

WESSEX WATER SERVICES LTD

ANNUAL REPORT 1994



Registered in England No. 2366548

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year to 31 March 1994.

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

This year's results are excellent. By continuing our clear strategies we face the future with a leaner and fitter water services organisation.

The overriding importance we place on high standards and quality of service is reflected in the compliance levels achieved and in customers' satisfaction with the good value for money represented by the services we provide. Through further efficiency savings we have reduced operational costs to a level below that of two years ago.

We have concentrated on getting the fundamentals right, carrying through further organisational change to improve the efficiency of operations and to empower managers to take decisions at the right level. There is still more to be done. A major exercise is under way to plan for Wessex Water's needs into the next century.

During the year we maintained our high level of compliance with European drinking water standards at 99.7% and with pressure standards at 99.5%. Once again, we have operated without any water restrictions. Our water production department, responsible for the system which collects, treats, controls and monitors water supply, became one of the first to receive BS 5750 certification, helping to assure quality standards for the future.

Wessex Water operates 351 sewage treatment works and 1,178 sewage pumping stations with a network of 14,700 kilometres of public sewers. Compliance with demanding discharge standards at our sewage treatment works remained high at 98% and, once again, our compliance with regulations for treating and disposing of sewage sludge was 100%.

Investing for the future

We aim to continue to comply with statutory requirements and to maintain an infrastructure that can cope with the growing demands placed upon it. This means significant investment to meet ever higher standards and to make best use of new or improved technologies which provide more efficient and environmentally friendly ways of achieving our objectives. During 1993/94 we invested over £100 million in our capital programme - £145 per property receiving water and sewerage services.

Last year we spent an average of £69 per property to help maintain our present high water supply standards.

- Major works are under way, or have already been completed, at several water treatment works, including those at Durlough, Porlock and Fulwood in Somerset and Sutton Poyntz in Dorset. These projects will help us to maintain the high standards set by the European Drinking Water Directive.
- Significant investment continued to improve or rebuild local storage reservoirs.
- 73 kilometres of mains were relined or replaced to improve water quality. This work, begun in 1990, is showing results. Eight of our water supply zones failed iron standards in 1992, while in 1993 just one failed. We are working to reduce that figure to zero.

We take similar care in planning our future requirements for the treatment and safe disposal of sewage. During the year we invested an average of £76 per property in schemes to improve sewerage and sewage treatment.

- At Poole, construction continues on one of the most advanced sewage treatment plants in the UK which will enable us to deal with more waste and meet higher standards.
- Major improvements and extensions came into operation at sewage treatment plants serving Bournemouth and Ferndown.
- In Bristol, a major sewer tunnel was completed. This project, which has taken four and a half years of construction, was one of the largest tunnelling projects in the UK. Over 10,000 people took the opportunity during three days in January to walk through part of the sewer and see how their money had been spent.
- The second phase of the Frome Valley relief sewer, with capacity to cope with the expected expansion in North Bristol, was commissioned in February.

Wessex Water's in-house engineering services gained BS 5750 certification in March - one of the first of the water companies to do so. We make use of their expertise in the cost effective implementation of our capital schemes so reducing the need to call on external consultants. Against a background of aggressive pricing, the majority of our contracts were completed for less than the original estimate.

DIRECTORS' REPORT continued

Serving our customers

We are conscious that all expenditure, whether on capital investment or on operating costs, has a direct impact on our customers' pockets, so we were pleased that a recent survey showed 80% of our customers believe our services are good value for money.

Under-investment prior to privatisation and the need to meet tighter European and UK standards have meant that our charges to customers have had to rise by more than the rate of inflation. We recognise the difficulties these price increases cause some customers and offer a range of flexible payment options. Customers can contact specially trained staff if they are having payment problems. In the three years since this service was established 80,000 special payment arrangements have been set up. We work closely with Citizens Advice Bureaux and local social services departments to help those facing genuine difficulties. We also introduced this year a "pay as you go" system to help those who face the greatest difficulty in paying. Most of the customers who took part in a trial of the system decided to retain it.

We tailor services to customers with special needs, ranging from larger print or braille bills for the visually impaired to a text line telephone service for the hard of hearing and a password system to guard against bogus visiting water officials. A register is maintained to ensure we take account of the urgent water needs of vulnerable people, such as dialysis patients.

This range of help is extended to those with real needs. But for those who simply refuse to pay their bills, we believe that, having tried all other methods of debt recovery, disconnection should remain the final sanction.

The regulatory review

In March 1994 we submitted Wessex Water Services' strategic business plan for the coming 10 years to the Director General of Water Services. It was based on a number of fundamental principles:

- protecting public health and the environment through high quality water supply and waste water treatment
- responding to our customers' views
- meeting our legal obligations and
- delivering value for money whilst producing an acceptable level of financial return.

In the run up to the regulatory review, we consulted our customers extensively about what they wanted from us. We set up twelve panels for in depth discussions and undertook detailed research with 1,000 customers. A plan was drawn up on the strength of this consultation and delivered to all our customers for comment. More than 50,000 people replied to tell us what they wanted. They said they would be willing to pay more to deal with low river flow problems and to improve water taste and colour. On future charging policy, they made clear they were opposed to the compulsory metering of existing properties. We have taken full account of these views in our strategic business plan.

We are pleased that the outcome of the review fairly balanced the interests of customers and shareholders.

Caring for the environment

We are committed to protecting, conserving and enhancing the environment and regularly monitor our performance against the objectives set in our Environmental Charter. Our business culture ensures the environment remains a key concern. The Board determines and reviews strategy, while policy development is assessed by an independent group of environmental advisers.

We make best use of processes already in place and harness new technologies where they are environmentally beneficial. In its first year of operation, the biodrier at Avonmouth, which treats sludge in an environmentally friendly and imaginative way has produced over 8,000 tonnes of "biogran". This granulate is being successfully marketed for use on farmland, in land reclamation and on leisure amenities, such as golf courses.

In December 1993 we began a trial of wind powered aerators and mixers for the treatment of waste water; the first use of such a process in Europe. Initial results are highly encouraging, with the treatment of waste being achieved with no external energy requirement and with low maintenance costs.

We protect the natural habitats at our sites, many of which attract a wide range of wildlife. We have contributed to the work of the Somerset Trust for Nature Conservation, helping to establish a 350 acre wetland wildlife reserve at Westhay near Glastonbury. A number of our sites are also open to the public as community amenities.

Involvement in the community

We have always encouraged corporate and individual involvement in the community we serve. This year we reviewed our community involvement programme to ensure greater focus and better management of our effort.

We renewed our commitment to play our part in improving the social, economic and environmental health of communities in the areas in which we work. As part of our close association with Business in the Community and in cooperation with ACTION, a charity that helps to match need with expertise, we began staff secondments to voluntary organisations to help solve a range of community problems and to contribute to the personal development of our staff.

We are strong supporters of the water industry's own charity, WaterAid. Staff and customers in the Wessex region raised £220,000 towards the provision of clean water and proper sanitation in developing countries. WaterAid has an impressive record in helping communities to help themselves through simple technology and basic health standards.

Working as a team

Wessex is a team, and our success is the result of individual contributions to that team. The last year has not been easy as, in our search for greater efficiency, we have had to reduce the number of employees. This drive for efficiency must continue. The challenge is to ensure we involve everyone in the changes we make.

We will continue to provide opportunities for their professional and personal development so that we can maintain a high quality, flexible workforce well able to meet the future needs of the Wessex business. During the last year we have particularly focused on team building, management development and the implementation of National Vocational Qualifications for operational staff.

Our employees are undoubtedly our most important asset. The Company's performance over the last year is a tribute to their dedication and effort. Our confidence in the future is a reflection of our confidence in them. We look forward to continuing success for the Wessex team in the year ahead.

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 £0.7m.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 8 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
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 1994 were:

	<u>£1 ordinary shares</u>		<u>Share Options</u>	
	31 March 1994	1 April 1993	31 March 1994	1 April 1993
C J Bishop	10,297	15,308	40,237	40,237
D P Eastwood	1,337	3,867	59,720	59,720
D Graham	75	*14	39,666	*39,666
J G Jones	17,620	20,215	28,369	28,369
K Manley	13,598	19,598	34,541	34,541
J S Morris	10,937	26,751	31,619	31,619
P M Try	5,877	9,047	27,010	27,010

* at date of appointment on 1 December 1993

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 650; D P Eastwood 587; D Graham 307; J G Jones 654; K Manley 303; J S Morris 650; P M Try 650.

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

R Huntington resigned as a director of the Company on 10 February 1994.

DIRECTORS' REPORT continued

REGULATION

Under the conditions of its Licence, granted to the Company by the Secretary of State for the Environment the Company has provided the Director General of Water Services with additional information to that contained in the statutory accounts, in order to comply with Licence Condition F.

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 1994.

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 Company's 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
10 August 1994

DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results for that year.

In preparing financial statements the directors are required to select suitable accounting policies and apply them consistently, to make judgements and estimates that are reasonable and prudent and to state whether applicable accounting standards have been followed.

The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which comply with the Companies Act 1985 and which disclose, with reasonable accuracy at any time, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps to ensure the prevention or detection of fraud or other irregularities.

AUDITORS' REPORT

TO THE MEMBERS OF WESSEX WATER SERVICES LTD

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1994 and of the profit 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

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Bristol, 10 August 1994

PROFIT AND LOSS ACCOUNT
for the year to 31 March 1994

	NOTE	1994 £m	1993 £m
Turnover	1	217.5	204.6
Operating profit	2	92.7	81.5
Net interest payable	3	(15.0)	(14.4)
Profit on ordinary activities before taxation		77.7	67.1
Taxation on profit on ordinary activities	4	-	(0.4)
Profit attributable to shareholders		77.7	66.7
Dividends	5	77.0	65.0
Profit retained		0.7	1.7

The Company's turnover and operating profit was generated from continuing activities.

The Company has no recognised gains or losses other than the profits shown above, and therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the results as reported above and their historical cost equivalents.

The notes on pages 9 to 16 form part of these accounts.

The movements on reserves are shown in note 17 on page 15.

BALANCE SHEET
At 31 March 1994

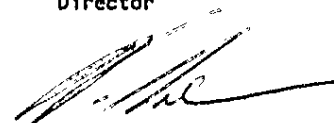
	NOTE	1994 £m	1993 £m
Fixed assets			
Tangible assets	8	882.4	810.5
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Current assets			
Stock and work in progress	9	2.9	2.4
Debtors	10	40.2	99.1
		<u>43.1</u>	<u>101.5</u>
Creditors - amounts due within one year	11	(233.2)	(158.4)
		<u>(190.1)</u>	<u>(56.9)</u>
Net current (liabilities)			
Total assets less current liabilities		692.3	753.6
Creditors - amounts due after more than one year	12	(149.8)	(215.4)
Provisions for liabilities and charges	13	(6.8)	(8.1)
Deferred income	14	(17.3)	(12.4)
	15	<u>518.4</u>	<u>517.7</u>
Shareholders funds			
Called up share capital	16	81.3	81.3
Profit and loss account	17	437.1	436.4
	17	<u>518.4</u>	<u>517.7</u>

These accounts were approved by the board of directors on 10 August 1994.

Nicholas Hood
Chairman



Nicholas Wheatley
Director



The notes on pages 9 to 16 form part of these accounts.

CASH FLOW STATEMENT
For the year to 31 March 1994

	NOTE	1994 £m	1994 £m	1993 £m	1993 £m
Net cash inflow from operating activities	18		114.5		99.8
Returns on investments and servicing of finance					
Interest received		4.1		4.7	
Interest paid		(10.9)		(8.3)	
Dividends paid		(80.0)		(50.0)	
<u>Interest element of finance lease rental payments</u>	19	<u>(6.3)</u>		<u>(8.5)</u>	
			(93.1)		(62.1)
Investing activities					
Purchase of tangible fixed assets		(97.3)		(135.5)	
Sale of tangible fixed assets		0.8		0.6	
Connection charges, grants and deferred income		13.5		11.9	
<u>Repayment of loan by parent company</u>	20	<u>60.0</u>		-	
			(23.0)		(123.0)
Net cash outflow before financing			(1.6)		(85.3)
Financing					
(Decrease)/increase in finance leases		(4.0)		11.9	
New long-term loans		7.6		16.2	
<u>Long-term loans repaid</u>	21	<u>(68.0)</u>		-	
			(64.4)		28.1
<u>(Decrease) in cash and cash equivalents</u>	22		<u>(66.0)</u>		<u>(57.2)</u>

Details supporting the cash flow statement are set out in notes 18 to 22.

NOTES TO THE ACCOUNTS
For the year to 31 March 1994

ACCOUNTING POLICIES

a. Basis of preparation

The accounts have been prepared in accordance with the historical cost convention and with applicable accounting standards in the United Kingdom and, except for the treatment of certain capital contributions, with the provisions of the Companies Act 1985. See note e below.

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 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.

Grants and contributions relating to infrastructure assets have been deducted from the cost of those assets. This is not in accordance with the Companies Act 1985 which requires fixed assets to be stated at their purchase price or production cost. The departure from the requirement of the Act is, in the opinion of the directors, necessary for the accounts to give a true and fair view. This is because infrastructure assets are not depreciated and the grants and contributions would not be recognised in the profit and loss account. The effect on the value of tangible fixed assets is disclosed in note 8.

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.

NOTES TO THE ACCOUNTS continued
For the year to 31 March 1994

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, and are externally funded and valued by an independent actuary.

1	Turnover	1994 £m	1993 £m
	Analysis by class of business		
	Water supply	73.9	70.7
	Waste water	<u>143.6</u>	<u>133.9</u>
		<u>217.5</u>	<u>204.6</u>
2	Operating profit		
a.	Analysis by class of business		
	Water supply	22.3	19.4
	Waste water	<u>70.4</u>	<u>62.1</u>
		<u>92.7</u>	<u>81.5</u>
	Operating profit by class of business is determined after allocating central costs on the basis of estimated time spent on each class of business.		
b.	Operating profit is shown after charging the following costs:		
	OPERATIONAL COSTS		
	Manpower costs (note 6)	30.6	31.4
	Materials and consumables	24.1	24.1
	Other operational costs	<u>36.7</u>	<u>36.5</u>
		<u>91.4</u>	<u>92.0</u>
	DEPRECIATION		
	Depreciation	23.0	20.5
	Amortisation of grants and contributions	(0.5)	(0.3)
	Loss on disposals of fixed assets	<u>1.0</u>	<u>0.9</u>
		<u>23.5</u>	<u>21.1</u>
	INFRASTRUCTURE MAINTENANCE EXPENDITURE (note 13)	<u>9.9</u>	<u>10.0</u>
		<u>124.8</u>	<u>123.1</u>
c.	Operational costs include:		
	Operating leases for plant and machinery	0.2	0.2
	Other operating leases	1.0	0.9
	Research and development	0.8	0.9
	Directors' remuneration (note 7)	0.6	0.5
	Audit fees (note 26)	0.1	0.1

	1994 £m	1993 £m
3 Net interest payable		
Net interest payable is made up of:		
Interest payable on bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	8.4	1.6
Not wholly repayable within five years	2.9	9.8
Finance leases	6.3	8.5
Other	0.3	-
	<u>17.9</u>	<u>19.9</u>
Total interest payable	17.9	19.9
Interest receivable	2.9	5.5
	<u>15.0</u>	<u>14.4</u>
Net interest payable	15.0	14.4
4 Taxation		
a. Taxation on profit on ordinary activities		
Group relief (charge) in respect of an associated undertaking	-	(0.4)
	<u>-</u>	<u>(0.4)</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:		
Accelerated capital allowances	125.2	97.9
Other timing differences	(6.3)	(7.5)
Trading losses	-	(7.0)
	<u>118.9</u>	<u>83.4</u>
No deferred tax has been provided as projections indicate that the potential liability will not crystallise within the foreseeable future.		
5 Dividends		
Interim dividend paid of 43.02p per share on 81,350,000 ordinary shares (1993 - 24.58p)	35.0	20.0
Final dividend proposed of 51.63p per share on 81,350,000 ordinary shares (1993 - 55.32p)	42.0	45.0
	<u>77.0</u>	<u>65.0</u>
6 Employee information		
a. Total employment costs of the Company were:		
Wages and salaries	35.4	35.9
Social security costs	2.9	2.8
Other pension costs	4.5	3.9
Recharged from other group companies	1.7	1.7
	<u>44.5</u>	<u>44.3</u>
b. Total employment costs are charged as follows:		
Capital schemes	12.5	12.1
Infrastructure maintenance expenditure	1.4	0.8
Manpower costs	30.6	31.4
	<u>44.5</u>	<u>44.3</u>
	1994	1993
c. The weekly average number of employees during the financial year was:	<u>1817</u>	<u>1830</u>

NOTES TO THE ACCOUNTS continued
For the year to 31 March 1994

7 Directors' remuneration

Remuneration of the Chairman and three other directors was paid by Wessex Water Plc, in respect of their services to the group as a whole, and is disclosed in the accounts of that company.

	1994 £000	1993 £000
a. Total remuneration:		
Salary	<u>372</u>	<u>322</u>
Bonuses	<u>65</u>	<u>45</u>
Taxable benefits	<u>31</u>	<u>24</u>
Pension contributions	<u>124</u>	<u>92</u>
b. Remuneration excluding pension contributions:		
Chairman	<u>-</u>	<u>-</u>
Highest paid director - salary	69	67
bonus	12	9
taxable benefits	<u>5</u>	<u>3</u>
	<u>86</u>	<u>79</u>
c. Other directors within the following ranges, excluding pension contributions:		
£	1994	1993
0 - 5,000	3	3
15,001 - 20,000	1	2
60,001 - 65,000	-	1
65,001 - 70,000	1	1
70,001 - 75,000	2	2
75,001 - 80,000	2	-

8 Tangible fixed assets

	Specialised operational properties & structures	Non specialised operational properties	Infra- structure assets	Plant machinery & vehicles	Other assets	Payments on account & assets in course of const- ruction	Total
	£m	£m	£m	£m	£m	£m	£m
COST							
At 1 April 1993	232.3	12.3	338.6	238.9	30.9	105.6	958.6
Additions	17.8	2.1	16.8	14.8	2.3	49.9	103.7
Transfers on commissioning	21.9	2.0	20.8	21.2	-	(65.9)	-
Disposals	(0.7)	-	-	(7.2)	(1.5)	(0.1)	(9.5)
Government grants and contributions	-	-	(4.2)	-	-	(2.8)	(7.0)
At 31 March 1994	<u>271.3</u>	<u>16.4</u>	<u>372.0</u>	<u>267.7</u>	<u>31.7</u>	<u>86.7</u>	<u>1,045.8</u>
DEPRECIATION							
At 1 April 1993	37.7	2.0	-	89.1	19.3	-	148.1
Provision for year	4.1	0.2	-	15.9	2.8	-	23.0
Disposals	(0.6)	-	-	(6.2)	(0.9)	-	(7.7)
At 31 March 1994	<u>41.2</u>	<u>2.2</u>	<u>-</u>	<u>98.8</u>	<u>21.2</u>	<u>-</u>	<u>163.4</u>
NET BOOK VALUE							
At 31 March 1994	<u>230.1</u>	<u>14.2</u>	<u>372.0</u>	<u>168.9</u>	<u>10.5</u>	<u>86.7</u>	<u>882.4</u>
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>

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.

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

The net book value of assets held under finance leases is £91.3m (1993 - £93.1m).

The depreciation charge for the year on assets held under finance leases is £1.8m (1993 - £1.4m).

The net book value of infrastructure assets, completed and in the course of construction, is stated after the deduction of grants and contributions amounting to £28.2m (1993 - £21.2m) in order to give a true and fair view.

NOTES TO THE ACCOUNTS continued
For the year to 31 March 1994

	1994	1993
	£m	£m
9 Stock and work in progress		
Stores	2.0	1.9
Work in progress	<u>0.9</u>	<u>0.5</u>
	<u>2.9</u>	<u>2.4</u>
10 Debtors		
Amounts due within one year		
Trade debtors	21.8	21.8
Amounts owed by parent company	-	30.0
Amounts owed by fellow subsidiary undertaking	1.1	0.2
Other debtors	3.2	2.1
Prepayments and accrued income	<u>14.1</u>	<u>15.0</u>
	40.2	69.1
Amounts due after more than one year		
Amount owed by parent company	-	30.0
	<u>40.2</u>	<u>99.1</u>
11 Creditors		
Amounts due within one year		
Bank overdraft repayable on demand	118.4	52.4
Finance leases repayable	5.1	4.0
Trade creditors	1.8	4.2
Amounts owed to parent company	42.0	46.0
Amounts owed to associated undertakings	0.1	0.1
Other creditors	0.7	0.9
Taxation and social security	1.4	1.0
Accruals and deferred income	<u>63.7</u>	<u>49.8</u>
	<u>233.2</u>	<u>158.4</u>
<p>Wessex Water Services Ltd has acted as guarantor for certain borrowing facilities and currency exchange agreements made available to Wessex Water Plc. As part of the Group's banking arrangements the Company has entered into a cross undertaking with Wessex Water Plc in relation to the overdraft and related facilities.</p>		
12 Creditors		
Amounts due after more than one year		
Loans repayable		
- within 2 - 5 years	12.5	1.6
- after 5 years	<u>41.3</u>	<u>112.6</u>
	53.8	114.2
Finance leases repayable		
- within 1 - 2 years	6.4	5.1
- within 2 - 5 years	29.4	23.6
- after 5 years	60.0	72.2
Other	<u>0.2</u>	<u>0.3</u>
	<u>149.8</u>	<u>215.4</u>
<p>Loans of £53.8m are at, or have been swapped into, floating rates and reinvested until required. The floating rates varied between 5.8% and 4.8% during the course of the year.</p>		
13 Provisions for liabilities and charges		
Infrastructure maintenance provision		
At 1 April	8.1	6.2
Charged to profit and loss account	9.9	10.0
Infrastructure maintenance expenditure	<u>(11.2)</u>	<u>(8.1)</u>
At 31 March	<u>6.8</u>	<u>8.1</u>
14 Deferred income		
Grants and contributions		
At 1 April	12.4	7.1
Received in year	5.4	5.6
Less amortisation	<u>(0.5)</u>	<u>(0.3)</u>
At 31 March	<u>17.3</u>	<u>12.4</u>

15	Net assets			1994 £m	1993 £m
	Analysis by class of business				
	Water supply			168.7	167.2
	Waste water			<u>349.7</u>	<u>350.5</u>
				<u>518.4</u>	<u>517.7</u>
16	Called up equity share capital				
	Ordinary shares of £1 each:				
	Authorised, issued and fully paid			<u>81.3</u>	<u>81.3</u>
17	Profit and loss account and shareholders funds			Shareholders funds	Profit and loss account
				£m	£m
	At 1 April 1993			517.7	436.4
	Profit retained for the year			0.7	0.7
	At 31 March 1994			<u>518.4</u>	<u>437.1</u>
18	Reconciliation of operating profit to net cash inflow from operating activities			1994 £m	1993 £m
	Operating profit			92.7	81.5
	Depreciation			23.0	20.5
	Release of deferred income			(0.5)	(0.3)
	Infrastructure maintenance provision			(1.3)	1.9
	Loss on sale of fixed assets			1.0	0.9
	(Increase)/decrease in stock and work in progress			(0.5)	0.8
	(Increase) in debtors			(3.4)	(3.1)
	Increase/(decrease) in creditors			<u>3.5</u>	<u>(2.4)</u>
				<u>114.5</u>	<u>99.8</u>
19	Reconciliation of returns on investments and servicing of finance	1994 £m	1994 £m	1993 £m	1993 £m
	Interest receivable	2.9		5.5	
	Decrease/(increase) in debtors	<u>1.2</u>	4.1	<u>(0.8)</u>	4.7
	Interest (payable)	(11.6)		(11.4)	
	Increase in creditors	<u>0.7</u>	(10.9)	<u>3.1</u>	(8.3)
	Dividend payable	(77.0)		(65.0)	
	(Decrease)/increase in creditors	<u>(3.0)</u>	(80.0)	<u>15.0</u>	(50.0)
	Interest paid on finance leases		<u>(6.3)</u>		<u>(8.5)</u>
			<u>(93.1)</u>		<u>(62.1)</u>
20	Reconciliation of investing activities				
	Capital expenditure	(103.7)		(122.2)	
	Increase/(decrease) in capital creditors	<u>6.4</u>	(97.3)	<u>(13.3)</u>	(135.5)
	Sale of tangible fixed assets		0.8		0.6
	Government grants and contributions	7.0		6.4	
	Deferred income	5.4		5.6	
	Decrease/(increase) in capital debtors	<u>1.1</u>	13.5	<u>(0.1)</u>	11.9
	Repayment of loan by parent company		60.0		-
			<u>(23.0)</u>		<u>(123.0)</u>
21	Analysis of changes in financing			1994 £m	1993 £m
		31/3/94 £m	31/3/93 £m	31/3/92 £m	
	Finance leases repayable within one year	5.1	4.0	-	
	Creditors more than one year	149.8	215.4	191.4	
	Less other	<u>(0.2)</u>	<u>(0.3)</u>	<u>(0.4)</u>	
		<u>154.7</u>	<u>219.1</u>	<u>191.0</u>	<u>(64.4)</u>
					<u>28.1</u>

NOTES TO THE ACCOUNTS continued
For the year to 31 March 1994

22 Analysis of changes in cash and cash equivalents during the period				1994	1993
				£m	£m
	31/3/94	31/3/93	31/3/92		
	£m	£m	£m		
Short term cash investments	-	-	4.8	-	(4.8)
Bank overdraft	<u>(118.4)</u>	<u>(52.4)</u>	<u>-</u>	<u>(66.0)</u>	<u>(52.4)</u>
	<u>(118.4)</u>	<u>(52.4)</u>	<u>4.8</u>	<u>(66.0)</u>	<u>(57.2)</u>

23 Commitments

a. Capital expenditure authorised by the directors:

Committed	39.0	38.3
Not yet committed	<u>64.0</u>	<u>80.5</u>
	<u>103.0</u>	<u>118.8</u>

In addition to these commitments, at 31 March 1994, 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 2 and 5 years	0.3	0.2
Over 5 years	<u>0.2</u>	<u>0.8</u>
	<u>0.5</u>	<u>1.0</u>

c. At 31 March 1994 the Company had interest rate and currency instrument agreements outstanding with commercial banks with a principal value of £58.8m (1993 - £129.2m).

24 Contingent liabilities

(There are no material contingent liabilities at 31 March 1994 for which provision has not been made in these accounts.)

25 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 latest actuarial assessment of the schemes was at 31 March 1993. Particulars of the basis of charge and valuations are contained in the accounts of Wessex Water Plc. Contributions are based upon pension costs across the Group as a whole.

The total pension cost of the Company was £4.5m (1993 - £3.9m).

26 Other transactions

- a. Total fees paid to Coopers & Lybrand, the Company's auditors amounted to £0.7m (1993 - £0.3m), consisting of the audit fee of £0.1m, project management of a new billing system £0.5m and other professional advice £0.1m.
- b. There were no transactions or arrangements with directors and officers which require disclosure under the provisions of the Companies Act 1985.

27 Ultimate parent company

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

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