

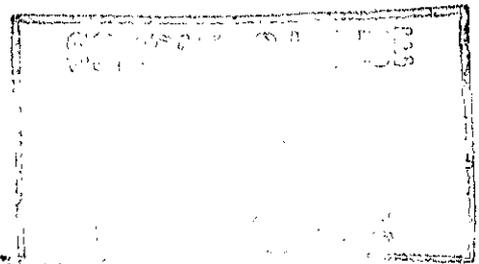
WELSH WATER PLC

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

Registered No. 2366776

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DIRECTORS AND ADVISORS

I R Evans	Chairman
G A Hawker	Chief Executive
F J Twamley	Group Finance Director
B H Charles	Group Water Services Director
J M James	Group Engineering Services Director
A J Hales (R)	Non-executive Director
D G Hawkins (A,R)	Non-executive Director
T Knowles (A,R)	Non-executive Director
R H Sellier (A,R)	Non-executive Director

(A) Member of the Audit Committee
(R) Member of the Remuneration Committee

COMPANY SECRETARY AND REGISTERED OFFICE

G W Williams
PO Box 295, Alexandra Gate, Rover Way, Cardiff, CF2 2UE

REGISTRARS

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

AUDITORS

Coopers & Lybrand

BROKERS

Kleinwort Benson Securities Limited

Brewin Dolphin Bell Lawrie Limited

SOLICITORS

Edwards Geldard

Slaughter and May

PRINCIPAL BANKERS

National Westminster Bank Plc

Midland Bank plc

FINANCIAL ADVISORS

NatWest Markets

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

Welsh Water PLC has always conducted its affairs in accordance with the main principles expressed in the Cadbury Committee Report on the Financial Aspects of Corporate Governance. Since the code was published in December 1992 the Board has reviewed, formalised and ratified its policies and procedures in order to comply as fully as possible with the Code. As from 29 September 1993, after the appointment of two additional non-executive directors, the Audit Committee has comprised of three non-executive directors in accordance with paragraph 4.3. Since the financial year end formal letters confirming the terms of appointment of non-executive directors have been ratified by the Board such that, with the exception of paragraphs 4.5 and 4.6 of the Code (internal control and going concern) where further guidance is awaited from the accountancy profession, the Company is in full compliance with the Code of Best Practice at the date of this report. The issues of internal control and going concern will be reviewed by the Board when the awaited guidance is published.

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 three 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, comprises all 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 entitlements.

REPORT BY THE AUDITORS TO WELSH WATER PLC on the statement of compliance with the Code of Best Practice

We have reviewed the directors' statement above concerning the Company's compliance with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance, insofar as it relates to those paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board.

Our procedures primarily comprised enquiry of appropriate directors and officers and examination of relevant documents. We are not required to review, and have not reviewed, the effectiveness of the company's governance procedures.

Based on our review we have satisfied ourselves that the directors' statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

Coopers & Lybrand
Coopers & Lybrand
Chartered Accountants

9 June 1994

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their fifth annual report to shareholders, together with the audited financial statements for the year ended 31 March 1994 on pages 8 to 41.

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.

During the year the technology and pipeline businesses were discontinued.

Overall the business has performed satisfactorily during the year. The Group's future strategy is based on exploiting its skills in infrastructure services and utility management. This will involve continued strong performance in the regulated sector services business and expanding that expertise into related services and adjacent markets. Acer, the Group's engineering and environmental business, adds a wider potential in infrastructure services and gives an international capability.

CONSOLIDATED RESULTS AND TRANSFER TO RESERVES

Profit on ordinary activities before taxation amounted to £144.2m (1993 £155.4m). The profit attributable to shareholders amounted to £129.7m (1993 £150.1m) which, after dividends of £37.0m (1993 £34.1m), resulted in a transfer to reserves of £92.7m (1993 £116.0m).

DIVIDEND

The directors recommend a final dividend of 16.95p (net) per ordinary share, making a total dividend of 25.4p (net) for the year to 31 March 1994. This will be paid on 3 October 1994 to shareholders whose names are on the register at the close of business on 4 July 1994.

CAPITAL EXPENDITURE

The analysis of capital expenditure and details of capital commitments are shown on pages 23 and 29 respectively.

SHARE CAPITAL

As at 9 June 1994, 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.	6.80%
Norwich Union Fund Managers Limited	6.28%
Rockleigh Corporation plc	3.34%
Fidelity Investments	3.01%

During the year The Chase Manhattan Bank N.A. and Gartmore Investment Management Limited ceased to have a notifiable beneficial interest following the introduction of the Disclosure of Interests In Shares (Amendment) Regulations 1993.

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. On 14 September 1993 A J Hales and R H Sellier were appointed non-executive directors. All other directors served throughout the year.

Having been appointed to office since the last Annual General Meeting members will be asked, in accordance with the Company's Articles of Association, to approve the election of A J Hales and R H Sellier as directors of the Company. J M James, who retires by rotation in accordance with the Company's Articles of Association, offers himself for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

I R Evans, G A Hawker, P J Twamley, B H Charles and J M James 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 and sharesave options of the Company as at 31 March 1994 and 31 March 1993 are as follows:

	Ordinary shares of £1		Sharesave options	
	31.3.94	31.3.93	31.3.94	31.3.93
I R Evans	5,500	5,500	-	-
G A Hawker	5,015	17,152	7,749	7,749
P J Twamley	2,300	2,300	4,025	4,025
B H Charles	2,495	14,632	5,574	5,574
J M James	500	500	4,025	4,025
A J Hales	-	..*	-	-
D G Hawkins	500	500	-	-
T Knowles	6,500	6,500	-	-
R H Sellier	-	..*	-	-

* At date of appointment

Sharesave options are held at option prices of 176p, 284p or 409p. Save for the initial price of 176p set at privatisation, option prices are fixed at the market value on date of grant less 20% discount.

Options to subscribe for ordinary shares in Welsh Water PLC granted to and exercised by the directors under the executive share option scheme during the year to 31 March 1994 were as follows:-

	At 31.3.93	Granted in year	Exercised in year	At 31.3.94
G A Hawker	41,402	-	-	41,402
P J Twamley	84,057	15,438	-	99,495
B H Charles	55,615	-	-	55,615
J M James	-	73,937	-	73,937

Executive share options at 31 March 1993 are held at prices between 340p and 414p. Options were granted during the year at 541p. All option prices are fixed at the market value on date of grant.

Both the Welsh Water PLC executive share option and sharesave schemes are Inland Revenue approved schemes. Options are granted in compliance with guidelines issued by the Institutional Shareholders' Committee.

During the period 1 April 1994 to 9 June 1994 there were no changes in the directors' interests.

G A Hawker and P J Twamley are directors of WW Share Schemes Trustees Limited which holds 501,228 (1993 512,656) 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.

EMPLOYMENT POLICIES

The Company recognises that its employees are key to the present and future success of the Group. In keeping with this philosophy employment policy continues to support the fundamental belief that to maximise the potential of every individual there must be:

- Significant investment in training and development.
- A supportive working environment which encourages fair play, mutual respect, basic human dignity and personal safety and security.
- Participation and involvement of employees in business matters.

To this end the Group is evolving a framework of comprehensive policies which applies across the Group whilst recognising that each subsidiary company will have its own specific needs in some policy areas.

Substantial resources have been invested this year in the performance review process and for the first time across the Group all employees now have the opportunity to discuss their individual performance and development in a focused way. These discussions will also provide for the identification of training needs as well as providing the Company with information for succession planning as individuals disclose their own ambitions and career aspirations.

With low employee turnover and an increasingly international profile, the Group is seeking to maximise its total human resource potential by encouraging employees to consider internal and external secondment opportunities as part of their personal development plan.

The effective mobilisation of talent can only be achieved with an increased knowledge of the Group's business aims and objectives. Keeping employees up to date with Company news and views continues, therefore, to receive high priority. In-house newspapers and a new-look video offer employees a wide range of information which seeks to strike a balance between local and group wide-issues.

In a more formal way, the company continues to consult employees at all levels in the spirit of partnership and co-operation. This joint approach to employee relations has already reaped rewards within the Water Services Division. As the Water Services Division plans for the next stages of "Partnership" employee forums are being established to encourage a representative cross section of the Division to work together on policy ideas.

The Group has also revisited its Equal Opportunity policy following its membership of Opportunity 2000. A detailed employee survey was recently undertaken which has produced a number of recommendations and targets for managing diversity in its widest sense.

The Company continues to offer equality of opportunity and support for disabled employees and maintains good links with external organisations to encourage involvement in the workplace of disabled members of the community.

The use of employee opinion and attitude surveys continues to provide the Company with valuable information upon which to base policy decisions.

As the Group expands, this technique is being extended to Acer this year in an effort to learn the views and opinions of our new colleagues on a range of employee related issues.

Share ownership continues to offer employees direct involvement in the Company with over 3100 now owning shares and 3200 having been granted sharesave options.

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 £47,000 (1993 £44,000).

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 30 September 1994.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting on 27 July 1994, an ordinary resolution will be proposed to renew for a further five year period the general authority to allot shares given to directors at an EGM on 20 November 1989 under section 80 of the Companies Act 1985. Subject to the passing of this ordinary resolution a special resolution will be proposed to authorise directors to allot equity securities for cash under section 95 of the Companies Act 1985.

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


G W Williams
Company Secretary
9 June 1994

STATEMENTS OF RESPONSIBILITY AND REPORT OF THE AUDITORS

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 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.

In addition the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the Board

G W Williams
Company Secretary



9 June 1994

REPORT OF THE AUDITORS TO THE MEMBERS OF WELSH WATER PLC

We have audited the financial statements on pages 8 to 41.

Respective responsibilities of directors and auditors

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

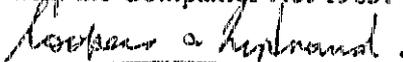
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1994 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
Chartered Accountants and Registered Auditors
Cardiff

9 June 1994

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom and, except for the treatment of certain grants and contributions, complies with the Companies Act 1985. An explanation of this departure from the requirements of the Companies Act 1985 is given in the "Grants and Contributions" section below. A summary of the principal Group accounting policies, which have been consistently applied, except for the change in policy to adopt FRS4, is shown below.

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL INFORMATION

Since the previous Annual Report the Accounting Standards Board has issued the Financial Reporting Standard FRS4 - Capital Instruments. These financial statements comply with the Standard and corresponding amounts for previous years have been restated accordingly. The principal adjustments have been to restate the equity shareholders funds, share premium, and creditors falling due after more than one year.

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 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 properties	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 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, their economic life and estimated residual value based on prices prevailing at the date of acquisition or later valuation are such, that 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(c)).

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 1994**

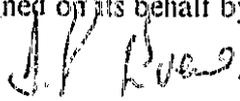
	Note	1994 £m	1993 £m As restated
Turnover			
Continuing operations		502.1	380.0
Acquisitions		2.7	-
Discontinued operations		7.3	2.4
Total turnover	2&3	<u>512.1</u>	<u>382.4</u>
Net operating costs	4	(365.7)	(255.7)
Total operating costs		<u>(365.7)</u>	<u>(255.7)</u>
Operating profit			
Continuing operations		153.9	129.6
Acquisitions		-	-
Discontinued operations		(7.5)	(2.9)
Total operating profit		<u>146.4</u>	<u>126.7</u>
Continuing operations:			
Profit on disposal of fixed asset investments	5	-	17.0
Share of results of associated undertakings		0.4	-
Investment income		-	2.7
Profit on ordinary activities before interest		<u>146.8</u>	<u>146.4</u>
Interest receivable		19.1	29.6
Interest payable	7	(21.7)	(20.6)
Profit on ordinary activities before taxation		<u>144.2</u>	<u>155.4</u>
Taxation	8	(14.4)	(5.4)
Profit on ordinary activities after taxation		<u>129.8</u>	<u>150.0</u>
Minority interests		(0.1)	0.1
Profit for the year		<u>129.7</u>	<u>150.1</u>
Dividends	9	(37.0)	(34.1)
Retained profit for the year	26	<u>92.7</u>	<u>116.0</u>
Earnings per ordinary share	10	<u>89.2p</u>	<u>104.0p</u>

BALANCE SHEETS AT 31 MARCH 1994

	Note	Group		Company	
		1994 £m	1993 As restated £m	1994 £m	1993 As restated £m
Fixed assets					
Intangible assets	11	0.6	0.6	-	-
Tangible assets	12	1188.2	1068.4	3.6	3.0
Investments	13	1.6	1.6	360.3	347.4
		<u>1190.4</u>	<u>1070.6</u>	<u>363.9</u>	<u>350.4</u>
Current assets					
Stocks and work in progress	14	5.3	6.5	-	-
Debtors	15	136.9	125.6	78.5	64.0
Current asset investments	16	403.1	271.9	176.7	164.7
Cash at bank and in hand		6.8	10.5	4.8	0.2
		<u>552.1</u>	<u>414.5</u>	<u>260.0</u>	<u>228.9</u>
Current liabilities					
Creditors: amounts falling due within one year	17(a)	(213.7)	(174.0)	(54.6)	(46.8)
Net current assets		<u>338.4</u>	<u>240.5</u>	<u>205.4</u>	<u>182.1</u>
Total assets less current liabilities		<u>1528.8</u>	<u>1311.1</u>	<u>569.3</u>	<u>532.5</u>
Creditors: amounts falling due after more than one year	17(b)	(343.9)	(213.2)	(74.2)	(74.1)
Provisions for liabilities and charges	22	(56.1)	(57.4)	(0.9)	-
Net assets		<u>1128.8</u>	<u>1040.5</u>	<u>494.2</u>	<u>458.4</u>
Capital and reserves					
Called up share capital	23	145.4	145.1	145.4	145.1
Share premium account	25	134.2	133.7	134.2	133.7
Reserves	26	849.1	760.9	214.6	179.6
		<u>1128.7</u>	<u>1039.7</u>	<u>494.2</u>	<u>458.4</u>
Equity shareholders' funds		<u>1128.8</u>	<u>1040.5</u>	<u>494.2</u>	<u>458.4</u>
Equity minority interests		0.1	0.8	-	-
		<u>1128.8</u>	<u>1040.5</u>	<u>494.2</u>	<u>458.4</u>

The financial statements on pages 8 to 41 were approved by the Board of Directors on 9 June 1994 and were signed on its behalf by:

I R Evans
Chairman



P J Twainley
Finance Director



**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1994**

	Note	1994 £m	1993 £m
Operating activities			
Net cash inflow from continuing operating activities	27	182.5	154.0
Net cash (outflow) from discontinued operating activities	27	(8.5)	(0.8)
Net cash inflow from operating activities		174.0	153.2
Returns on investments and servicing of finance			
Interest received		22.9	29.3
Interest paid		(20.4)	(12.3)
Interest element of finance leases		(0.4)	(0.1)
Investment income received		-	2.0
Dividends paid		(22.8)	(31.9)
Distribution from associated undertakings		0.4	-
Net cash outflow from returns on investments and servicing of finance		(20.3)	(13.0)
Taxation			
UK corporation tax paid		(11.1)	(9.3)
Overseas tax paid		(0.8)	-
		(11.9)	(9.3)
Investing activities			
Purchase of tangible fixed assets		(161.7)	(181.2)
Sale of tangible fixed assets		1.0	0.7
Purchase of fixed asset investments		(0.2)	(10.6)
Sale of fixed asset investments		-	69.2
Grants and contributions received		15.2	10.7
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	33	(1.3)	(42.6)
Net cash outflow from investing activities		(147.0)	(153.8)
Net cash outflow before financing		(5.2)	(22.9)
Financing			
New long term loans and Eurobonds		127.5	-
Long term loans repaid		(1.7)	(7.1)
New finance leases		16.4	25.3
Capital payments under finance leases		(1.2)	(0.6)
Expenses of issuing Eurobonds		(4.6)	-
Proceeds from issue of shares		0.9	2.6
(Increase)/decrease in deposits and other money market investments	30	(140.5)	81.0
Net cash (outflow)/inflow from financing	28	(3.2)	101.2
(Decrease)/increase in cash and cash equivalents	29	(8.4)	78.3

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 1994**

	1994	1993
	£m	As restated £m
Profit for the financial year attributable to shareholders	129.7	150.1
Currency translation differences on foreign currency net investments	(0.3)	(0.4)
Deficit on revaluation of property in associate undertaking	(0.2)	-
Total recognised gains and losses for the year	<u>129.2</u>	<u>149.7</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 1994**

	1994	1993
	£m	£m
Total recognised gains and losses for the year	129.2	149.7
Dividends	(37.0)	(34.1)
New share capital issued	0.3	0.9
Premium on share capital issued	0.6	1.7
Goodwill written off	(4.1)	(40.4)
Net increase in shareholders' funds	<u>89.0</u>	<u>77.8</u>
As restated at 1 April	1039.7	961.9
At 31 March	<u>1128.7</u>	<u>1039.7</u>

The opening balances at 1 April 1993 and 1994 have been restated as a result of the implementation of FRS4 - Capital Instruments (see note 25).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

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 £71.9m (1993 £83.9m).

2 Segmental analysis by class of business

Turnover	Total turnover £m	Intra segment turnover £m	Inter segment turnover £m	External turnover £m
Year ended 31 March 1994:				
<u>Continuing operations:</u>				
Regulated water and sewerage activities	390.9	-	1.3	389.6
Engineering and environmental activities	130.7	1.7	27.9	101.1
Other activities	44.7	1.9	31.4	11.4
	-----	-----	-----	-----
	566.3	3.6	60.6	502.1
<u>Acquisitions:</u>				
Engineering and environmental activities	2.7	-	-	2.7
<u>Discontinued operations:</u>				
Other activities	22.8	-	15.5	7.3
	-----	-----	-----	-----
	591.8	3.6	76.1	512.1
Year ended 31 March 1993:				
<u>Continuing operations:</u>				
Regulated water and sewerage activities	358.0	-	2.1	355.9
Engineering and environmental activities	42.4	-	28.5	13.9
Other activities	11.9	-	1.7	10.2
	-----	-----	-----	-----
	412.3	-	32.3	380.0
<u>Discontinued operations:</u>				
Other activities	16.4	-	14.0	2.4
	-----	-----	-----	-----
	428.7	-	46.3	382.4
	-----	-----	-----	-----

Turnover is derived from the following sources:

- External: transactions between Group companies and external customers.
- Intra Segment: transactions between Group companies trading within the same segment.
- Inter Segment: transactions between Group companies trading in different segments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

2 Segmental analysis by class of business (continued)

Profit on ordinary activities before taxation	1994	1993
	£m	As restated £m
Operating profit:		
Continuing operations:		
- Regulated water and sewerage activities	148.8	132.3
- Engineering and environmental activities	5.1	1.8
- Other activities	6.8	(2.3)
Discontinued operations:		
- Other activities	(7.5)	(2.9)
	<u>153.2</u>	<u>128.9</u>
Business development costs and corporate overheads	(6.0)	(0.9)
Elimination of intercompany operating profit capitalised	(0.8)	(1.3)
	<u>146.4</u>	<u>126.7</u>
Share of results of associated undertakings	0.4	-
Interest (payable)/receivable	(2.6)	9.0
Investment income	-	2.7
Profit on disposal of fixed asset investments	-	17.0
	<u>144.2</u>	<u>155.4</u>
	-----	-----
Net assets		
Regulated water and sewerage activities	1026.8	946.8
Engineering and environmental activities	12.6	7.1
Other activities	34.9	27.4
	<u>1074.3</u>	<u>981.3</u>
Current asset investments and cash at bank less borrowings	54.5	59.2
	<u>1128.8</u>	<u>1040.5</u>
	-----	-----

Turnover and profit before taxation for other activities prior to 1 April 1993 do not include the Information Technology and Transport Services businesses which were formed on that date, but which were previously included in regulated water and sewerage activities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

3 Segmental analysis by geographical area by destination	1994 £m	1993 £m
Turnover		
United Kingdom and Europe	467.2	378.7
Far East	22.5	1.9
Rest of World	22.4	1.8
	<u>512.1</u>	<u>382.4</u>
	-----	-----
Profit on ordinary activities before taxation		
Operating profit:		
United Kingdom & Europe	152.7	128.9
Far East	0.3	-
Rest of World	0.2	-
	<u>153.2</u>	<u>128.9</u>
Business development costs and corporate overheads	(6.0)	(0.9)
Elimination of intercompany operating profit capitalised	(0.8)	(1.3)
	<u>146.4</u>	<u>126.7</u>
Share of results of associated undertakings	0.4	-
Profit on disposal of fixed asset investments	-	17.0
Investment income	-	2.7
Interest (payable)/receivable	(2.6)	9.0
	<u>144.2</u>	<u>155.4</u>
	-----	-----
Net assets		
United Kingdom and Europe	1067.9	972.6
Far East	5.1	6.9
Rest of World	1.3	1.8
	<u>1074.3</u>	<u>981.3</u>
Current asset investments and cash at bank less borrowings	54.5	59.2
	<u>1128.8</u>	<u>1040.5</u>
	-----	-----

Turnover and profit before taxation by origin is not materially different from that by destination.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

4 Net operating costs Year ended 31 March 1994;	Note	Continuing operations £m	Acquisitions £m	Discontinued operations £m	Total £m
Change in stocks and work in progress		1.2	-	-	1.2
Infrastructure renewals expenditure	22(b)	22.2	-	-	22.2
Staff costs	6(b)	148.0	1.1	5.8	154.9
Depreciation:					
Own assets		35.4	-	0.5	35.9
Assets held under finance leases		3.2	-	-	3.2
Research and development		1.0	-	-	1.0
Rentals under operating leases:					
Hire of plant and equipment		0.7	-	6.2	6.9
Land and buildings		5.7	-	-	5.7
Other		2.7	-	-	2.7
Fees paid to auditors:					
Audit services		0.6	-	-	0.6
Taxation services		0.2	-	-	0.2
Consultancy services		0.3	-	-	0.3
Other services		0.1	-	-	0.1
Other operating charges		166.6	1.6	15.9	184.1
Amortisation of grants and contributions	22(c)	(1.0)	-	-	(1.0)
Other operating income:					
Net rents receivable		(0.5)	-	-	(0.5)
Profit on disposal of fixed assets		(0.4)	-	-	(0.4)
Business closure costs		-	-	1.4	1.4
Own work capitalised		(37.8)	-	(15.0)	(52.8)
		-----	-----	-----	-----
		348.2	2.7	14.8	365.7
		-----	-----	-----	-----

Included in audit services is £53,000 (1993 £46,750) in respect of audit fees incurred by the company. Other fees paid to the auditors and capitalised were £0.1m (1993 £0.8m).

Year ended 31 March 1993:	Note	Continuing operations £m	Acquisitions £m	Discontinued operations £m	Total £m
Change in stocks and work in progress		0.3	-	-	0.3
Infrastructure renewals expenditure	22(b)	21.7	-	-	21.7
Staff costs	6(b)	98.1	-	4.6	102.7
Depreciation:					
Own assets		29.7	-	0.8	30.5
Assets held under finance leases		2.1	-	-	2.1
Research and development		0.8	-	-	0.8
Rentals under operating leases:					
Hire of plant and equipment		1.3	-	5.1	6.4
Land and buildings		1.5	-	-	1.5
Other		1.9	-	-	1.9
Fees paid to auditors:					
Audit services		0.2	-	-	0.2
Taxation services		0.2	-	-	0.2
Consultancy services		0.3	-	-	0.3
Other operating charges		135.8	-	8.3	144.1
Amortisation of grants and contributions	22(c)	(3.1)	-	-	(3.1)
Other operating income:					
Net rents receivable		(0.2)	-	-	(0.2)
Profit on disposal of fixed assets		(0.4)	-	-	(0.4)
Amounts written off intangible fixed assets		0.3	-	-	0.3
Amounts written off tangible fixed assets		2.2	-	-	2.2
Amounts written off fixed asset investments		0.3	-	-	0.3
Own work capitalised		(42.6)	-	(13.5)	(56.1)
		-----	-----	-----	-----
		250.4	-	5.3	255.7
		-----	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

4 Net operating costs (continued)

The comparative net operating costs for 1993 in respect of staff costs and other operating charges have been restated to show total gross costs for the group before elimination of own costs capitalised which have now been shown separately.

5	Exceptional items	1994 £m	1993 £m
	Continuing operations:		
	Profit on disposal of fixed asset investments	-	17.0
		-----	-----

The tax charge attributable to the disposal of fixed asset investment is fnil (1993 £1.2m) after deducting the appropriate advance corporation tax relief. This tax charge has been included in note 8.

The comparative exceptional net operating costs of £2.8m and profit on sale of assets of £0.4m for 1993 have been included in net operating costs since, in the opinion of the directors, this is not material for separate disclosure.

6 Directors and employees

(a) Directors' remuneration

Executive directors' remuneration represents salary plus a bonus based on the performance of the business activities within the group. Directors with responsibilities for a specific business activity receive part of their bonus related to the performance of that business activity. The Chairman, who does not participate in the executive share option scheme, has the benefit of a long term bonus which is based on the future movement in the share price of Welsh Water PLC. 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:

	1994	1993
	£000	£000
Fees	68	57
Contributions to pension schemes	61	60
Emoluments (including benefits in kind)	567	511
Performance related bonus	50	84
Pension to former director	14	14
Less amount received for services as a director of another public limited company	-	(30)
	-----	-----
	760	696
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

(a) Directors' remuneration (continued)

Included in the above are amounts paid to:

	1994 £000	1993 £000
The Chairman		
- emoluments	90	130
- performance related bonus	9	26
	-----	-----
- contribution to pension scheme	99	156
	-	19
	-----	-----
- less amount received for services as a director of another public limited company	99	175
	-	(30)
	-----	-----
	99	145
	-----	-----
	1994 £000	1993 £000
The highest paid director (in 1993 the Chairman)		
- emoluments	127	130
- performance related bonus	12	26
	-----	-----
- contributions to pension scheme	139	156
	17	19
	-----	-----
- less amount received for services as a director of another public limited company	156	175
	-	(30)
	-----	-----
	156	145
	-----	-----

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

	1994 Number	1993 Number
£ 10,001 - £ 15,000	2	-
£ 15,001 - £ 20,000	1	2
£ 20,001 - £ 25,000	1	-
£ 55,001 - £ 60,000	-	2
£ 95,001 - £100,000	1	-
£105,001 - £110,000	-	1
£110,001 - £115,000	-	1
£120,001 - £125,000	1	-
£125,001 - £130,000	1	1
£130,001 - £135,000	1	-
£135,001 - £140,000	1	-
£155,001 - £160,000	-	1

(b) Staff costs

	1994 £m	1993 £m
Wages and salaries	135.0	87.7
Social security costs	10.0	7.1
Pension costs	9.9	7.9
	-----	-----
	154.9	102.7
	-----	-----

Of the above, £21.5m (1993 £24.6m) has been charged to capital.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

(c) Average weekly number of employees during the year (including directors)

	1994 Number	1993 Number
Regulated water and sewerage activities	3102	3481
Engineering and environmental activities	2671	980
Other activities	827	537
	-----	-----
	6600	4998
	-----	-----

7	Interest payable	1994 £m	1993 £m
	On bank loans, overdrafts and other loans		
	- repayable within five years, not by instalments	0.7	1.0
	- repayable wholly or partly in more than five years	17.0	16.6
		-----	-----
		17.7	17.6
	On finance leases	4.0	3.0
		-----	-----
		21.7	20.6
		-----	-----

8	Taxation	1994 £m	1993 £m
	Based on the results for the year:		
	UK corporation tax at 33%	5.0	11.3
	Tax attributable to dividends received	-	0.7
	Overseas taxation	0.8	0.1
	Advance corporation tax written off/(back)	8.5	(4.5)
	Associated companies taxation	0.1	-
		-----	-----
		14.4	7.6
	Prior year adjustments:		
	Corporation tax	-	(8.0)
	Advance corporation tax	-	5.8
		-----	-----
		14.4	5.4
		-----	-----

The tax charge has been reduced by £42.4m (1993 £40m) 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 some previous years is still subject to negotiation with the Inland Revenue.

The cumulative amount of advance corporation tax written off of £24.6m (1993 £16.1m) remains available to reduce any future liabilities to UK corporation tax. There are losses within the Group of approximately £7.7m (1993 £7m) available to carry forward against future profits of those companies which incurred the losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

9	Dividends	1994 £m	1993 £m
	Interim payable/paid of 8.45p per ordinary share (1993 7.8p)	12.3	11.3
	Final proposed of 16.95p per ordinary share (1993 15.7p)	24.7	22.8
		-----	-----
		37.0	34.1
		-----	-----

10	Earnings per ordinary share	1994	1993 As restated
	Earnings per ordinary share	89.2p	104.0p
		-----	-----

Earnings per ordinary share have been calculated on the basis of profit after taxation and minority interests of £129.7m (1993 £150.1m) and by reference to 145,339,053 (1993 144,290,523) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Earnings per ordinary share on a nil distribution basis are 95.1p (1993 104.9p).

Earnings per ordinary share for 1993 have been restated as a result of the implementation of FRS4 - Capital Instruments.

11	Intangible fixed assets		
	Group	1994 £m	1993 £m
	Fishing Rights		
	Cost		
	At 1 April	0.9	0.9
		-----	-----
	Amounts written off		
	At 1 April	0.3	-
	Charge for the year	-	0.3
		-----	-----
	At 31 March	0.3	0.3
		-----	-----
	Net book value		
	At 31 March	0.6	0.6
		-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

12 Tangible fixed asset

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
Cost						
At 1 April 1993	58.8	2.0	421.3	193.1	645.0	1320.2
Reclassification	(2.1)	1.9	2.7	(5.8)	3.3	-
	56.7	3.9	424.0	187.3	648.3	1320.2
Additions	2.3	0.1	56.2	15.7	98.4	172.7
Grants and contributions	-	-	(13.2)	-	-	(13.2)
Disposals	-	-	-	(3.5)	-	(3.5)
At 31 March 1994	59.0	4.0	467.0	199.5	746.7	1476.2
Accumulated depreciation						
At 1 April 1993	13.4	0.7	-	92.1	145.6	251.8
Reclassification	(0.1)	0.1	-	-	-	-
	13.3	0.8	-	92.1	145.6	251.8
Charge for the year	0.9	0.4	-	20.3	17.5	39.1
Disposals	-	-	-	(2.9)	-	(2.9)
At 31 March 1994	14.2	1.2	-	109.5	163.1	288.0
Net book value						
At 31 March 1994	44.8	2.8	467.0	90.0	583.6	1188.2
At 31 March 1993	45.4	1.3	421.3	101.0	499.4	1068.4
Utilisation at 31 March 1994						
Owned	44.8	2.8	467.0	88.5	521.1	1124.2
Held under finance leases	-	-	-	1.5	62.5	64.0
	44.8	2.8	467.0	90.0	583.6	1188.2

- (a) Tangible fixed assets at 31 March 1994 include £184.5m (1993 £126.3m) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

(2) **Tangible fixed assets (continued)**

(c) The accounting treatment for grants, contributions and infrastructure charges in respect of infrastructure assets is described in the Principal Accounting Policies on page 10. This treatment is not in accordance with Schedule 4 to the Companies Act 1985 which requires fixed assets to be shown at the purchase price or production cost and hence grants and contributions would be presented under the Act as deferred income. The treatment explained on page 10 has been adopted in accordance with section 227(6) 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 £92.2m (1993 £79.0m) lower than it would have been had this treatment not been adopted.

Company

	Freehold land and buildings	Vehicles plant and equipment	Total
	£m	£m	£m
Cost			
At 1 April 1993	2.5	0.7	3.2
Additions	-	1.7	1.7
Disposals	(1.0)	-	(1.0)
	-----	-----	-----
At 31 March 1994	1.5	2.4	3.9
	-----	-----	-----
Accumulated depreciation			
At 1 April 1993	-	0.2	0.2
Charge for the year	-	0.1	0.1
	-----	-----	-----
At 31 March 1994	-	0.3	0.3
	-----	-----	-----
Net book value			
At 31 March 1994	1.5	2.1	3.6
	-----	-----	-----
At 31 March 1993	2.5	0.5	3.0
	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

23 Fixed asset investments

Group	Interests in associated undertakings £m	Unlisted investments £m	Total £m
Cost			
At 1 April 1993	1.8	1.1	2.9
Additions	0.1	0.1	0.2
Share of results	0.4	-	0.4
Distributions	(0.4)	-	(0.4)
At 31 March 1994	<u>1.9</u>	<u>1.2</u>	<u>3.1</u>
Amounts written off			
At 1 April 1993	0.4	0.9	1.3
Charge for the year	0.2	-	0.2
At 31 March 1994	<u>0.6</u>	<u>0.9</u>	<u>1.5</u>
Net book value			
At 31 March 1994	1.3	0.3	1.6
At 31 March 1993	1.4	0.2	1.6
Company	Interests in Group undertakings £m	Unlisted investments £m	Total £m
Cost			
At 1 April 1993	353.7	1.0	354.7
Additions	26.0	-	26.0
At 31 March 1994	<u>379.7</u>	<u>1.0</u>	<u>380.7</u>
Amounts written off			
At 1 April 1993	6.4	0.9	7.3
Charge for the year	13.1	-	13.1
At 31 March 1994	<u>19.5</u>	<u>0.9</u>	<u>20.4</u>
Net book value			
At 31 March 1994	360.2	0.1	360.3
At 31 March 1993	347.3	0.1	347.4

Subsidiary undertakings are listed in note 38 on page 41.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

14 Stocks and work in progress

	Group	
	1994	1993
	£m	£m
Consumable stores	4.3	4.7
Work in progress	1.0	1.8
	-----	-----
	5.3	6.5
	-----	-----

15 Debtors

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	67.0	50.9	-	-
Amounts recoverable on contracts	13.3	15.9	-	-
Amounts due from subsidiary undertakings	-	-	68.5	54.0
Amounts due from associated undertakings	1.5	0.8	-	-
Other debtors	18.8	13.6	0.3	0.3
Prepayments and accrued income	29.5	36.4	4.7	2.3
Recoverable advance corporation tax	5.0	7.4	5.0	7.4
	-----	-----	-----	-----
	135.1	125.0	78.5	64.0
Amounts falling due after more than one year:				
Other debtors	1.8	0.6	-	-
	-----	-----	-----	-----
	136.9	125.6	78.5	64.0
	-----	-----	-----	-----

16 Current asset investments

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Fixed term and call deposits	384.1	271.9	167.7	164.7
Other money market investments	19.0	-	9.0	-
	-----	-----	-----	-----
	403.1	271.9	176.7	164.7
	-----	-----	-----	-----

Original maturity periods are as follows:

Within three months and regarded as cash equivalents in the cashflow statement	95.8	105.1	36.5	72.0
Over three months	307.3	166.8	140.2	92.7
	-----	-----	-----	-----
	403.1	271.9	176.7	164.7
	-----	-----	-----	-----

Of the above amounts, with an original maturity of over three months, £35.0m (1993 nil) matures more than one year after the balance sheet date.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

17 Creditors

	Note	Group		Company	
		1994 £m	1993 As restated £m	1994 £m	1993 As restated £m
(a) Amounts falling due within one year:					
Bank loans and overdrafts		7.6	11.9	-	-
Other loans	18(b)	4.7	3.6	1.9	2.7
Payments received on account on contracts		4.5	4.8	-	-
Obligations under finance leases	19	2.8	1.4	-	-
Trade creditors		69.8	57.9	-	-
Amounts due to subsidiary undertakings		-	-	3.2	7.3
Dividends payable		37.0	22.8	37.0	22.8
Corporation tax		14.9	15.1	10.6	11.6
Other taxation and social security		5.2	5.7	-	0.1
Other creditors		57.4	41.9	-	-
Accruals and deferred income		9.8	8.9	1.9	2.3
		213.7	174.0	54.6	46.8
(b) Amounts falling due after more than one year:					
10.75% Eurobonds 2002	18(a)	74.2	74.1	74.2	74.1
7.125% Eurobonds 2004	18(a)	99.1	-	-	-
7.625% Eurobonds 2014	18(a)	23.2	-	-	-
Other loans	18(b)	79.3	81.5	-	-
Obligations under finance leases	19	64.5	50.7	-	-
Other creditors:					
Between one and five years		3.6	6.9	-	-
		343.9	213.2	74.2	74.1

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

18. Loans

(a) Eurobonds

Net issue costs totalling £3.7m have been incurred in relation to the Eurobonds and are credited to the net proceeds at a constant annual rate over the life of each Eurobond in accordance with the Financial Reporting Standard FRS4 - Capital Instruments. Details of the Eurobonds are as follows:-

	Interest rate %	Net proceeds £m	Net issue costs £m	Nominal value £m
Eurobonds 2002	10.750	74.0	1.0	75.0
Eurobonds 2004	7.125	99.1	0.9	100.0
Eurobonds 2014	7.625	23.2	1.8	100.0
		----- 196.3 -----	----- 3.7 -----	----- 275.0 -----

The Eurobonds 2004 were issued on 17 March 1994, and the Eurobonds 2014 were issued on 21 March 1994. The proceeds of both Eurobonds will be used to finance the capital investment programme of Dwr Cymru Cyfyngedig which is outlined in Note 20.

The Eurobond 2014 is partly paid at 31 March 1994, with the final instalment of £75m being receivable on 15 December 1994.

The consideration for the issues on 17 March 1994 and 21 March 1994 was £126.9m which included a premium on issue of £1.9m. After deducting issue costs of £4.6m the net proceeds were £122.3m.

(b) Other Loans

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Repayable wholly within five years	1.9	2.8	1.9	2.7
Repayable by instalments within five years	0.7	-	-	-
Repayable by instalments after five years	81.4	82.3	-	-
	----- 84.0 -----	----- 85.1 -----	----- 1.9 -----	----- 2.7 -----

The Group comparatives for 1993 have been restated to reflect adjustments between the categories.

Due for repayment as follows:

	Group	Company
	1994 £m	1993 £m
Within one year	4.7	3.6
Between one and two years	2.9	2.9
Between two and five years	12.8	8.0
After more than five years	63.6	70.6
	----- 84.0 -----	----- 85.1 -----

Interest rates on these loans range between 6.7% and 11.4%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

19 Finance leases

Group

Amounts due under finance leases are payable as follows:

	1994 £m	1993 £m
Within one year	2.8	1.4
Between one and two years	1.0	1.2
Between two and five years	0.2	0.6
After five years	63.3	48.9
	67.3	52.1
	-----	-----

A long dated interest rate swap from 1 April 1994 has been arranged which has the effect of fixing the rate of interest at 7.8% on sterling borrowings of £64.6m (1993 nil) for a term of 20 years.

Company

The Company had no finance lease obligations at 31 March 1994 or at 31 March 1993.

20 Capital commitments

Group

	1994 £m	1993 £m
Contracted for but not provided in the financial statements	75.2	68.1
	-----	-----
Authorised but not yet contracted for	49.4	47.4
	-----	-----

In order to meet regulatory and service standards, the Group has longer term capital expenditure obligations totalling approximately £2.0 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 1994 or at 31 March 1993.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

21 Leasing commitments

Group

	Land and buildings		Other	
	1994	1993	1994	1993
	£m	£m	£m	£m
At 31 March 1994 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	2.3	0.9	0.3	0.5
Between two and five years	3.0	3.1	2.5	2.5
After five years	3.0	3.1	-	-
	-----	-----	-----	-----
	8.3	7.1	2.8	3.0
	-----	-----	-----	-----

Company

At 31 March 1994 the Company had operating lease commitments of £0.3m (1993 nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

22 Provisions for liabilities and charges

Group	Note	1994 £m	1993 £m
Deferred taxation	(a)	-	-
Infrastructure maintenance provision	(b)	13.4	9.9
Deferred income	(c)	35.4	34.4
Group insurance fund	(d)	5.9	5.2
Reorganisation provision	(e)	1.4	7.8
Other provisions		-	0.1
		-----	-----
		56.1	57.4
		-----	-----
 Company			
Deferred taxation	(a)	0.9	-
		-----	-----

(a) Deferred taxation

Group

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 for deferred taxation comprises:

	1994 £m	1993 £m
Accelerated capital allowances	156.0	128.2
Other timing differences	0.6	(4.5)
	-----	-----
	156.6	123.7
Chargeable gains on properties rolled over	0.2	0.2
Earnings retained overseas	1.9	1.9
	-----	-----
	158.7	125.8
Advance corporation tax	(29.6)	(23.5)
	-----	-----
	129.1	102.3
	-----	-----
 Company		

The Company's full potential liability for deferred taxation, all of which has been provided (1993 nil) comprises:

	1994 £m	1993 £m
Accelerated capital allowances	0.1	-
Other timing differences	0.8	-
	-----	-----
	0.9	-
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

22 Provisions for liabilities and charges (continued)

(b) Infrastructure maintenance provision

Group	1994 £m	1993 £m
At 1 April	9.9	15.5
Charge for the year	22.2	21.7
Expenditure in the year	(18.7)	(27.3)
	-----	-----
At 31 March	13.4	9.9
	-----	-----

As part of the obligations to the Director General of Water Services, the directors of Dŵr Cymru Cyfyngedig 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

Group	1994 £m	1993 £m
At 1 April	34.4	35.9
Receivable during the year	2.0	1.6
Released to profit and loss account	(1.0)	(3.1)
	-----	-----
At 31 March	35.4	34.4
	-----	-----

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

Group	1994 £m	1993 £m
At 1 April	5.2	3.6
Premiums	2.7	2.5
Claims	(1.8)	(1.2)
Investment income	0.4	0.4
Released to profit and loss account	(0.6)	(0.1)
	-----	-----
At 31 March	5.9	5.2
	-----	-----

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 1994**

22 Provisions for liabilities and charges (continued)

(e) Reorganisation provision

Group	Restructuring costs		Pension costs	
	1994 £m	1993 £m	1994 £m	1993 £m
At 1 April	6.5	-	1.3	-
Provision on the acquisition of Acer Group Limited	2.8	6.5	-	1.3
Utilised in the year	(7.9)	(-)	(1.3)	(-)
At 31 March	1.4	6.5	-	1.3

23 Called up share capital

	1994 £m	1993 £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:		
145,427,320 Ordinary shares of £1 each (1993 145,118,796)	145.4	145.1
1 Special Rights Redeemable Preference share of £1	-	-
	145.4	145.1

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 409p per share. 308,524 ordinary shares, with an aggregate nominal value of £308,524, were issued in the year for a consideration of £966,598.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

24 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 501,228 (1993:512,656) ordinary shares of the Company were held in trust at 31 March 1994 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 1994 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	
				1994	1993
Employee	Dec 1989	Dec 1994	176p	898,030	919,504
Sharesave	Dec 1989	Dec 1996	176p	680,830	700,868
Scheme	Jul 1991	Jul 1996	284p	548,288	566,901
	Jul 1991	Jul 1998	284p	331,054	346,894
	Dec 1992	Dec 1997	409p	601,228	628,653
	Dec 1992	Dec 1999	409p	417,730	433,567
Executive	Jan 1990	Jan 1993 - Jan 2000	281p	19,177	121,041
Share	Jan 1991	Jun 1994 - Jan 2001	350p	46,564	205,891
Option	Jul 1991	Jul 1994 - Jul 2001	340p	441,247	460,959
Scheme	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	150,223
	Jul 1993	Jul 1996 - Jul 2003	541p	89,375	-
	Aug 1993	Aug 1996 - Aug 2003	623p	131,500	-
	Jan 1994	Jan 1997 - Jan 2004	688p	340,000	-
				4,717,749	4,557,004

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

25	Share premium account	Group £m	Company £m
	At 1 April 1993	132.8	132.8
	Eurobond issue costs written off in prior years and added back as a result of the implementation of FRS4 - Capital Instruments	0.9	0.9
	As restated at 1 April 1993	133.7	133.7
	Premium on shares issued in the year	0.6	0.6
	Eurobond issue costs written off in the year	(0.1)	(0.1)
	At 31 March 1994	134.2	134.2
26	Reserves	Group £m	Company £m
	Profit and loss account		
	At 1 April 1993	760.9	179.6
	Profit retained for the year	92.7	34.9
	Foreign currency translation losses	(0.3)	-
	Goodwill	(4.1)	-
	Deficit on revaluation of property in associate undertaking	(0.2)	-
	Transfer from share premium account - Eurobond issue costs written off in the year	0.1	0.1
	At 31 March 1994	849.1	214.6
	The cumulative goodwill written off directly to reserves is £51.5m (1993 £47.4m).		
27	Net cash inflow from operating activities	1994 £m	1993 £m
	<u>Continuing operations:</u>		
	Operating profit	153.9	129.6
	Depreciation of tangible fixed assets	38.6	31.8
	Amounts written off intangible fixed assets	-	0.3
	Amounts written off tangible fixed assets	-	2.2
	Amounts written off fixed asset investments	-	0.3
	Infrastructure maintenance accrual	3.5	(5.6)
	Amortisation of grants and contributions	(1.0)	(3.1)
	Profit on sale of fixed assets	(0.4)	(0.4)
	Net decrease in stocks	1.1	0.4
	Net (increase)/decrease in debtors	(16.7)	3.6
	Net increase/(decrease) in creditors	12.0	(6.7)
	Contribution from insurance fund	0.7	1.6
	Restructuring provisions	(9.2)	-
	Net cash inflow from continuing operating activities	182.5	154.0

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

27	Net cash inflow from operating activities (continued)	1994 £m	1993 £m
	<u>Discontinued operations:-</u>		
	Operating loss	(7.5)	(2.9)
	Depreciation of tangible fixed assets	0.5	0.8
	Net decrease/(increase) in stocks	0.1	(0.1)
	Net (increase) in debtors	(1.1)	(2.8)
	Net (decrease)/increase in creditors	(0.5)	4.2
	Net cash (outflow) from discontinued operating activities	(8.5)	(0.8)
	Net cash inflow from operating activities	174.0	153.2

28	Analysis of changes in financing in the year	Share capital (including premium)		Long term loans & finance lease obligations	
		1994	1993	1994	1993
		£m	£m	£m	£m
	As restated at 1 April	278.8	276.3	211.3	185.7
	Long term loans and Eurobonds	-	-	127.5	-
	New finance leases	-	-	16.4	25.3
	Loans and finance leases - obligations of subsidiary undertaking acquired during the year	-	-	-	7.9
	Loan repayments	-	-	(1.7)	(7.1)
	Finance lease repayments	-	-	(1.2)	(0.6)
	Eurobond issue costs written back in the year	(0.1)	(0.1)	0.1	0.1
	Proceeds from issue of shares	0.9	2.6	-	-
	Expenses of issuing Eurobonds	-	-	(4.6)	-
	At 31 March	279.6	278.8	347.8	211.3

The opening balances at 1 April 1993 and 1994 have been restated as a result of the implementation of FRS4 - Capital Instruments.

29	Analysis of changes in cash and cash equivalents in the year	Note	1994 £m	1993 £m
	At 1 April	31	103.7	25.8
	Net cash inflow before adjustments for the effect of foreign exchange rate movements		(8.4)	78.3
	Foreign exchange rate movements		(0.3)	(0.4)
	At 31 March	31	95.0	103.7

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

30 Analysis of changes in deposits and investments in the year

	At 31 March 1994 £m	At 1 April 1993 £m	Change in year £m
Fixed term and call deposits and other money market investments	307.3	166.8	140.5
	-----	-----	-----

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.

31 Analysis of cash and cash equivalents

	1994 £m	1993 £m
Cash at bank and in hand	6.8	10.5
Short term deposits and investments	95.8	105.1
Bank loans and overdrafts	(7.6)	(11.9)
	-----	-----
	95.0	103.7
	-----	-----

32 Purchase of subsidiary undertakings

	1994 £m	1993 £m
Tangible fixed assets	-	7.1
Investments	-	1.4
Debtors and amounts recoverable on contracts	0.2	40.5
Cash at bank and in hand	-	1.1
Creditors	(0.2)	(30.4)
Bank overdraft	-	(20.5)
Reorganisation and other provisions	(2.8)	(7.8)
Loans and finance leases	-	(7.9)
Minority interests	-	(0.7)
	-----	-----
Goodwill	(2.8)	(17.2)
	4.1	40.4
	-----	-----
Total consideration	1.3	23.2
	-----	-----
Satisfied by:		
Cash including costs of acquisition	1.3	23.2
	-----	-----

In the accounts for the year to 31 March 1993 provisional fair values were attributed to the assets and liabilities of Acer Group Limited which was acquired in February 1993. During the year provisional fair values have been revised which has resulted in additional goodwill of £2.8m which has been written off to reserves.

In the year goodwill of £1.3m has also been charged directly to reserves which principally relates to the purchase of the 35% minority shareholding in Acer Engineering Limited and other acquisitions within Acer Group Limited. In accordance with the Group's accounting policy acquisition accounting has been used for the purchases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

**33 Analysis of net outflow of cash and cash equivalents
in respect of the purchase of subsidiary undertakings**

	1994 £m	1993 £m
Cash consideration including costs of acquisition	1.3	23.2
Cash at bank and in hand acquired	-	(1.1)
Bank overdrafts of acquired subsidiary undertaking	-	20.5
	1.3	42.6
	-----	-----

34 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

35 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 and increases to pensions in payment and deferred pensions of 5% per annum.

The last actuarial valuation of the two schemes was carried out as at 31 March 1993. The market value of the assets at the valuation date for the WMIS Scheme was £51.8m. Using the assumptions adopted for the Statement of Standard Accounting Practice No.24 "Accounting for Pension Costs", the actuarial value of assets represented 107% of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP24 the surplus in the scheme is being recognised by a reduction in employer's contribution rates which were implemented on 1 April 1994.

The market value of the assets at the valuation date for the WPS Scheme was £132.4m. Using the assumptions adopted for SSAP24 the actuarial value of the assets represented 95% of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under the SSAP24 the deficiency in the scheme is being spread over the working lifetime of the existing members by way of increased employer's contribution rates which were implemented on 1 April 1994.

Acer Group Limited 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 10.0% 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 SSAP24 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 SSAP24 and local best practice.

The total pension cost for the period was £9.9m (1993 £7.9m).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

36 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 £135.3m (1993 £118.9m). Further guarantees amounting to £189.7m (1993 £206.1m) could be provided if the remainder of the loan and finance lease facilities are fully drawn down.

The Company is a participant in a cash pooling arrangement operated by National Westminster Bank Plc in the United Kingdom. With effect from 1 January 1994 the Company has guaranteed the bank overdraft balances of the participating companies, all of which are subsidiaries of the Company, subject to a maximum amount equal to the Company's own cash balance with the bank. At 31 March 1994 the overdrafts in subsidiary companies amounted to £21.0m.

In accordance with normal practice in the engineering and contracting industries, the company, as ultimate holding company, has provided a number of guarantees in relation to performance by various companies within the Acer Group of their obligations pursuant to contracts concluded by such companies in the normal course of their business.

Group

Acer Group Limited has also granted some guarantees in relation to performance by various subsidiaries of Acer Group Limited of their obligations pursuant to contracts entered into by them in the ordinary course of business.

37 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

38 Principal group undertakings

Subsidiary	Country of Incorporation, Registration and Operation	Shareholding	
		Directly	Indirectly
Water Services Division			
Dŵr Cymru Cyfyngedig	England and Wales	100%	
Welsh Water Utilities Finance PLC	England and Wales		100%
Welsh Water Industrial Services Limited	England and Wales	100%	
Welsh Water International Limited	England and Wales	100%	
Hamdden Limited	England and Wales	100%	
Engineering Services Division			
Acer Group Limited	England and Wales	100%	
Acer Consultants Limited	England and Wales		100%
TecEcon Limited	England and Wales		100%
Acer Engineering Limited	England and Wales		100%
Acer Holdings Inc	USA		100%
Acer Consultants (Pte) Limited	Singapore		100%
Acer Wargon Chapman Group Pty Limited	Australia		75%
Bosker GmbH	Germany		100%
Acer Consultants (Far East) Limited	Hong Kong		100%
Freeman Fox Group Limited	Hong Kong		100%
Acer Freeman Fox Consultants Limited	Thailand		100%
Acer Consultants Sdn Bhd	Malaysia		100%
Acer Muhendislik Musavirlik Limited Sti	Turkey		100%
Other Principal Subsidiaries			
Brecon Insurance Company Limited	Guernsey	100%	
Pen y Fan Properties Limited	England and Wales	100%	
Cribyn Limited	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 1994**

Five year summary

	Year ended 31 March				
	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Turnover	512.1	382.4	341.9	293.0	255.3
Operating profit	146.4	126.7	115.9	94.1	64.8
Profit on disposal of fixed asset investments	-	17.0	-	-	-
Profits on disposal of fixed assets	-	-	1.4	1.1	0.2
Loss on disposal of subsidiary	-	-	(0.2)	-	-
Share of results of associated undertakings	0.4	-	(0.6)	(0.3)	-
Investment income	-	2.7	3.5	-	-
Restructuring costs	-	-	-	-	(6.7)
Net interest (payable)/receivable	(2.6)	9.0	18.2	33.2	(24.1)
Profit on ordinary activities before taxation	144.2	155.4	138.2	128.1	34.2
Taxation	(14.4)	(5.4)	(10.9)	(9.6)	(5.4)
Profit on ordinary activities after taxation	129.8	150.0	127.3	118.5	28.8
Minority interests	(0.1)	0.1	-	(0.1)	-
Dividends	(37.0)	(34.1)	(30.8)	(28.1)	(16.1)
Retained profit for the year	92.7	116.0	96.5	90.3	12.7
Fixed assets	1190.4	1070.6	972.1	807.8	672.0
Net current assets	338.4	240.5	229.2	128.2	168.8
Total assets less current liabilities	1528.8	1311.1	1201.3	936.0	840.8
Creditors : amounts falling due after more than one year	(343.9)	(213.2)	(184.1)	(20.0)	(19.7)
Provisions for liabilities and charges	(56.1)	(57.4)	(55.1)	(50.6)	(39.3)
Net assets	1128.8	1040.5	962.1	865.4	781.8
Capital and reserves					
Called up share capital	145.4	145.1	144.2	144.1	144.1
Share premium account	134.2	133.7	132.1	131.9	131.9
Reserves	849.1	760.9	685.6	589.1	505.8
Equity shareholders' funds	1128.7	1039.7	961.9	865.1	781.8
Equity minority interests	0.1	0.8	0.2	0.3	-
	1128.8	1040.5	962.1	865.4	781.8

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1994**

Five year summary (continued)

- (a) 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.
- (b) Prior year figures have been restated to reflect subsequent changes in accounting policies as noted in the Principal Accounting Policies on page 8.