

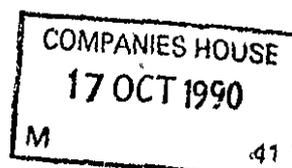
REPORT AND ACCOUNTS 1990
ADRODDIAD A CHYRIFON 1990

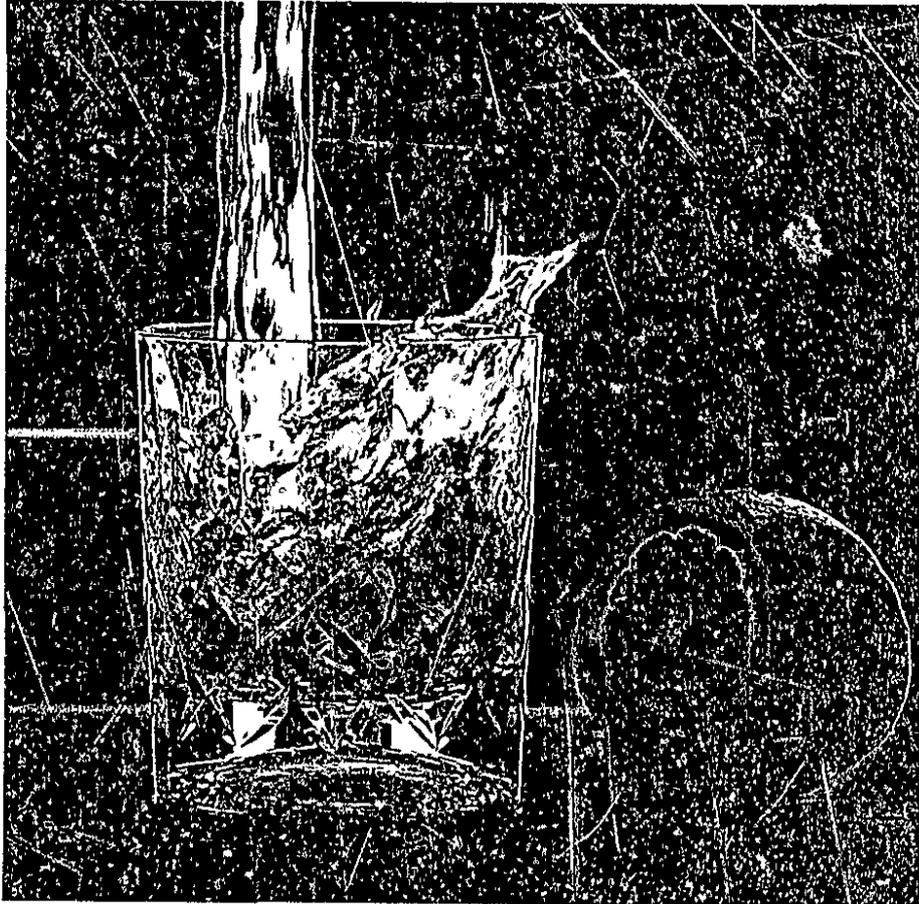


WELSH WATER PLC

CONTENTS

CYNNWYS		Page
	<i>Tudalen</i>	
<i>HYSBYSIAD AM GYFARFOD</i>	4	NOTICE OF MEETING 4
<i>UCHAFBIWYNTIAU ARIANNOL</i>	6	FINANCIAL HIGHLIGHTS 6
<i>BWRDD WELSH WATER PLC</i>	8	THE BOARD OF WELSH WATER PLC 8
<i>CYNGHORIWYR Y CIMINI</i>	12	ADVISERS TO THE COMPANY 12
<i>DATGANIAD Y CADEIRYDD</i>	14	CHAIRMAN'S STATEMENT 14
<i>AROLWIG O'R GWEITHGAREDDAU</i>		REVIEW OF OPERATIONS
<i>Grŵp Cwmnïau Welsh Water</i>	20	The Welsh Water Group of Companies 20
<i>Dŵr Cymru Cyf</i>	22	Dŵr Cymru Cyf 22
<i>Wallace Evans Ltd</i>	28	Wallace Evans Ltd 28
<i>Land and Leisure – Tir a Hamdden Ltd</i>	32	Land & Leisure – Tir a Hamdden Ltd 32
<i>Welsh Water Enterprises Ltd</i>	36	Welsh Water Enterprises Ltd 36
<i>Pobl</i>	38	People 38
<i>ADRODDIAD Y CYFARIWYDDIWYR</i>	A2	REPORT OF THE DIRECTORS A2
<i>ADRODDIAD YR ARCHWILIWYR ARIANNOL</i>	A7	REPORT OF THE AUDITORS A7
<i>POLISIAU CYFRIFO</i>	A8	ACCOUNTING POLICIES A8
<i>CYFRIFON</i>	A10	ACCOUNTS A10





"Clir a hanfodol . . ."

"Clear and essential . . ."

NOTICE OF MEETING

Notice is hereby given that the First Annual General Meeting of Welsh Water PLC will be held at The Royal Welsh Showground, Builth Wells, Powys on Thursday 30th August 1990 at 2.30pm for the following purposes:

ACCOUNTS

To receive the accounts for the year ended 31st March 1990 and the reports of the directors and auditors thereon (Resolution 1).

DIVIDEND

To declare a dividend (Resolution 2).

ELECTION OF DIRECTORS

To re-elect Mr T Knowles, who retires by rotation in accordance with the Company's articles of association (Resolution 3).

AUDITORS

To reappoint Coopers and Lybrand Deloitte as the Company's auditors and to authorise the directors to fix their remuneration (Resolution 4).

SPECIAL BUSINESS

To consider and, if thought fit, pass as a Special Resolution:-

"That the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by paragraph D of Resolution number 3 of the Company passed as a Special Resolution on 20th November 1989 as if Section 89(1) and Section 90(1) to (6) of that Act did not apply to any such allotment provided that this power shall be limited:-

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them (but subject to such exclusions or other arrangements as the

HYSBYSIAD AM GYFARFOD

Hysbysir drwy hyn fod Cyfarfod Cyffredinol Cynaf Welsh Water PLC i'w gynnal ar Faes Sioe Frenhinol Cymru, Llanfair-ym-Muallt, Powys ddydd Iau 30 Awst 1990 am 2.30pm at y dibenion canlynol:

CYFRIFON

Derbyn y cyfrifon am y flwyddyn hyd at 31 Mawrth 1990 ac adroddiadau'r Cyfarwyddwyr a'r Archwilywr Ariannol amdanynt (Penderfyniad 1).

DIFIDEND

Cyhoeddi'r difidend (Penderfyniad 2).

ETHOL CYFARWYDDWYR

Ail-ethol Mr T Knowles, sy'n ymdeol yn ei dro yn unol ag erthyglau cymdeithasiad y Cwmni (Penderfyniad 3).

ARCHWILWYR ARIANNOL

Ail-benodi Coopers and Lybrand Deloitte yn archwilywr ariannol y Cwmni ac awdurdodi'r cyfarwyddwyr i bennu eu cydnabyddiaeth (Penderfyniad 4).

BUSNES ARBENNIG

I ystyried ac os credir bod hynny'n addas i wneud Penderfyniad Arbennig:-

"Bod cyfarwyddwyr y Cwmni yn bod a thrwy hyn yn cael yr hawl yn unol ag Adran 95 o Ddeddf Cwmnïau 1985 i ddosrannu gwarannoedd ecwiti (o fewn ystyr Adran 94 o'r Ddeddf honno) am arian parod yn ôl yr awdurdod a roddir gan baragraff D o Benderfyniad rhif 3 gan y Cwmni a wnaed drwy Benderfyniad Cyffredin ar 20 Tachwedd 1989 fel pe na bai Adran 89(1) ac Adran 90(1) i (6) o'r Ddeddf yn gymwys i ddosraniad felly cyn belled â bod yr hawl hon yn gyfyngedig:-

(a) i ddosrannu gwarannoedd ecwiti mewn cysylltiad â chyhoeddi a dyroi hawliau o blaid cyfranddalwyr cyffredin lle mae'r gwarannoedd ecwiti a briodolir yn eu tro i fuddiannau'r holl gyfranddalwyr cyffredin yn gyfrannol (neu cyn belled â phosibl) i nifer y cyfranddaliadau cyffredin a ddelir ganddynt (ond yn unol ag unrhyw eithriadau neu drefniadau eraill y cred y

cyfarwyddwyr eu bod yn angenrheidiol neu'n ddoeth i ddelio â hawliau ffraisiynol, problemau'n codi mewn unrhyw diriogaeth dramor neu yn rhinwedd cyfranddaliadau'n cael eu cyrychioli gan dderbynebau adnau, gofynion unrhyw gorff rheoli neu gyfnewidfa stoc neu unrhyw fater arall beth bynnag y bo);

(b) i ddostrannu (ac eithrio yn unol ag is-baragraff (a) uchod) warannoedd ewiti hyd at werth cyfranred enwol o £7,203,900;

a bydd yr hawl a roir drwy hyn yn dod i ben ar ddiwedd Cyfarfod Cyffredinol Blynnyddol nesaf y Cwmni ac eithrio bod gan y cyfarwyddwyr hawl, cyn yranser hwnnw i ddod i ben, i wneud cynnig neu gytundeb a fyddai neu a allai ei gwneud yn ofynnol i warannoedd ewiti gael eu dostrannu ar ôl yr amser dod i ben, a'r hawl honno i ddisodli unrhyw hawliau blaenorol a roddwyd o dan Adran 95 o'r Ddeddf honno a'r hawliau hynny'n cael eu diddymu drwy hyn."

(Penderfyniad 5)

25 Gorffennaf 1990 Drwy Orchymyn y Bwrdd
T J Warwick Ysgrifennydd Grŵp y Cwmni
Swyddfa Gofrestredig: Plas y Ffynnon,
Ffordd Cambria, Aberhonddu, Powys LD3 7HP

1 Gall aelodau sydd â hawl i fod yn y cyfarfod a phleidleisio ymudo benodi un dirprwy neu ragor i fod yn bresennol, ac mewn pŵl gallant fwrw pleidlais ar eu than. Nid oes naid i ddirprwyon fod yn aelodau o'r Cwmni. Amgaelr ffurflen dirprwy. Rhaid ei rhoi ynghyd ag unrhyw rym twnnai neu awdurdod ar gyfer ei llofnodi yn National Westminster Bank PLC, Registrar's Department, Bluch PO 82, Caxton House, Redcliffe Way, Bryste BS99 7NH erbyn 48 awr cyn yr amser a hennwyd ar gyfer y cyfarfod. Ni fydd cyfranddaliwyr sy'n llenwi'r ffurflen yn cael eu hatal drwy hynny rhag bod yn y cyfarfod a phleidleisio'n bersonol os myniant.

2 Bydd y dogfenau canlynol ar gael i'w harchwilio yn swyddfa gofrestredig y Cwmni yn ystod oriau busnes asferol y Cwmni (ac eithrio dydd Sadwrn) o ddyddiad yr hyshysiad hwn tan 28 Awst 1990. Byddant ar gael hefyd i'w harchwilio lle y cynhelir y cyfarfod o 29 Awst 1990 tan ddiwedd y cyfarfod:

- Copïau o'r holl contractau gwasanaeth rhwng y Cwmni a'r Cyfarwyddwyr na ellir eu terfynu cyn pen blwyddyn heb dalu iawndal.
- Datganiad am weithredhau gan y Cyfarwyddwyr (a'u ddiarddau tcnluol) yng nghyswllt cyfranddaliadau'r Cwmni yn ystod y cyfnod perthnasol.

directors may deem necessary or expedient to deal with fractional entitlements, problems arising in any overseas territory or by virtue of shares being represented by depository receipts, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £7,203,900;

and the power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company save that the directors are empowered, prior to such expiry, to make an offer or agreement which would or might require equity securities to be allotted after such expiry, such power to replace any previous powers obtained under Section 95 of the said Act which powers are hereby revoked."

(Resolution 5)

25 July 1990 By Order of the Board
T J Warwick Group Company Secretary

Registered Office: Plas y Ffynnon,
Cambrian Way, Brecon, Powys LD3 7HP

1 Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of them. Proxies need not be members of the Company. A form of proxy is enclosed, this must be deposited together with any power of attorney or authority under which it is signed at National Westminster Bank PLC, Registrars Department, PO Box 82, Caxton House, Redcliffe Way, Bristol, BS99 7NH, not less than 48 hours before the time appointed for the meeting. Shareholders who complete the form will not be precluded thereby from attending the meeting and voting in person if they so wish.

2 The following documents will be available for inspection at the registered office of the Company during normal business hours (Saturdays excepted) from the date of this notice until 28 August 1990. They will also be available for inspection at the place of the meeting from 29 August 1990 until the end of the meeting:

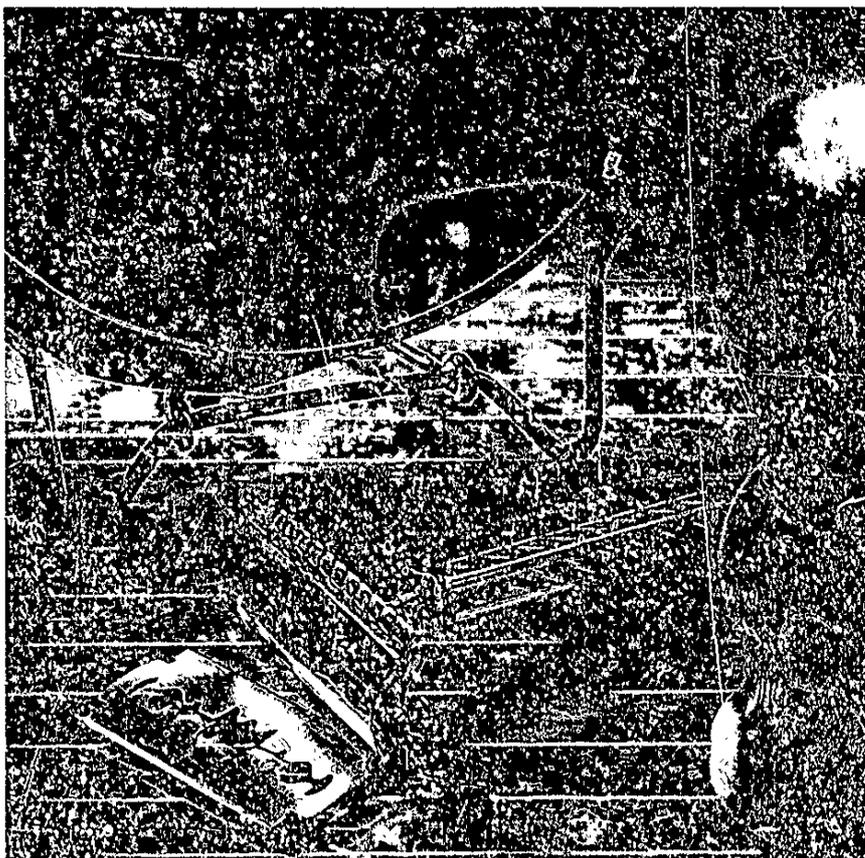
- Copies of all contracts of service between the Company and the Directors of the Company which cannot be ended within one year without payment of compensation.
- A statement of transactions of the Directors (and of their family interests) in the share capital of the Company during the relevant period.

**UCHAFBWYNTIAU
ARIANNOL**

	1990	1989	
	Union	Ragolwg y Prospectus	
<i>Trosiant</i>	£255.3m	—	£219.6m
<i>Elw cyn treth</i>	£39.5m	£35.5m	£24.9m
<i>Elw pro forma cyn treth</i>	£97.0m	£93.0m	—
<i>Enillion pro forma am bob cyfranddaliad</i>	61.7p	58.9p	—
<i>Dividend am bob cyfranddaliad</i>	11.17p	11.17p	—

**FINANCIAL
HIGHLIGHTS**

	1990		1989
	Actual	Prospectus Forecast	
<i>Turnover</i>	£255.3m	—	£219.6m
<i>Profit before tax</i>	£39.5m	£35.5m	£24.9m
<i>Pro forma profit before tax</i>	£97.0m	£93.0m	—
<i>Pro forma earnings per ordinary share</i>	61.7p	58.9p	—
<i>Dividend per share</i>	11.17p	11.17p	—



"Hydwyth a miniog . . ."

"Tempered and honed . . ."

**BWRDD WELSH
WATER PLC**

**THE BOARD OF
WELSH WATER PLC**



JOHN ELFED JONES, CBE, DL

Cadeirydd

Ar ôl emmill cymhwyster fel peiriannydd siartredig, bu'n gweithio am 12 mlynedd i'r Bwrdd Canolog Cynhyrchu Trydan. Ym 1969 ymunodd ag Anglesey Aluminium Metal Ltd gan ddod yn Ddirprwy Gyfarwyddwr Rheoli ym 1976. Ym 1979 fe aeth ar fenthyg i'r Swyddfa Gynreig i weithredu fel Is-Ysgrifennydd ac fel Cyfarwyddwr Diwydiant Cymru. Cafodd ei apwyntio yn Gadeirydd Awdurdod Dŵr Cymru ym 1982. Mae hefyd yn Gadeirydd Bwrdd yr Iaith Gymraeg ac yn Gyfarwyddwr HTV Cymru/Wales Cysf.

Chairman

After qualifying as a chartered engineer, he worked for 12 years at the Central Electricity Generating Board. In 1969, he joined Anglesey Aluminium Metal Ltd and became Deputy Managing Director in 1976. In 1979, he was seconded from Anglesey Aluminium to the Welsh Office where, as Under Secretary, he was Industrial Director for Wales. He became Chairman of Welsh Water Authority in 1982. He is also Chairman of the Welsh Language Board and a Director of HTV Cymru/Wales Ltd.



DAVID JEFFREY

Cyfarwyddwr Rheoli'r Grŵp

Fel bargyfreithiwr dechreuodd ei yrfa yn y diwydiant dŵr ym 1968. Ar ôl ad-drefnu'r diwydiant ym 1974, bu mewn nifer o swyddi uwch gyda Northumbrian Water. Ym 1984 aeth yn Gyfarwyddwr Gwasanaethau Dŵr at Yorkshire Water ac yn Gyfarwyddwr Rheoli Awdurdod Dŵr Cymru ym mis Ionawr 1988.

Group Managing Director

A barrister, his career in the water industry began in 1968. After the reorganisation of the industry in 1974, he held various senior positions at Northumbrian Water. In 1984, he became Director of Water Services at Yorkshire Water and became Managing Director of Welsh Water Authority in January 1988.



GRAHAM HAWKER

Cyfarwyddwr Cyllid y Grŵp

Mae ganddo yrfa o 19 blynedd yn y diwydiant dŵr. Ymunodd ag Awdurdod Dŵr Cymru ym 1974 a bu mewn nifer o swyddi rheoli mudi Rhanbarthol ac yn y Brif Swyddfa. Ym 1986 cafodd ei benodi'n Bennaeth Cynllunio a Datblygu cyn dod yn Gyfarwyddwr Cyllid ym 1987.

Group Finance Director

He has had a career of 19 years in the water industry. He joined Welsh Water Authority in 1974 and held various senior management positions in Divisions and Head Office. In 1986, he was appointed Head of Planning and Development, before becoming Finance Director in 1987.



IAIN EVANS

Cyfarwyddwr An-Weithredol

Roedd yn un o'r partneriaid a sefydlodd LEK Partnership ac ar hyn o bryd ef yw eu Prif Bartner yn eu swyddfa yn Llundain.

Non Executive Director

He was a founding partner of The LEK Partnership and is currently the Senior Partner in their London office.



JOHN JAMES

Cyfarwyddwr An-Weithredol

Penodwyd ef yn Gyfarwyddwr Rheoli Grŵp Laura Ashley Holdings Cysf yn 1981 a'i ddyrchafu'n Brif Swyddog Gu eithredol ac Is-Gadeirydd yn 1988. Mae'n un o gyfarwyddwyr an-weithredol Control Techniques Cysf.

Non Executive Director

He was appointed Group Managing Director of Laura Ashley Holdings Ltd in 1981 and promoted to Chief Executive and Vice Chairman in 1988. He is a non-executive director of Control Techniques Ltd.



TIM KNOWLES

Cyfarwyddwr An-Weithredol

*Mae'n gyfrifydd siartredig a oedd gynt yn
Cyfarwyddwr Rheoli Grŵp HTV.*

Non Executive Director

He is a chartered accountant and was
formerly Group Managing Director of
HTV Group.



GRANT HAWKINS

Cyfarwyddwr An-Weithredol

*Mae'n Gadeirydd Grŵp Target Computer Cyf lle
bu'n gyfarwyddwr ers 1980. Cyn hynny roedd an
dair blynedd yn Gyfarwyddwr Cyllid Sterling
Credit Management, cwmni yn y Grŵp Sterling
Credit.*

Non Executive Director

He is Chairman of Target Computer Group
Ltd where he has been a director since 1980.
Before this he was for three years Finance
Director of Sterling Credit Management, a
company in The Sterling Credit Group.

**YSGRIFENNYDD
CWMNI Y GRŴP
a'r SWYDDFA
GOFRESTREDIG**

*Timothy J Warwick MBA FCIS
Plas y Ffynnon, Ffordd Cambria,
Aberhonddu, Powys LD3 7HP*

**CYNGHORWYR
Y CWMNI**

CYNGHORWYR ARIANNOL:
*County NatWest Limited,
135 Bishopsgate, Llundain EC2N 3UR*

CYFREITHWYR:
*Allen & Overy,
9 Cheapside, Llundain EC2V 6AD*

*Edwards Geldard,
16 St Andrews Crescent, Caerdydd CF1 3RD*

BROCERIAID:
*Kleinwort Benson Securities Limited,
20 Fenchurch Street, Llundain EC3P 3DB*

**ARCHWILWYR ARIANNOL A
CHYFRIFWYR**
*Coopers & Lybrand Deloitte,
Cyfrifyddion Siartredig, Tudor House,
16 Cathedral Road,
Caerdydd CF1 6PN*

PRIF FANCIWYR:
*National Westminster Bank PLC,
27 Stryd Fawr, Aberhonddu,
Powys LD3 7LF*

COFRESTRYDDION:
*National Westminster Bank PLC,
Adran y Cofrestrydd, Blwch PO 82,
Redcliffe Way, Bryste BS99 7NH*

**GROUP
COMPANY SECRETARY
and
REGISTERED OFFICE**

*Timothy J Warwick MBA FCIS
Plas y Ffynnon, Cambrian Way, Brecon,
Powys LD3 7HP*

**ADVISERS TO
THE COMPANY**

FINANCIAL ADVISERS:
*County NatWest Limited,
135 Bishopsgate, London EC2N 3UR*

SOLICITORS:
*Allen & Overy,
9 Cheapside, London EC2V 6AD*

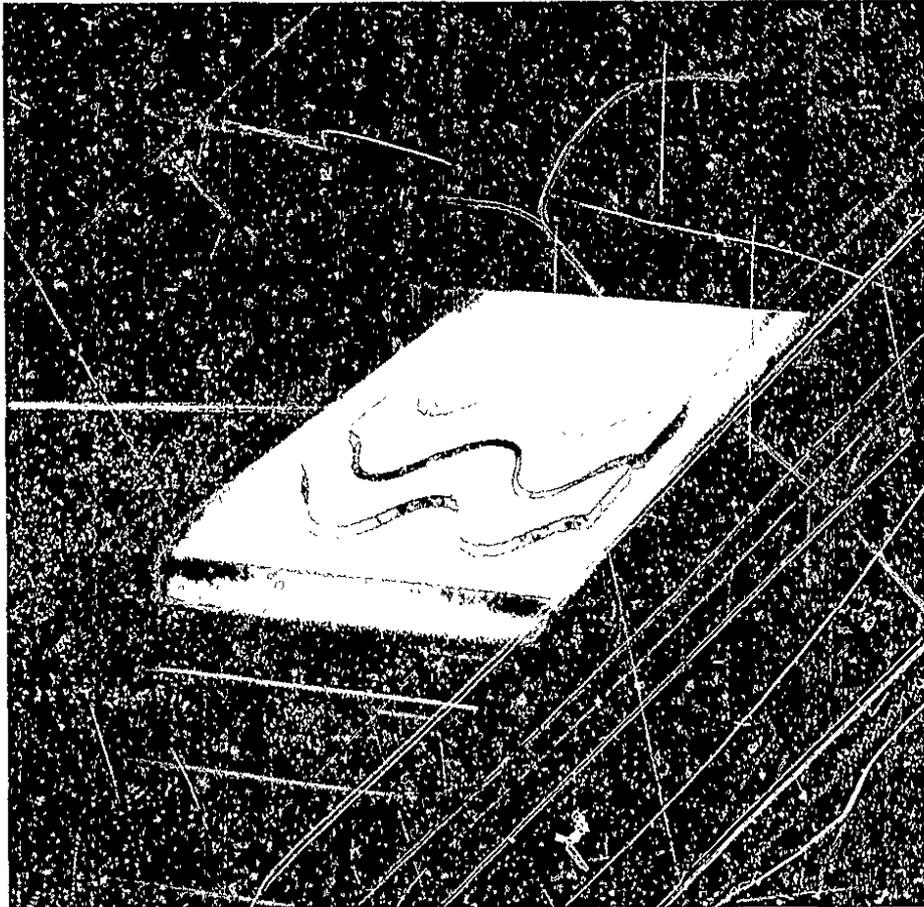
*Edwards Geldard,
16 St Andrews Crescent, Cardiff CF1 3RD*

BROKERS:
*Kleinwort Benson Securities Limited,
20 Fenchurch Street, London EC3P 3DB*

**AUDITORS &
REPORTING ACCOUNTANTS:**
*Coopers & Lybrand Deloitte,
Chartered Accountants,
Tudor House, 16 Cathedral Road,
Cardiff CF1 6PN*

PRINCIPAL BANKERS:
*National Westminster Bank PLC,
27 High Street, Brecon, Powys LD3 7LF*

REGISTRARS:
*National Westminster Bank PLC,
Registrars Department,
PO Box 82, Caxton House,
Redcliffe Way, Bristol BS99 7NH*



"Amlochrog ac anhepgor . . ."

"Vessatile and indispensable . . ."

CHAIRMAN'S STATEMENT

DATGANIAD Y CADEIRYDD

Am y flwyddyn yn diwedd ar 31 Mawrth 1990 mae'n dda gennyf ddwedd bod elw ar weithgareddau cyffredin cyn trethu yn £39.5 miliwn ar drosiant o £255.3 miliwn, a swm yr elw yma yn swy na'r ffigur a ragwelwyd ym Athrosbectus Welsh Water o £4.0 miliwn.

Bydd y Bwrdd yn argymhell difidend i'w dalu ym mis Hydref 1990 o 11.17 ceiniog am bob cyfranddaliad cyffredin a bydd yn parhau i ddilyn polisi o dwf difidendau cynyddol dros gyfnod hir.

Roedd y flwyddyn a aeth heibio yn un arbennig iawn yn hanes y diwydiant dŵr yng Nghymru. Aeth y dasg o breifateiddio'r busnes dŵr a gwasaethau carthffosiaeth ymlaen yn llwyddiannus a hynny i'w briodoli i raddau helaeth i ymroddiad a brwdfrydedd ein gweithwyr.

Ym mis Tachwedd 1989 cynigiwyd cyfranddaliadau yn Welsh Water PLC gan Ysgrifennydd Gwladol Cymru ac rwy'n arbennig o falch i groesawu'r rheiny sydd wedi dod yn gyfranddalwyr yn y cwmni newydd. Cyn preifateiddio, rwy'n credu bod Welsh Water eisoes yn gweithredu fel cwmni effeithlon gyda syniad cryf am ddiben a chyfeiriad, ac rwy'n credu bod hynny wedi cyfrannu at berfformiad iachus pris y cyfranddaliadau ers y cynigiad.

Mae preifateiddio'r diwydiant dŵr wedi newid yn sylfaenol yr amgylchedd y mae prif is-gwmni Welsh Water, sef Dŵr Cymru Cyfyngedig, yn gweithredu ynddo. Mae'r Awdurdod Afonydd

For the year ended 31st March 1990, I am pleased to report a pre tax profit on ordinary activities of £39.5 million on a turnover of £255.3 million, the profit figure exceeding the forecast contained in Welsh Water's Prospectus by £4.0 million.

The Board will be recommending a dividend payable in October 1990 of 11.17 pence per ordinary share and will continue to pursue a policy of progressive long term dividend growth.

The past year was a momentous one in the history of the water industry in Wales. The privatisation of the water and sewerage services business was achieved with a remarkable degree of success which owed much to the dedication and enthusiasm of our employees.

In November 1989, shares in Welsh Water PLC were offered for sale by the Secretary of State for Wales and I am particularly pleased to welcome those who have become shareholders in the new company. Prior to privatisation, I believe Welsh Water was already operating as an efficient company with a strong sense of purpose and direction and I believe that this has contributed to the healthy performance of the share price since flotation.

The privatisation of the water industry has fundamentally altered the environment within which Welsh Water's core subsidiary, Dŵr Cymru Cyfyngedig, operates. Both the

*Cenedlaethol a'r Cyfarwyddwr Cyffredinol
Gwasanaethau Dŵr wedi sefydlu amgylcheddau
rheoli llymch nag o'r blaen; y naill ym meysydd
rheoleiddio'r amgylchedd a llygredd a'r llall mewn
cysylltiad â gwasanaeth cwsmeriaid,
safonau gweithredu a thaliadau.*

*At hynny, roedd y Ddeddf Dŵr newydd (1989)
yn sefydlu fframwaith ar gyfer gwneud
gwelliannau sylweddol yn ansawdd dŵr yfed,
gollwng o weithfeydd trin dŵr ac ansawdd dŵr
ymdrochi. Mae d. Adfwrtaeth CE nawr yn cadw
llygad fanwl ar y rhain. Bydd cyrraedd yr
amcanion hyn yn llwyddiannus yn golygu
buddsoddi tuag £1.8 biliwn mewn dŵr a
gwasanaethau carthffosiaeth yn ystod y 10
mlynedd nesaf, gan ddod â buddiannau mawr i'n
cwsmeriaid a'r amgylchedd fel ei gilydd. Mae hyn
yn dipyn o her, ond rydyn ni wedi ymroi'n llwyr
i'r dasg.*

*Rwy'n credu bod gan Welsh Water enw gwych am
ansawdd ei ddŵr a lefel ei wasanaeth. Nid yw
preifateiddio wedi newid hynny ar wahân i'r
ffaith, am y tro cyntaf, fod yna contract clir i'w
fodloni gyda'n cwsmeriaid. Yr ydym wedi
cyswyno rhaglen hyfforddi sylweddol yn
ymwneud â gofal cwsmeriaid i wella'r gwasanaeth
i gwsmeriaid a gweithredu'n swydd effeithiol. At
hynny, mae dull geithredu cynhwysfawr wedi ei
weithredu sy'n cynnwys gwarantau gwasanaeth.
Mae'r gwarantau gwasanaeth hyn yn golygu'n
bod mewn cysylltiad agos â'n cwsmeriaid gan
gynnwys pob agwedd ar ein gwasanaeth – o
ddarparu cyflenwad parhaus a gweinyddu cyfrifon
unigol i ddelio â chwynion.*

*Y llynedd cawsom un o gyfnodau sychdwr
gwaethaf y ganrif hon ond llwyddwyd i osgoi
dogni a thoriadau ym mhobman yn ein hardal*

National Rivers Authority and the Director General of Water Services have established regulatory environments more stringent than has been the case hitherto; the former in the areas of environmental regulation and pollution control and the latter in respect of customer service, operating standards and charges.

In addition, the new Water Act (1989) established the framework for the achievement of significant improvements in drinking water quality, sewage treatment works discharges and bathing water quality, which are now closely monitored through EC legislation. The successful achievement of these objectives will require investment of some £1.8 billion in water and sewerage services over the next 10 years, providing major benefits for our customers and the environment alike. This is a tremendous challenge, but one to which we are totally committed.

I believe that Welsh Water has an enviable reputation for its water quality and level of service. Privatisation has not changed this except that, for the first time, there is a clear contract to fulfil with our customers. We have introduced a major customer care training programme to improve customer service and operational efficiency. In addition, a comprehensive code of practice has been put in place which includes service guarantees. These service guarantees place us in close touch with our customers and cover all aspects of our service – from the continuity of supply and administration of individual accounts through to dealing with complaints.

Last year saw one of the worst droughts this century but we were nevertheless able to avoid water rationing or rota cuts anywhere

gyflenwr – a chyfranddwr pwysig i hynny oedd cynllun Trosglwyddo Afon Gwy a ddechreuodd weithio'n llawn yn mis Gorffennaf 1989

Cwblhawyd nifer o gynlluniau buddsoddi cyfalaf mawr eraill yn ystod y flwyddyn, a rhwng y cyfan buddsoddiwyd tua £105 miliwn yn y busnes sy'n cael ei reoleiddio.

Mae'n dda gennyf nodi hefyd y llwyddiant aionogol gyda'n his-gwmnïau y tu allan i'r un craidd. Yn mis Mai 1990 cwblhawyd trafodaethau i brynu Wallace Evans a'r Partneriaid, sef y cwmni peirianeg ymgynghorol mwyaf yng Nghymru, sydd â diddordebau sylweddol mewn gwledydd tramor. Erbyn hyn mae gennym gwmni ymgynghori peirianyddol a gwyddonol rhyngwladol sy'n wirioneddol aml-ddisgyblaeth, yn gallu cynnig amrywiaeth eang o wasanaethau peirianeg sifil ac adeiladuwaith, gan gynnwys y rheiny yn y maes amgylchedd sy'n datblygu'n gyflym. At hynny, rydym wedi sefydlu cwmni menter ar y cyd â SAUR (UK) Cyf – Cambrian Environmental Services – i elwa ar y farchnad gynyddol ar gyfer trin a chael gwared â gwastraff. Ac yn ddiweddar mae'r cwmni newydd wedi cael contract glanhau strydoedd gan Gyngor Sir Morgannwg Ganol a hefyd Cyngor Dosbarth Stratford on Avon.

Mae datblygiad cyson ein hasedion hamdden yn parhau, ac erbyn hyn mae'r cwmni'n berchen ar ddau westy. Mae Welsh Water Enterprises Ltd yn annog ac yn datblygu cysle busnes sy'n cael ei gynhyrchu'n fewnol ac yn parhau i farchnata amrywiaeth eang o gynhyrchion a gwasanaethau, gan gynnwys ein gwaith llwyddiannus i agor ffosydd a gosod pibau a chynnyrch meddalwedd cyfrifiaduwr sy'n rhan o IBIS – ein system gwybodaeth busnes integredig sydd ag enw mor dda iddi.

in our area of supply – a major contributory factor was the completion of the Wye Transfer scheme which became fully operational in July 1989.

Several other major capital investment schemes were completed over the past year and, in all, some £105 million was invested in the regulated business.

I am also pleased to report encouraging progress with our 'non-core' subsidiary companies. Negotiations to purchase Wallace Evans and Partners, the largest engineering consultancy in Wales – with extensive overseas interests – were completed in May 1990. We now have in place a truly multi-disciplinary international engineering and scientific consultancy, able to offer a wide range of civil and structural engineering services, including those in the fast developing environmental field. In addition, we have established a joint venture company with SAUR (UK) Ltd – Cambrian Environmental Services – to capitalise on the growing market for waste treatment and disposal, and the new company has recently been awarded street cleaning contracts with Mid Glamorgan County Council and Stratford on Avon District Council.

Steady development of our leisure based assets continues, and the company now owns two hotels. Welsh Water Enterprises Ltd encourages and develops internally generated business opportunities and continues to market a wide range of products and services, including our successful trenching and pipelaying operation and the computer software products which form part of IBIS – our highly regarded integrated business information system.

Er bod gennym strategaeth glir ar gyfer twf elw y tu allan i'r craidd – ac yr ydym wedi gosod amcanion clir yn y cyswllt hwnnw – rwy'n credu'n gryf na all pwysigrwydd sylfaenol ein busnes craidd gael ei or-bwysleisio a'i bod yn hanfodol na chaiff dim dynnu'r sylw oddi ar reolaeth effeithiol y gwasanaeth dŵr a charthffosiaeth. Rheoli costau gweithredu, gwneud y mwyaf o'r incwm a rheoli'n rhaglen buddsoddi cyfalaf yw sail twf ein helw yn y dyfodol.

“Nid da lle gellir gweli”, ac rwy'n siŵr bod y dywedriad yn cyfleu'n gywir ysbryd Welsh Water. Mae'n neges addas gan y Cwmni i gwsmeriaid a chyfranddalwyr fel eu gilydd. Mae'n dangos bod Welsh Water yn ymdrechu i ddarparu'r gwasanaeth gorau posibl yn y ffordd fwyaf effeithlon.

Rwy'n siŵr y byddwch chi, fel finnan, am fynegi'ch gwerthfawrogiad o waith caled, ymroddiad a theymgarwch parhaus pob aelod o dim Welsh Water a'u teuluoedd am eu rhan hwy yn cyfrannu at barhad ein llwyddiant.

Gan fod preifateiddio nawr wedi digwydd a chan fod gennym ddim rheoli wedi ymrwymo i'r gwaith ac yn llawn dychymyg ynghyd â gweithwyr ymroddedig, rwy'n edrych ymlaen yn ffyddiog at wynebu pob her a tharged a ddefnyddir fel llinyn mesur i Welsh Water.



JOHN ELFED JONES, CBE, DL
Cadeirydd

Whilst we have a clear strategy for pursuing 'non-core' profit growth – and we have set clear objectives in this respect – I firmly believe that the fundamental importance of our core business cannot be overstated and it is essential that nothing is allowed to detract from effective management of the water and sewerage services. Controlling operating costs, maximising income and efficiently managing our capital investment programme are the bedrock of future profit growth.

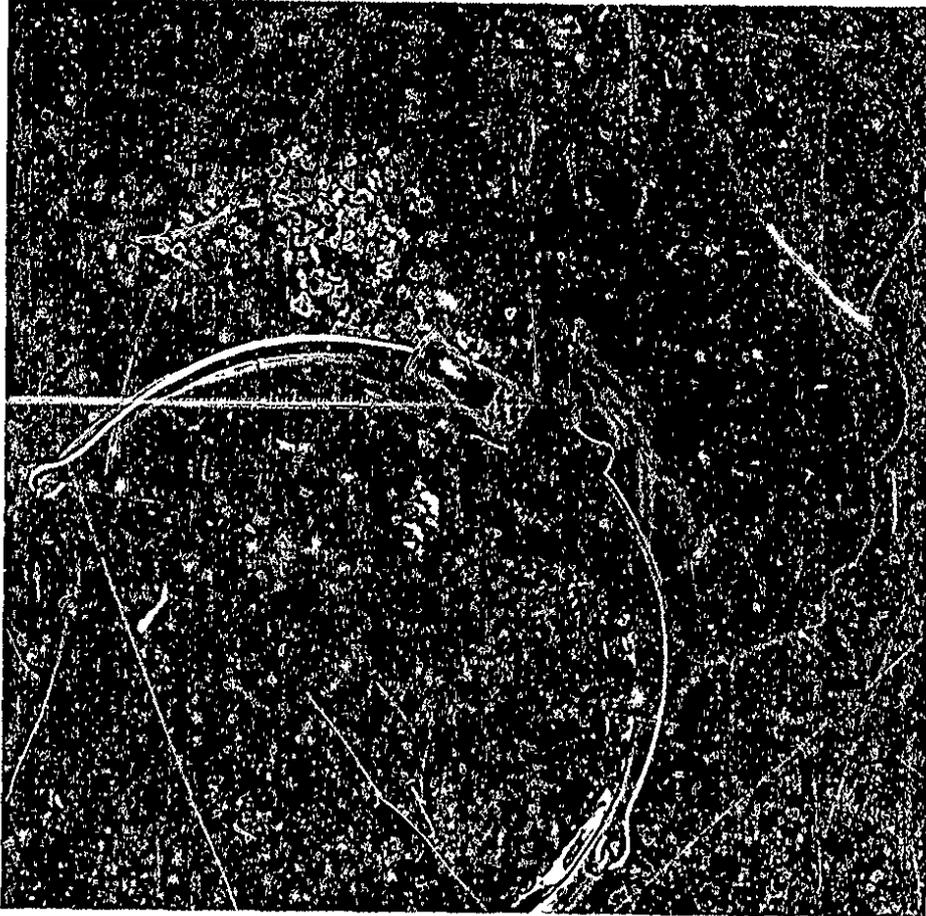
“Nid da lle gellir gweli” is an old Welsh saying which I am confident accurately captures the spirit of Welsh Water. Literally translated it means “It isn't good if it can be better”; a fitting message from the company to customers and shareholders alike. It signifies that Welsh Water is striving to provide the best possible service in the most efficient manner.

You will, I am sure, join me in expressing our appreciation for the hard work, dedication and continued loyalty of every member of the Welsh Water team and their families for the part which they have played in contributing to our continued success.

With privatisation behind us and equipped with a committed and imaginative management team and dedicated employees, I look forward with confidence to meeting the challenges and targets against which Welsh Water will be judged.



JOHN ELFED JONES, CBE, DL
Chairman



"Hollbwysig a chyffredinol . . ."

"Vital and universal . . ."

Review of Operations

THE WELSH WATER GROUP OF COMPANIES

Arolwg o'r Gweithgareddau

GRŴP CWMNIAU WELSH WATER

Mae Grŵp Welsh Water yn cynnwys cwmni dal, sef Welsh Water PLC, a phedwar is-gwmni masnachol sy'n eiddo llwyr iddo.

Mae'r prif is-gwmni gweithredu, Dŵr Cymru Cyfyngedig, yn ymwneud yn bennaf â darparu cyflenwad dŵr a gwasanaethau cartreffoisiaeth. Yn Aberhonddu mae ei bencadlys ac y mae wedi ei drefnu'n dair adran weithredu, bob un ohonynt yn cynnwys ardal wahanol yn y Rhanbarth. Yr Ardaloedd hynny yw Ardal y De Ddwyrain, gyda phrif swyddfa yn Nelson, Morgannwg Ganol; Adran y De Orllewin gyda phrif swyddfa yn Hwlfordd, Dyfed; ac Ardal y Gogledd gyda phrif swyddfa yn Mangor, Gwynedd.

Yn ogystal â Dŵr Cymru Cyfyngedig, mae'r Grŵp yn gweithredu tri is-gwmni masnachol arall. Mae Wallace Evans Limited yn cynghori ar beirianneg, yr amgylchedd a dadansoddi; mae Land and Leisure - Tir a Hamdden Limited yn ymwneud â datblygu busnes hamdden; a Welsh Water Enterprises Limited yn ymwneud â datblygu mentrau busnes newydd.

The Welsh Water Group comprises a holding company, Welsh Water PLC, and four wholly owned trading subsidiary companies.

The major operating subsidiary, Dŵr Cymru Cyfyngedig, is principally engaged in the provision of water supply and sewerage services. It has its headquarters in Brecon and is organised into three operating divisions, each of which covers a different area of the Region.

These are the South Eastern Division, with a head office at Nelson, Mid Glamorgan; the South Western Division, with a head office in Haverfordwest, Dyfed; and the Northern Division, with a head office at Bangor, Gwynedd.

In addition to Dŵr Cymru Cyfyngedig, the Group operates a further three trading subsidiaries. Wallace Evans Limited provides engineering, environmental and analytical consultancy; Land and Leisure - Tir a Hamdden Limited is involved in leisure business development; and Welsh Water Enterprises Limited undertakes the development of new business initiatives.



"Yn datblygu a thysfu . . ."

"Developing and growing . . ."

DŴR CYMRU CYFYNGEDIG

Mae Dŵr Cymru'n falch o gael darparu i gwsmeriaid yn y rhan fwyaf o Gymru, a rhan ardaloedd cyfagos yn Lloegr, gyslenwad o ddŵr glân a chael gwared â'u dŵr gwastraff.

Mae cyslenwi dŵr i 2.7 miliwn o gwsmeriaid domestig yn waith anferth sy'n golygu casglu, storio a thrin tua 1000 miliwn litr o ddŵr ar gyfartaledd bob dydd.

Caiff 800 miliwn litr o ddŵr gwastraff ei gludo bob dydd allan trwy rwydweithiau helaeth o garthfositydd i weithfeydd trin carthion neu arllwysfeydd môr.

Mae Dŵr Cymru wedi ymroi i wasanaethu o gofalu am ei holl gwsmeriaid ac y mae'n ymdrechu i wella ymhellach ansawdd ac effeithiolrwydd ei wasanaethau.

Prif ddiwyddiad y flwyddyn, wrth gwrs, oedd symud o'r sector cyhoeddus i'r sector preifat. Yn ychwanegol at drefniadau rheoleiddio atferol cwmnïau, caiff y cwmni nawr ei reoleiddio gan Ddeddf Dŵr 1989 a'r Drwydded a roddwyd gan Ysgrifennydd Gwladol Cymru.

Mae'r trefniadau rheoleiddio a sefydlwyd o dan y Ddeddf Dŵr yn sylweddol wahanol i'r rheiny a oedd mewn grym cyn preifateiddio. Mae wedi cyflwyno system newydd o reoleiddio economaidd, sy'n cydnabod yr angen i Ddŵr Cymru ariannu ei fusnes yn ogystal â rhoi sylw i fuddiannau cwsmeriaid.

DŴR CYMRU CYFYNGEDIG

Dŵr Cymru takes pride in supplying customers throughout most of Wales, and some adjacent areas in England, with clean water and disposing of their waste water.

Supplying water to 2.7 million domestic customers is a large-scale operation involving collection, storage and treatment of, on average, over 1000 million litres of water a day.

Every day 800 million litres of waste water is carried via extensive networks of sewers to sewage treatment works or to coastal outfalls.

Dŵr Cymru is committed to serving, and caring for, all its customers and is striving to further improve the quality and efficiency of its services.

The principal event of the year was, of course, the move from public to private sector. In addition to the normal company regulations, the business is now regulated by the Water Act 1989 and the Licence given by the Secretary of State for Wales.

The regulatory arrangements established under the Water Act are significantly different from those which applied before privatisation. It has introduced a new system of economic regulation, which recognizes the need for Dŵr Cymru to finance its business as well as giving proper regard to the interests of customers.

Cred Dŵr Cymru fod ganddo berthynas gadarnhaol, agored ac adeiladol iawn gyda'i holl brif reoleiddwyr.

- *Mae'r Swyddfa Gwasanaethau Dŵr ac Ysgrifennydd Gwladol Cymru yn hybu cystadlu ac yn rheoli'r taliadau a godir ar gwsmeriaid Dŵr Cymru, a chafwyd cychwyn calonogol eisoes mewn trafodaethau gyda'r Cyfarwyddwr Cyffredinol ar bolisi'r Cwmni o godi tâl.*
- *Mae'r Awdurdod Afonydd Cenedlaethol yn rheoleiddio gweithgareddau sy'n cael effaith ar yr amgylchedd dŵr. Yma mae Dŵr Cymru'n awyddus i ymateb i awgrymiadau'r Awdurdod Afonydd gan roi gwybodaeth lawn i gwsmeriaid am y taliadau. Oherwydd yn y pen draw gallai unrhyw gostau ychwanegol gael eu trosglwyddo iddynt hwy.*
- *Mae Adran y Cyfarwyddwr Dŵr Yfed ac Awdurdodau Lleol yn rheoleiddio ansawdd dŵr yfed a ddarperir i gwsmeriaid Dŵr Cymru. Mae ymrwymadau eisoes wedi eu gwneud sy'n rhwymo cwmnïau i wneud y gwaith cywiro sy'n angenrheidiol i fodloni'r safonau uwch sy'n gymwys nawr, ac mae cofrestrï ansawdd dŵr yfed hefyd wedi eu sefydlu.*
- *Yn ystod y flwyddyn mae Dŵr Cymru wedi gosod seiliau rhaglen anferth o fuddsoddi am weddill y 1990'au. Mae'r cwmni'n fodlon y bydd ei Gynllun Rheoli Aseidion yn sail gadarn ar gyfer penderfyniadau buddsoddi yn y dyfodol mewn cysylltiad â'i aseidion ac y bydd yn help i gyrraedd amcanion y busnes a hyrwyddo diogelu'r amgylchedd. Mae Dŵr Cymru hefyd wedi gosod systemau rheoli sy'n angenrheidiol i helpu peirianwyr i reoli'r rhaglen yn ôl y gyllideb ac mewn pryd.*

Dŵr Cymru believes that it enjoys very positive, open and constructive relationships with all of its principal regulators.

- The Office of Water Services and the Secretary of State for Wales promote competition and control charges to Dŵr Cymru customers and an encouraging start has already been made in discussions with the Director General on the Company's charging policy.
- The National Rivers Authority regulates activities which impact on the aquatic environment. Here, Dŵr Cymru is keen to respond to the NRA's suggestions whilst keeping customers fully informed on the question of charges as, ultimately, any additional costs could be passed on to them.
- The Drinking Water Inspectorate and Local Authorities regulate the quality of drinking water supplied to Dŵr Cymru's customers. Commitments have been given which bind the companies to carry out remedial work necessary to meet the higher standards which now apply and public registers of drinking water quality have also been set up.
- During the year, Dŵr Cymru has laid the foundations for a massive programme of investment for the rest of the 1990's. The company is satisfied that its comprehensive Asset Management Plan will provide a sound basis for future investment decisions in respect of its assets and will help to achieve objectives of the business and facilitate the

Cafwyd un o gyfnodau sychdwr gwaethaf y ganrif yn ystod yr haf a dechrau'r hydref 1989. Drwy ddefnyddio'r profiad helaeth a gafwyd yn ystod cyfnodau sychdwr blaenorol, llwyddodd Dŵr Cymru i osgoi dogni dwr a chael toriadau mewn umthyw ran o'r ardal. Dechreuodd grid cyflenwi De Ddwyrain Cymru weithio'n llawn yn ystod y flwyddyn a denai cyflenwadau mor bell i ffwrdd â Llyn Brianne a Chwm Elan. Mae'r math yma o system grid wedi cael ei datblygu'n gynyddol i wella sicrwydd cyflenwad i gwsmeriaid Dŵr Cymru.

Yn ystod y flwyddyn bu pob un o'r gweithwyr mewn Digwyddiad Gofal Cwsmeriaid sy'n anelu at ddatblygu agwedd gadarnhaol at gwsmeriaid drwy'r cwmni i gyd. Fel cwmni sy'n gyfrifol ac yn gofalu, mae Dŵr Cymru wedi ymrwymo i ddarparu gwasanaeth cyflawn o ansawdd uchel ynghyd â safonau wedi eu gwarantu. I'r diben hwnnw mae'r cwmni wedi cynhyrchu nifer o Ddulliau Gweithredu a Gwarant i Gwsmeriaid Domestig sy'n disgrifio hawliau cwsmeriaid a chyfrifoldebau Dŵr Cymru. Mae swyddfeydd gwasanaeth cwsmeriaid wedi eu sefydlu hefyd i ddelio'n effeithiol ag ymholiadau cwsmeriaid.

Mae Dŵr Cymru'n benderfynol o gyflawni'r rhagler ni buddsoddi a nodwyd yn y prospectus a hynny mewn pryd ac o fewn y gyllideb. Mae hynny'n golygu twblhau'r rhaglen ar gyfer ansawdd dŵr sy'n mynd i mewn i'r system erbyn 1995; gwella caniatadau gollwng elfiant erbyn 1993; a gwella'r hyn a ollngir i ddyfroedd llannw sy'n effeithio ar draethiau penodol y GE erbyn 1995.

Mae'r Cwmni hefyd yn benderfynol o leihau faint o ddŵr sy'n gollwng o'i system ddotharu ac mae wedi gosod targedau ar gyfer arbed llawer iawn o ddŵr nad oes cystrif andano.

protection of the environment. Dŵr Cymru has also put in place the control systems necessary to help engineers manage the programme to budget and on time.

One of the worst droughts of the century was experienced during the summer and early autumn of 1989. Drawing on the considerable experience gained during previous droughts, Dŵr Cymru avoided both water rationing and rota cuts anywhere in its area. The South East Wales supply grid became fully operational during the year so that supplies were coming from as far away as Llyn Brianne and the Elan Valley. This sort of grid system has been increasingly developed to improve the security of supplies for Dŵr Cymru's customers.

During the year all employees attended a two day Customer Care Event aimed at developing a positive attitude to customers throughout the organisation. As a responsible and caring company, Dŵr Cymru is committed to providing an all-round, high quality service backed by guaranteed standards. To this end, the company has produced a number of Codes of Practice and a Guarantee for Domestic Customers which describe customers' rights and Dŵr Cymru's responsibilities. Customer service bureaux have also been established to deal efficiently with customers' enquiries.

Dŵr Cymru is determined to complete the investment programmes set out in the prospectus on time and within budget. This means completing the programme for the quality of water entering the supply system by 1995; improving effluent discharge consents by 1993; and improving those discharges to tidal waters affecting EC designated beaches by 1995.

Yn ystod y 5 mlynedd nesaf bydd Dŵr Cymru'n buddsoddi tua £900 miliwn i foddioni dau darged, wedi eu gosod gan y Cyfarwyddwr Cyffredinol Gwasanaethau Dŵr, ar gyfer cynnal ei asedion dŵr a gwasanaethau earthffosiaeth ac unsawdd y gwasanaeth a ddarperir i'w gwsmeriaid.

Mae cynlluniau buddsoddi cyfalaf mawr fel gwaith trin dŵr Elan a chronfa wasanaeth Gwaun Cae Gurwen a gwblhawyd yn ystod y flwyddyn wedi eu creu i wella cyflenwadau i gwsmeriaid. Gwnaed gwelliannau hefyd yng ngwaith trin Fferm y Cwrt ac y mae llawer o fuddsoddi ar droed yng ngwaith trin dŵr Alaw a rhydwraith cyflenwi dŵr Ynys Môn.

Gorffemwyd cynllun earthffosiaeth Margam. Ymhllith y cynlluniau eraill a gwblhawyd roedd y gweithfeydd trin llaid ym Mhen-y-bont a Llety Brongu. Mae buddsoddiad sylweddol ar droed ar system garthffosydd y Rhyl ac yng ngweithfeydd trin carthion Dolgellau ac Ystradgynlais.

Yn ystod y flwyddyn ariannol 1990, buddsoddodd Dŵr Cymru gyfanswm o tua £105 miliwn mewn asedion newydd a rhai wedi eu gwella.

Mae systemau cyfathrebu teleffon a data wedi eu moderneiddio'n sylfaenol, gan wella effeithlonrwydd y busnes yn sylweddol.

The Company is also determined to reduce leakage of water from its distribution system and has set targets for making considerable savings in unaccounted for water.

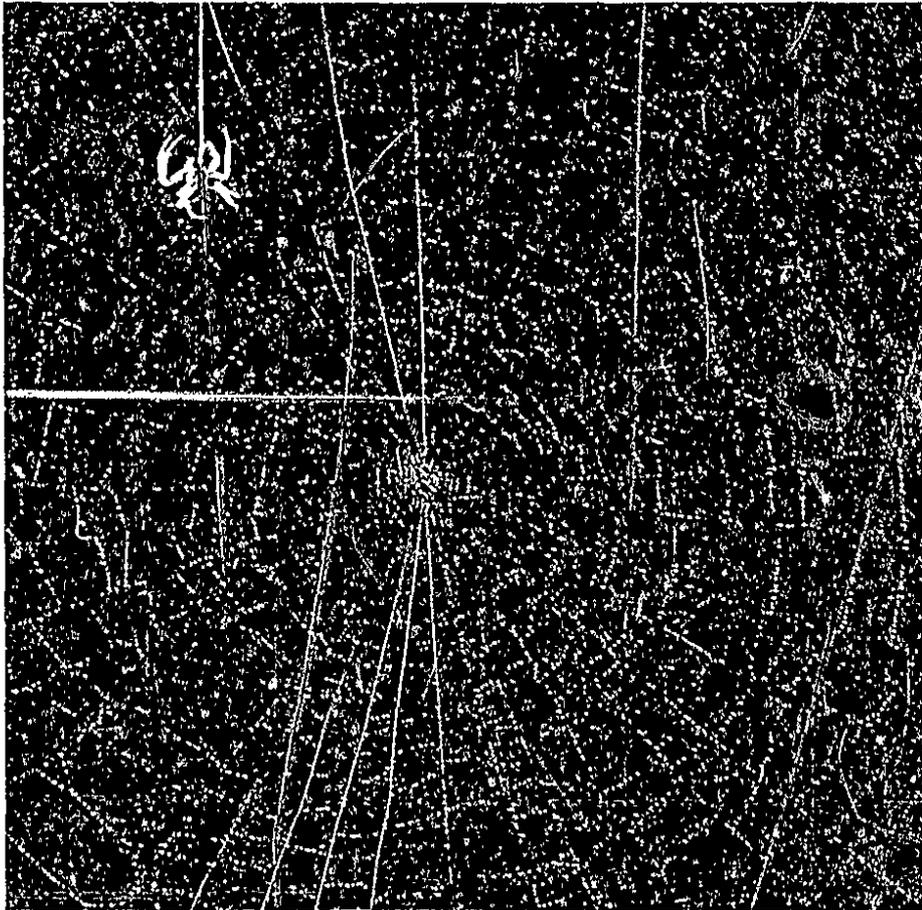
Over the next 5 years Dŵr Cymru will be investing approximately £900 million to meet targets, agreed with the Director General of Water Services, for the maintenance of its water and sewerage assets and the quality of service provided to it's customers.

Major capital investment schemes such as the Elan water treatment works and Gwaun Cae Gurwen service reservoir completed during the year are designed to lead to improvements in supplies to customers. Improvements have also been made at Court Farm treatment works and major investment is underway at Alaw water treatment works and the Ynys Môn water supply network.

Investment on the Margam sewerage system has been completed. Other completed schemes included the sludge treatment plants at Penybont and Llety Brongu. Major investment is underway on the Rhyl sewerage system, and at Dolgellau and Ystradgynlais sewage treatment works.

During the financial year 1990, Dŵr Cymru invested a total of some £105 million in new and improved assets.

The telephone and data communications systems have been radically modernised, significantly improving the efficiency of the business.



"Yn adeiladu a diogelu . . ."

"Constructing and conserving . . ."

WALLACE EVANS LIMITED

WALLACE EVANS LIMITED

Cafodd is-gwmni newydd – Engineering and Environment Ltd – ei sefydlu ar 1 Medi 1989 gan gyfuno staff peirianeg, yr amgylchedd a gwaith dadansoddi mewn un corff cydlynol gydag amrywiaeth eang o fedrau ac arbenigedd. Sefydlwyd y cwmni i ddarparu gwasanaethau cynghori ar beirianeg, yr amgylchedd a gwaith dadansoddi, i gwmnïau eraill Welsh Water ac i gwsmeriaid o'r tu allan, gan gynnwys gwasanaethau cynghori mewn gwledydd tramor yn gysylltiedig â chynlluniau peirianyddol a gwyddonol.

Yn fuan wedyn llofnodwyd Penawdan Cytundeb i brynu Wallace Evans a'r Partneriaid, sef cwmni peirianeg ymgynghoral rhyngwladol yn seiliedig yn Ne Cymru. Yn mis Mehefin 1990 ffurfiwyd cwmni newydd – Wallace Evans Limited – i gyfuno Engineering and Environment Limited a Wallace Evans a'r Partneriaid. Mae fframwaith rheoli newydd wedi ei greu gyda golwg ar weld buddiannau'r cyfuno yn gyflym iawn.

Caiff y rhan fwyaf o lwyth gwaith y Cwmni ei greu gan ofynion Cyfarwyddiadau Dŵr Yfed a Dŵr Yndrochi CE ac amodau caniatâd yn gysylltiedig â gollwng o weithfeydd trin cartilion. Mae hyn wedi golygu rhaglen gwariant cyfalaf lawer yn fwy gyda'r angen wedyn am ragor o adnoddau ym meysydd peirianeg a gwaith yr amgylchedd.

A new subsidiary company – Engineering and Environment Ltd – was established on 1st September 1989, bringing together engineering, environmental and analytical staff into one cohesive organisation with a wide range of skills and expertise. The company was established to provide engineering, environmental and analytical consultancy services, both for the other Welsh Water companies and for external clients, including overseas consultancy services associated with engineering and scientific projects.

Shortly afterwards, Heads of Agreement were signed to purchase Wallace Evans and Partners, an international engineering consultancy based in South Wales. In June 1990, a new company – Wallace Evans Limited – was formed, merging Engineering and Environment Limited and Wallace Evans and Partners. A new management structure has been created with a view to the rapid achievement of the benefits of integration.

The major part of the Company's workload is generated by the requirements of the EC Drinking Water and Bathing Water Directives and the consent conditions related to discharges from sewage treatment works. This has resulted in a greatly increased capital expenditure programme with a consequent requirement for additional resources in the fields of both engineering and environmental work.

Mae rheoliadau newydd mewn cysylltiad â Deddf Dŵr 1989 wedi golygu cynnydd o ryw 40% yn llwyth gwaith y labordy dadansoddi mewnol. Delirwyd â llawer o'r cynnydd hwnnw drwy buddsoddi mewn offer dadansoddi ychwanegol, ond roedd angen hefyd am gynyddu nifer y staff i'w ychydig.

Mae'r rhaglen gwariant cyfalaf sydd wedi ehangu'n sylweddol wedi rhoi cyfle i'r cwmni ehangu ei sail weithuedu'n sylweddol iawn a chynnig mwy o amrywiaeth o wasanaethau peirianneg sifil ac adeiladol, gan gynnwys maes gwasanaethau'r amgylchedd sy'n datblygu mor gyflym.

At hynny, buriedir elwa ar brosiad sylweddol Wallace Evans mewn gwledydd tramor drwy chwilio am farchnadoedd newydd i'r medrau a'r arbenigedd ehangach sydd nawr ar gael.

Mae'r llwyth gwaith mawr mewn buddsoddi cyfalaf wedi mynnu arolog o drefniadau cynllunio a chynnig gyda'r nod o'u gwneud yn swydd effeithlon ac effeithiol. Mae newidiadau sylweddol wedi eu gwneud eisoes, gan gynnwys defnyddio i'r eithaf gynlluniau safonol, prynu nifer sawl o offer a pheiriannau sy'n gyffredin a sefydlu timau cynllunio ar y cyd. Mae llawer iawn o gynnydd yn digwydd.

Yn ogystal â gwelliannau yn y trefniadau cynllunio a thendro, manteisir yn llawn ar y cyfle i gynnwys cymalau darparu gwaith cyfnewid mewn contractau sy'n cael eu trafod. Hyd yn hyn mae'r rheiny wedi cynnwys gwaith cynllunio ac ymgynghori, hyfforddiant a marchnata systemau cyfrifadur. Ceisir dod o hyd i fentrau posibl pellach ar y cyd hefyd yn meysydd datblygu cyfryngau a modeln.

New regulations associated with the Water Act 1989 have resulted in an increase of approximately 40% in the internal laboratory analytical workload. Much of this increase has been dealt with by investment in additional analytical equipment but a small increase in staff numbers has also been necessary.

The greatly expanded capital expenditure programme has provided the company with an opportunity to broaden significantly its operating base and offer a wider range of civil and structural engineering services, including the fast developing field of environmental services.

In addition, it is the intention to exploit Wallace Evans's considerable experience overseas by seeking new markets for the wider range of skills and expertise now available.

The large capital investment workload has dictated a review of design and tendering procedures with the objective of increasing their efficiency and effectiveness. Already, significant changes have been made, including maximum use of standard designs, bulk purchase of common plant and equipment and establishment of joint design teams. Excellent progress is now being made.

In addition to improvements to the design and tendering procedures, maximum advantage is being taken of the opportunity to include in negotiated contracts reciprocal work provision clauses. To date, these have included design and consultancy work, training, and marketing of computer

*Nod cyffredinol y busnes, drwy geisio cael rhagor
o waith a mentrau ar y cym, yw symud o'r sail
bresennol o fedrau dŵr i roi gwasanaeth cynghori
rhyngwladol ar beiriau a'r amgylchedd sy'n
wirioneddol aml-ddisgyblaeth.*

systems. Further potential joint ventures are also being actively pursued in the fields of instrumentation development and modelling.

The overall objective of the business is, through further acquisition and joint venture, to move from the existing aquatic skill base to a truly multi-disciplinary international engineering and environmental consultancy.



“Gweithgar a gwyliadurus . . .”

“Active and vigilant . . .”

LAND & LEISURE – TIR A HAMDDEN LIMITED

LAND & LEISURE – TIR A HAMDDEN LIMITED

Mae Land & Leisure – Tir a Hamdden Ltd yn ymwneud â datblygu busnesau hamdden drwy fentrau newydd a gwreiddio potensial llawn asedion presennol Welsh Water. O fewn yr amcanion masnachol hynny, fodd bynnag, mae gan y Cwmni nod o fodloni'n llawn ei ddyletswyddau statudol o ran cadwraeth, hamdden, amwynder a mynediad. Yn dyst i'r ymrwymiad i ddiogelu a chadw'r amgylchedd, mae Welsh Water wedi sefydlu Ymddiriedolaeth Cwm Elan a'r nod cyffredinol yw diogelu tua 42,000 erw o ystad Cwm Elan.

Ar hyn o bryd mae'r gweithgarwch masnachol yn canolbwyntio ar bysgota mewn cronfeydd dŵr, datblygu mannau gwerthu ac arlwygo mewn mannau lle mae'r amwynderau dŵr mwyaf, a gwyliau hamdden. Yn y dosbarth olaf hwnnw, mae Gwesty Tyn-y-Cornel a'r llyn a'r tir cyfagos yn cael eu marchnata'n llwyddiantus ar gyfer gwyliau pysgota a saethu ac fel canolfan croeso cofforaethol.

Ar ddechrau 1990 – prynodd Welsh Water PLC yr holl gyfranddaliadau yn Aqua Norse Cyf – menter sfermio pysgod ar y cyd yng Ngorllewin Cymru gyda phartneriaid o Norwy – gan drosglwyddo'r gweithgarwch i Land & Leisure – Tir a Hamdden Ltd. Mae'r sferm wedi ei hail-sefydlu mewn cronfeydd dŵr yn Sir Benfro a Chlwyd i fagu brithyll.

Land & Leisure – Tir a Hamdden Ltd is involved in leisure business development through new ventures and the realisation of the full potential of Welsh Water's existing assets. Within these commercial objectives, however, the company has an objective to meet, in full, its statutory obligations in respect of conservation, recreation, amenity and access. As evidence of its commitment to environmental protection and conservation, Welsh Water has established the Elan Valley Trust, whose overall objective is to conserve some 42,000 acres of the Elan Valley estate.

Commercial activity is currently concentrated on reservoir fishing, the development of retail and catering outlets at major water amenity areas, and leisure based holidays. In the latter category, the Tyn-y-Cornel Hotel and adjoining lake and land are being successfully marketed for fishing and shooting holidays and as a centre for corporate hospitality.

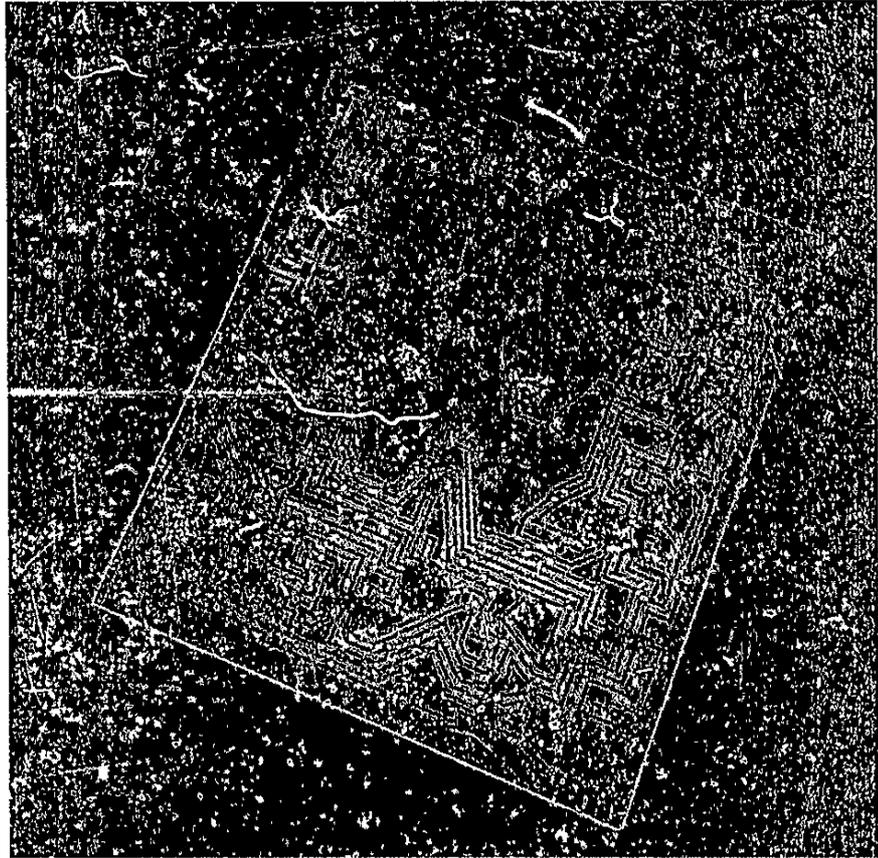
At the beginning of 1990, Welsh Water PLC acquired all the shares of Aqua Norse Ltd – a West Wales based fish farming joint venture with Norwegian partners – and transferred the operation to Land & Leisure – Tir a Hamdden Ltd. The farm has been relocated to reservoirs in Pembrokeshire and Clwyd for the rearing of trout.

Yn ystod y flwyddyn cafwyd nifer o gynigion llw yddiannus am gomisiynau ymgynghori, agwedd ar yr arbenigedd mewnol sy'n addawol iawn am duf pellach, a diddordeb pellach yn Landscape – swyddfa hybu lleoliadau – gan y diwydiant ffilmiau a hysbysebu ar gyfer ffilmio mewn safleoedd.

Yn ystod y pum mlynedd nesaf dylem weld tuf cyson mewn gweithgareddau busnes, ynghyd â chreu cyswterau hamdden ac adloniant newydd.

The year has seen a number of successful tenders for consultancy commissions, an aspect of in-house expertise which saw every promise of further growth, and increasing interest in Landscape – a locations promotion bureau – from the film and advertising industry for on-location filming.

The next five years should see a steady growth of existing business activities, together with the creation of new leisure and recreational facilities.



"Blaengar ac arloesol . . ."

"Progressive and innovative . . ."

**WELSH WATER
ENTERPRISES
LIMITED**

Sefydlwyd Welsh Water Enterprises Ltd fel un o is-gwmnïau Welsh Water PLC ar 1 Medi 1989. Ei ddiben yw elwa'n fasnachol ar nifer o gynhyrchion a gwasanaethau a gafodd eu datblygu yn y lle cyntaf ar gyfer busnes craidd ond hefyd i redeg nifer o sentrau ar y cyd â threfniadau trwyddedu.

Mae'r cwmni'n gweithredu nifer o feysydd busnes allweddol, gan gynnwys gwasanaethau gosod ffosydd a phibau, cynhyrchion technoleg gwybodaeth, pŵer trydan dŵr, technoleg weithredol a gwyddonol, a thrin a chael gwared â gwastraff drwy gyfrwng cwmni menter ar y cyd â SAUR (UK) Limited.

Yn ystod y flwyddyn cafodd tri chytundeb marchnata eu llofnodi a llwyddwyd i elwa o nifer o gyfleoedd busnes, gan gynnwys rhai'n deillio o arbenigedd yu y maes amgylchedd.

Fe fu datblygu cynhyrchion yn amlwg yng ngweithgareddau Welsh Water Enterprises, ac erbyn hyn mae'r cwmni'n marchnata, yn uniongyrchol neu drwy drefniadau masnachol craill, amrywiaeth helaeth o gynhyrchion.

Mae bod yn bresennol yn y prif arddangosfeydd diwydiannol, paratoi ffilmiau fideo a llenyddiaeth wedi sicrhau bod Welsh Water Enterprises Limited a Grŵp Welsh Water yn parhau i dymu sylw darpar gwsmeriaid.

**WELSH WATER
ENTERPRISES
LIMITED**

Welsh Water Enterprises Ltd was established as a subsidiary company of Welsh Water PLC with effect from 1st September 1989. Its purpose is to exploit commercially a number of products and services which were developed primarily for the core business but also to run a number of joint ventures and licencing arrangements.

The company operates in a number of key business areas, including trenching and pipelaying services, information technology products, hydro electric power, operational and scientific technology and, through a joint venture company with SAUR (UK) Limited, waste treatment and disposal.

During the year, three product marketing agreements were signed and a number of business opportunities were successfully exploited, including some emanating from expertise in the environmental field.

Product development figured significantly in Welsh Water Enterprise's activities and the company now markets, directly or through other commercial arrangements, a diverse range of products.

Attendance at major industry exhibitions, preparation of product videos and literature has ensured that Welsh Water Enterprises Limited and the Welsh Water Group continue to present a high profile to prospective customers.



"Cryf a dibynadwy . . ."

"Strong and reliable . . ."

PEOPLE

POBL

Mae trosglwyddo i'r sector preifat wedi dod â chysle newydd i ddatblygu polisiau cynyddol o ran adnoddau dynol, ynghyd â llawer her sy'n gofyn am agwedd newydd at y polisiau hynny sydd wedi hen sefydlu.

Yn dilyn diwedd y bargeinia cenedlaethol am bai ac amodau ym mis Medi 1989, cytunwyd gyda'r Undebau Llafur ar drefniadau adolygu pai ar gyfer cylch pai 1990. Derbyniwyd cynigion y rheolwyr a oedd yn darparu ar gyfer codiad o 7.7% yn y pai sylfaenol yn seiliedig ar gynnydd yn y Mynegai Prisiau o fis Tachwedd 1988 i fis Tachwedd 1989, sef yr un cyfnod ag a ddefnyddiwyd ar gyfer fformiwla costau'r Cwmni. Cafodd hufansau eraill, fel Tâl Bod Wrth Law a Galw Allan, eu codi hefyd 7.7%.

Fel rhan o'r cytundeb pai, ffurfiwyd dealltwriaeth hefyd sy'n ymrwymo'r Cwmni a'r Undebau Llafur:

- *i symud rhwystrau artiffisial rhwng prif grwpiau'r gweithwyr, o ran dileu'r llinellau gwahaniaethu sy'n parhau o hyd ac o ran sefydlu set gyffredin o amodau cyflogi.*
- *trafod trefniadau pai dros dymor hir.*
- *cynnal lefelau cynhyrchu a gweithredu'r newidiadau sy'n ofynnol i wneud y Cwmni'n fwy effeithiol.*

The transfer to the private sector has brought new opportunities for the development of progressive human resource policies, together with challenges which demand a revised approach to those policies which are well established.

Following the end of national pay and conditions bargaining in September 1989, agreement was reached with the Trades Unions on pay review arrangements for the 1990 pay round. Management proposals were accepted which provided for a 7.7% increase in basic pay based on the RPI increase from November 1988 to November 1989, the same reference period used for the Company's charging formula. Other allowances, such as Standby and Call Out were also increased by 7.7%.

As part of the pay agreement, understandings were also reached which commit the Company and the Trades Unions to:

- the removal of artificial barriers between the main employee groups, both in terms of the elimination of remaining demarcations and the establishment of a common set of conditions of employment.
- discussions on longer term pay arrangements.
- maintenance of productivity levels and the implementation of changes required to improve the efficiency of the Company.

Yn gyfnewid am hyn a derbyn y trefniadau newydd yn gyflym, talwyd Premium Derbyn – yn cyfateb i 1.9% o'r pai ar gyfartaledd – mewn un swm yn ystod blwyddyn ariannol 1989/90.

Felly, mae'r cytundeb pai yn sail ar gyfer mentrau newydd ar bai a gwella effeithiolrwydd yn y blynyddoedd i ddod.

Mae'r adeiladwaith Grŵp newydd wedi golygu creu is-gwmnïau gyda gwahanol anghenion, bob un â dull unigol weon materion yn ymwneud â'r gweithwyr. Bydd yr is-gwmnïau llai, o fewn ffiniau grŵp bras, yn datblygu eu polisiau eu hunain o ran pai ac amodau er eu bod am 1990 yn rhan o'r cytundeb pai cyffredinol.

Yn sgil canoli'r swyddogaethau hyfforddi a datblygu, mae canolfan hyfforddi newydd wedi ei sefydlu yn Medallion House yng Nghaerdydd. Mae ystod o gyrsiau mewnol yn cael eu datblygu, yn enwedig yn maes hyfforddiant medrau rhyng-bersonol. Un fenter bwysig newydd yw cyfres o fodiwlau i helpu datblygu crefftwyr dau-bwrpas (amli-fedr). Mae'r datblygiadau hyn yn ychwanegol at y medrau llaw a'r cyrsiau hyfforddiant diogelwch sydd wedi hen enmill eu plwy.

Parhauyd i bwysleisio datblygu rheolwyr. Mae proses wedi ei sefydlu i nodi rheolwyr posibl drwy'r Grŵp yn gyfan a hynny'n golygu gosod rheolwyr dethol mewn amrywiaeth o weithgareddau mewn canolfannau datblygu, ac y mae ymchwil ar y gweill hefyd i nodi'r nodweddion a fyddai'n ddynunol yn rheolwyr y dyfodol. Caiff y canlyniadau eu defnyddio i helpu cynllunio rhaglenni datblygu rheolwyr y dyfodol.

In return for these understandings and early acceptance of the new arrangements, an Acceptance Premium – equivalent to 1.9% of average pay – was paid as a lump sum in the 1989/90 financial year.

The pay agreement therefore represents the foundation upon which new initiatives on pay and efficiency improvements will be based over the coming years.

The new Group structure has resulted in the creation of subsidiary companies with differing needs, each requiring an individual approach to employee related matters. The smaller subsidiaries will develop, within broad Group parameters, their own policies with regard to pay and conditions although, for 1990, they are party to the general pay settlement.

Following the centralisation of the training and development functions, a new training centre has been established at Medallion House in Cardiff. A range of in-house courses are being developed, particularly in the field of inter-personal skills training. An important new initiative has been a series of modules to assist the development of dual purpose (multi-skilled) craftsmen. These new developments are in addition to well established manual skills and safety training courses.

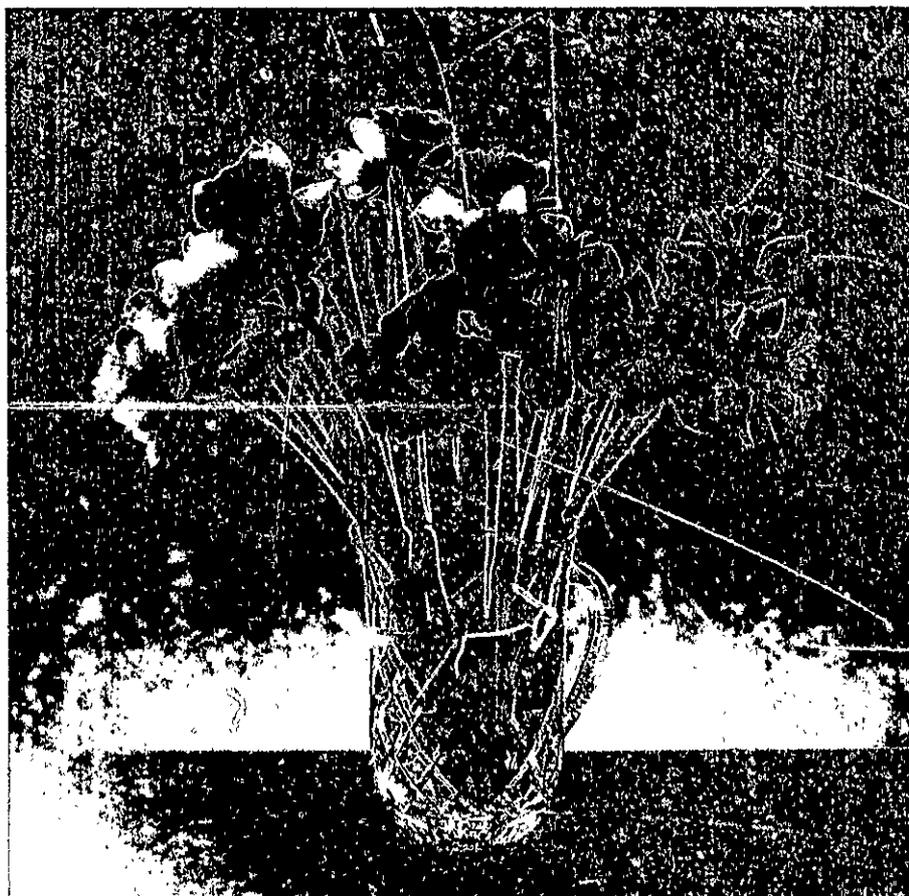
Continued emphasis has been given to management development. A process has been established to identify management potential across the Group which will involve selected managers in a range of development centre activities and research is also being undertaken to identify the desired qualities of the manager of the future. The results will be used to assist in the design of future management development programmes.

Mae gwelliannau wedi eu cyflwyn yn null y Cwmni o benodi gan ddefnyddio profion seicometrig a dawn yn ehangach ar bob lefel.

Mae'r Cwmni'n parhau i ymrwymo i gyflogi personau anabl. Er enghraifft, mae hyfforddiant drwy arwyddion wedi ei roi i grŵp o staff sy'n cydweithio â gweithiwr byddar er mwyn iddi gael parhau i wneud ei gwaith.

Improvements have been instigated in the Company's approach to recruitment with the wider use of psychometric and aptitude tests at all levels.

The Company remains committed to the employment of disabled persons. For example, sign language training has been given to a group of staff who work with a deaf colleague in order that she may continue to undertake her work.



"Ymroddgar a gofalgar . . ."

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

CONTENTS

REPORT OF THE DIRECTORS	A2-A6
REPORT OF THE AUDITORS	A7
ACCOUNTING POLICIES	A8-A9
GROUP PROFIT AND LOSS ACCOUNT	A10
BALANCE SHEETS	A11
GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS	A12
NOTES TO THE FINANCIAL STATEMENTS	A13-A30
FIVE YEAR SUMMARY	A31

ADRODDIAD Y CYFARWYDDWYR

Mae'n bleser gan y cyfarwyddwyr gyflwyno'u hadroddiad blynyddol i'r cyfranddalwyr, ynghyd â datganiadau ariannol am y flwyddyn yn diwedd 31 Mawrth 1990 ar dudalenau A8 i A30.

YMGORFFORIAD

Ymgorfforwyd y Cwmni ar 1 Ebrill 1989, ac ar 1 Medi 1989 mabwysiadwyd y strwythur a ddisgrifir ar dudalen A8 o dan "SYLFAEN CYFRIFO".

PRIF WEITHGAREDDAU'R GRŴP

Mae'r Grŵp yn ymwneud yn bennaf â darparu cyflenwadau dŵr a gwasanaethau earthffosiacth, ond hefyd mae'n darparu gwasanaethau peirianeg, cyngori ar yr amgylchedd a dadansoddi, datblygu busnes hamdden a datblygu mentrau busnes newydd eraill.

CANLYNIADAU'R GRŴP A THROGLWYDDO I'R GRONFA WRTH GEFN

Roedd yr elw cyn trethu yn £39.5m. Roedd yr elw a briodolir i gyfranddalwyr yn £28.8m ac ar ôl difidendau o £16.1m golygai hynny drosglwyddo £12.7m i'r gronfa wrth gefn.

DIFIDEND

Mae'r cyfarwyddwyr yn argymhell difidend o 11.17c am bob cyfranddaliad Cyffredin am y flwyddyn hyd at 31 Mawrth 1990. Caiff hwnnw ei dalu ar 1 Hydref 1990 i gyfranddalwyr y mae eu henwau ar y gofrestr adeg cau'r busnes ar 23 Gorffennaf 1990.

GWARIANT CYFALAF

Dangosir dadansoddiad o'r gwariant cyfalaf a manylion am yr ymrwymadau cyfalaf ar dudalenau A18 a A23 yn y drefn honno.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report to shareholders, together with the financial statements for the year ended 31 March 1990 on pages A8 to A30.

INCORPORATION

The Company was incorporated on 1 April 1989 and on 1 September 1989 adopted the structure described on page A8 under "BASIS OF ACCOUNTING".

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is principally engaged in the provision of water supply and sewerage services, but in addition provides engineering, environmental and analytical consultancy, leisure business development and the development of other new business initiatives.

GROUP RESULTS AND TRANSFER TO RESERVES

Profit before taxation amounted to £39.5m. The profit attributable to shareholders amounted to £28.8m which, after dividends of £16.1m, resulted in a transfer to reserves of £12.7m.

DIVIDEND

The directors recommend a dividend of 11.17p per Ordinary share for the year to 31 March 1990. This will be paid on 1 October 1990 to shareholders whose names are on the register at the close of business on 23 July 1990.

CAPITAL EXPENDITURE

The analysis of capital expenditure and details of capital commitments are shown on pages A18 and A23 respectively.

DIGWYDDIADAU AR ÔL Y FANTOLEN

Cwblhawyd prynu'r holl gyfalaf cyfranddaliadau a gyhoeddwyd yn Wallace Evans Limited ar 31 Mai 1990. Gwelir y manylion ar dudalen A30.

CYFALAF CYFRANDDALIADAU

Gwelir manylion am gyhoeddi cyfranddaliadau ar dudalen A25.

Ar 27 Mehefin 1990 nid oedd y Cwmni wedi cael gwybod am unrhyw ddi-ddordebau buddiannol o 3% neu ragor o gyfalaf cyfranddaliadau cyffredin y Cwmni wedi eu cyhoeddi ar wahan i'r canlynol:
Sun Life Corporation plc - 3.254%.

CWMNI CAEËDIG

Nid yw'r Cwmni'n gwmni caeëdig o fewn telerau Deddf Trethi Incwm a Chorfforaeth 1988.

YSWIRIANT ATEBOLRWYDD CYFARWYDDWYR A SWYDDOGION

Yn ystod y flwyddyn trefnodd y Cwmni yswiriant incwmial profesiynol cyfarwyddwyr a swyddogion ar ran y Cwmni, y cyfarwyddwyr a rhai rheolwyr penodol a enwir. Talwyd cyfran o gyfanswm y premiwm yn bersonol gan bob unigolyn a ddisgrifir yn y polisi. Mae hwn yn bolisi blyneddol sydd i'w adnewyddu yn mis Medi 1990.

CYFARWYDDWYR

Gwelir enwau'r cyfarwyddwyr cyffredol ar dudalennau 8 i 11. Cawsant i gyd eu penodi ar 1 Medi 1989.

O'r rheiny bydd T Knowles, sy'n ymdeol yn ei dro yn umol ag Erthyglau Cymdeithasiad y Cwmni, yn cynnig ei hun ar gyfer ei ail-ethol yn y Cyfarfod Cyffredinol Blyneddol.

At hynny, penodwyd A H H Jones a P R Ramsden ar 1 Ebrill 1989 gan ymdeol ar 1 Medi 1989.

CONTRACTAU GWASANAETH CYFARWYDDWYR

Mae gan y J E Jones, D A Jeffrey a G A Hawker contractau gwasanaeth gyda'r Cwmni y gellir eu terfynu drwy rybudd o ddeunaw mis ar unrhyw adeg.

POST BALANCE SHEET EVENTS

The purchase of the entire issued share capital of Wallace Evans Limited was completed on 31 May 1990. Details are shown on page A30.

SHARE CAPITAL

Details of share issues are given on page A25.

As at 27 June 1990 the Company has not been notified of any beneficial interests amounting to 3% or more of the issued ordinary share capital of the Company apart from the following:

Sun Life Corporation plc - 3.254%.

CLOSE COMPANY

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year directors' and officers' liability insurance was arranged on behalf of the Company, directors and certain specified managers. A proportion of the total premium was paid personally by each individual described in the policy. This policy is an annual policy due for renewal in September 1990.

DIRECTORS

The names of the current directors of the Company are shown on pages 8 to 11. All were appointed as directors on 1 September 1989.

Of these, T Knowles, who retires by rotation in accordance with the Company's Articles of Association, offers himself for re-election at the Annual General Meeting.

In addition, A H H Jones and P R Marsden were appointed on 1 April 1989 and resigned on 1 September 1989.

DIRECTORS' SERVICE CONTRACTS

J E Jones, D A Jeffrey and G A Hawker have contracts of service with the Company which can be terminated by eighteen months notice at any time.

**DIDDORDEBAU
CYFARWYDDWYR**

Roedd diddordebau buddiammol y cyfarwyddwyr yng nghyfrandaliadau Cyffredin y Cwmni ar 31 Mawrth 1990 fel hyn:

	JE Jones	DA Jeffrey	GA Hawker	T Knowles
<i>Diddordeb Buddiammol</i>	5980	5000	2200	4200
<i>Cyullun Sharesave</i>	6136	6136	6136	—
<i>Cyullun Dewis Cyfrandaliadau i'r Gweithredwyr</i>	90337	107219	84126	—
<i>Ymddiriedolaeth Cyfrandaliadau Welsh Water Ltd</i>	284	279	295	—

Nid oedd gan yr un o'r cyfarwyddwyr uchod unrhyw ddiddordeb yng nghyfrandaliadau'r Cwmni ar ddyddiad eu penodi. Nid oedd gan y cyfarwyddwyr eraill unrhyw ddiddordeb yng nghyfrandaliadau'r Cwmni. Yn ystod y cyfnod 1 Ebrill 1990 i 27 Mehefin 1990 nid oedd newidiadau wedi bod yn niddordebau'r cyfarwyddwyr.

Mae J E Jones, D A Jeffrey a G A Hawker yn gyfarwyddwyr Welsh Water Share Trustees Limited sy'n dal 736,174 o gyfrandaliadau Cyffredin wedi eu talu'n llawn fel ymddiriedolaeth ar ran gweithwyr a oedd â'r hawl fuddiammol i'r cyfrandaliadau o dan drefniadau arbennig a wnaed adeg y Cynnig ar Werth.

GWEITHWYR

Ceir dadansoddiad o nifer gweithwyr y Grŵp a chostau staff ar dudalenau A14 i A16. Polisi'r Cwmni yw y dylai gwybodaeth berthnasol fod ar gael yn hawdd i weithwyr y Grŵp er mwyn iddynt gymryd diddordeb changach yn y Cwmni sy'n eu cyflogi ac ynghyd â hyfforddian helpu gwella ei berfformiad a'n boddhad eu hunain yn eu gwaith.

DIRECTORS' INTERESTS

The beneficial interests of the directors in the Ordinary shares of the Company as at 31 March 1990 are as follows:

	JE Jones	DA Jeffrey	GA Hawker	T Knowles
Beneficial Interest	5980	5000	2200	4200
Sharesave Scheme	6136	6136	6136	—
Executive Share Option Scheme	90337	107219	84126	—
Welsh Water Share Trustees Ltd	284	279	295	—

None of the above directors had any interest in the shares of the Company on the date of their appointment. None of the other directors had any interest in the shares of the Company. During the period 1 April 1990 to 27 June 1990 there were no changes in the directors' interests.

J E Jones, D A Jeffrey and G A Hawker are directors of Welsh Water Share Trustees Limited which holds 736,174 fully paid Ordinary shares as trustees for employees who were beneficially entitled to the shares under the special arrangements made at the time of the Offer for Sale.

EMPLOYEES

An analysis of the number of employees of the Group and of staff costs is shown on pages A14 to A16. It is Company policy that appropriate information should be readily available to employees of the Group so that they can take a wider interest in their employing Company and taken together with training, help to improve its performance and their own job satisfaction. This is done in a variety of ways including staff briefings and a Company newspaper and

Gwneir hynny mewn amrywiaeth o ffyrdd gan gynnwys rhobi arweiniad i'r staff a phapur newyddion a fideo gan y Cwmni yn eiddo ag atroddiadau am eu Cwmnïau gweithredu eu hunain. Anogir y staff i gymryd rhan yn ariannol yng Ngrŵp Welsh Water drwy fanteisio ar Gynlluniau Cyfranddaliadau i'r Gweithwyr.

Rhoir ystyriaeth lawn a theg i geistadau am gyflogaeth gan bobl anabl. Os bydd gweithiwr yn mynd yn anabl tra bydd yn gweithio i un o gwmnïau'r Grŵp, gwneir popeth posibl i ddod o hyd i waith parhaol addas gydag ail-hysfforddiant os bydd angen. Mae'r anabl yn cael rhannu'r cyfle ar gyfer hysfforddiant a datblygu gyfifa a dychafiad i'r un graddau.

Mae'r Grŵp wedi sefydlu ac yn parhau i ddatblygu polisiâu ac arferion cyfle cyfartal.

YMCHWIL A DATBLYGIAD

Gwneir y gwaith ymchwil a datblygu gan mwyaf yn sector cyflenwi dŵr a gwasanaethau cartrefsiadau y Grŵp.

CYFRANIADAU AT DDIBENION ELUSENNOL A GWLEIDYDDOL

Ni wnaethpwyd unrhyw gyfraniadau gwleidyddol. Yn ystod y flwyddyn yn diwedd 31 Mawrth 1990, roedd cyfanswm y cyfraniadau elusennol yn £37,000 (1989 £520).

BUSNES ARBENNIG YN Y CYFARFOD CYFFREDINOL BLYNYDDOL

Mae'r Penderfyniad Arbennig a gynnigir fel Busnes Arbennig yn y Cyfarfod Cyffredinol Blynnyddol yn ceisio adnewyddu awdurdod a roddwyd i'r cyfarwyddwyr ar 20 Tachwedd 1989. Mae Adran 89(1) o Ddeddf Cwmnïau 1985 yn ei gwneud yn ofynnol, os bydd y cyfarwyddwyr yn dymuno cyhoeddi cyfranddaliadau newydd am arian parod, eu bod i ddechrau'n cynnig y cyfranddaliadau hynny i'r cyfranddaliatwyr presennol yn gyfrannol i nifer y cyfranddaliadau Cyffredin a ddelid ganddynt ar y pryd. Gelwir cynnig o'r math hwn yn "gyhoeddiad hawliau". Mae yna resymau cyfreithiol, rheoliadol ac ymarferol pam na all fod yn bosibl bob amser cyhoeddi cyfranddaliadau newydd o dan hawl gyhoeddi i ral cyfranddaliatwyr, yn enwedig y rheiny sy'n byw mewn gwledydd tramor. I ganiatau ar gyfer hynny mae'r cynigiad a gynnigir yn canlatau

video in addition to the reports of their own operating Companies. Financial involvement in the Welsh Water Group is encouraged through participation in Employee Share Schemes.

Full and fair consideration is given to applications for employment made by disabled persons. If an employee becomes disabled whilst employed by a Group Company every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities for training, career development and promotion.

The Group has established and continues to develop its policies and practices as an equal opportunity employer.

RESEARCH AND DEVELOPMENT

Research and development is carried out primarily in the water supply and sewerage services sector of the Group.

CONTRIBUTIONS FOR CHARITABLE AND POLITICAL PURPOSES

There have been no political donations. During the year ended 31 March 1990, charitable donations amounted to £37,000 (1989 £520).

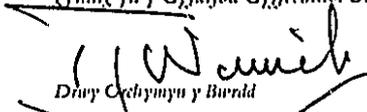
SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

The Special Resolution proposed as Special Business at the Annual General Meeting seeks to renew an authority given to the directors on 20 November 1989. Section 89(1) of the Companies Act 1985 requires that, if the directors wish to issue new shares for cash, they first offer those shares to existing shareholders in proportion to the number of Ordinary shares which they hold at that time. An offer of this type is known as a "rights issue". There are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this the resolution proposed permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

i'r cyfarwyddwyr wneud eithriadau neu drefniadau pnedol i ddelio ag amawsterau felly. At hynny, fe all fod amgylchiadau pan fydd yn llesol i'r Cwmni i'r cyfarwyddwr allu dosrrannu rhai cyfranddaliadau newydd am arian parod heb law drwy gyhoeddiad hawliau. Ni ellir gwneud hynny o dan Ddeddf Cwmnïau 1985 oni fydd y cyfranddaluwr yn gytarf wedi rhoi eu amlatad drwy Benderfyniad Arbennig. Mae'r Penderfyniad Arbennig yn gofyn i gyfranddaluwr wneud hynny, ond am gyfranddaliadau newydd sydd a gwerth cyfared nominal o £7,203,900 yn unig, sy'n cyfateb i 5% o gyfalaf cyfranddaliadau cyffredin y Cwmni wedi eu cyhoeddi ar 31 Mawrth 1990. Drwy osod terfyn o 5%, caiff buddiamau'r cyfranddaluwr presennol eu diogelu gan na all eu diddordeb cyfranmol yn y Cwmni gael ei ostwng, heb eu amlatad, o fwy na 5% drwy gyhoeddi cyfranddaliadau newydd am arian parod i gyfranddaluwr newydd. Bydd yr hawliau a roir gan y Penderfyniad Arbennig yn parhau tan y Cyfarfod Cyffredinol Blynnyddol flwyddyn nesaf.

ARCHWILWYR ARIANNOL

Mae'r archwilwyr, Deloitte Haskins & Sells, wedi'u busnes a Coopers & Lybrand ac erbyn hyn yn gwrithio o dan yr enw Coopers & Lybrand Deloitte. Maent wedi llofnodi'r Adroddiad Archwilwyr yn en hennu newydd. Caiff penderfyniad i ail-benodi Coopers & Lybrand Deloitte fel archwilwyr ariannol y Cwmni ei cynnig yn y Cyfarfod Cyffredinol Blynnyddol.


Drwy Orchymyn y Burdd

T.J. Warwick

Ysgrifennydd Grŵp y Cwmni

27 Mehefin 1990

In addition, there may be circumstances when it is in the interests of the Company for the directors to be able to allot some new shares for cash other than by way of a rights issue. This cannot be done under the Companies Act 1985 unless the shareholders have first consented by means of a Special Resolution. The Special Resolution asks shareholders to do this, but only for new shares having a maximum aggregate nominal value of £7,203,900 which is equivalent to 5% of the Company's issued ordinary share capital at 31 March 1990. By setting the limit of 5%, the interests of existing shareholders are protected as their proportionate interest in the Company cannot, without their agreement, be reduced by more than 5% by the issue of new shares for cash to new shareholders. The powers given by the Special Resolution will last until next year's Annual General Meeting.

AUDITORS

Our auditors, Deloitte Haskins & Sells, have merged their practice with Coopers & Lybrand and now practise in the name of Coopers & Lybrand Deloitte. They have signed the Audit Report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the Annual General Meeting.


By Order of the Board

T.J. Warwick

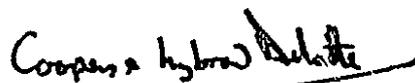
Group Company Secretary

27 June 1990

**REPORT OF THE AUDITORS
TO THE MEMBERS OF WELSH WATER PLC**

We have audited the financial statements on pages A8 to A30 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 March 1990 and of the profit and the source and application of funds of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



~~COOPERS & LYBRAND DELOITTE~~

Chartered Accountants

CARDIFF

27 June 1990.

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

i) FORMATION OF THE GROUP

On 1 April 1989 Welsh Water PLC ("the Company") was formed. On 1 September 1989, it acquired the entire issued share capital of Dŵr Cymru Cyfyngedig, a company formed to continue the business of Welsh Water Authority ("the Authority"), other than the part of the business which was vested in the National Rivers Authority ("NRA"). Under the provisions of the Water Act 1989 the property rights and liabilities of the Authority, other than those applicable to the NRA, are to be treated as having vested in Dŵr Cymru Cyfyngedig on 1 April 1989.

Consequently, this year's financial statements include the results of Dŵr Cymru Cyfyngedig from 1 April 1989 to 31 March 1990. On 1 September 1989 certain assets and liabilities, not relating to activities subject to regulation by the Director General of Water Services, were transferred to certain of the Company's other subsidiaries.

ii) CORRESPONDING AMOUNTS

The corresponding amounts are those of the Authority after elimination of the activities, property rights and liabilities vested in the NRA.

iii) ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention.

GROUP CONSOLIDATION

The Group accounts comprise a consolidation of the accounts of Welsh Water PLC and all its subsidiaries, each made up to 31 March 1990, and include the Group proportion of the profits or losses and retained earnings of related companies. Uniform accounting policies are adopted by all companies in the Group

GOODWILL

Goodwill arising from the purchase of subsidiary companies and investments in related companies, representing the excess of the purchase consideration over the fair value of net assets acquired, is written off on acquisition against Group reserves

TURNOVER

Turnover represents the income receivable in the ordinary course of business for services provided, and excludes where appropriate Value Added Tax.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are included at cost and are amortised over their estimated useful economic lives. Fishing rights have an infinite life and are not depreciated.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets comprise:

- (i) Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipe lines and sea outfalls); and
- (ii) Other assets (including properties, overground plant and equipment and fixtures and fittings).

INFRASTRUCTURE ASSETS:

Infrastructure assets comprise a network of systems. 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 grants and contributions.

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.

OTHER ASSETS:

Other assets are included at cost, after deducting grants and contributions, less accumulated depreciation.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated useful economic lives, which are principally as follows:

Buildings	30-60 years
Operational structures	40-80 years
Fixed plant	20-40 years
Vehicles, mobile plant and equipment	4-10 years

Assets in the course of construction are not depreciated until commissioning.

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 charges being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the written down amount. The assets are depreciated over the shorter of their estimated useful lives and the lease periods. All other leases are regarded as operating leases. Rental costs arising under operating leases are charged to the profit and loss account in the year to which they relate.

INVESTMENTS

Investments held as fixed assets are stated at cost less amounts written off or provided to reflect permanent diminution in value.

Those held as current assets are stated at the lower of cost and net realisable value.

STOCKS AND WORK IN PROGRESS

Stocks are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and directly attributable overheads.

PENSION COSTS

As described in note 32 the Group operates two defined benefit pension schemes. The cost of providing pensions is charged to the profit and loss account on a basis which spreads the cost over the service lives of the employees. Variations from regular cost are spread over the expected remaining service lives of employees in the scheme. The contributions to the schemes are based on the advice of a professionally qualified actuary.

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. Exchange differences are dealt with through the profit and loss account.

RESEARCH AND DEVELOPMENT

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

DEFERRED TAXATION

Deferred taxation is provided to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes to the extent that it is probable that a liability for taxation will crystallise as a result of the reversal of those timing differences.

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1990**

	Note	1990 £m	1989 £m
Turnover	2	255.3	219.6
Net Operating Costs	3	(191.7)	(144.5)
Operating Profit	4	<u>63.6</u>	<u>75.1</u>
Interest receivable		9.7	0.6
Interest payable	6	(33.8)	(50.8)
Profit on Ordinary Activities before Taxation		<u>39.5</u>	<u>24.9</u>
Taxation	7	(5.4)	—
Profit on Ordinary Activities after Taxation		<u>34.1</u>	<u>24.9</u>
Extraordinary item	8	(5.3)	(1.0)
Profit for the Year	9	<u>28.8</u>	<u>23.9</u>
Dividends	10	(16.1)	—
Retained Profit for the Year	27	<u>12.7</u>	<u>23.9</u>
Pro forma earnings per Ordinary share	11	<u>61.7p</u>	<u>—</u>

BALANCE SHEETS AT 31 MARCH 1990

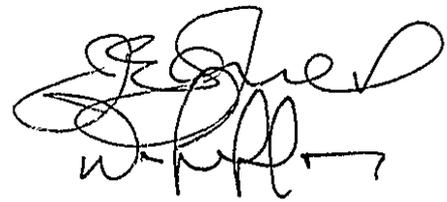
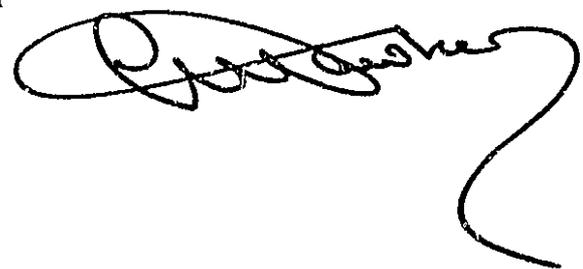
	Note	1990 £m	Group 1989 £m	Company 1990 £m
Fixed Assets				
Intangible assets	12	0.7	—	—
Tangible assets	13	642.3	570.0	—
Investments	14	0.2	0.3	283.5
		<u>643.2</u>	<u>570.3</u>	<u>283.5</u>
Current Assets				
Stocks and work in progress	15	4.7	4.0	—
Debtors	16	56.8	38.7	23.5
Current asset investments	17	216.6	—	—
Cash at bank and in hand		10.7	—	5.8
		<u>288.8</u>	<u>42.7</u>	<u>29.3</u>
Current Liabilities				
Creditors: Amounts falling due within one year	18(a)	120.0	148.4	23.0
Net Current Assets/(Liabilities)		<u>168.8</u>	<u>(105.7)</u>	<u>6.3</u>
Total Assets Less Current Liabilities		<u>812.0</u>	<u>464.6</u>	<u>289.8</u>
Creditors: Amounts falling due after more than one year				
Provisions for Liabilities and Charges	18(b) 23	19.7 10.5	404.3 —	— —
Net Assets		<u>781.8</u>	<u>60.3</u>	<u>289.8</u>
Capital and Reserves				
Called up share capital	24	144.1	—	144.1
Share premium account	26	131.9	—	131.9
Reserves	27	505.8	60.3	13.8
Shareholders' Funds		<u>781.8</u>	<u>60.3</u>	<u>289.8</u>

The financial statements on pages A8 to A30 were approved by the Board of Directors on 27 June 1990 and were signed on its behalf by:

John E. Jones, CBE, DL
Chairman

D.A. Jeffrey
Managing Director

G.A. Hawker
Finance Director

**GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1990**

	1990 £m	1989 £m
Source of Funds		
Profit on ordinary activities before taxation	39.5	24.9
Extraordinary item	(5.3)	(1.0)
	<u>34.2</u>	<u>23.9</u>
Items not involving movement of funds:		
Depreciation of tangible fixed assets	19.1	15.5
Profit on sale of tangible fixed assets	(0.2)	(0.7)
Provision against fixed asset investments	0.4	—
Infrastructure maintenance provision	10.5	—
	<u>64.0</u>	<u>38.7</u>
Funds generated from operations		
Funds from other sources:		
Proceeds from sale of tangible fixed assets	0.4	1.0
Proceeds from issue of shares	276.0	—
Loans	40.6	76.5
New finance leases	—	4.2
	<u>317.0</u>	<u>81.7</u>
Total funds from other sources		
Total source of funds	<u>381.0</u>	<u>120.4</u>
Application of Funds		
Purchase of tangible fixed assets	(91.6)	(64.3)
Purchase of intangible fixed assets	(0.7)	—
Purchase of fixed asset investments	(0.3)	(0.1)
Loan repayments	(59.6)	(68.0)
Finance lease capital repayments	(0.3)	(4.2)
Other creditors falling due after more than one year	(0.5)	(0.8)
	<u>(153.0)</u>	<u>(137.4)</u>
Net source/(application) of funds	<u>228.0</u>	<u>(17.0)</u>
The net source/(application) of funds is represented by the following increases/(decreases) in working capital:		
Stocks and work in progress	0.7	(0.4)
Debtors	18.1	(7.1)
Creditors: Amounts falling due within one year	10.2	(8.0)
Current asset investments	216.6	—
	<u>245.6</u>	<u>(15.5)</u>
Movement in liquid funds:		
Cash	10.7	—
Bank overdraft	(28.3)	(1.5)
	<u>228.0</u>	<u>(17.0)</u>
Increase/(Decrease) in working capital		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

1. HOLDING COMPANY PROFIT AND LOSS ACCOUNT

As permitted by section 228(7) of the Companies Act 1985, as amended by section 5(4) of the Companies Act 1989, the profit and loss account of Welsh Water PLC has not been included in these financial statements.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES

	Turnover		Operating Profit/(Loss)	
	1990 £m	1989 £m	1990 £m	1989 £m
Water Services	144.3	120.7	25.5	28.1
Sewerage Services	110.0	98.6	41.9	46.9
Other Trading Activities	1.0	0.3	(3.8)	0.1
	255.3	219.6	63.6	75.1
Interest receivable			9.7	0.6
Interest payable			(33.8)	(50.8)
Profit on ordinary activities before taxation			39.5	24.9

3. NET OPERATING COSTS

		1990 £m	1989 £m
(a)	Change in stocks and work in progress	(0.7)	0.4
	Infrastructure renewals expenditure (See note 23(b))	17.8	9.6
	Other operating income (See note 3(b))	(0.2)	(0.9)
	Staff costs (See note 5(b))	48.8	42.2
	Depreciation:		
	Own assets	17.7	14.6
	Assets held under finance leases	1.4	0.9
	Other operating charges	106.9	77.7
		191.7	144.5
		1990 £m	1989 £m
(b)	Other operating income comprises:		
	Profits on sale of tangible fixed assets	0.2	0.7
	Net rents receivable	—	0.2
		0.2	0.9

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

4. OPERATING PROFIT	1990	1989
	£m	£m
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	0.1	0.1
Research and development	1.1	1.8
Rentals under operating leases:		
Hire of plant and equipment	1.4	1.1
Other operating leases	0.4	0.4
Exceptional items:		
Voluntary severance and restructuring costs	6.7	5.4
(Discount)/penalty arising from early repayment of loans	(1.4)	1.1
	6.7	10.8

5. DIRECTORS AND EMPLOYEES

(a) Directors' Remuneration

The directors of the Company were appointed with effect from 1 September 1989. Prior to their appointment a number of them served as members of the Welsh Water Authority.

The combined emoluments of the directors of Welsh Water PLC for their services as directors of the Company and its subsidiaries and, prior to their appointment, as members of the Welsh Water Authority for the year ended 31 March 1990, are set out below. The corresponding amounts for 1989 are stated on a comparable basis and therefore include the emoluments of the current directors for their services to the Welsh Water Authority, whether in the capacity as member or otherwise in that year.

	1990		1989	
	As director £000	As member £000	Total £000	Total £000
Fees	17	6	23	6
Contributions to Pension Schemes	280	8	288	11
Other Emoluments	150	75	225	170
	447	89	536	187

Included in the above are amounts (excluding pension contributions) paid to:

	1990		1989	
	As director £000	As member £000	Total £000	Total £000
Chairman	53	23	76	46
Highest paid director	54	28	82	71

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

5. DIRECTORS AND EMPLOYEES (Continued)

(a) Directors' Remuneration (Continued)

The combined emoluments (excluding pension contributions) were in the following ranges:

	1990 Number	1989 Number
£0 - £5,000	1	2
£5,001 - £10,000	3	—
£45,001 - £50,000	—	1
£50,001 - £55,000	—	1
£65,001 - £70,000	1	—
£70,001 - £75,000	—	1
£75,001 - £80,000	1	—
£80,001 - £85,000	1	—

Not included in the above are two directors who as nominees of the Crown held office from 1 April 1989 to 1 September 1989. No emoluments were received by these directors.

(b) Staff Costs

	1990 £m	1989 £m
Wages and salaries	51.1	44.3
Social security costs	3.8	3.3
Other pension costs	4.8	3.3
	59.7	50.9

Total staff costs have been charged as follows:

Tangible fixed assets	10.3	8.4
Operating costs – Infrastructure assets maintenance	0.6	0.3
– Other	48.8	42.2
	59.7	50.9

	1990 Number			1989 Number		
	Non Manual	Manual	Total	Non Manual	Manual	Total
(c) Average weekly number of employees during the year						
Full time	1917	1696	3613	1718	1785	3503
Part time	50	48	98	149	103	252
	1967	1744	3711	1867	1888	3755

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

5. DIRECTORS AND EMPLOYEES (Continued)

(d) Higher paid employees

The number of employees of the Group, including the predecessor Authority, other than directors of the Company, whose emoluments exceeded £30,000 (excluding pension contributions), was as follows:

	1990 Number	1989 Number
£30,001 – £35,000	19	14
£35,001 – £40,000	12	7
£40,001 – £45,000	6	2
£45,001 – £50,000	3	–
£50,001 – £55,000	1	–

6. INTEREST PAYABLE

	1990 £m	1989 £m
Interest payable:		
On Government loans extinguished during the year (See note 27(a))	30.5	48.6
On bank loans, overdrafts and other loans		
– repayable within five years, not by instalments	1.4	0.2
– repayable wholly or partly in more than five years	1.8	1.9
	33.7	50.7
On finance leases	0.1	0.1
	33.8	50.8

7. TAXATION

	1990 £m	1989 £m
Irrecoverable Advance Corporation Tax	5.4	–
	5.4	–

The Group's tax charge for the year represents the Advance Corporation Tax payable on the proposed dividend. This amount remains available to reduce future liabilities to Mainstream Corporation Tax.

The Group effectively became liable to Corporation Tax on 1 September 1989 on which date it was agreed with the Inland Revenue that the assets of Welsh Water Authority which vested in Dŵr Cymru Cyfyngedig were eligible to capital allowances of £499.7m. These capital allowances can be used in accordance with normal taxation principles.

No liability to Mainstream Corporation Tax arises due to the availability of these taxation allowances. Taxation losses are available to the companies within the Group for carry forward to reduce future trading profits of those companies. The amount available for carry forward is subject to negotiation with the Inland Revenue and is estimated to be not less than £30m.

8. EXTRAORDINARY ITEM

	1990 £m	1989 £m
Privatisation and restructuring costs	5.3	1.0
	5.3	1.0

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

9. PROFIT FOR THE YEAR		1990	1989
		£m	£m
Dealt with in the accounts of the Holding Company		29.9	—
Retained by subsidiary companies		(1.1)	23.9
		28.8	23.9
10. DIVIDENDS		1990	1989
		£m	£m
Proposed dividend of 11.17p per Ordinary share		16.1	—
		16.1	—
11. PRO FORMA EARNINGS PER ORDINARY SHARE		1990	1989
Pro forma earnings per Ordinary share		61.7p	—
		61.7p	—

The pro forma earnings per Ordinary share for the year ended 31 March 1990 is compiled on a basis which reflects the position of the Group as if the new capital structure had been in place since 1 April 1989. Account has been taken of the following adjustments:

- (a) £57.5m in respect of interest (comprising the elimination of £27.8m of interest paid in the period 1 April 1989 to 15 November 1989 in respect of relevant loans and the inclusion of £29.7m of notional interest receivable for the period 1 April 1989 to 29 December 1989 in respect of the cash for the Ordinary shares subscribed by the Secretary of State for Wales).
- (b) £2.7m in respect of Advance Corporation Tax payable on the difference between the dividend for the year ended 31 March 1990 and a notional dividend of £24.1m in respect of that year.

The pro forma earnings per Ordinary share has therefore been calculated on the basis of pro forma profit after taxation of £88.9m and by reference to 144,078,000 Ordinary shares, being the number of Ordinary shares in issue. It has been assumed that this number of Ordinary shares was in issue throughout the year.

12. INTANGIBLE FIXED ASSETS

Group		Fishing Rights	
Cost		1990	1989
		£m	£m
Additions		0.7	—
		0.7	—
Net Book Value			
At 31 March 1990		0.7	—
		0.7	—

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

13. TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings £m	Infra- Structure Assets £m	Vehicles Plant and Equipment £m	Operational Structures £m	Total £m
Cost					
At 1 April 1989	17.5	255.8	99.3	335.3	707.9
Additions	3.8	33.9	33.9	20.0	91.6
Disposals	—	—	(1.2)	(0.1)	(1.3)
At 31 March 1990	<u>21.3</u>	<u>289.7</u>	<u>132.0</u>	<u>355.2</u>	<u>798.2</u>
Accumulated Depreciation					
At 1 April 1989	2.6	—	28.5	106.8	137.9
Charge for the year	0.4	—	10.6	8.1	19.1
Disposals	—	—	(1.1)	—	(1.1)
At 31 March 1990	<u>3.0</u>	<u>—</u>	<u>38.0</u>	<u>114.9</u>	<u>155.9</u>
Net Book Value					
At 31 March 1990	<u>18.3</u>	<u>289.7</u>	<u>94.0</u>	<u>240.3</u>	<u>642.3</u>
At 31 March 1989	<u>14.9</u>	<u>255.8</u>	<u>70.8</u>	<u>228.5</u>	<u>570.0</u>
Utilisation at 31 March 1990					
Owned	18.3	289.7	89.4	240.3	637.7
Finance leased	—	—	4.6	—	4.6
	<u>18.3</u>	<u>289.7</u>	<u>94.0</u>	<u>240.3</u>	<u>642.3</u>

Notes:

- (a) Tangible fixed assets at 31 March 1990 include £76.7m (1989 £52.8m) of assets in the course of construction, which are not depreciated until commissioning.
- (b) Additions for the year are shown after crediting capital grants and contributions received of £7.8m (1989 £10.0m).
- (c) The net book value at 31 March 1989 of £570.0m has been reduced by £0.4m compared to the figure in the Prospectus dated 22 November 1989 of £570.4m. This followed the transfer during the year of additional assets to the National Rivers Authority.

Company

The Company has not capitalised any expenditure in its accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

14. FIXED ASSET INVESTMENTS

Group	Other Investments £m
Cost	
At 1 April 1989	0.3
Additions	0.3
	<hr/>
At 31 March 1990	0.6
	<hr/>
Amounts Written Off	
Charge for the year	0.4
	<hr/>
At 31 March 1990	0.4
	<hr/>
Net Book Value	
At 31 March 1990	0.2
	<hr/>
At 31 March 1989	0.3
	<hr/>

Other investments are all unlisted.

Company	Investment in Subsidiaries £m
Cost	
Additions	283.5
	<hr/>
Net Book Value	
At 31 March 1990	283.5
	<hr/>

For details of investments see note 31(a).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

15. STOCKS AND WORK IN PROGRESS

	Group	
	1990 £m	1989 £m
Consumable stores	3.2	3.0
Work in progress	1.5	1.0
	4.7	4.0

16. DEBTORS

	Group		Company
	1990 £m	1989 £m	1990 £m
Amounts falling due within one year:			
Trade debtors	39.9	27.9	—
Amounts due from subsidiary companies	—	—	0.2
Dividend receivable from subsidiary	—	—	23.2
Other debtors	13.7	8.7	—
Prepayments and accrued income	2.8	1.5	0.1
	56.4	38.1	23.5
Amounts falling due after more than one year:			
Other debtors	0.4	0.6	—
	56.8	38.7	23.5

17. CURRENT ASSET INVESTMENTS

Current asset investments represent monies on deposit maturing as follows:

	Group	
	1990 £m	1989 £m
Within one year	201.6	—
After more than one year	15.0	—
	216.6	—

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

18. CREDITORS	Group		Company	
	1990	1989	1990	
	£m	£m	£m	
(a) Amounts falling due within one year:				
Bank loans and overdrafts	(See note 19(a))	33.8	5.5	—
Other loans	(See note 19(b))	1.0	69.0	—
Obligations under finance leases	(See note 20)	0.3	0.3	—
Trade creditors		36.1	29.9	—
Amounts due to subsidiary companies		—	—	0.4
Other taxation and social security payable		0.4	1.5	—
Other creditors		24.5	40.2	—
Accruals and deferred income		2.4	2.0	1.1
Advance Corporation Tax		5.4	—	5.4
Dividend payable		16.1	—	16.1
		<u>120.0</u>	<u>148.4</u>	<u>23.0</u>
(b) Amounts falling due after more than one year:				
Other loans	(See note 19(b))	14.9	398.7	—
Obligations under finance leases	(See note 20)	0.5	0.8	—
Other creditors		4.3	4.8	—
		<u>19.7</u>	<u>404.3</u>	<u>—</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

19. (a) BANK LOANS AND OVERDRAFTS

Group	Interest Rate %	Repayable by Instalments		Other than by Instalments		Total 1990 £m	Total 1989 £m
		1990 £m	1989 £m	1990 £m	1989 £m		
Within one year	16.0	—	—	33.8	5.5	33.8	5.5

(b) OTHER LOANS

Group	Range of Interest Rates %	Repayable by Instalments		Other than by Instalments		Total 1990 £m	Total 1989 £m
		1990 £m	1989 £m	1990 £m	1989 £m		
Within one year	9.25-12.75	1.0	36.3	—	32.7	1.0	69.0
Between one and two years	9.25-12.75	1.0	34.9	—	—	1.0	34.9
Between two and five years	9.25-12.75	2.8	90.7	—	—	2.8	90.7
After more than five years	9.25-12.75	11.1	267.5	—	5.6	11.1	273.1
		15.9	429.4	—	38.3	15.9	467.7

For explanation of extinguishment of Government loans see note 27(a).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

20. FINANCE LEASES

Group

Amounts due under finance leases are payable as follows:

	1990	1989
	£m	£m
Within one year	0.4	0.3
Between one and two years	0.4	0.4
Between two and five years	0.2	0.7
	1.0	1.4
Less: finance charges allocated to future periods	(0.2)	(0.3)
	0.8	1.1

21. CAPITAL COMMITMENTS

Group

Contracted for but not provided in the financial statements

1990
£m

1989
£m

15.5

23.8

Authorised but not yet contracted for

11.3

11.7

Apart from these commitments, in order to meet regulatory and service standards the Group has longer term capital expenditure obligations, which include investments to meet shortfalls in performance and condition and to provide for new demand and growth.

Company

The Company had no capital commitments at 31 March 1990.

22. LEASING COMMITMENTS

Group

Land and
Buildings
1990 1989
£m £m

At 31 March 1990 there were revenue commitments, in the ordinary course of business in the next year, to the payment of rentals on non cancellable operating leases expiring:

After five years

0.5

0.4

Company

The Company has no leasing commitments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

23. PROVISIONS FOR LIABILITIES AND CHARGES

(a) Deferred Taxation

Group

In accordance with the Group's accounting policy no provision is required for deferred taxation. The full potential liability to deferred taxation at 31 March 1990 comprises the following :

	Full Potential Liability 1990 £m
Accelerated capital allowances	22.2
Other timing differences	(2.9)
	19.3
Less: Losses	(10.8)
Advance Corporation Tax	(5.4)
	3.1

Company

The Company has no potential liability to deferred taxation.

(b) Other Provisions

Group

	Infrastructure Maintenance Provision	
	1990 £m	1989 £m
Charge for the year	17.8	9.6
Expenditure in the year	(7.3)	(9.6)
	10.5	—
At 31 March 1990		

As part of their obligations to the Director General of Water Services the directors have determined a programme of expenditure for the maintenance and enhancement of the infrastructure asset system. This programme is set out in an Asset Management Plan effective from 1 April 1989. The above provision represents the difference between the annual anticipated expenditure requirement in the Asset Management Plan for infrastructure maintenance and that actually incurred. Prior to 1 April 1989 there was no Asset Management Plan in place and consequently no provision was required.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

24. SHARE CAPITAL	1990 £m
Authorised:	
200,000,000 Ordinary shares of £1 each	200.0
1 Special Rights Redeemable Preference Share of £1	—
	200.0
Allotted and fully paid:	
144,078,000 Ordinary shares of £1 each	144.1
1 Special Rights Redeemable Preference Share of £1	—
	144.1

The Company was incorporated on 1 April 1989, with an authorised share capital of £50,000 divided into 50,000 shares of £1 each, of which two were subscribed at par by nominees of the Crown. On 29 August 1989 the authorised share capital was increased to £50,001 by the creation of one Special Rights Redeemable Preference share of £1 and the £50,000 shares of £1 each were redesignated as Ordinary shares of £1 each. On 1 September 1989 49,998 Ordinary shares were issued at par to the Secretary of State for Wales credited as fully paid.

On 20 November 1989:

- (a) the authorised share capital of the company was further increased to £1,255,001 by the creation of £1,205,000 additional Ordinary shares and the directors were authorised and empowered to allot the increased share capital;
- (b) 1,205,000 Ordinary shares were issued at par, credited as fully paid, to the Secretary of State for Wales pursuant to a direction given by him under section 83(2), (4) and (5) of the Water Act 1989;
- (c) the authorised share capital of the Company was further increased to £200,000,001 by the creation of 198,745,000 additional Ordinary shares;
- (d) 142,823,000 Ordinary shares were allotted, credited as fully paid, to the Secretary of State for Wales for a consideration of £276m;
- (e) the Special Rights Redeemable Preference share was allotted at par, credited as fully paid, to the Secretary of State for Wales in accordance with a direction made by the Secretary of State for Wales under section 83(2), (4) and (5) of the Water Act 1989;
- (f) the Special Rights Redeemable Preference share ("Special share") is redeemable at par at the option of the Secretary of State for Wales at any time prior to 31 December 1994, and unless so redeemed, will be redeemed by the Company on that date. This Special share does not carry any rights to vote at general meetings but entitles the Secretary of State for Wales, or another person acting on behalf of HM Government, to attend and speak at such meetings. The written consent of the holder of the Special share is required under certain circumstances, in particular the alteration of specific sections of the Articles of Association of the Company. The Special share confers no right to participate in the capital or profits of the Company, except that on a winding-up the Special shareholder is entitled to repayment of £1 in priority to other shareholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

25. EMPLOYEE SHARE SCHEMES

The Company has established one share ownership scheme and two share option schemes for its employees and those of participating subsidiary companies.

Under the share ownership scheme 736,174 Ordinary shares of the Company were held in trust at 31 March 1990 on behalf of employees who were beneficially entitled to the shares under special arrangements made at the time of the Offer for Sale of the share capital of the Company dated 22 November 1989.

The Employee Sharesave Scheme is savings related and under normal circumstances the share options are exercisable on the completion of a five or seven year Save As You Earn contract. The Executive Share Option Scheme is for senior employees and the options are normally exercisable between the 3rd and 10th anniversary of the date of grant.

Options granted under the schemes during the year ended 31 March 1990, together with their exercise prices and dates were as follows:

	Date Option Granted	Normal Date of Exercise	Option Price per Share	Number of Ordinary Shares
Employee Sharesave Scheme	12 Dec 1989	12 Jan 1995	176p	1,263,310
	12 Dec 1989	12 Jan 1997	176p	600,432
Executive Share Option Scheme	16 Jan 1990	16 Jan 1993 – 16 Jan 2000	281p	1,082,413
	23 Jan 1990	23 Jan 1993 – 23 Jan 2000	288p	11,951
				<hr/> 2,958,106 <hr/>

26. SHARE PREMIUM ACCOUNT

Group and Company

Premium on Ordinary shares issued

At 31 March 1990

£m

131.9

131.9

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

27. RESERVES

	Group £m	Company £m
At 1 April 1989	60.3	—
Government debt written off (See note (a))	432.8	—
Retained profit for the year	12.7	13.8
At 31 March 1990	505.8	13.8

(a) Dŵr Cymru Cyfyngedig inherited on vesting the outstanding loans of Welsh Water Authority. On 1 September 1989 Government loans amounting to £438.8m were transferred to Welsh Water PLC in return for the issue of a debenture of £438.8m in accordance with a direction made by the Secretary of State for Wales under section 85(1) of the Water Act 1989.

Between 1 September 1989 and 15 November 1989 Welsh Water PLC repaid Government loans of £6m and at the same time Dŵr Cymru Cyfyngedig repaid to Welsh Water PLC £6m of the outstanding debenture. On 15 November 1989 the outstanding Government loans of Welsh Water PLC and the outstanding debenture of Dŵr Cymru Cyfyngedig, both amounting to £432.8m, were extinguished in accordance with an order made by the Secretary of State for Wales under sections 86(1) and 86(2) of the Water Act 1989. As a result of this extinguishment order £432.8m has been credited to the reserves of Dŵr Cymru Cyfyngedig.

(b) The balance of reserves at 31 March 1989 previously disclosed in the Prospectus dated 22 November 1989 as £60.7m has been reduced by £0.4m to reflect an additional transfer of assets to the National Rivers Authority as explained in note 13(c).

28. DIRECTORS' AND OFFICERS' LOANS AND TRANSACTIONS

In accordance with the requirements of section 232 of the Companies Act 1985, the following information is given for directors and persons connected with directors:

- (i) During the year a temporary interest-free loan of £40,000 was made to DA Jeffrey as part of a relocation package. This loan was fully repaid by 1 September 1989, on which date he became a director of Welsh Water PLC, having previously served as a member of Welsh Water Authority.
- (ii) IR Evans is a partner in LEK Partnership, to which organisation fees and reimbursements of expenses of £72,946 were paid during the year for consultancy services rendered.

No loans or credit transactions were outstanding with officers at the end of the year or subsisted during the year.

29. ELAN AQUEDUCT

In 1984 Welsh Water Authority transferred to Severn Trent Water Authority the aqueduct and associated works by which the bulk supply to Severn Trent reservoirs is conveyed.

The sum of £31.7m representing the consideration for the transfer, plus accrued interest has been invested in a Trust Fund, the principal function of which was to provide an income to Welsh Water Authority, whilst preserving the capital value of the Fund in real terms. Welsh Water Authority's interest in this Fund was vested in Dŵr Cymru Cyfyngedig under the provisions of the Water Act 1989. The relevant assets and the Fund are not included in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

30. THE WELSH WATER ELAN TRUST

The Welsh Water Elan Trust is a charitable foundation established on 13 October 1989 and granted a 999 year lease on approximately 43,000 acres of land in the Elan Valley, which was transferred from Dŵr Cymru Cyfyngedig, to be held for the benefit and enjoyment of the general public.

The lease contains restrictions to protect the flow of water and prevent commercial development within the Elan Valley, but Dŵr Cymru Cyfyngedig has reserved the right to resume possession of areas of land up to a maximum of 10,000 acres for purposes connected with its business, such as the extension of reservoirs.

31. GROUP COMPANIES

(a) *Principal subsidiaries are listed below:*

Subsidiaries	Proportion Held	Principal Activity
Dŵr Cymru Cyfyngedig	100%	Water and sewerage services
Engineering & Environment Limited	100%	Engineering and environmental services
Welsh Water Enterprises Limited	100%	Trenching and pipe laying
Land and Leisure – Tir a Hamdden Limited	100%	Leisure business development
Brecon Insurance Company Limited	100%	Insurance
G.T.F.C. Limited	74%	Plant hire and sales

Notes:

1. The above holdings are of £1 Ordinary shares.
2. All subsidiaries are wholly owned by Welsh Water PLC with the exception of G.T.F.C. Limited which is a 74% subsidiary of Welsh Water Enterprises Limited.
3. The above companies, with the exception of Brecon Insurance Company Limited, were all incorporated in Great Britain and registered in England and Wales. Brecon Insurance Company Limited was incorporated and registered in Guernsey, C.I.
4. The principal country of operation of all subsidiaries is Great Britain except Brecon Insurance Company Limited which operates in Guernsey, C.I.

(b) Since 31 March 1990 the Company has acquired 100% of the issued share capital of Wallace Evans Limited (see note 33), and Welsh Water Enterprises Limited has acquired 50% of the issued share capital of Cambrian Environmental Services PLC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990

32. PENSION SCHEMES

The Company operates as principal employer, two defined benefit final salary schemes, the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS) for the benefit of all employees of the Welsh Water Group.

Prior to 1 September 1989, employees were members of either the Water Authorities Superannuation Fund (WASF) or the WPS which was established in 1988 as an optional alternative to the WASF. As part of the reorganisation of pension arrangements effective from 1 September 1989 the WASF was no longer available and employees who were members of the WASF at that time were transferred to the WMIS which was established on that date to replicate the existing arrangements of the WASF for members' contributions and benefits.

With effect from 1 September 1989, actuarially determined transfer payments have been made from the WASF to the WPS and the WMIS in respect of members of WASF who have decided to transfer their past service rights into their new scheme. Although the first formal actuarial valuations have not been completed, the consulting actuary to both schemes, William M Mercer Fraser Limited, has confirmed that transfer values calculated on this basis will be sufficient to meet the accrued liabilities assumed for each scheme (including allowance for future salary increases and increases to pensions) in respect of service prior to 1 September 1989. Future actuarial valuations of both funds will take place at intervals of three years.

Pensions in payment and deferred pensions under the WMIS have been assumed to increase by 6% per annum. This assumption has been chosen to reflect the increases under the scheme which are guaranteed to be in line with the Retail Prices Index (RPI). For the WPS, the corresponding assumption used is 5.25% per annum. This reflects increases under the scheme which are guaranteed at 5% per annum (or the increase in the RPI if less) with the intention to pay more up to the level of the RPI if the resources of the scheme so permit.

The pension cost for the period was £4.8m (1989 £3.3m).

The pension cost in respect of the WPS and the WMIS is the annual regular cost of providing benefits. In respect of the WASF the pension cost has been taken as the contribution paid including both normal contributions based on members' pay and recharges of supplementary pensions and pension increases. Although these actual contributions would have been insufficient to fund pension increases and supplementary discretionary benefits no unfunded liability for these now remains with the Company or its schemes. With effect from 1 September 1989 these liabilities and the liability for supplementary pensions payable under the WPS and WMIS at that date were transferred to the National Rivers Authority. For other benefits the full liability relating to service up to the date of each member's transfer to the WPS or WMIS, including the liability for future pension increases, is intended to be met within the transfers from the WASF as described above.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1990**

33. POST BALANCE SHEET EVENTS

On 31 May 1990 Welsh Water PLC purchased 100% of the issued share capital of Wallace Evans Limited for a maximum consideration of £5.37m.

An initial payment on completion of £1.35m in cash and £1.7m in loan notes was made. The balance is to be settled by the further issue of loan notes between September 1990 and September 1992, subject to defined criteria.

FIVE YEAR SUMMARY

	Years ended 31 March				
	1986 £m	1987 £m	1988 £m	1989 £m	1990 £m
Turnover	171.0	190.5	202.8	219.6	255.3
Operating profit	48.4	64.9	69.0	75.1	63.6
Net interest payable	(51.9)	(53.0)	(52.6)	(50.2)	(24.1)
Profit/(Loss) on Ordinary Activities before Taxation	(3.5)	11.9	16.4	24.9	39.5
Taxation	—	—	—	—	(5.4)
Profit/(Loss) on Ordinary Activities after Taxation	(3.5)	11.9	16.4	24.9	34.1
Extraordinary item	—	—	—	(1.0)	(5.3)
Dividends	—	—	—	—	(16.1)
Retained Profit/(Loss) for the Year	(3.5)	11.9	16.4	23.9	12.7
Fixed Assets	464.2	496.1	522.1	570.3	643.2
Net Current Assets/(Liabilities)	(52.2)	(58.2)	(76.6)	(105.7)	168.8
Total Assets Less Current Liabilities	412.0	437.9	445.5	464.6	812.0
Creditors: Amounts falling due after more than one year	(403.5)	(417.5)	(408.7)	(404.3)	(19.7)
Provisions for Liabilities and Charges	—	—	—	—	(10.5)
	8.5	20.4	36.8	60.3	781.8
Capital and Reserves					
Called up share capital	—	—	—	—	144.1
Share premium account	—	—	—	—	131.9
Reserves	8.5	20.4	36.8	60.3	505.8
	8.5	20.4	36.8	60.3	781.8

Figures for 1986 to 1989 are those shown in the listing particulars published on 22 November 1989 and exclude financial information attributable to functions which have since been transferred to the National Rivers Authority. The figures are therefore unaudited. During the years ended 31 March 1986 to 1989 Welsh Water Authority had no share capital and paid no dividends.