

WELSH WATER PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993

Registered No. 2366776

CONTENTS

DIRECTORS AND ADVISORS	1
CORPORATE GOVERNANCE	2
REPORT OF THE DIRECTORS	3
DIRECTORS' RESPONSIBILITIES	7
REPORT OF THE AUDITORS	7
ACCOUNTING POLICIES	8
ACCOUNTS	11



## DIRECTORS AND ADVISORS

<b>I R Evans</b>	<b>Chairman</b>
<b>G A Hawker</b>	<b>Chief Executive</b>
<b>P J Twamley</b>	<b>Group Finance Director</b>
<b>B H Charles</b>	<b>Group Water Services Director</b>
<b>J M James</b>	<b>Group Engineering Services Director</b>
<b>D G Hawkins (A,R)</b>	<b>Non-Executive Director</b>
<b>T Knowles (A,R)</b>	<b>Non-Executive Director</b>

(A) Member of the Audit Committee

(R) Member of the Remuneration Committee

## COMPANY SECRETARY AND REGISTERED OFFICE

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

## REGISTRARS

National Westminster Bank Plc, Registrars Department, P O Box 82, Caxton House,  
Redcliffe Way, Bristol BS99 7NH

## AUDITORS

Coopers & Lybrand

## BROKERS

Kleinwort Benson Securities Limited

Bell Lawrie White & Co Limited

## SOLICITORS

Edwards Geldard

Allen and Overy

## PRINCIPAL BANKERS

National Westminster Bank Plc

Midland Bank plc

## FINANCIAL ADVISERS

County NatWest Limited

## CORPORATE GOVERNANCE

The Board is responsible to the shareholders for all aspects of the Company's performance. The Board meets each month and reviews the strategic direction of each subsidiary company and monitors the performance of each company against an approved business plan and budget.

### **CODE OF BEST PRACTICE**

The Company is pleased to confirm that Welsh Water complies with most of the provisions of the Code of Best Practice ("the Code") published by the Committee on the Financial Aspects of Corporate Governance ("Cadbury").

As a result of two non-executive directors (I R Evans and J M James) assuming executive director responsibility the present number of non-executive directors has fallen below that recommended by Cadbury. The Company is actively seeking to appoint further non-executive directors.

Compliance with the provisions of the Code relating to the reporting by directors on internal control and going concern will be reviewed when the awaited guidance has been developed and issued by the accountancy profession.

### **COMMITTEES OF THE BOARD**

Cadbury recommends that a board has two standing committees with specific terms of reference - an audit committee and a remuneration committee. These Committees were established by the Company in 1989 and have terms of reference which meet the recommendations of Cadbury.

The Audit Committee, under the chairmanship of T Knowles, comprises each of the non-executive directors and has written terms of reference. This Committee meets quarterly to monitor the adequacy of internal controls, accounting policies and financial reporting of the Company and the Group. The minutes of the Audit Committee meetings are reported to and considered by the Board.

The Remuneration Committee, under the chairmanship of D G Hawkins, also comprises each of the non-executive directors and has written terms of reference. This Committee meets as necessary to consider and determine the terms and conditions of employment of the executive directors, including salary, bonus, share option and pension entitlement.

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their fourth annual report to shareholders, together with the audited financial statements for the year ended 31 March 1993 on pages 8 to 39.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of infrastructure services. In addition to its key water and sewerage based activities, the Group provides an extensive range of engineering and environmental services. The Group is also engaged in the provision of pipelaying and leisure management services.

During the year under review the Group acquired Acer Group Limited, the international engineering consultants. Acer Group Limited and Wallace Evans Limited have now been combined into the Engineering Services Division.

Overall the business has performed satisfactorily during the year.

### CONSOLIDATED RESULTS AND TRANSFER TO RESERVES

Profit on ordinary activities before taxation amounted to £155.5m (1992 £138.2m). The profit attributable to shareholders amounted to £150.2m (1992 £127.3m) which, after dividends of £34.1m (1992 £30.8m), resulted in a transfer to reserves of £116.1m (1992 £96.5m).

### DIVIDEND

The directors recommend a final dividend of 15.7p (net) per ordinary share, making a total dividend of 23.5p (net) for the year to 31 March 1993. This will be paid on 4 October 1993 to shareholders whose names are on the register at the close of business on 30 July 1993.

### CAPITAL EXPENDITURE

The analysis of capital expenditure and details of capital commitments are shown on pages 21 and 28 respectively.

### SHARE CAPITAL

As at 14 July 1993, 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:

The Capital Group Inc.	8.91%
The Chase Manhattan Bank N.A.	8.20%
Gartmore Investment Management Limited	6.97%
Norwich Union Fund Managers Limited	6.28%
Rockleigh Corporation plc	3.34%
Fidelity Investments	3.01%

### 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

Directors' and officers' liability insurance is arranged on behalf of the Company, its subsidiaries, directors and certain specified managers. This policy is renewed annually.

## DIRECTORS

The names of the current directors of the Company are shown on page 1. 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.

On 1 May 1992 P J Twamley was appointed a director. On 1 December 1992 J M James was appointed an executive director having previously been a non-executive director.

J E Jones retired as Chairman and as a director on 31 March 1993.

On 1 April 1993 I R Evans was appointed Chairman having previously been non-executive Deputy Chairman.

## DIRECTORS' SERVICE CONTRACTS

G A Hawker, P J Twamley, J M James and B H Charles have contracts of service with the Company which can be terminated by eighteen months notice at any time. No other directors have contracts of service.

## DIRECTORS' INTERESTS

The beneficial interests of the directors in the ordinary shares of the Company as at 31 March 1993 and 31 March 1992 are as follows:

	Ordinary Shares of £1		Executive Share Options		Sharesave Options	
	31.3.93	31.3.92	31.3.93	31.3.92	31.3.93	31.3.92
J E Jones	6,564	6,264	180,408	180,408	6,136	6,136
I R Evans	5,500	500	-	-	-	-
G A Hawker	17,152	2,995	41,402	104,126	7,749	6,136
B H Charles	14,632	2,295	55,615	49,208	5,574	3,961
J M James	500	500	-	-	4,025	-
P J Twamley	2,300	-*	84,057	-*	4,025	-*
D G Hawkins	500	500	-	-	-	-
T Knowles	6,500	9,200	-	-	-	-

\* At date of appointment

On 8 April 1993 G A Hawker and B H Charles each sold 12,137 shares. There were no other changes to the directors' interests in the period 1 April 1993 to 14 July 1993.

G A Hawker and P J Twamley are directors of WW Share Schemes Trustees Limited which holds 512,656 (1992:525,400) fully paid ordinary shares as trustees for employees who were beneficially entitled to them under the special arrangements made at the time of the Offer for Sale in November 1989.

## EMPLOYEE INFORMATION

The success of the Group lies in its ability to manage and develop the skills and potential of the 7,000 people it now employs. This process depends on effective communication, ongoing training and development opportunities for all, as well as direct involvement of employees in mainstream business activities.

As the Group grows there is a greater need for direct and responsive systems of communication. Efforts are being made to focus employees' attention on items directly relevant to their area of operation whilst maintaining a general interest in the activities of associated companies across the Group. In-house magazines and videos continue to provide employees with a wide range of information but as technology advances, electronic mailing is becoming a more direct method of communicating messages of common interest simultaneously to large numbers of employees. Team briefing, workshops and roadshows combine to provide an open and participative approach to communication where questions can be answered and ideas exchanged.

The Group continues to work with its employee representatives to communicate matters jointly both at local and at regional levels.

The Group is committed to achieving a balanced workforce by recruiting and developing employees in a fair and equitable way. Joining Opportunity 2000 is part of that commitment and the Group is seeking to combine this approach in a broader sense with initiatives already in place to achieve a better balance in its workforce. Working more closely with organisations in the community the Group is seeking to create opportunities for training and work experience for disabled people and seeking to encourage more active participation from people from ethnic minority backgrounds. This is in addition to work in place to assist employees with special needs who are already in the Group's employment.

Direct participation in Welsh Water as a business can be demonstrated by the numbers of employees owning or saving for shares in the Company. Since privatisation over 3,100 employees have bought shares with over 2,100 participating in savings schemes to purchase shares in the future. Over half of the Group's employees participate in a profit related pay scheme, designed to reflect the relationship between performance and profit. As the Group expands, this relationship will be examined and appropriate schemes introduced to encourage direct employee participation in the performance of the various companies.

## 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

During the year, there have been no political donations, and charitable donations amounted to £44,000 (1992 £35,000).

## REGULATORY ACCOUNTS - DŴR CYMRU CYFYNGEDIG

Condition F of the Instrument of Appointment under which Dŵr Cymru Cyfyngedig, the Group's regulated utility business, operates, requires specified accounting statements to be published. Copies of these accounts will be available from the Company Secretary after 3 September 1993.

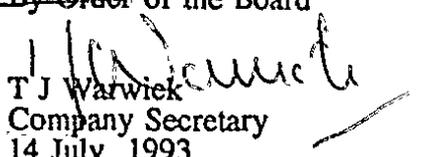
**SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING**

At the Annual General Meeting on 2 September 1993, a special resolution will be proposed to authorise the directors to allot equity securities for cash. The ordinary resolutions to be proposed are set out in the Notice of Meeting on page 43.

**AUDITORS**

Coopers & Lybrand have signified their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

~~By Order of the Board~~

  
T J Warwick  
Company Secretary  
14 July 1993

# STATEMENTS OF RESPONSIBILITY AND AUDITORS' REPORT

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit, total recognised gains and cashflows of the Group for the year. In preparing the financial statements, the directors ensure that appropriate accounting policies have been adopted and applied consistently, that applicable accounting standards have been followed and that reasonable and prudent judgements have been made.

It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the Company and the Group and to institute and maintain systems and controls designed to prevent and detect fraud and other irregularities.

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

We have audited the financial statements on pages 8 to 39.

### Respective responsibilities of directors and auditors

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

### Basis of opinion

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

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

### Opinion

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

*Coopers & Lybrand*

Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
Cardiff

14 July 1993

## PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom. A summary of the principal Group accounting policies, which have been consistently applied, is shown below.

### CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL INFORMATION

Since the previous Annual Report the Accounting Standards Board has issued two Financial Reporting Standards FRS2 - Accounting for Subsidiary Undertakings and FRS3 - Reporting Financial Performance. These financial statements comply with both Standards and comparative figures have been restated accordingly.

FRS3 prescribes a new format for the profit and loss account, virtually eliminates extraordinary items and changes the basis of calculation of earnings per share. FRS3 requires profits or losses on the sale or termination of an operation, profits or losses on disposal of assets and costs relating to a fundamental reorganisation or restructuring which have a material effect on the nature and focus of the Group to be disclosed separately on the face of the profit and loss account. In addition, a statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds are required.

### BASIS OF ACCOUNTING

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

### BASIS OF CONSOLIDATION

The Group financial statements comprise a consolidation of the financial statements of Welsh Water PLC and all its subsidiary undertakings and include the Group's share of the profits or losses and retained earnings of associated undertakings. The financial statements of each company in the Group are prepared to 31 March. Uniform accounting policies are adopted throughout the Group.

### ACQUISITIONS AND DISPOSALS

The results of companies and businesses acquired during the year are dealt with in the consolidated financial statements from the date of acquisition. Where appropriate, adjustments are made to bring different accounting policies of newly acquired companies into line with the existing Group accounting policies.

Goodwill arising from the purchase of subsidiary undertakings and investments in associated undertakings, representing the excess of the fair value of the purchase consideration (including costs of acquisition) over the fair value of net assets acquired, is written off on acquisition against consolidated reserves.

The profit or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

### TURNOVER

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

### EXCEPTIONAL ITEMS

Exceptional items are those that need to be disclosed by virtue of their size and incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

## INTANGIBLE FIXED ASSETS

Intangible fixed assets are included at cost and are amortised over their estimated useful economic lives. Where fishing rights effectively have an infinite life, they are not amortised.

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

Leasehold buildings	over the period of the lease
Freehold 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 commissioned.

Freehold hotel properties are not depreciated, on the basis that they are maintained in a constant state of good repair and the cost of such maintenance is charged to the profit and loss account. As a result of their long economic life and estimated residual value any depreciation charge would not be material. The estimated residual values are based on existing use valuations regularly undertaken by independent professional valuers. Major refurbishment is provided for by way of an annual renewals provision which is charged to the profit and loss account. Where in the opinion of the directors there has been a permanent diminution in value against the original cost, the shortfall is provided for in the profit and loss account.

### 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 life and the lease period. 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.

## GRANTS AND CONTRIBUTIONS

Grants and contributions in respect of specific expenditure on non-infrastructure fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets. Grants, contributions and infrastructure charges relating to infrastructure assets, which are non-depreciating assets, have been offset against fixed assets (see note 12(d)).

## INVESTMENTS

Long term investments held as fixed assets are stated at cost less amounts written off or provided to reflect permanent diminutions 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 the lower of cost and net realisable value which takes account of 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.

## AMOUNTS RECOVERABLE ON CONTRACTS

Amounts recoverable on contracts represent work undertaken but not yet invoiced to customers. These amounts, which are included in debtors, are stated at cost plus attributable profit to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts, less payments on account. For this purpose, cost comprises the direct costs of providing the service, together with directly attributable overheads. All contracts are accounted for as long term contracts.

## PENSION COSTS

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. Contribution rates are based on the advice of a professionally qualified actuary. Any difference between the charge to the profit and loss account and contributions paid is shown as an asset or liability in the balance sheet.

## FOREIGN CURRENCIES

On consolidation, balance sheets and profit and loss accounts of subsidiary undertakings are translated into sterling at closing rates of exchange. Exchange differences resulting from the translation at closing rates of net investments in subsidiary and associated undertakings are dealt with in reserves. All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

## RESEARCH AND DEVELOPMENT

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.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1993**

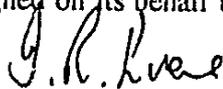
	Note	1993 £m	1992 As restated £m
<b>Turnover</b>			
Continuing operations		373.9	341.9
Acquisition*		8.5	-
<b>Total turnover</b>	2	382.4	341.9
<b>Net operating costs</b>			
Continuing operations	3	(253.3)	(225.2)
Exceptional net operating costs	4	(2.8)	(0.8)
<b>Total operating costs</b>		(256.1)	(226.0)
<b>Operating profit</b>			
Continuing operations		125.8	115.9
Acquisitions		0.5	-
<b>Total operating profit</b>		126.3	115.9
Profit on disposal of fixed asset investments	4	17.0	-
Profit on disposal of fixed assets	4	0.4	1.4
Loss on disposal of subsidiary	4	-	(0.2)
Share of results of associated undertakings		-	(0.6)
Investment income	6	2.7	3.5
<b>Profit on ordinary activities before interest</b>		146.4	120.0
Interest receivable		29.6	26.7
Interest payable	7	(20.5)	(8.5)
<b>Profit on ordinary activities before taxation</b>		155.5	138.2
Taxation	8	(5.4)	(10.9)
<b>Profit on ordinary activities after taxation</b>		150.1	127.3
Minority interests		0.1	-
<b>Profit for the year</b>		150.2	127.3
Dividends	9	(34.1)	(30.8)
<b>Retained profit for the year</b>	27	116.1	96.5
<b>Earnings per ordinary share</b>	10	104.1p	88.4p

## BALANCE SHEETS AT 31 MARCH 1993

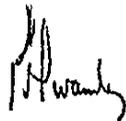
	Note	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
<b>Fixed assets</b>					
Intangible assets	11	0.6	0.9	-	-
Tangible assets	12	1068.4	929.1	3.0	0.2
Investments	13	1.6	42.1	347.4	352.2
		<u>1070.6</u>	<u>972.1</u>	<u>350.4</u>	<u>352.4</u>
<b>Current assets</b>					
Stocks and work in progress	15	6.5	6.8	-	-
Debtors	16	125.6	79.3	64.0	44.4
Current asset investments	17	271.9	280.3	164.7	122.0
Cash at bank and in hand		10.5	4.9	0.2	0.4
		<u>414.5</u>	<u>371.3</u>	<u>228.9</u>	<u>166.8</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	18(a)	(174.0)	(142.1)	(46.8)	(39.2)
<b>Net current assets</b>		<u>240.5</u>	<u>229.2</u>	<u>182.1</u>	<u>127.6</u>
<b>Total assets less current liabilities</b>		<u>1311.1</u>	<u>1201.3</u>	<u>532.5</u>	<u>480.0</u>
<b>Creditors: amounts falling due after more than one year</b>	18(b)	(214.1)	(185.1)	(75.0)	(75.0)
<b>Provisions for liabilities and charges</b>	23	(57.4)	(55.1)	-	-
<b>Net assets</b>		<u>1039.6</u>	<u>961.1</u>	<u>457.5</u>	<u>405.0</u>
<b>Capital and reserves</b>					
Called up share capital	24	145.1	144.2	145.1	144.2
Share premium account	26	132.8	131.1	132.8	131.1
Reserves	27	760.9	685.6	179.6	129.7
		<u>1038.8</u>	<u>960.9</u>	<u>457.5</u>	<u>405.0</u>
<b>Shareholders' funds</b>					
Minority interests		0.8	0.2	-	-
		<u>1039.6</u>	<u>961.1</u>	<u>457.5</u>	<u>405.0</u>

The financial statements on pages 8 to 39 were approved by the Board of Directors on 14 July 1993 and were signed on its behalf by:

I R Evans  
Chairman



P J Twamley  
Finance Director



**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 1993**

	Note	1993 £m	1992 £m
<b>Net cash inflow from operating activities</b>	28	153.2	137.1
<b>Returns on investments and servicing of finance</b>			
Interest received		29.3	30.4
Interest paid		(12.3)	(7.2)
Interest element of finance leases		(0.1)	(0.2)
Investment income received		2.0	2.6
Dividends paid		(31.9)	(29.0)
Minority interests		-	(0.1)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(13.0)	(3.5)
<b>Taxation</b>			
UK corporation tax paid		(9.3)	(8.7)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(181.2)	(192.2)
Sale of tangible fixed assets		0.7	2.1
Purchase of fixed asset investments		(10.6)	(25.2)
Sale of fixed asset investments		69.2	-
Grants and contributions received		10.7	12.3
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	34	(42.6)	-
<b>Net cash outflow from investing activities</b>		(153.8)	(203.0)
<b>Net cash outflow before financing</b>		(22.9)	(78.1)
<b>Financing</b>			
New long term loans and Eurobonds		-	145.0
Long term loans repaid		(7.1)	(2.0)
New finance leases		25.3	23.7
Capital payments under finance leases		(0.6)	(0.6)
Decrease/(increase) in deposits and other money market investments	31	81.0	(47.3)
Expenses on issuing Eurobonds		-	(1.0)
Proceeds from issue of shares		2.6	0.3
<b>Net cash inflow from financing</b>	29 & 31	101.2	118.1
<b>Increase in cash and cash equivalents</b>	30	78.3	40.0

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 1993**

	1993 £m	1992 £m
Profit for the financial year attributable to shareholders	150.2	127.3
Currency translation differences on foreign currency net investments	(0.4)	-
Total recognised gains and losses for the year	----- 149.8 -----	----- 127.3 -----

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 1993**

	1993 £m	1992 £m
Total recognised gains and losses for the year	149.8	127.3
Dividends	(34.1)	(30.8)
New share capital issued	0.9	0.1
Premium on share capital issued	1.7	0.2
Expenses of Eurobond issue	-	(1.0)
Goodwill written off	(40.4)	-
Net increase in shareholders' funds	----- 77.9	----- 95.8
At 1 April	960.9	865.1
At 31 March	----- 1038.8 -----	----- 960.9 -----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**1 COMPANY PROFIT AND LOSS ACCOUNT**

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company has not been included in these financial statements. The profit for the year dealt with in the accounts of the Company was £84.0m (1992 £109.7m).

**2 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS**

Turnover	Total turnover £m	Inter segment turnover £m	External turnover £m
<b>Year ended 31 March 1993:</b>			
<u>Continuing operations:</u>			
Regulated water and sewerage activities	358.0	2.1	355.9
Non regulated activities	62.2	44.2	18.0
	-----	-----	-----
	420.2	46.3	373.9
<u>Acquisitions:</u>			
Non regulated activities	8.5	-	8.5
	-----	-----	-----
	428.7	46.3	382.4
	-----	-----	-----
<b>Year ended 31 March 1992:</b>			
<u>Continuing operations:</u>			
Regulated water and sewerage activities	329.7	1.6	328.1
Non regulated activities	49.0	35.2	13.8
	-----	-----	-----
	378.7	36.8	341.9
	-----	-----	-----
<b>Profit on ordinary activities before taxation</b>		<b>1993</b>	<b>1992</b>
		£m	£m
<u>Continuing operations:</u>			
Regulated water and sewerage activities		136.6	138.4
Non regulated activities		19.4	2.4
Business development costs and common costs		(0.9)	(2.6)
		-----	-----
		155.1	138.2
<u>Acquisitions:</u>			
Non regulated activities		0.4	-
		-----	-----
		155.5	138.2
		-----	-----

Included in the profit on ordinary activities before taxation on non regulated activities is the £17.0m profit on disposal of the South Wales Electricity plc investment and the £2.5m written off the freehold hotel and leisure property values.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**2 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS (continued)**

Net assets	1993	1992
	£m	£m
Regulated water and sewerage activities	905.8	841.8
Non regulated activities	133.8	119.3
	-----	-----
	1039.6	961.1
	-----	-----

Substantially all turnover and profit before taxation, by origin and destination, was attributable to the UK including post acquisition results for Acer Group Limited.

**3 NET OPERATING COSTS**

	Note	1993	1992
		£m	As restated £m
<u>Continuing operations:</u>			
Change in stocks and work in progress		0.3	(1.0)
Infrastructure renewals expenditure	23(b)	21.7	19.8
Staff costs		78.1	66.9
Depreciation:			
Own assets		30.5	27.7
Assets held under finance leases		2.1	1.5
Research and development		0.8	0.8
Rentals under operating leases:			
Hire of plant and equipment		6.4	5.6
Land and buildings		1.5	0.7
Other		1.9	1.2
Fees paid to auditors:			
Audit services		0.2	0.2
Taxation services		0.2	0.2
Consultancy services		0.3	0.7
Other operating charges		112.6	101.7
Amortisation of grants and contributions	23(c)	(3.1)	(0.6)
Other operating income:			
Net rents receivable		(0.2)	(0.2)
		-----	-----
		253.3	225.2
		-----	-----

In addition, fees of £0.8m were paid to the auditors in respect of due diligence costs on the acquisition of Acer Group Limited.

The total figures for continuing operations include the following amounts relating to acquisitions:

	1993	1992
	£m	£m
Staff costs	4.2	-
Depreciation	0.2	-
Rentals under operating leases:		
Land and buildings	0.3	-
Other operating charges	3.3	-
	-----	-----
	8.0	-
	---	---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

<b>4</b>	<b>EXCEPTIONAL ITEMS</b>	1993 £m	1992 £m
	<u>Continuing operations:</u>		
	Exceptional net operating costs:		
	Amounts written off intangible fixed assets	(0.3)	-
	Amounts written off tangible fixed assets	(2.2)	-
	Amounts written off fixed asset investments	(0.3)	(0.8)
		-----	-----
		(2.8)	(0.8)
	Profit on disposal of fixed asset investments	17.0	-
	Profit on disposal of fixed assets	0.4	1.4
	Loss on disposal of subsidiary	-	(0.2)
		-----	-----
	Total exceptional items	14.6	0.4
		-----	-----

The tax charge attributable to the disposal of fixed assets is £1.2m (1992 £0.1m) after deducting the appropriate advance corporation tax relief. This tax charge has also been included in note 8.

**5 DIRECTORS AND EMPLOYEES**

**(a) Directors' Remuneration**

Executive directors' remuneration represents salary plus a bonus based on the profitability of the Group. The basis of remuneration is fixed by the Remuneration Committee after taking independent specialist advice.

The combined emoluments of the directors of Welsh Water PLC for their services as directors of the Company and its subsidiaries are set out below:

	1993 £000	1992 £000
Fees	57	48
Contributions to pension schemes	60	43
Emoluments (including benefits in kind)	511	330
Performance related bonus	84	45
Compensation for loss of office	-	176
Pension to former director	14	4
Less amount received for services as a director of another public limited company	(30)	(30)
	-----	-----
	696	616
	-----	-----

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

	1993 £000	1992 £000
The Chairman and highest paid director		
- emoluments	130	123
- performance related bonus	26	18
	-----	-----
	156	141
- less amount received for services as a director of another public limited company	(30)	(30)
	-----	-----
	126	111
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**5 DIRECTORS AND EMPLOYEES (continued)**

**(a) Directors' Remuneration (continued)**

J E Jones assigned to the Company his right to the £30,000 referred to above.

The combined fees and emoluments (excluding pension contributions and compensation for loss of office) were in the following ranges:

	1993 Number	1992 Number
£ 10,001 - £ 15,000	-	3
£ 15,001 - £ 20,000	2	-
£ 20,001 - £ 25,000	-	1
£ 30,001 - £ 35,000	-	1
£ 55,001 - £ 60,000	2	-
£ 85,001 - £ 90,000	-	1
£ 95,001 - £ 100,000	-	1
£ 105,001 - £ 110,000	1	-
£ 110,001 - £ 115,000	1	-
£ 125,001 - £ 130,000	1	-
£ 140,001 - £ 145,000	-	1
£ 155,001 - £ 160,000	1	-

**(b) Staff Costs**

	1993 £m	1992 £m
Wages and salaries	87.7	75.6
Social security costs	7.1	5.9
Pension costs	7.9	6.9
	-----	-----
	102.7	88.4
	-----	-----

Of the above, £24.6m (1992 £21.5m) has been charged to capital.

**(c) Average Weekly Number of Employees during the year**

	1993 Number	1992 Number
Regulated water and sewerage activities	3481	3547
Non regulated activities	1517	1149
	-----	-----
	4998	4696
	-----	-----

The average weekly number of employees in 1993 includes Acer Group Limited employees from 21 February 1993. The average weekly number of employees in Acer Group Limited for the eleven month period to 31 March 1993 was 2065.

**6 INVESTMENT INCOME**

Investment income of £2.7m (1992 £3.5m) represents dividends received from South Wales Electricity plc together with the related tax credit. The South Wales Electricity plc shares were sold on 15 December 1992, realising a profit on disposal of £17.0m

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

<b>7</b>	<b>INTEREST PAYABLE</b>	1993 £m	1992 £m
	On bank loans, overdrafts and other loans		
	- repayable within five years, not by instalments	1.0	4.2
	- repayable wholly or partly in more than five years	16.5	4.2
		-----	-----
		17.5	8.4
	On finance leases	3.0	0.1
		-----	-----
		20.5	8.5
		-----	-----
<b>8</b>	<b>TAXATION</b>	1993 £m	1992 £m
	Based on the results for the year:		
	UK corporation tax at 33%	11.3	10.1
	Tax attributable to dividends received	0.7	0.9
	Overseas taxation	0.1	(0.1)
	Advance corporation tax written back	(4.5)	-
		-----	-----
		7.6	10.9
	Prior year adjustments:		
	Corporation tax	(8.0)	-
	Advance corporation tax	5.8	-
		-----	-----
		5.4	10.9
		-----	-----

The tax charge has been reduced by £40m (1992 £37m) in respect of excess tax allowances over depreciation and other timing differences on which, in accordance with the Group's accounting policy, no deferred tax has been provided. The tax liability for the year and previous years is still subject to negotiation with the Inland Revenue.

The cumulative amount of advance corporation tax written off of £16.1m (1992 £14.8m) remains available to reduce any future liabilities to UK corporation tax. There are losses within the Group of approximately £7m (1992 nil) available to carry forward against future profits of those companies which incurred the losses.

<b>9</b>	<b>DIVIDENDS</b>	1993 £m	1992 £m
	Interim paid of 7.8p per ordinary share (1992 7.13p)	11.3	10.3
	Final proposed of 15.7p per ordinary share (1992 14.27p)	22.8	20.5
		-----	-----
		34.1	30.8
		-----	-----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

<b>10</b>	<b>EARNINGS PER ORDINARY SHARE</b>	1993	1992
	Earnings per ordinary share	104.1p	88.4p
		-----	-----

Earnings per ordinary share has been calculated on the basis of profit after taxation and minority interests of £150.2m (1992 £127.3m) and by reference to 144,290,523 (1992 144,084,127) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Earnings per ordinary share on a nil distribution basis is 105.0p (1992 88.4p).

**11 INTANGIBLE FIXED ASSETS**

<b>Group</b>	1993	1992
	£m	£m
<b>Fishing Rights</b>		
<b>Cost</b>		
At 1 April	0.9	0.9
	-----	-----
<b>Amounts written off</b>		
Charge for the year	0.3	-
	-----	-----
<b>Net book value</b>		
At 31 March	0.6	0.9
	-----	-----

Amounts written off in the year are in respect of a valuation undertaken by independent professional valuers at the year end.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**12 TANGIBLE FIXED ASSETS**

Group	Freehold land and buildings £m	Leasehold properties and improvements £m	Infra structure assets £m	Vehicles plant and equipment £m	Operational structures £m	Total £m
<b>Cost</b>						
At 1 April 1992	52.9	-	378.8	162.9	544.6	1139.2
Reclassification	(0.1)	-	-	0.1	-	-
	<u>52.8</u>	<u>-</u>	<u>378.8</u>	<u>163.0</u>	<u>544.6</u>	<u>1139.2</u>
<b>Additions</b>	6.0	-	51.6	18.3	100.4	176.3
Subsidiary acquired in the year	-	2.0	-	13.6	-	15.6
Grants and contributions	-	-	(9.1)	-	-	(9.1)
Disposals	-	-	-	(1.8)	-	(1.8)
	<u>58.8</u>	<u>2.0</u>	<u>421.3</u>	<u>193.1</u>	<u>645.0</u>	<u>1320.2</u>
<b>Accumulated depreciation</b>						
At 1 April 1992	10.1	-	-	68.1	131.9	210.1
Reclassification	0.1	-	-	(0.1)	-	-
	<u>10.2</u>	<u>-</u>	<u>-</u>	<u>68.0</u>	<u>131.9</u>	<u>210.1</u>
Subsidiary acquired in the year	-	0.7	-	7.8	-	8.5
Charge for the year	1.0	-	-	17.9	13.7	32.6
Amounts written off in the year	2.2	-	-	-	-	2.2
Disposals	-	-	-	(1.6)	-	(1.6)
	<u>13.4</u>	<u>0.7</u>	<u>-</u>	<u>92.1</u>	<u>145.6</u>	<u>251.8</u>
<b>Net book value</b>						
At 31 March 1993	45.4	1.3	421.3	101.0	499.4	1068.4
At 31 March 1992	42.8	-	378.8	94.8	412.7	929.1
<b>Utilisation at 31 March 1993</b>						
Owned	45.4	1.3	421.3	97.4	451.9	1017.3
Held under finance leases	-	-	-	3.6	47.5	51.1
	<u>45.4</u>	<u>1.3</u>	<u>421.3</u>	<u>101.0</u>	<u>499.4</u>	<u>1068.4</u>

- (a) Tangible fixed assets at 31 March 1993 include £126.3m (1992 £129.2m) of assets in the course of construction, which are not depreciated until commissioned.
- (b) Reclassification has arisen as a result of the Group's continuing refinement of its historical fixed asset information.
- (c) The amounts written off in the year are in respect of freehold hotel properties in accordance with Group accounting policies and based on the directors' valuations after taking appropriate professional advice.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**12 TANGIBLE FIXED ASSETS (continued)**

(d) The treatment of accounting for grants, contributions and infrastructure charges in respect of infrastructure assets is described in the Principal Accounting Policies on page 10. This treatment has been adopted in accordance with section 226(5) of the Companies Act 1985 in order to show a true and fair view as in the opinion of the directors, it is not appropriate to treat grants, contributions and infrastructure charges on infrastructure assets as deferred income. The fixed assets to which they relate are not depreciated and accordingly no basis exists on which to recognise such contributions as deferred income. The contributions relate directly to investment in infrastructure assets and are therefore deducted directly from their purchase or production cost. As a consequence the net book value for fixed assets is £79.0m lower (1992 £69.9m) than it would have been had this treatment not been adopted.

**Company**

	Freehold land and buildings £m	Vehicles plant and equipment £m	Total £m
<b>Cost</b>			
At 1 April 1992	-	0.3	0.3
Additions	2.5	0.4	2.9
	-----	-----	-----
At 31 March 1993	2.5	0.7	3.2
	-----	-----	-----
<b>Accumulated depreciation</b>			
At 1 April 1992	-	0.1	0.1
Charge for the year	-	0.1	0.1
	-----	-----	-----
At 31 March 1993	-	0.2	0.2
	-----	-----	-----
<b>Net book value</b>			
At 31 March 1993	2.5	0.5	3.0
	-----	-----	-----
At 31 March 1992	-	0.2	0.2
	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**13 FIXED ASSET INVESTMENTS**

Group	Interests in associated undertakings £m	Listed investments £m	Unlisted investments £m	Total £m
<b>Cost</b>				
At 1 April 1992	1.0	41.2	1.1	43.3
Subsidiary acquired in the year	1.4	-	-	1.4
Additions	-	10.6	-	10.6
Disposals in the year	(1.0)	(51.8)	-	(52.8)
At 31 March 1993	1.4	-	1.1	2.5
<b>Amounts written off</b>				
At 1 April 1992	0.6	-	0.6	1.2
Charge for the year	-	-	0.3	0.3
Disposals in the year	(0.6)	-	-	(0.6)
At 31 March 1993	-	-	0.9	0.9
<b>Net book value</b>				
At 31 March 1993	1.4	-	0.2	1.6
At 31 March 1992	0.4	41.2	0.5	42.1
<b>Company</b>	Interests in Group undertakings £m	Listed investments £m	Unlisted investments £m	Total £m
<b>Cost</b>				
At 1 April 1992	311.3	41.2	0.9	353.4
Additions	46.0	10.6	0.1	56.7
Disposals in the year	(3.6)	(51.8)	-	(55.4)
At 31 March 1993	353.7	-	1.0	354.7
<b>Amounts written off</b>				
At 1 April 1992	0.6	-	0.6	1.2
Charge for the year	6.4	-	0.3	6.7
Disposals in the year	(0.6)	-	-	(0.6)
At 31 March 1993	6.4	-	0.9	7.3
<b>Net book value</b>				
At 31 March 1993	347.3	-	0.1	347.4
At 31 March 1992	310.7	41.2	0.3	352.2

Subsidiary undertakings are listed in note 40 on page 39.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**14 ACQUISITION OF ACER GROUP LIMITED**

On 21 February 1993 the Group acquired the issued share capital of Acer Group Limited for a cash consideration of £23.2m. Adjustments were made to the book value of the net assets acquired to reflect their fair value and to align the accounting policies with those of the Group. After taking account of provisions for reorganisation, which included provisions for the integration of Wallace Evans Limited, a fellow subsidiary principally engaged in engineering consultancy, the total fair value of the net liabilities was £17.2m. In accordance with the Group's accounting policy, acquisition accounting has been used for the purchase and goodwill of £40.4m arising on consolidation has been written off directly to reserves. A summary of the goodwill calculation is as follows:

	Book value	Adjustments to align accounting policies	Fair value adjustments	Reorganisation provisions	Fair value to the Group
	£m	£m	£m	£m	£m
Intangible fixed assets	9.5	(9.5)	-	-	-
Tangible fixed assets	7.1	-	-	-	7.1
Investments	1.7	-	(0.3)	-	1.4
Debtors and amounts recoverable					
on contracts	52.0	-	(11.5)	-	40.5
Cash at bank and in hand	1.1	-	-	-	1.1
Creditors	(26.5)	-	(3.9)	-	(30.4)
Bank overdraft	(20.5)	-	-	-	(20.5)
Reorganisation and other provisions	-	-	(1.3)	(6.5)	(7.8)
Loans and finance leases	(7.9)	-	-	-	(7.9)
Minority interests	(0.7)	-	-	-	(0.7)
	-----	-----	-----	-----	-----
Net assets/(liabilities) acquired	15.8	(9.5)	(17.0)	(6.5)	(17.2)
	----	----	----	----	----
Goodwill					40.4
					-----
Consideration including costs					23.2
					----

The adjustment to align accounting policies relates to goodwill on acquisitions. Fair value adjustments principally comprise the refinements adopted post acquisition in accounting for long term contracts, the full funding of pension schemes, and revisions to the valuation of other assets and liabilities acquired. Provisions for reorganisation include the establishment of provisions for the cost of restructuring operations.

The fair values attributed to certain assets and liabilities and the related consideration are provisional and will be adjusted, if necessary, in subsequent years with a consequential adjustment to goodwill.

The pre-acquisition loss before taxation of Acer Group Limited was £14.1m after fair value and reorganisation provisions of £14.4m. The profit before taxation for the 12 months to 30 April 1992 was £4.7m. The post acquisition profit before taxation amounted to £0.2m.

**15 STOCKS AND WORK IN PROGRESS**

	Group	
	1993	1992
	£m	£m
Consumable stores	4.7	5.0
Work in progress	1.8	1.8
	-----	-----
	6.5	6.8
	----	----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**16 DEBTORS**

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
<b>Amounts falling due within one year:</b>				
Trade debtors	50.9	43.8	-	-
Amounts recoverable on contracts	15.9	0.9	-	-
Amounts due from subsidiary undertakings	-	-	54.0	40.3
Amounts due from associated undertakings	0.8	-	-	-
Other debtors	13.6	10.0	0.3	0.3
Prepayments and accrued income	36.4	22.6	2.3	1.9
Recoverable advance corporation tax	7.4	1.9	7.4	1.9
	-----	-----	-----	-----
	125.0	79.2	64.0	44.4
<b>Amounts falling due after more than one year:</b>				
Other debtors	0.6	0.1	-	-
	-----	-----	-----	-----
	125.6	79.3	64.0	44.4
	-----	-----	-----	-----

**17 CURRENT ASSET INVESTMENTS**

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Fixed term and call deposits	271.9	243.5	164.7	107.7
Other money market investments	-	36.8	-	14.3
	-----	-----	-----	-----
	271.9	280.3	164.7	122.0
	-----	-----	-----	-----

Of the above amounts £nil (1992 £63.5m) mature after more than one year, and £105.1m (1992 £32.5m) is regarded as cash equivalents in the cashflow statement.

The market value of investments is not significantly different from cost.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**18 CREDITORS**

	Note	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
<b>(a) Amounts falling due within one year:</b>					
Bank loans and overdrafts		11.9	11.6	-	-
Other loans	19(b)	3.6	4.5	2.7	3.6
Payments received on account on contracts		4.8	-	-	-
Obligations under finance leases	20	1.4	0.5	-	-
Trade creditors		57.9	56.7	-	-
Amounts due to subsidiary undertakings		-	-	7.3	3.2
Dividend proposed		22.8	20.5	22.8	20.5
Corporation tax		15.1	12.6	11.6	10.0
Other taxation and social security		5.7	3.3	0.1	0.1
Other creditors		41.9	29.3	-	-
Accruals and deferred income		8.9	3.1	2.3	1.8
		<u>174.0</u>	<u>142.1</u>	<u>46.8</u>	<u>39.2</u>
		-----	-----	-----	-----
<b>(b) Amounts falling due after more than one year:</b>					
10.75% Eurobonds 2002	19(a)	75.0	75.0	75.0	75.0
Other loans	19(b)	81.5	82.5	-	-
Obligations under finance leases	20	50.7	24.2	-	-
Other creditors:					
Between one and five years		6.9	3.4	-	-
		<u>214.1</u>	<u>185.1</u>	<u>75.0</u>	<u>75.0</u>
		-----	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**19 LOANS**

**(a) Eurobonds**

On 7 November 1991 the Company issued Eurobonds with a total nominal value of £75m. The Eurobonds carry interest at 10.75% and are wholly repayable in March 2002.

**(b) Other Loans**

	Group		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Repayable wholly within five years	3.7	3.6	2.7	3.6
Repayable by instalments within five years	10.7	10.1	-	-
Repayable by instalments after five years	70.7	73.3	-	-
	-----	-----	-----	-----
	85.1	87.0	2.7	3.6
	-----	-----	-----	-----
Due for repayment as follows:				
Within one year	3.6	4.5	2.7	3.6
Between one and two years	2.9	0.9	-	-
Between two and five years	8.0	8.3	-	-
After more than five years	70.6	73.3	-	-
	-----	-----	-----	-----
	85.1	87.0	2.7	3.6
	-----	-----	-----	-----

Interest rates on these loans range between 7.5% and 13.5%.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**20 FINANCE LEASES**

**Group**

Amounts due under finance leases are payable as follows:

	1993 £m	1992 £m
Within one year	1.4	0.5
Between one and two years	1.2	0.3
Between two and five years	0.6	0.2
After five years	48.9	23.7
	-----	-----
	52.1	24.7
	-----	-----

**Company**

The Company had no finance lease obligations at 31 March 1993 or at 31 March 1992.

**21 CAPITAL COMMITMENTS**

**Group**

	1993 £m	1992 £m
Contracted for but not provided in the financial statements	68.1	106.2
	-----	-----
Authorised but not yet contracted for	47.4	4.7
	-----	-----

Apart from these commitments, in order to meet regulatory and service standards, the Group has longer term capital expenditure obligations totalling approximately £1.9 billion at current prices over the next ten years, which include investments to meet shortfalls in performance and condition, and to provide for new demands and growth.

**Company**

The Company had no capital commitments at 31 March 1993 or at 31 March 1992.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**22 LEASING COMMITMENTS**

**Group**

	Land and buildings		Other	
	1993 £m	1992 £m	1993 £m	1992 £m
At 31 March 1993 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:				
Within one year	0.9	-	0.5	-
Between two and five years	3.1	-	2.5	1.8
After five years	3.1	0.9	-	-
	----- 7.1	----- 0.9	----- 3.0	----- 1.8
	-----	-----	-----	-----

**Company**

The Company had no operating lease commitments at 31 March 1993 or at 31 March 1992.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**23 PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group</b>	<b>Note</b>	<b>1993 £m</b>	<b>1992 £m</b>
Deferred taxation	(a)	-	-
Infrastructure maintenance provision	(b)	9.9	15.5
Deferred income	(c)	34.4	35.9
Group insurance fund	(d)	5.2	3.6
Reorganisation provision	(e)	7.8	-
Other provisions		0.1	0.1
		-----	-----
		57.4	55.1
		-----	-----
<b>Company</b>			

The Company had no provisions for liabilities and charges at 31 March 1993 or at 31 March 1992.

**(a) Deferred Taxation**

No provision is required for deferred taxation in accordance with the policy described in the Principal Accounting Policies on page 10. The full potential liability to deferred taxation comprises:

<b>Group</b>	<b>1993 £m</b>	<b>1992 £m</b>
Accelerated capital allowances	128.2	92.9
Other timing differences	(4.5)	(5.5)
	-----	-----
Chargeable gains on properties rolled over	123.7	87.4
Earnings retained overseas	0.2	-
	1.9	-
	-----	-----
Advance corporation tax	125.8	87.4
	(23.5)	(16.7)
	-----	-----
	102.3	70.7
	-----	-----

**Company**

The Company had no potential liability to deferred taxation.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**23 PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**(b) Infrastructure Maintenance Provision**

<b>Group</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
At 1 April	15.5	13.9
Charge for the year	21.7	19.8
Expenditure in the year	(27.3)	(18.2)
	-----	-----
At 31 March	9.9	15.5
	-----	-----

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.

**(c) Deferred Income**

<b>Group</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
At 1 April	35.9	34.2
Receivable during the year	1.6	2.3
Released to profit and loss account	(3.1)	(0.6)
	-----	-----
At 31 March	34.4	35.9
	-----	-----

Deferred income represents grants and contributions received in respect of investment in non-infrastructure fixed assets. These grants are amortised to the profit and loss account over the estimated useful economic life of the related assets.

**(d) Group Insurance Fund**

<b>Group</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
At 1 April	3.6	2.5
Premiums	2.5	2.2
Claims	(1.2)	(2.8)
Investment income	0.4	0.3
Provision charged against profit	(0.1)	1.4
	-----	-----
At 31 March	5.2	3.6
	-----	-----

Cover against certain environmental risks and employer and public liability risks is provided by Brecon Insurance Company Limited, a wholly owned subsidiary undertaking of the Group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**23 PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**(e) Reorganisation Provision**

Group	Note	1993 £m	1992 £m
Provisions during the year:			
Restructuring costs		6.5	-
Pension costs		1.3	-
	14	----- 7.8	----- -
		-----	-----

**24 CALLED UP SHARE CAPITAL**

	1993 £m	1992 £m
Authorised:		
200,000,000 Ordinary shares of £1 each	200.0	200.0
1 Special Rights Redeemable Preference share of £1	-	-
	----- 200.0	----- 200.0
	-----	-----
Allotted, called up and fully paid:		
145,118,796 Ordinary shares of £1 each (1992 144,194,176)	145.1	144.2
1 Special Rights Redeemable Preference share of £1	-	-
	----- 145.1	----- 144.2
	-----	-----

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.

The movement in the issued ordinary shares resulted from the exercise of share options under the Company's Employee Sharesave Scheme and Executive Share Option Scheme at prices between 176p and 350p per share.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**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 undertakings.

Under the share ownership scheme 512,656 (1992:525,400) ordinary shares of the Company were held in trust at 31 March 1993 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 within six months of 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 but not yet exercised under these schemes at 31 March 1993 together with their exercise prices and dates are shown below:

	Date option granted	Normal date of exercise	Option price per share	Number of ordinary shares	
				1993	1992
Employee Sharesave Scheme	Dec 1989	Dec 1994	176p	919,504	948,336
	Dec 1989	Dec 1996	176p	700,868	714,242
	Jul 1991	Jul 1996	284p	566,901	591,109
	Jul 1991	Jul 1998	284p	346,894	364,160
	Dec 1992	Dec 1997	409p	628,653	-
	Dec 1992	Dec 1999	409p	433,567	-
Executive Share Option Scheme	Jan 1990	Jan 1993 - Jan 2000	281p	121,041	975,194
	Jan 1990	Jan 1993 - Jan 2000	288p	-	11,951
	Jan 1991	Jan 1994 - Jan 2001	350p	205,891	230,914
	Jul 1991	Jul 1994 - Jul 2001	340p	460,959	493,456
	Jul 1991	Jul 1994 - Jul 2001	382p	20,942	20,942
	Dec 1991	Dec 1994 - Dec 2001	359p	1,561	1,561
	Jun 1992	Jun 1995 - Jun 2002	414p	150,223	-
			-----	-----	
			4,557,004	4,351,865	
			=====	=====	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**26 SHARE PREMIUM ACCOUNT**

	<b>Group £m</b>	<b>Company £m</b>
At 1 April 1992	131.1	131.1
Premium on shares issued in the year	1.7	1.7
	-----	-----
At 31 March 1993	132.8	132.8
	-----	-----

**27 RESERVES**

<b>Profit and Loss Account</b>	<b>Group £m</b>	<b>Company £m</b>
At 1 April 1992	685.6	129.7
Profit retained for the year	116.1	49.9
Foreign currency translation losses	(0.4)	-
Goodwill - arising on acquisition during the year	(40.4)	-
	-----	-----
At 31 March 1993	760.9	179.6
	-----	-----

The cumulative goodwill written off directly to reserves is £47.4m (1992 £7.0m).

**28 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>1993 £m</b>	<b>1992 As restated £m</b>
Operating profit	126.3	115.9
Depreciation of tangible fixed assets	32.6	29.2
Amounts written off intangible fixed assets	0.3	-
Amounts written off tangible fixed assets	2.2	-
Amounts written off fixed asset investments	0.3	0.8
Infrastructure maintenance accrual	(5.6)	1.6
Amortisation of grants and contributions	(3.1)	(0.6)
Net decrease/(increase) in stocks	0.3	(0.9)
Net decrease/(increase) in debtors	0.8	(10.2)
Net (decrease)/increase in creditors	(2.5)	0.2
Contribution from insurance fund	1.6	1.1
	-----	-----
Net cash inflow from operating activities	153.2	137.1
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**29 ANALYSIS OF CHANGES IN FINANCING IN THE YEAR**

	Share capital (including premium)		Long term loans & finance lease obligations	
	1993 £m	1992 £m	1993 £m	1992 £m
At 1 April	275.3	276.0	186.7	20.3
New capital leases	-	-	25.3	24.0
Long term loans	-	-	-	145.0
Loans and finance leases - obligations of subsidiary undertaking acquired during the year	-	-	7.9	-
Loan repayments	-	-	(7.1)	(2.0)
Finance lease repayments	-	-	(0.6)	(0.6)
Proceeds from issue of shares	2.6	0.3	-	-
Expenses on issuing Eurobonds	-	(1.0)	-	-
At 31 March	277.9	275.3	212.2	186.7

**30 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS IN THE YEAR**

	Note	1993 £m	1992 £m
At 1 April	32	25.8	(14.2)
Net cash inflow before adjustments for the effect of foreign exchange rate movements		78.3	40.0
Foreign exchange rate movements		(0.4)	-
At 31 March	32	103.7	25.8

**31 ANALYSIS OF CHANGES IN DEPOSITS AND INVESTMENTS IN THE YEAR**

	At 31 March 1993 £m	At 1 April 1992 £m	Change in year £m
Fixed term and call deposits and other money market investments	166.8	247.8	(81.0)

Current asset investments which are not treated as cash and cash equivalents are available to finance future capital investment and are therefore treated as a financing activity, rather than an investing activity, in the cashflow statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**32 ANALYSIS OF CASH AND CASH EQUIVALENTS**

	1993 £m	1992 £m
Cash at bank and in hand	10.5	4.9
Short term deposits and investments	105.1	32.5
Bank loans and overdrafts	(11.9)	(11.6)
	-----	-----
	103.7	25.8
	----	----

**33 PURCHASE OF SUBSIDIARY UNDERTAKING**

	1993 £m	1992 £m
Tangible fixed assets	7.1	-
Investments	1.4	-
Debtors and amounts recoverable on contracts	40.5	-
Cash at bank and in hand	1.1	-
Creditors	(30.4)	-
Bank overdraft	(20.5)	-
Reorganisation and other provisions	(7.8)	-
Loans and finance leases	(7.9)	-
Minority interests	(0.7)	-
	-----	-----
Goodwill	(17.2)	-
	40.4	-
	-----	-----
Total consideration	23.2	-
	---	---
Satisfied by:		
Cash including costs of acquisition	23.2	-
	----	----

**34 ANALYSIS OF NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKING**

	1993 £m	1992 £m
Cash consideration including costs of acquisition	23.2	-
Cash at bank and in hand acquired	(1.1)	-
Bank overdrafts of acquired subsidiary undertaking	20.5	-
	-----	-----
	42.6	-
	----	----

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**35 DIRECTORS' AND OFFICERS' LOANS AND TRANSACTIONS**

No loans or credit transactions with any directors, officers or connected persons subsisted during the year or were outstanding at the end of the year.

**36 PENSION SCHEMES**

The Company operates as principal employer two funded, defined benefit schemes, the Water Mirror Image Pension Scheme (WMIS) and the Water Pension Scheme (WPS), for the benefit of all eligible employees of the Welsh Water Group. The assets of the schemes are held separately from the assets of the Group and are administered by independent trustees.

The employer's contributions and the pension cost have been assessed in accordance with the advice of William M. Mercer Limited using the projected unit method for the WPS and the attained age method for the WMIS. For this purpose the main actuarial assumptions used are based upon investment growth of 9% per annum and pay growth of 7% per annum. 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 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 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 first actuarial valuation of the two schemes was carried out as at 31 March 1990. The total market value of the assets at the valuation date was £35.1m. Using the assumptions adopted for Statement of Standard Accounting Practice No.24 "Accounting for Pension Costs", the combined actuarial value of the assets represented 109% of the value of the accrued benefits after allowing for expected future earnings increases. A valuation due as at 31 March 1993 is currently being undertaken.

On 21 February 1993 the Group acquired Acer Group Limited which operates a number of defined benefit schemes for the benefit of all eligible employees. The assets of the schemes are held separately from the assets of the Group and are administered by independent trustees. The employer's contributions and the pension cost for all significant schemes have been assessed in accordance with the advice of a qualified actuary using the projected unit method.

The latest actuarial valuation of the principal UK scheme was carried out as at 1 May 1991. For this purpose the main actuarial assumptions used are based upon investment growth of 10% per annum and pay growth of 7.5% per annum. Pensions in payment and deferred pensions have been assumed to increase by 3% per annum. The total market value of the assets at the valuation date was £14.1m. Using the assumptions adopted for Statement of Standard Accounting Practice No.24 "Accounting for Pension Costs", the combined actuarial value of the assets represented 109% of the value of the accrued benefits after allowing for expected future earnings increases.

In addition to the principal UK scheme the Acer Group has a number of smaller pension schemes for directors, certain UK employees and overseas employees. The pension costs for these schemes are determined in accordance with the Statement of Standard Accounting Practice No. 24 and local best practice.

The Welsh Water Group pension cost, including the post acquisition pension cost for Acer Group Limited, was £7.9m (1992 £6.9m).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**37 CONTINGENT LIABILITIES**

**Company**

The Company has provided guarantees in respect of finance lease and loan facilities granted to its subsidiary Dwr Cymru Cyfyngedig amounting to £118.9m (1992 £93.7m). Further guarantees amounting to £206.1m (1992 £91.3m) could be provided if the remainder of the loan and finance lease facilities are fully drawn down.

The purchase agreement for the acquisition of Acer Group Limited includes provision for further consideration on that company attaining predetermined levels of profit in future years. The maximum amount payable under this agreement is £8.1m for which provision has not been made in these accounts.

On 31 May 1993 the Company also provided performance guarantees for Acer Consultants (Far East) Ltd.

**Group**

At 31 March 1993 there were contingent liabilities relating to subsidiary undertakings and group entities within the Acer Group in respect of the following:

- potential claims of £3.4m not covered by professional indemnity insurance
- performance guarantees in respect of projects amounting to £3.5m

**38 ELAN AQUEDUCT**

In 1984 Welsh Water Authority entered into a conditional sale and purchase agreement with Severn Trent Water Authority for the sale of 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 conditional sale, has been invested in a Trust Fund. The principal function of the Fund 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 Dwr Cymru Cyfyngedig under the provisions of the Water Act 1989. The assets of the Fund are not included in these financial statements.

**39 POST BALANCE SHEET EVENT**

On 14 July 1993 the directors resolved to sign a contract on 15 July 1993, with completion on 2 August 1993, under which the Group will lease for a period of 15 years four of its five hotels owned by its subsidiary undertakings Hamdden Limited and Dwr Cymru Cyfyngedig, to a major UK hotel group who will manage the hotels.

The residual freehold interests of these hotels will be transferred on 2 August 1993 to its subsidiary undertaking Pen y Fan Properties Limited. These transactions are not expected to have a material financial effect on the Group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**40 PRINCIPAL GROUP UNDERTAKINGS**

<b>SUBSIDIARY</b>	<b>COUNTRY OF INCORPORATION OR REGISTRATION</b>	<b>SHAREHOLDING</b>
<b>Dŵr Cymru Cyfyngedig</b>	England and Wales	100%
<b>Acer Group Limited</b>	England and Wales	100%
Acer Consultants Limited	England and Wales	100%
TecnEcon Limited	England and Wales	100%
Acer Consultants Sdn Bhd	Malaysia	100%
Acer Design Development and Management Limited	England and Wales	100%
Acer Engineering Limited	England and Wales	65%
Acer Holdings Inc	USA	100%
Acer Consultants (Pte) Limited	Singapore	100%
Acer Wargon Chapman Group Pty Limited	Australia	50%
Bosker GmbH	Germany	100%
Freeman Fox Group Limited	Hong Kong	100%
<b>Wallace Evans Limited</b>	England and Wales	100%
Union de Ingenieros y Economistas Consultores SA ("Unieco")	Spain	51%
Wallace Evans and Partners (Hong Kong) Limited	Hong Kong	100%
Wallace Evans (Asia) Limited	Hong Kong	100%
<b>Welsh Water Enterprises Limited</b>	England and Wales	100%
Watertec Environmental Systems Limited	England and Wales	100%
Beacon Pipeline Services Limited	England and Wales	100%
Daniel Pipelines Limited	England and Wales	100%
<b>Hamdden Limited</b>	England and Wales	100%
<b>Welsh Water Industrial Services Limited</b>	England and Wales	100%
<b>Welsh Water International Limited</b>	England and Wales	100%
<b>Brecon Insurance Company Limited</b>	England and Wales	100%
<b>Pen y Fan Properties Limited</b>	England and Wales	100%

All the above companies carry on businesses, the consolidated results of which, in the opinion of the directors, principally affect the amount of the profit or the assets of the Group. A complete list of all subsidiary companies is available from the Company Secretary.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**FIVE YEAR SUMMARY**

	Year ended 31 March				
	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
<b>Turnover</b>	219.6	255.3	293.0	341.9	382.4
<b>Operating profit</b>	78.8	64.8	94.1	115.9	126.3
Profit on disposal of fixed asset investments	-	-	-	-	17.0
Profits on disposal of fixed assets	0.7	0.2	1.1	1.4	0.4
Loss on disposal of subsidiary	-	-	-	(0.2)	-
Share of results of associated undertakings	-	-	(0.3)	(0.6)	-
Investment income	-	-	-	3.5	2.7
Restructuring costs	(5.4)	(6.7)	-	-	-
Net interest receivable/(payable)	(50.2)	(24.1)	33.2	18.2	9.1
<b>Profit on ordinary activities before taxation</b>	23.9	34.2	128.1	138.2	155.5
Taxation	-	(5.4)	(9.6)	(10.9)	(5.4)
<b>Profit on ordinary activities after taxation</b>	23.9	28.8	118.5	127.3	150.1
Minority interests	-	-	(0.1)	-	0.1
Dividends	-	(16.1)	(28.1)	(30.8)	(34.1)
<b>Retained profit for the year</b>	23.9	12.7	90.3	96.5	116.1
<b>Fixed assets</b>	570.3	672.0	807.8	972.1	1070.6
<b>Net current assets/(liabilities)</b>	(105.7)	168.8	128.2	229.2	240.5
<b>Total assets less current liabilities</b>	464.6	840.8	936.0	1201.3	1311.1
<b>Creditors : amounts falling due after more than one year</b>	(404.3)	(19.7)	(20.0)	(185.1)	(214.1)
<b>Provisions for liabilities and charges</b>	-	(39.3)	(50.6)	(55.1)	(57.4)
	60.3	781.8	865.4	961.1	1039.6
<b>Capital and reserves</b>					
Called up share capital	-	144.1	144.1	144.2	145.1
Share premium account	-	131.9	131.9	131.1	132.8
Reserves	60.3	505.8	589.1	685.6	760.9
<b>Shareholders' funds</b>	60.3	781.8	865.1	960.9	1038.8
Minority interests	-	-	0.3	0.2	0.8
	60.3	781.8	865.4	961.1	1039.6

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1993**

**FIVE YEAR SUMMARY (Continued)**

- (a) Figures for 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 and are therefore unaudited. During the year ended 31 March 1989 Welsh Water Authority had no share capital and paid no dividends.
- (b) Grants and contributions on non-infrastructure assets are credited to deferred income in compliance with the Companies Act 1989 and Statement of Standard Accounting Practice No.4 (revised) "Accounting for Government Grants". Grants and contributions and infrastructure charges relating to infrastructure assets, which are non-depreciating assets, have been offset against fixed assets and the figures for 1990 and 1991 are restated to take account of the change in accounting policy relating to non-infrastructure assets.
- (c) Prior year figures have been restated to reflect subsequent changes in accounting policies as noted in the Principal Accounting Policies on page 8.