	15	(7.1)	(3.4)
		<hr/>	<hr/>
	16	516.0	515.4
<hr/>			
CAPITAL AND RESERVES			
Called up share capital	17	81.3	81.3
Profit and loss account	18	434.7	434.1
		<hr/>	<hr/>
		516.0	515.4
		<hr/>	<hr/>

These accounts were approved by the board of directors on 28 July 1992

Nicholas Hood
Chairman



Nicholas Wheatley
Finance Director



The notes on pages 13 to 20 form part of these accounts.

WESSEX WATER SERVICES LIMITED

CASH FLOW STATEMENT

For the year to 31 March 1992

	Note	1992 £m	1991 £m	1991 £m	£m
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		80.8		87.7
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		4.7		0.9	
Interest paid		(9.6)		(1.0)	
Dividends paid		(56.0)		(50.0)	
Interest element of finance lease rental payments	21	<u>(2.1)</u>	(63.0)	<u>-</u>	(50.1)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(120.1)		(71.2)	
Sale of tangible fixed assets		0.5		0.1	
Connection charges, grants and deferred income		10.6		9.9	
Investments		(60.0)		-	
Transfer of assets (from)/to other group companies	22	<u>(21.3)</u>	(190.3)	<u>18.9</u>	(42.3)
NET CASH OUTFLOW BEFORE FINANCING			172.5)		(4.7)
FINANCING					
Finance lease drawdown		65.1		25.0	
New long term loans	23	<u>60.0</u>	125.1	<u>38.0</u>	63.0
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	20		<u>(47.4)</u>		<u>58.3</u>

Details supporting the cash flow statement are set out in notes 19 to 23.

WESSEX WATER SERVICES LTD

NOTES TO THE ACCOUNTS

For the year to 31 March 1992

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 which 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

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 written off 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. This treatment has been adopted in order to show a true and fair view.

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 written off in the year in which it is incurred.

i. Business development expenditure

Expenditure incurred by the Company 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.

j. 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.

k. 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	1992	1991
		£m	£m
	Analysis by class of business		
	Water supply	61.5	53.4
	Waste water	117.5	104.6
	Other trading activities	<u>11.1</u>	<u>0.1</u>
		<u>190.1</u>	<u>158.1</u>
2	OPERATING PROFIT		
	a. Analysis by class of business		
	Water supply	14.0	8.5
	Waste water	52.3	48.8
	Other trading activities	<u>2.3</u>	<u>-</u>
		<u>68.6</u>	<u>57.3</u>
	Operating profit by class of business is determined after allocating central service costs on the basis of time spent on each class of business.		
	b. Operating profit is shown after charging the following operating costs:		
	Materials, consumables and external charges	54.2	76.0
	Manpower costs (note 6)	29.9	0.1
	Depreciation	18.9	12.2
	Amortisation of grants and contributions	(0.2)	(0.1)
	Infrastructure maintenance expenditure	10.7	12.1
	Other operating charges	7.6	0.2
	Loss on disposals of fixed assets	<u>0.4</u>	<u>0.3</u>
	Total operating costs	<u>121.5</u>	<u>100.8</u>
	At 1 April 1991 a restructuring took place combining the activities of two group companies Wessex Water Operational Services Ltd and Wessex Water Business Services Ltd with Wessex Water Services Ltd, as a result care should be taken in drawing conclusions from a comparison with figures disclosed for the year to 31 March 1991.		
	c. Operating costs include:		
	Operating leases for plant and machinery	0.4	-
	Other operating leases	0.8	-
	Research and development	0.7	0.3
	Directors' remuneration (note 7)	0.4	0.5
	Auditor's remuneration	<u>0.1</u>	<u>-</u>
3	NET INTEREST (PAYABLE)		
	Net interest (payable) is made up of:-		
	Interest payable to other group companies	-	(1.7)
	Interest payable on bank loans, overdrafts and other loans:		
	Repayable within five years otherwise than by instalments	(0.6)	(0.3)
	Repayable within five years by instalments	-	(1.3)
	Not wholly repayable within five years	<u>(11.8)</u>	<u>-</u>
	Total interest (payable)	<u>(12.4)</u>	<u>(3.3)</u>
	Interest receivable	4.0	2.0
	Net interest (payable)	<u>(8.4)</u>	<u>(1.3)</u>

4 TAXATION		1992	1991
		£m	£m
a.	Taxation on profit on ordinary activities		
	Group relief receivable from associated undertaking	<u>0.4</u>	<u>-</u>
		<u>0.4</u>	<u>-</u>
	There is no liability to UK corporation tax as a result of the availability of capital allowances.		
b.	Deferred taxation		
	The full potential amount of deferred taxation calculated at 33 per cent on all timing differences is as follows:		
	Accelerated capital allowances	84.0	52.2
	Other timing differences	(7.4)	(3.4)
	Trading losses	<u>(17.3)</u>	<u>(26.8)</u>
		<u>59.3</u>	<u>22.0</u>
	No deferred tax has been provided as projections indicate that the potential liability will not crystallise within the foreseeable future.		
5 DIVIDEND			
	Interim dividend paid of 36.88p per share on 81,350,000 ordinary shares (1991 - 36.88p)	30.0	30.0
	Final dividend proposed of 36.88p per share on 81,350,000 ordinary shares (1991 - 31.96p)	<u>30.0</u>	<u>26.0</u>
		<u>60.0</u>	<u>56.0</u>
6 EMPLOYEE INFORMATION			
a.	Total employment costs of the Company were:		
	Wages and salaries	32.6	0.1
	Social security costs	2.6	-
	Other pension costs	3.5	-
	Redundancy and Rationalisation	<u>2.5</u>	<u>-</u>
		<u>41.2</u>	<u>0.1</u>
b.	Total employment costs are charged as follows:		
	Capital schemes	10.3	-
	Infrastructure maintenance expenditure	1.0	-
	Manpower costs	<u>29.9</u>	<u>0.1</u>
		<u>41.2</u>	<u>0.1</u>
c.	The average number of employees during the financial year was:	1992	1991
		<u>1821</u>	<u>4</u>
7 DIRECTORS' REMUNERATION			
	The Chairman and three other directors did not receive any remuneration in respect of their services to Wessex Water Services Ltd.		
		1992	1991
		£000	£000
a.	Total remuneration including pension contributions, for management services	382	460
b.	Remuneration including salary, performance related rewards and taxable benefits but excluding pension contributions:		
	Chairman	-	-
	Highest paid director	74	65
	Other directors within the following ranges:		
	£	1992	1991
	0 - 5,000	3	3
	20,001 - 25,000	1	-
	55,001 - 60,000	-	4
	60,001 - 65,000	-	1
	65,001 - 70,000	3	-
8 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.		

9 TANGIBLE FIXED ASSETS

	Specialised operational properties and structures	Non specialised operational properties	Infra- structure assets	Plant machinery and vehicles	Other assets	Payments on account and assets in course of const- ruction	Total
	£m	£m	£m	£m	£m	£m	£m
COST							
At 1 April 1991	188.6	8.5	274.5	143.2	19.5	55.5	689.8
Additions	19.1	2.7	52.9	34.9	3.0	12.7	125.3
Disposals	(0.1)	(0.1)	-	(1.3)	(0.1)	(0.2)	(1.8)
Transfer from other group companies	-	0.5	-	32.9	6.4	-	39.8
Government grants and contributions	-	-	(6.0)	-	-	(0.8)	(6.8)
At 31 March 1992	<u>207.6</u>	<u>11.6</u>	<u>321.4</u>	<u>209.7</u>	<u>28.8</u>	<u>67.2</u>	<u>846.3</u>
DEPRECIATION							
At 1 April 1991	31.1	1.6	-	49.6	10.8	-	93.1
Provision for year	3.1	0.2	-	12.9	2.7	-	18.9
Disposals	-	-	-	(0.8)	(0.1)	-	(0.9)
Transfers from other group companies	-	-	-	15.1	3.4	-	18.5
At 31 March 1992	<u>34.2</u>	<u>1.8</u>	<u>-</u>	<u>76.8</u>	<u>16.8</u>	<u>-</u>	<u>129.6</u>
NET BOOK VALUE							
At 31 March 1992	<u>173.4</u>	<u>9.8</u>	<u>321.4</u>	<u>132.9</u>	<u>12.0</u>	<u>67.2</u>	<u>716.7</u>
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>

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 treatment of accounting 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 include furniture and fittings, laboratory and other equipment.

The net book value of assets held under finance leases is £85.1m (1991 - £23.3m).

The depreciation charge for the year on assets held under finance leases is £0.6m (1991 - £0.1m).

10 STOCK AND WORK IN PROGRESS	1992	1991
	£m	£m
Stores	2.3	-
Work in progress	0.9	-
	<u>3.2</u>	<u>-</u>

11 DEBTORS		
Amounts due within one year:		
Trade debtors	19.2	15.7
Amounts owed by group companies	0.9	4.1
Amounts owed by associated companies	0.4	-
Other debtors	1.8	1.0
Prepayments and accrued income	13.2	10.9
	<u>35.5</u>	<u>31.7</u>
Amounts due after more than one year:		
Amounts owed by parent company	60.0	-
	<u>95.5</u>	<u>31.7</u>

The principal amount owed by the parent company is repayable in two equal instalments on 1 October 1993 and 1 October 1994. Interest is payable at floating rates linked to LIBOR. During the year to 31 March 1992 these floating rates varied between 9.4% and 10.7%.

12 CREDITORS - AMOUNTS DUE WITHIN ONE YEAR		
Trade creditors	5.7	-
Amounts owed to group companies	28.1	52.3
Other creditors	0.4	-
Taxation and social security	1.0	-
Accruals and deferred income	67.2	37.5
	<u>102.4</u>	<u>89.8</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 and currency exchange agreements made available to Wessex Water Plc.

13 CREDITORS - AMOUNTS DUE AFTER MORE THAN ONE YEAR		
Loans and finance leases repayable		
- within 2 - 5 years	10.0	0.6
- over 5 years	178.1	62.4
Other	0.4	1.0
	<u>188.5</u>	<u>64.0</u>

Loans of £188.1m consist of £123.0m borrowed at fixed rates varying between 9.9% and 11.5%, and £65.1m at floating rates linked to LIBOR with an option to convert to fixed rates. During the year to 31 March 1992 these floating rates varied between 9.4% and 10.7%.

14 PROVISIONS FOR LIABILITIES AND CHARGES		
Infrastructure maintenance provision		
At 1 April	8.0	6.5
Charge to profit and loss account	10.7	12.1
Infrastructure maintenance spend	(12.5)	(10.6)
At 31 March	<u>6.2</u>	<u>8.0</u>

15 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		
Grants and contributions		
At 1 April	3.4	-
Received in year	3.9	3.5
Less amortisation	(0.2)	(0.1)
At 31 March	<u>7.1</u>	<u>3.4</u>

16 NET ASSETS		
Analysis by class of business		
Water supply	171.1	161.2
Waste water	344.9	354.2
	<u>516.0</u>	<u>515.4</u>

In the opinion of the directors the allocation of net assets by class of business to other trading activities would not be meaningful.

17	CALLED UP SHARE CAPITAL				1992	1991
					£m	£m
	Authorised					
	Ordinary shares of £1 each				<u>81.3</u>	<u>81.3</u>
	Issued and fully paid				<u>81.3</u>	<u>81.3</u>
18	RESERVES					Profit & loss account £m
	At 1 April 1991					434.1
	Retained profit for the year					0.6
	At 31 March 1992					<u>434.7</u>
19	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				1992	1991
					£m	£m
	Operating profit				68.6	57.3
	Depreciation				18.0	12.2
	Release of deferred income				(0.2)	(0.1)
	Infrastructure maintenance provision				(1.8)	1.5
	Loss on disposals of fixed assets				0.4	0.3
	Transfer of stock and work in progress (from)/to other group companies				(4.6)	4.6
	Decrease in stock and work in progress				1.4	-
	(Increase) in debtors				(4.0)	(6.8)
	Increase in creditors				<u>2.1</u>	<u>18.7</u>
					<u>80.8</u>	<u>87.7</u>
20	ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD					
		31/3/92	31/3/91	31/3/90		
		£m	£m	£m		
	Short term cash investments	4.8	52.2	-	(47.4)	52.2
	Bank overdraft	-	-	(6.1)	-	<u>6.1</u>
		<u>4.8</u>	<u>52.2</u>	<u>(6.1)</u>	<u>(47.4)</u>	<u>58.3</u>
21	RECONCILIATION OF RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				1992	1991
					£m	£m
	Interest receivable	4.0			2.0	
	Decrease/(increase) in debtors	<u>0.7</u>			<u>(1.1)</u>	0.9
	Interest payable	(7.7)			(3.0)	
	(Decrease)/increase in creditors	<u>(1.9)</u>			<u>2.0</u>	(1.0)
	Dividend payable	(60.0)			(56.0)	
	Increase in creditors	<u>4.0</u>			<u>6.0</u>	(50.0)
	Interest payable on finance leases	(4.7)			(0.3)	
	Increase in creditors	<u>2.6</u>			<u>0.3</u>	-
					<u>(63.0)</u>	<u>(50.1)</u>
22	RECONCILIATION OF INVESTING ACTIVITIES					
	Capital expenditure	(125.3)			(79.2)	
	Increase in capital creditors	<u>5.2</u>	(120.1)		<u>8.0</u>	(71.2)
	Sale of tangible fixed assets		0.5			0.1
	Government grants and contributions	6.8			8.0	
	Deferred income	3.9			3.5	
	Increase in capital debtors	<u>(0.1)</u>	10.6		<u>(1.6)</u>	9.9
	Transfer of tangible fixed assets to/(from) other group companies				(21.3)	18.9
	Investments				<u>(60.0)</u>	-
					<u>(190.3)</u>	<u>(42.3)</u>

23 ANALYSIS OF CHANGES IN FINANCING

	31/3/92	31/3/91	31/3/90	1992	1991
	£m	£m	£m	£m	£m
Creditors more than one year	188.5	64.0	0.9		
Less other	<u>0.4</u>	<u>1.0</u>	<u>0.9</u>		
	<u>188.1</u>	<u>63.0</u>	<u>-</u>	<u>125.1</u>	<u>63.0</u>

24 COMMITMENTS

a. Capital expenditure authorised by the directors:					
Committed				96.2	40.7
Not yet committed				<u>44.9</u>	<u>90.9</u>
				<u>141.1</u>	<u>131.6</u>

In addition to these commitments, at 31 March 1992, Wessex Water Services Limited 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				-	0.1
Over 5 years				<u>0.9</u>	<u>-</u>
				<u>0.9</u>	<u>0.1</u>
c. At 31 March 1992 the Company had interest rate and currency instrument agreements outstanding with commercial banks with a principal value of £128m (1991 - £48m).					

25 CONTINGENT LIABILITIES

There are no material contingent liabilities at 31 March 1992 for which provision has not been made in these accounts.

26 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 £3.5m (1991 - £15,000).

27 ULTIMATE HOLDING COMPANY

Wessex Water Plc, a company incorporated in Great Britain and registered in England, is the Company's ultimate holding company.

Group accounts may be obtained from the Company Secretary, Wessex Water Plc, Wessex House, Passage Street, Bristol BS2 0JQ.