

2366648

WESSEX WATER SERVICES LTD

ANNUAL REPORT 1993



CONTENTS

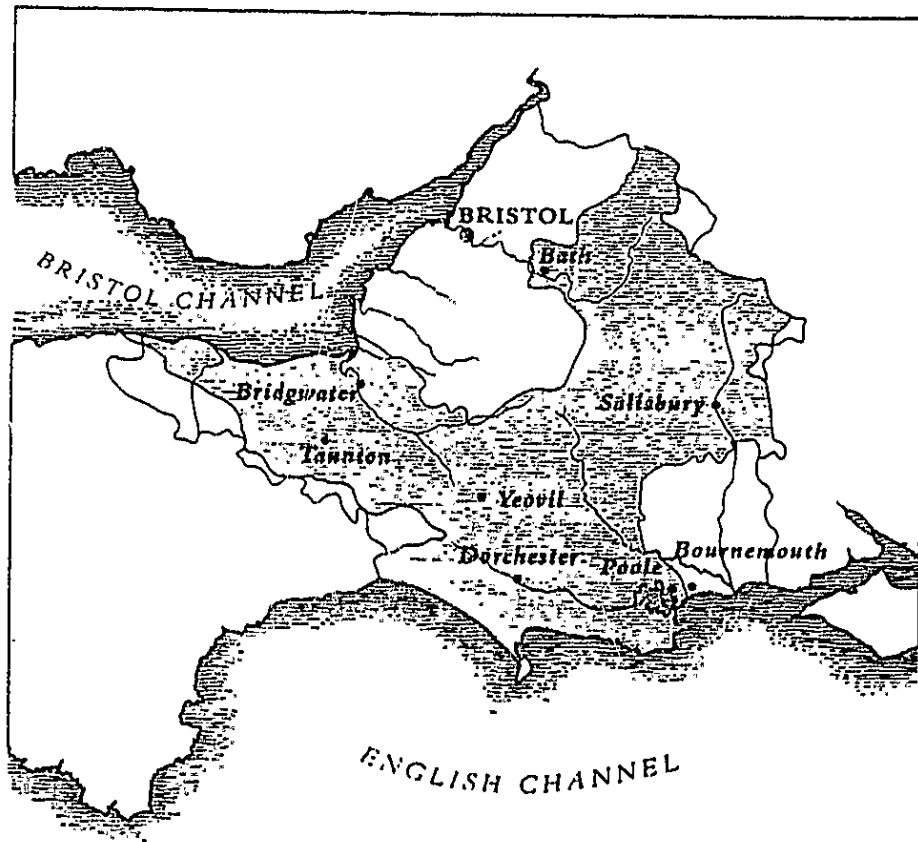
STATUTORY INFORMATION

Wessex Water at a glance	2
Directors' report	3
Auditors' report	9
The accounts	10
Notes to the accounts	13

REGULATORY INFORMATION

Auditors' report	25
Historic cost regulatory statements	26
Current cost regulatory statements	28
Notes to the current cost regulatory statements	31
Three year summary for appointed business	36

WESSEX WATER AT A GLANCE



- 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.

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year to 31 March 1993.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE YEAR

The results for the year clearly demonstrate real progress as the Company delivered the highest ever standards of quality and customer service together with a tight control of costs. Public recognition came in the form of a Charter Mark award for the whole of Wessex Water Services Ltd. The increase in charges to customers was kept below that allowed under the Government's pricing formula.

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 kept at the same level as last year.

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 investment programme means charges have to rise faster than inflation.

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 improvement.

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%.

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.

PROTECTING AND IMPROVING THE ENVIRONMENT

Every part of Wessex Water 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.

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 'Blodrier' - 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.

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 A K 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 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.

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.

DIRECTORS' REPORT *Continued*

EMPLOYEES

Employees in all parts of Wessex Water 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.

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. We are 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.

PROSPECTS

The level of business and financial position at the year end was 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 £1.7m.

FIXED ASSETS

The movements in fixed assets during the year are set out in Note 9 to the accounts.

EMPLOYMENT POLICIES

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

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 1993 were:-

£ ordinary shares	1 April 1992	31 March 1993
C J Bishop	83	15,308
D P Eastwood	83	3,867
J G Jones	1,139	20,215
K Manley	83	19,598
J S Morris	1,063	26,751
P M Try	*1,103	9,047

* at date of appointment on 1 November 1992

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
C J Bishop	51,744	12,307	1,548	25,362	40,237
D P Eastwood	56,974	11,923	1,692	10,869	59,720
J G Jones	51,147	11,923	1,531	36,232	28,369
K Manley	57,147	11,923	1,703	36,232	34,541
J S Morris	43,744	11,923	1,314	25,362	31,619
P M Try	*27,102	10,000	777	10,869	27,010

* at date of appointment on 1 November 1992

The options to purchase fully paid ordinary shares in Wessex Water Plc were granted under the Wessex Water Sharesave Scheme at prices between £1.71 and £3.80 per share, and the Wessex Water Executive Share Option Scheme at prices between £2.78 and £6.32.

In addition directors are deemed to be interested in ordinary shares held in trust under the Wessex Water Profit Sharing Scheme as follows:-

C J Bishop 622; D P Eastwood 552; J G Jones 626; K Manley 285; J S Morris 622; P M Try 622.

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

D Piggott resigned as a director of the Company on 30 June 1992. J S Morris was appointed as a director on 1 April 1992.

DIRECTORS' REPORT Continued

REGULATION

Under the conditions of its Licence, granted to the Company by the Secretary of State for the Environment the Company is obliged to provide the Director General of Water Services with additional information to that contained in the statutory accounts, in order to comply with Licence Condition F. This information is presented on pages 26 to 36.

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 1993.

PROTECTION OF THE CORE BUSINESS

In the opinion of the directors:

- a. The Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Companies obligations under the Appointment); and
- b. The Company will for at least the next 12 months have available to it management resources which are sufficient to enable it to carry out those Regulated Activities.

OTHER INFORMATION

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

During the financial year, insurance was maintained covering directors and officers 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.

AUDITORS

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

By order of the Board
A F Crofts
26 July 1993



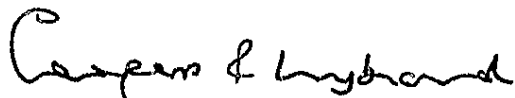
AUDITORS' REPORT

2366648

**REPORT OF THE AUDITORS TO THE MEMBERS OF
WESSEX WATER SERVICES LIMITED**

We have audited the financial statements set out on pages 10 to 24 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1993 and of the profit, total recognised gains and cash flows of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
BRISTOL, 26 July 1993

PROFIT AND LOSS ACCOUNT

For the year to 31 March 1993

	Note	1993 £m	1992 £m
Turnover	1	<u>204.6</u>	<u>190.1</u>
Operating profit	2	<u>81.5</u>	<u>68.6</u>
Net interest payable	3	<u>(14.4)</u>	<u>(8.4)</u>
Profit on ordinary activities before taxation		67.1	60.2
Taxation on profit on ordinary activities	4	<u>(0.4)</u>	<u>0.4</u>
Profit attributable to shareholders		66.7	60.6
Dividends	5	<u>65.0</u>	<u>60.0</u>
Profit retained		<u>1.7</u>	<u>0.6</u>

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

The notes on pages 13 to 24 form part of these accounts.

The movements on reserves are shown in note 18 on page 22.

BALANCE SHEET
at 31 March 1993

	Note	1993 £m	1992 £m
Fixed assets			
Tangible assets	9	<u>810.5</u>	<u>716.7</u>
Current assets			
Stock and work in progress	10	2.4	3.2
Debtors	11	99.1	95.5
Short term cash investments		-	4.8
		<u>101.5</u>	<u>103.5</u>
Creditors - amounts due within one year	12	(159.3)	(102.4)
Net current (liabilities)/assets		(57.8)	1.1
Total assets less current liabilities		752.7	717.8
Creditors - amounts due after more than one year	13	(214.5)	(188.5)
Provisions for liabilities and charges	14	(8.1)	(6.2)
Deferred income	15	(12.4)	(7.1)
	16	<u>517.7</u>	<u>516.0</u>
Capital and reserves			
Called up share capital	17	81.3	81.3
Profit and loss account	18	436.4	434.7
	18	<u>517.7</u>	<u>516.0</u>

These accounts were approved by the board of directors on 26 July 1993.



Nicholas Hood
Chairman



Nicholas Wheatley
Director

The notes on pages 13 to 24 form part of these accounts.

CASH FLOW STATEMENT

For the year to 31 March 1993

	Note	1993		1992	
		£m	£m	£m	£m
Net cash inflow from operating activities	19		99.8		80.8
Returns on investments and servicing of finance					
Interest received		4.7		4.7	
Interest paid		(8.3)		(9.6)	
Dividends paid		(50.0)		(56.0)	
Interest element of finance lease rental payments		(6.5)		(2.1)	
	20		(60.1)		(63.0)
Investing activities					
Purchase of tangible fixed assets		(135.5)		(120.1)	
Sale of tangible fixed assets		0.6		0.5	
Connection charges, grants and deferred income		11.9		10.6	
Investments		-		(60.0)	
Transfer of assets from other group companies		-		(21.3)	
	21		(123.0)		(190.3)
Net cash outflow before financing			(83.3)		(172.5)
Financing					
Finance lease drawdown		9.9		65.1	
New long-term loans		16.2		60.0	
	22		26.1		125.1
(Decrease) in cash and cash equivalents	23		(57.2)		(47.4)

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

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. 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 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 in which they are incurred.

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

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.

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.

f. 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.

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

1 Turnover	1993	1992
	£m	£m
Analysis by class of continuing business		
Water supply	65.3	61.5
Waste water	128.3	117.5
Other trading activities	11.0	11.1
	<u>204.6</u>	<u>190.1</u>
 2 Operating profit		
a. Analysis by class of continuing business		
Water supply	18.6	14.0
Waste water	60.4	52.3
Other trading activities	2.5	2.3
	<u>81.5</u>	<u>68.6</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>		
b. Operating profit is shown after charging the following costs:		
OPERATIONAL COSTS		
Manpower costs (note 6)	31.4	31.3
Materials and consumables	24.1	23.7
Other operational costs	36.5	36.7
	<u>92.0</u>	<u>91.7</u>
DEPRECIATION		
Depreciation	20.5	18.9
Amortisation of grants and contributions	(0.3)	(0.2)
Loss on disposals of fixed assets	0.9	0.4
	<u>21.1</u>	<u>19.1</u>
INFRASTRUCTURE MAINTENANCE EXPENDITURE		
	<u>10.0</u>	<u>10.7</u>
	<u>123.1</u>	<u>121.5</u>
c. Operational costs include:		
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 7)	0.5	0.4
Audit fees	0.1	0.1
Other fees paid to external auditors	0.2	0.2
	<u>0.8</u>	<u>0.8</u>

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

	1993 £m	1992 £m
3 Net interest payable		
Interest payable is made up of:		
Interest payable on bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	(1.6)	(0.6)
Not wholly repayable within five years	(18.3)	(11.8)
	<u> </u>	<u> </u>
Total interest payable	(19.9)	(12.4)
Interest receivable	5.5	4.0
	<u> </u>	<u> </u>
Net interest payable	(14.4)	(8.4)
	<u> </u>	<u> </u>

4 Taxation

a. Taxation on profit on ordinary activities

Group relief (charge)/receipt in respect of an associated undertaking

(0.4)	0.4
<u> </u>	<u> </u>
(0.4)	0.4
<u> </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% on all timing differences is as follows:

Fixed asset timing differences	97.9	84.0
Other timing differences	(7.5)	(7.4)
Trading losses	(7.0)	(17.3)
	<u> </u>	<u> </u>
	83.4	59.3
	<u> </u>	<u> </u>

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

	1993 £m	1992 £m
5 Dividends		
Interim dividend paid of 24.58p per share on 81,350,000 ordinary shares (1992 - 36.88p)	20.0	30.0
Final dividend proposed of 55.32p per share on 81,350,000 ordinary shares (1992 - 36.88p)	45.0	30.0
	<u>65.0</u>	<u>60.0</u>
6 Employee information		
a. Total employment costs of the Company were:		
Wages and salaries	35.9	35.1
Social security costs	2.8	2.6
Other pension costs	3.9	3.5
	<u>42.6</u>	<u>41.2</u>
Recharged from other group companies	1.7	1.4
	<u>44.3</u>	<u>42.6</u>
b. Total employment costs are charged as follows:		
Capital schemes	12.1	10.3
Infrastructure maintenance expenditure	0.8	1.0
Manpower costs	31.4	31.3
	<u>44.3</u>	<u>42.6</u>
c. The average weekly number of employees during the financial year was:	1993	1992
	<u>1,830</u>	<u>1,821</u>

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

7 Directors' remuneration

The Chairman and three other directors did not receive any remuneration in respect of their services to Wessex Water Services Ltd.

	1993 £000	1992 £000
a. Total remuneration:		
Salary and bonus for management services	<u>367</u>	<u>280</u>
Taxable benefits	<u>24</u>	<u>17</u>
Pension contributions	<u>92</u>	<u>76</u>
b. Remuneration including salary, bonus and taxable benefits but excluding pension contributions:		
Highest paid director	<u>79</u>	<u>74</u>
Other directors within the following ranges:		
£	1993	1992
0 - 5,000	4	4
15,001 - 20,000	2	-
20,001 - 25,000	-	1
60,001 - 65,000	1	-
65,001 - 70,000	1	3
70,001 - 75,000	2	-

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 £m	Non- specialised operational properties £m	Infra- structure assets £m	Plant machinery and vehicles £m	Other assets £m	Payments on account and assets in course of construction £m	Total £m
Cost							
At 1 April 1992	207.6	11.6	321.4	209.7	28.8	67.2	846.3
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>232.3</u>	<u>12.3</u>	<u>338.6</u>	<u>238.9</u>	<u>30.9</u>	<u>105.6</u>	<u>958.6</u>
Depreciation							
At 1 April 1992	34.2	1.8	-	76.8	16.8	-	129.6
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>89.1</u>	<u>19.3</u>	<u>-</u>	<u>148.1</u>
Net book value							
At 31 March 1993	<u>194.6</u>	<u>10.3</u>	<u>338.6</u>	<u>149.8</u>	<u>11.6</u>	<u>105.6</u>	<u>810.5</u>
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>

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).

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

10 Stock and work in progress

	1993	1992
	£m	£m
Stores	1.9	2.3
Work in progress	0.5	0.9
	<u>2.4</u>	<u>3.2</u>

11 Debtors

Amounts due within one year		
Trade debtors	21.8	19.2
Amounts owed by parent company	30.0	-
Amounts owed by group companies	0.2	0.9
Amounts owed by associated companies	-	0.4
Other debtors	2.1	1.8
Prepayments and accrued income	15.0	13.2
	<u>69.1</u>	<u>35.5</u>
Amounts due after more than one year		
Amounts owed by parent company	30.0	60.0
	<u>99.1</u>	<u>95.5</u>

The amounts owed by the parent company are 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 1993 these floating rates varied between 10.9% and 6.0%.

12 Creditors

Amounts due within one year		
Bank loans, overdrafts and temporary borrowings	52.4	-
Trade creditors	4.2	5.7
Amounts owed to associated companies	0.1	-
Amounts owed to group companies	46.0	28.1
Other creditors	0.9	0.4
Taxation and social security	1.0	1.0
Accruals and deferred income	54.7	67.2
	<u>159.3</u>	<u>102.4</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	1993	1992
	£m	£m
Amounts due after more than one year		
Loans repayable - within 1 - 2 years	-	-
within 2 - 5 years	1.6	7.6
after 5 years	<u>112.6</u>	<u>90.4</u>
	114.2	98.0
Finance leases repayable - within 1-5 years	27.7	2.4
- after 5 years	72.3	87.7
Other	0.3	0.4
	<u>214.5</u>	<u>188.5</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.

14 Provisions for liabilities and charges

Infrastructure maintenance provision		
At 1 April	6.2	8.0
Charge to profit and loss account	10.0	10.7
Infrastructure maintenance spend	<u>(8.1)</u>	<u>(12.5)</u>
At 31 March	<u>8.1</u>	<u>6.2</u>

15 Deferred income

Grants and contributions		
At 1 April	7.1	3.4
Received in the year	5.6	3.9
Less amortisation	<u>(0.3)</u>	<u>(0.2)</u>
At 31 March	<u>12.4</u>	<u>7.1</u>

16 Net assets

Analysis by class of business		
Water supply	167.2	171.1
Waste water	350.5	344.9
	<u>517.7</u>	<u>516.0</u>

In the opinion of the directors the allocation of net assets by class of business to other trading activities would be inappropriate.

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

17 Called up share capital			1993	1992
			£m	£m
Authorised				
Ordinary shares of £1 each			81.3	81.3
			<hr/>	<hr/>
Issued and fully paid			81.3	81.3
			<hr/>	<hr/>
18 Reserves and shareholders funds			Shareholders funds	Profit and loss account
			£m	£m
At 1 April 1992			516.0	434.7
Retained profit for the year			1.7	1.7
			<hr/>	<hr/>
At 31 March 1993			517.7	436.4
			<hr/>	<hr/>
19 Reconciliation of operating profit to net cash inflow from operating activities			1993	1992
			£m	£m
Operating profit			81.5	68.6
Depreciation			20.5	18.9
Release of deferred income			(0.3)	(0.2)
Infrastructure maintenance provision			1.9	(1.8)
Loss on disposals of fixed assets			0.9	0.4
Transfer of stock and work in progress from other group companies			-	(4.6)
Decrease in stock and work in progress			0.8	1.4
(Increase) in debtors			(3.1)	(4.0)
(Decrease)/increase in creditors			(2.4)	2.1
			<hr/>	<hr/>
			99.8	80.8
			<hr/>	<hr/>
20 Reconciliation of returns on investments and servicing of finance			1993	1992
			£m	£m
Interest receivable	5.5		4.0	
(Increase)/decrease in debtors	(0.8)	4.7	0.7	4.7
	<hr/>		<hr/>	
Interest (payable)	(11.4)		(7.7)	
Increase/(decrease) in creditors	3.1	(8.3)	(1.9)	(9.6)
	<hr/>		<hr/>	
Dividend payable	(65.0)		(60.0)	
Increase in creditors	15.0	(50.0)	4.0	(56.0)
	<hr/>		<hr/>	
Interest payable on finance leases	(8.5)		(4.7)	
Increase in creditors	2.0	(6.5)	2.6	(2.1)
	<hr/>		<hr/>	
			(60.1)	(63.0)
			<hr/>	<hr/>

21 Reconciliation of investing activities	1993	1993	1992	1992
	£m	£m	£m	£m
Capital expenditure	(122.2)		(125.3)	
(Decrease)/increase in capital creditors	<u>(13.3)</u>	(135.5)	<u>5.2</u>	(120.1)
Sale of tangible fixed assets		0.6		0.5
Government grants and contributions	6.4		6.8	
Deferred income	5.6		3.9	
(Increase) in capital debtors	<u>(0.1)</u>	11.9	<u>(0.1)</u>	10.6
Transfer of tangible fixed assets from other group companies		-		(21.3)
Investments		-		<u>(60.0)</u>
		<u>(123.0)</u>		<u>(190.3)</u>

22 Analysis of changes in financing				1993	1992
				£m	£m
	31/3/93	31/3/92	31/3/91		
	£m	£m	£m		
Creditors more than one year	214.5	188.5	64.0		
Less other	0.3	0.4	1.0		
	<u>214.2</u>	<u>188.1</u>	<u>63.0</u>	<u>26.1</u>	<u>125.1</u>

23 Analysis of changes in cash and cash equivalents during the period					
Short term cash investments	-	4.8	52.2	(4.8)	(47.4)
Bank overdraft	<u>(52.4)</u>	-	-	<u>(52.4)</u>	-
	<u>(52.4)</u>	<u>4.8</u>	<u>52.2</u>	<u>(57.2)</u>	<u>(47.4)</u>

24 Commitments

a. Capital expenditure authorised by the directors:		
Committed	38.3	96.2
Not yet committed	80.5	44.9
	<u>118.8</u>	<u>141.1</u>

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
	<u>1.0</u>	<u>0.9</u>

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 - £14.8m).

NOTES TO THE ACCOUNTS *continued*

For the year to 31 March 1993

25 Contingent liabilities

There are no material contingent liabilities at 31 March 1993 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 by independent qualified actuaries. The first 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 next actuarial valuation will be as at 31 March 1993.

The total pension cost of the Company was £3.9m (1992 - £3.5m).

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.

REGULATORY INFORMATION

REGULATORY INFORMATION

Auditors' report	25
Historic cost regulatory statements	26
Current cost regulatory statements	28
Notes to the current cost regulatory statements	31
Three year summary for appointed business	36

REPORT OF THE AUDITORS TO THE DIRECTOR GENERAL OF WATER SERVICES

We have audited the financial statements on pages 10 to 36 in accordance with Auditing Standards. In our opinion the financial statements contain the information for the year to 31 March 1993 required to be published and submitted to you by Wessex Water Services Ltd to comply with Condition F of the Instrument of Appointment by the Secretary of State for the Environment to the Company as a water and sewerage undertaker under the Water Industry Act 1991.

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

- a. Proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument;
- b. The information is in agreement with the Appointee's accounting records, complies with the requirements of Condition F of the Instrument and has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services;
- c. The financial statements on pages 10 to 24, 26 and 27 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointed Business; and
- d. The current cost financial information on pages 28 to 36 has been properly prepared in accordance with the Regulatory Accounting Guideline 1, issued in May 1992 by the Office of Water Services.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
Bristol, 26 July 1993

HISTORICAL COST PROFIT AND LOSS ACCOUNT

For the year to 31 March 1993

	1993			1992		
	Appointed £m	Non appointed £m	Total £m	Appointed £m	Non appointed £m	Total £m
Turnover	193.8	11.0	204.8	179.3	11.1	190.4
Operating costs	(114.2)	(8.5)	(122.7)	(112.9)	(8.8)	(121.7)
Operating income	(0.9)	-	(0.9)	(0.4)	-	(0.4)
Operating profit	78.7	2.5	81.2	66.0	2.3	68.3
Other income	0.3	-	0.3	0.3	-	0.3
Interest (payable)	(14.4)	-	(14.4)	(8.4)	-	(8.4)
Profit on ordinary activities before taxation	64.6	2.5	67.1	57.9	2.3	60.2
Taxation	(0.4)	-	(0.4)	0.4	-	0.4
Profit for the year	64.2	2.5	66.7	58.3	2.3	60.6
Dividends	(65.0)	-	(65.0)	(60.0)	-	(60.0)
Retained profit/(loss) for year	(0.8)	2.5	1.7	(1.7)	2.3	0.6

Grants and internal water supply income of £0.2m (1992 - £0.3m) have been shown as income in the Regulatory Statements.

HISTORICAL COST BALANCE SHEET

For the year to 31 March 1993

	1993			1992		
	Appointed £m	Non appointed £m	Total £m	Appointed £m	Non appointed £m	Total £m
Fixed assets						
Tangible assets	<u>810.5</u>	<u>-</u>	<u>810.5</u>	<u>716.7</u>	<u>-</u>	<u>716.7</u>
Current assets						
Stocks	2.4	-	2.4	3.2	-	3.2
Debtors	95.7	3.4	99.1	92.6	2.9	95.5
Cash at bank and in hand	-	2.2	2.2	3.0	1.8	4.8
	<u>98.1</u>	<u>5.6</u>	<u>103.7</u>	<u>98.8</u>	<u>4.7</u>	<u>103.5</u>
Creditors - amounts falling due within one year	(161.0)	(0.5)	(161.5)	(100.3)	(2.1)	(102.4)
Net current assets/ (liabilities)	<u>(62.9)</u>	<u>5.1</u>	<u>(57.8)</u>	<u>(1.5)</u>	<u>2.6</u>	<u>1.1</u>
Total assets less current liabilities	<u>747.6</u>	<u>5.1</u>	<u>752.7</u>	<u>715.2</u>	<u>2.6</u>	<u>717.8</u>
Creditors - amounts falling due after one year	(214.5)	-	(214.5)	(188.5)	-	(188.5)
Provisions for liabilities and charges	(8.1)	-	(8.1)	(6.2)	-	(6.2)
Deferred income	(12.4)	-	(12.4)	(7.1)	-	(7.1)
	<u>512.6</u>	<u>5.1</u>	<u>517.7</u>	<u>513.4</u>	<u>2.6</u>	<u>516.0</u>
Capital and reserves						
Called up share capital	81.3	-	81.3	81.3	-	81.3
Profit and loss account	431.3	5.1	436.4	432.1	2.6	434.7
	<u>512.6</u>	<u>5.1</u>	<u>517.7</u>	<u>513.4</u>	<u>2.6</u>	<u>516.0</u>

CURRENT COST PROFIT AND LOSS ACCOUNT FOR APPOINTED BUSINESS

For the year to 31 March 1993

	Note	1993 £m	1992 £m
Turnover	4	193.8	179.3
Current cost operating costs		(138.4)	(135.4)
Operating income	4	<u>(1.5)</u>	<u>(1.4)</u>
		53.9	42.5
Working capital adjustment		<u>0.8</u>	<u>1.6</u>
Current cost operating profit	5	54.7	44.1
Other income		0.3	0.3
Interest payable		(14.4)	(8.4)
Financing adjustment		<u>2.4</u>	<u>0.5</u>
Current cost profit before taxation		43.0	36.5
Taxation		<u>(0.4)</u>	<u>0.4</u>
Current cost profit attributable to shareholders		42.6	36.9
Dividends		<u>(65.0)</u>	<u>(60.0)</u>
		<u>(22.4)</u>	<u>(23.1)</u>

CURRENT COST BALANCE SHEET FOR APPOINTED BUSINESS

at 31 March 1993

	Note	1993 £m	1992 £m
Tangible fixed assets	6	5,726.2	5,544.1
Third party contributions since 1989-90		(34.5)	(22.4)
Working capital	7	(36.0)	(41.7)
Net operating assets		<u>5,655.7</u>	<u>5,480.0</u>
Cash and investments		5.4	64.8
Non trade creditors due within one year		(45.0)	(30.0)
Creditors due after one year		(214.5)	(188.5)
Net assets employed		<u>5,401.6</u>	<u>5,326.3</u>
Capital and reserves			
Called up share capital		81.3	81.3
Profit and loss account		219.0	241.4
Current cost reserve	8	5,101.3	5,003.6
		<u>5,401.6</u>	<u>5,326.3</u>

CURRENT COST CASH FLOW STATEMENT

For the year to 31 March 1993

	1993			1992		
	Appointed £m	Non appointed £m	Total £m	Appointed £m	Non appointed £m	Total £m
Net cash flow from operating activities (Note 5)	<u>99.1</u>	<u>0.4</u>	<u>99.5</u>	<u>76.9</u>	<u>3.6</u>	<u>80.5</u>
Returns on investments and servicing of finance						
Other income received	0.3	-	0.3	0.3	-	0.3
Interest received	4.7	-	4.7	4.7	-	4.7
Interest paid	(8.3)	-	(8.3)	(9.6)	-	(9.6)
Interest in finance lease rentals	(6.5)	-	(6.5)	(2.1)	-	(2.1)
Dividends paid	(50.0)	-	(50.0)	(56.0)	-	(56.0)
Net cash outflow from returns on investments and servicing of finance	<u>(59.8)</u>	<u>-</u>	<u>(59.8)</u>	<u>(62.7)</u>	<u>-</u>	<u>(62.7)</u>
Investing activities						
Purchase of fixed assets	(135.5)	-	(135.5)	(120.1)	-	(120.1)
Disposal of fixed assets	0.6	-	0.6	0.5	-	0.5
Connection charges, grants and deferred income	11.9	-	11.9	10.6	-	10.6
Investments	-	-	-	60.0	-	60.0
Transfer of assets from other group companies	-	-	-	(21.3)	-	(21.3)
Net cash outflow from investing activities	<u>(123.0)</u>	<u>-</u>	<u>(123.0)</u>	<u>190.3</u>	<u>-</u>	<u>190.3</u>
Net cash outflow before financing	<u>(83.7)</u>	<u>0.4</u>	<u>(83.3)</u>	<u>(176.1)</u>	<u>3.6</u>	<u>(172.5)</u>
Financing						
Finance lease drawdown	9.9	-	9.9	65.1	-	65.1
New medium/long term loans	16.2	-	16.2	60.0	-	60.0
Net cash inflow from financing	<u>26.1</u>	<u>-</u>	<u>26.1</u>	<u>125.1</u>	<u>-</u>	<u>125.1</u>
Increase/(decrease) in cash and cash equivalents	<u>(57.6)</u>	<u>0.4</u>	<u>(57.2)</u>	<u>(51.0)</u>	<u>3.6</u>	<u>(47.4)</u>

NOTES TO THE CURRENT COST REGULATORY STATEMENTS

For the year to 31 March 1993

These accounts have been prepared for the Appointed Business of Wessex Water Services Ltd in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance in the context of assets which are valued at their current cost value to the business with the exception of assets acquired prior to 31 March 1990.

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

1. VALUATION BASES FOR DETERMINING DEPRECIATION AND DISPOSAL ADJUSTMENTS

Tangible fixed assets

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

Land and buildings

Non-specialised operational properties were valued on the basis of open market value for existing use at 31 March 1989 and have been expressed in real terms by indexing using the Retail Price Index (RPI) since that date.

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

Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls are valued at replacement cost determined principally:-

- a. for sewers on the basis of unit cost rates currently used by the company for estimating and planning purposes;
- b. for water mains on the basis of data provided by the Asset Management Plan (AMP).

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

Other fixed assets

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

Surplus land

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

NOTES TO THE CURRENT COST REGULATORY STATEMENTS
continued

For the year to 31 March 1993

2. GRANTS AND OTHER THIRD PARTY CONTRIBUTIONS

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

3. REAL FINANCIAL CAPITAL MAINTENANCE ADJUSTMENTS

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

Working capital adjustment

This is calculated by applying the change in the Retail Price Index (RPI) over the year to the opening total of trade debtors and stock less trade creditors.

Financing adjustment

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

4. ANALYSIS OF TURNOVER AND OPERATING INCOME FOR THE APPOINTED BUSINESS

	1993			1992		
	Water Services £m	Sewerage Services £m	Appointed Business £m	Water Services £m	Sewerage Services £m	Appointed Business £m
Turnover						
Measured	26.0	24.4	50.4	24.5	21.9	46.4
Unmeasured	36.5	96.4	132.9	33.7	89.5	123.2
Trade effluent	-	5.0	5.0	-	4.2	4.2
Revenue grants	0.1	-	0.1	-	0.1	0.1
Other sources	2.9	2.5	5.4	3.5	1.9	5.4
Total turnover	<u>65.5</u>	<u>128.3</u>	<u>193.8</u>	<u>61.7</u>	<u>117.6</u>	<u>179.3</u>
Operating Income						
Current cost profit on disposal of fixed assets	(0.6)	(0.9)	(1.5)	(0.4)	(1.0)	(1.4)
Total operating income	<u>(0.6)</u>	<u>(0.9)</u>	<u>(1.5)</u>	<u>(0.4)</u>	<u>(1.0)</u>	<u>(1.4)</u>

The appointed business is defined to be the regulated activities of the Appointee i.e. those necessary to fulfil the functions and duties of a water and sewerage undertaker. The non-appointed business consists of those activities for which the Appointee is not a monopoly supplier or involves the optional use of an asset owned by the Appointee.

5. RECONCILIATION OF CURRENT COST OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1993 £m	1992 £m
Current cost operating profit	54.7	44.1
Current cost depreciation	41.4	39.2
Current cost loss on sale of assets	1.5	1.4
Increase in debtors and prepaid expenses	(2.6)	(3.0)
Increase in creditors and accrued expenses	(0.8)	-
Release of provisions	4.7	-
Effect of other deferrals and accruals on operating activity cash flow	1.0	(3.2)
Working capital adjustment	(0.8)	(1.6)
Net cash flow from operating activities	<u>99.1</u>	<u>76.9</u>

6a. CURRENT COST ANALYSIS OF FIXED ASSETS BY ASSET TYPE

	Specialised operational assets £m	Non-specialised operational properties £m	Infrastructure assets £m	Other tangible assets £m	Total £m
Gross replacement cost					
At 1 April 1992	1,175.7	28.0	4,827.8	123.2	6,154.7
RPI adjustment	21.7	0.5	91.1	2.4	115.7
Disposals	(6.9)	-	-	(2.6)	(9.5)
Additions	77.3	0.9	32.0	12.0	122.2
At 31 March 1993	<u>1,267.8</u>	<u>29.4</u>	<u>4,950.9</u>	<u>135.0</u>	<u>6,383.1</u>
Depreciation					
At 1 April 1992	537.5	1.8	-	71.3	610.6
RPI adjustment	10.2	0.1	-	1.3	11.6
Disposals	(5.7)	-	-	(1.7)	(7.4)
Charge for year	28.0	0.5	-	13.6	42.1
At 31 March 1993	<u>570.0</u>	<u>2.4</u>	<u>-</u>	<u>84.5</u>	<u>656.9</u>
Net book value					
at 31 March 1993	<u>697.8</u>	<u>27.0</u>	<u>4,950.9</u>	<u>50.5</u>	<u>5,726.2</u>
Net book value					
at 1 April 1992	<u>638.2</u>	<u>26.2</u>	<u>4,827.8</u>	<u>51.9</u>	<u>5,544.1</u>

NOTES TO THE CURRENT COST REGULATORY STATEMENTS
continued

For the year to 31 March 1993

6b. CURRENT COST ANALYSIS OF FIXED ASSETS BY SERVICE

	Water supply	Sewerage	Sewage treatment and disposal	Total
	£m	£m	£m	£m
Gross replacement cost				
At 1 April 1992	1,899.1	3,334.8	920.8	6,154.7
Adjustment to opening balances	1.9	1.2	(3.1)	-
RPI adjustment	35.9	62.8	17.0	115.7
Disposals	(1.8)	(0.2)	(7.5)	(9.5)
Additions	37.4	29.8	55.0	122.2
At 31 March 1993	<u>1,972.5</u>	<u>3,428.4</u>	<u>982.2</u>	<u>6,383.1</u>
Depreciation				
At 1 April 1992	144.5	68.6	397.5	610.6
Adjustment to opening balances	1.9	1.0	(2.9)	-
RPI adjustment	2.8	1.3	7.5	11.6
Disposals	(1.0)	(0.1)	(6.3)	(7.4)
Charge for year	11.7	4.7	25.7	42.1
At 31 March 1993	<u>159.9</u>	<u>75.5</u>	<u>421.5</u>	<u>656.9</u>
Net book value at 31 March 1993	<u>1,812.6</u>	<u>3,352.9</u>	<u>560.7</u>	<u>5,726.2</u>
Net book value at 1 April 1992	<u>1,754.6</u>	<u>3,266.2</u>	<u>523.3</u>	<u>5,544.1</u>

6c. NET BOOK VALUE OF FIXED ASSETS BY SERVICE AND BY TYPE

Infrastructure assets	1,601.4	3,273.8	75.7	4,950.9
Specialised operational assets	174.1	71.3	452.4	697.8
Non-specialised operational properties	12.4	5.6	9.0	27.0
Other tangible assets	24.7	2.2	23.6	50.5
At 31 March 1993	<u>1,812.6</u>	<u>3,352.9</u>	<u>560.7</u>	<u>5,726.2</u>

7. WORKING CAPITAL

	1993	1992
	£m	£m
Stocks	2.4	3.2
Trade debtors	16.3	19.2
Trade creditors	(4.2)	(5.7)
Short term capital creditors	(18.4)	(31.7)
Infrastructure renewals accrual	(12.7)	(8.0)
Accruals	(22.0)	(21.9)
Payments in advance	(13.8)	(13.6)
Tax and social security	(1.0)	(1.0)
Group trade debtors	(0.8)	3.2
Other trade debtors	14.8	13.3
Prepayments	0.9	1.3
	<u>(36.0)</u>	<u>(41.7)</u>

8. MOVEMENT ON CURRENT COST RESERVE

At 1 April	5,003.6	4,811.8
AMP/SIR adjustment	-	-
RPI adjustments:		
Fixed assets	101.3	212.5
Working capital	(0.8)	(1.6)
Financing	(2.4)	(0.5)
Other adjustments	(0.4)	(18.6)
At 31 March	<u>5,101.3</u>	<u>5,003.6</u>

THREE YEAR SUMMARY FOR APPOINTED BUSINESS

	1993 £m	1992 £m	1991 £m
Turnover	<u>193.8</u>	<u>184.9</u>	<u>170.9</u>
Current cost operating costs	(138.4)	(139.6)	(129.1)
Operating income	(1.5)	(1.4)	(0.8)
Working capital adjustment	0.8	1.6	1.4
	<u>54.7</u>	<u>45.5</u>	<u>42.4</u>
Other income	0.3	0.3	0.2
Net interest	(14.4)	(8.7)	(1.4)
Financing adjustment	2.4	0.5	0.5
Current cost operating profit before taxation	<u>43.6</u>	<u>37.6</u>	<u>41.7</u>
Taxation	(0.4)	0.4	-
Current cost profit attributable to shareholders	<u>42.6</u>	<u>38.0</u>	<u>41.7</u>
Dividends	(65.0)	(61.8)	(60.5)
Current cost profit retained	<u>(22.4)</u>	<u>(23.8)</u>	<u>(18.8)</u>
Tangible fixed assets	5,728.2	5,649.4	5,561.7
Third party contributions since 1989-90	(34.5)	(22.8)	(12.1)
Working capital	(36.0)	(42.5)	(42.5)
Net operating assets	<u>5,655.7</u>	<u>5,584.1</u>	<u>5,507.1</u>
Cash and investments	5.4	66.0	55.3
Non trade creditors due within one year	(45.0)	(30.6)	(27.6)
Creditors due after one year	(214.5)	(192.0)	(67.8)
Net assets employed	<u>5,401.6</u>	<u>5,427.5</u>	<u>5,467.0</u>
Called up share capital	81.3	82.8	86.1
Profit and loss accounts	219.0	246.0	280.4
Current cost reserve	<u>5,101.3</u>	<u>5,098.7</u>	<u>5,100.5</u>
	<u>5,401.6</u>	<u>5,427.5</u>	<u>5,467.0</u>

Comparatives have been restated at current year prices using movements in the Retail Price Index.