

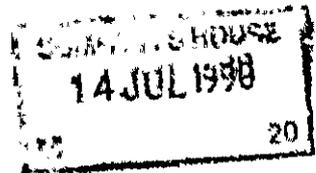
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YORKSHIRE WATER SERVICES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

For the year ended  
31 March 1990

21.6.90



DIRECTORS' REPORT AND ACCOUNTS 1990

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PROFIT AND LOSS ACCOUNT

	Notes	Years ended 31 March	
		1990 £m	1989 £m
Turnover		353.9	307.4
Operating costs	2	258.2	193.4
Operating profit		95.7	114.0
Interest	3	35.8	58.0
Profit on ordinary activities before taxation		59.9	55.7
Taxation on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		59.9	55.7
Extraordinary items	5	-	0.7
Profit after extraordinary items		59.9	55.0
Dividend	6	200.0	-
(Loss)/profit for the financial year		(140.1)	55.0

The movement on reserves is shown in Note 20

## BALANCE SHEET

	Notes	£m	at 31 March	
			1990 £m	1989 £m
<b>Fixed assets</b>				
Tangible assets	8		1,031.8	919.1
Investments	9		0.6	0.6
			<u>1,032.4</u>	<u>919.7</u>
<b>Current assets</b>				
Stocks	10	3.5		2.7
Debtors	11	121.4		40.7
		<u>124.9</u>		<u>43.4</u>
<b>Creditors: amounts falling due within one year</b>				
Short term borrowings	12	15.8		139.9
Other creditors	14	75.8		83.5
				<u>223.4</u>
<b>Net current assets/(liabilities)</b>			33.3	(180.0)
<b>Total assets less current liabilities</b>			<u>1,065.7</u>	<u>739.7</u>
<b>Creditors: amounts falling due after more than one year</b>				
Long term borrowings	13		42.2	439.8
Other creditors	14		8.9	8.4
Provisions for liabilities and charges	15		29.5	-
			<u>985.1</u>	<u>291.5</u>
<b>Capital and reserves</b>				
Called up share capital	19		275.0	-
Profit and loss account	20		710.1	291.5
			<u>985.1</u>	<u>291.5</u>

Approved by a meeting of the Board on 21 June 1990 and signed on their behalf by:

.....  
 Director *G. Jones*  
 .....  
 Director *C. Bailey*  
 .....

SOURCE AND APPLICATION OF FUNDS

	Years ended 31 March			1989 £m
	£m	1990 £m	£m	
<b>SOURCE OF FUNDS</b>				
Funds generated from operations				
Profit before taxation	59.9		55.7	
Items not involving the movement of funds:				
Depreciation	35.7		29.5	
Provision for infrastructure renewals expenditure	29.5		-	
Other	(0.5)		(1.7)	
Capital grants and contributions	9.1		7.6	
Proceeds from sale of tangible assets	3.9	137.6	2.0	93.1
Financial movements				
Cancellation of central government loans	558.7		-	
Shares issued	275.0	833.7	-	
<b>Total source of funds</b>		<b>971.3</b>		<b>93.1</b>
<b>APPLICATION OF FUNDS</b>				
Investment				
Capital expenditure	160.6		116.1	
Acquisition of subsidiaries and investments	0.3	160.9	0.6	116.7
Dividend paid		200.0		-
Extraordinary costs		-		0.7
Increase/(decrease) in working capital				
Stocks	0.8		(0.9)	
Debtors	80.7		(11.9)	
Creditors	7.2	88.7	(12.7)	(25.5)
<b>Total application of funds</b>		<b>449.6</b>		<b>91.9</b>
<b>REDUCTION IN NET BORROWINGS</b>		<b>521.7</b>		<b>1.2</b>
Represented by changes in:				
Short term borrowings		124.1		(66.2)
Long term borrowings		397.6		67.4
		<b>521.7</b>		<b>1.2</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting policies

The following paragraphs summarise the more important accounting policies applied in the preparation of the accounts.

#### Accounting convention

These accounts have been prepared under the historical cost convention.

#### Water Act 1989

Under Section 4 of the Water Act 1989, all assets and liabilities of the Yorkshire Water Authority which did not relate to functions transferred to the National Rivers Authority were vested in Yorkshire Water Services Limited on 1 September 1989. However, in accordance with the provisions of Section 91 of the Water Act 1989, these accounts have been prepared as if vesting had been effected as at 1 April 1989.

#### Comparative figures

The comparative figures are those reported by the former Yorkshire Water Authority for the year ended 31 March 1989 adjusted to eliminate the effect of the transfer of certain functions to the National Rivers Authority. Certain comparative figures have been restated to make them consistent with the presentation adopted in the current year.

#### Turnover

Turnover comprises charges to customers for water, sewerage and other services excluding value added tax.

#### Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions.

#### Research and development expenditure

Research and development expenditure is written off in the profit and loss account in the year in which it is incurred.

#### Infrastructure assets

Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams and sea outfalls) 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.

With effect from 1 April 1989 the charge for infrastructure renewals expenditure takes account of planned expenditure on maintaining the operating capability of

## NOTES TO THE ACCOUNTS (CONTINUED)

infrastructure assets in accordance with the operational policies and standards underlying the Asset Management Plan which Yorkshire Water Services Limited is required to prepare under its Instrument of Appointment. Investment priorities and other operational considerations may result in uneven patterns of infrastructure renewals expenditure. Consequently charges to the profit and loss account may be adjusted by way of accruals or deferrals, as appropriate, to take account of any significant fluctuations in actual or planned expenditure. Until such accruals are fully utilised, an additional charge to the profit and loss account may be made each year to maintain the value of the unexpended balance brought forward from the previous year.

### Other tangible assets

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

### Depreciation

Depreciation is charged, where appropriate, on the original cost of assets, less grants and contributions, on a straight-line basis over the estimated economic lives of the assets. The principal economic lives used are:

Buildings	30 - 60 years
Fixed plant	20 - 40 years
Vehicles, mobile plant and computers	4 - 10 years

Freehold land is not depreciated.

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.

### Leased assets

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership to the company are capitalised and depreciated over the shorter of their estimated useful lives and the term of the lease. The liability to the leasing company is included as an obligation under finance leases within creditors. All other leases are operating leases and the rentals are charged to the profit and loss account.

### Deferred taxation

No provision is made for deferred taxation unless there is a reasonable probability that a liability will occur in the foreseeable future.

### Stocks

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

### Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' services.

NOTES TO THE ACCOUNTS (CONTINUED)

2. Operating costs

	1990 £m	1989 £m
Wages and salaries	54.9	54.4
Social security costs	3.9	3.9
Other pension costs	8.9	7.5
Raw materials and consumables	15.5	12.2
Depreciation on owned assets	35.5	29.3
Depreciation on assets held under finance leases	0.2	0.2
Operating lease rentals - plant & equipment	0.4	0.4
- other	0.7	1.0
Auditors' remuneration	0.1	0.1
Other operating charges	80.5	78.9
Inter-company charges	12.9	-
Infrastructure renewals charge	55.8	25.0
Exceptional items	1.8	(1.6)
	<u>271.1</u>	<u>211.3</u>
Own work capitalised or charged as infrastructure renewals expenditure	11.6	15.4
Other operating income		
Rents receivable	0.8	0.8
Other	0.5	1.7
	<u>258.2</u>	<u>193.4</u>

Exceptional items consist of:

Business reorganisation costs	1.8	-
Net surplus on early repayment of foreign loans	-	(1.6)
	<u>1.8</u>	<u>(1.6)</u>

NOTES TO THE ACCOUNTS (CONTINUED)

3. Interest

	1990 £m	1989 £m
Interest payable:		
Bank and other loans wholly repayable within five years	11.9	20
Bank and other loans not wholly repayable within five years	1.1	39
Inter-company loans	25.9	
Other	0.2	
	<u>39.1</u>	<u>59</u>
Interest receivable:		
Inter-company loans	2.7	
Other	0.6	0
	<u>35.8</u>	<u>58</u>

As part of the capital restructuring prior to the flotation of Yorkshire Water 1 all central government loans to the company were transferred to the holding company and replaced by an inter-company debenture.

The interest payable on the debenture is included under the heading of inter-company loans. This includes amounts associated with the central government loans.

4. Taxation

No corporation tax arises in respect of the profit for the year due to the excess capital allowances over depreciation.

There is no potential liability for deferred taxation.

5. Extraordinary items

Extraordinary costs of £0.7m in the comparative figures for 1989 relate to privatisation and restructuring costs and include expenditure on preparation for the vesting of the former Authority's assets and liabilities in successor bodies under the provisions of the Water Act 1989. All such costs for the year ended 31 March 1990 are included in the accounts of the holding company, Yorkshire Water Plc.

6. Dividend

An interim dividend of £200m (£4,000 per ordinary share) was paid on 21 November 1989.

The directors have subsequently recommended that no final dividend should be paid.

NOTES TO THE ACCOUNTS (CONTINUED)

7. Directors and employees

	1990 £000	1989 £000
Directors' emoluments (including pension contributions)	236	214

Excluding pension contributions, emoluments were paid as follows:

Chairman (who was also the highest paid director in 1989)	Nil	58
Highest paid director	54	-

Other directors earned emoluments (excluding pension contributions) within the following bands:

£	1990 Number	1989 Number
0 - 5,000	3	4
5,001 - 10,000	-	3
10,001 - 15,000	-	1
15,001 - 20,000	-	1
20,001 - 25,000	-	1
25,001 - 30,000	-	2
30,001 - 45,000	2	-
45,001 - 55,000	1	-

The Chairman, Sir Gordon Jones and Mr A I Ward are employees of the holding company, Yorkshire Water Plc and their emoluments are shown in the accounts of that company.

Mr J A L Gunn and Mr A D Whetnall were appointed by H M Government as directors on the incorporation of the company and resigned on 31 August 1989. All other directors were appointed on 1 September 1989. However, the above emoluments include all amounts paid to current directors since 1 April 1989.

Within the comparative figures for 1989 are the emoluments of the members of the former Yorkshire Water Authority and the executive directors only for the period following their appointment to the board of the former Authority on 1 October 1988.

Employees of the company earned emoluments (excluding pension contributions) within the following bands:

£	1990 Number	1989 Number
30,001 - 35,000	28	13
35,001 - 40,000	9	6
40,001 - 45,000	1	7
45,001 - 50,000	4	-

The average number of persons employed by the company during the year was 4052 (1989: 4503)

During the year an interest free car loan of £6,186 was made to Mr J M Taylor (director) and is being repaid by equal monthly instalments. The balance outstanding at the year end was £5,155.

NOTES TO THE ACCOUNTS (CONTINUED)

8. Tangible assets

	Land & buildings £m	Infrastructure £m
Cost:		
At 1 April 1989	420.2	352.7
Additions	5.1	9.5
Transfers on commissioning	25.2	13.5
Grants and contributions	-	-
Disposals	-	-
At 31 March 1990	<u>450.5</u>	<u>375.7</u>
Depreciation:		
At 1 April 1989	140.5	-
Disposals	-	-
Depreciation for the year	12.1	-
At 31 March 1990	<u>152.6</u>	<u>-</u>
Net book amount at 31 March 1990	<u>297.9</u>	<u>375.7</u>
Net book amount at 31 March 1989	<u>279.7</u>	<u>352.7</u>

At 31 March 1990 assets included above held under finance leases amounted to:

Cost

Depreciation

Net book amount at 31 March 1990

Net book amount at 31 March 1989

Land and buildings comprised:

	Cost at 31 March 1990 £m	Cumulative depreciation at 31 March 1990 £m
Freehold properties	448.9	152.4
Properties held on long lease	1.3	0.2
Properties held on short lease	0.3	-
	<u>450.5</u>	<u>152.6</u>

Note: The costs of assets transferred to the former Authority on 1 April 1974 are included in land and buildings

Plant & equipment £m	Under construction £m	Total £m
174.2	168.8	1,115.9
5.3	140.7	160.6
33.8	(72.5)	-
-	(9.1)	(9.1)
(5.1)	(8.0)	(13.1)
<u>208.2</u>	<u>219.9</u>	<u>1,254.3</u>

56.3	-	196.8
(3.5)	(6.5)	(10.0)
17.1	6.5	35.7
<u>69.9</u>	<u>-</u>	<u>222.5</u>
<u>138.3</u>	<u>219.9</u>	<u>1,031.8</u>
<u>117.9</u>	<u>168.8</u>	<u>919.1</u>

1.1	0.3	1.4
<u>0.5</u>	<u>-</u>	<u>0.5</u>
<u>0.6</u>	<u>0.3</u>	<u>0.9</u>
<u>0.8</u>	<u>-</u>	<u>0.8</u>

Net book amount at 31 March 1990 £m	Net book amount at 31 March 1989 £m
296.5	278.1
1.1	1.3
0.3	0.3
<u>297.9</u>	<u>279.7</u>

NOTES TO THE ACCOUNTS (CONTINUED)

9. Investments

	Shares in related companies £m	Other unlisted investments £m	Total £
At 1 April 1989	0.4	0.2	0.6
Additions	0.3	-	0.3
Disposals	(0.3)	-	(0.3)
At 31 March 1990	<u>0.4</u>	<u>0.2</u>	<u>0.6</u>

Related companies

Investments in related companies, all of which are registered in England and operate in the United Kingdom, include:

	Principal activity	Shares in issue	Proportion of issued equity capital held
Corrocoat Services Limited	Engineering	75,000 'A' 25,000 'B'	Nil 100%
Exxpress Technology Limited	Engineering	40,000 'A' 60,000 'B'	Nil 100%

The above shareholdings are included in the accounts at cost and no post acquisition profits or losses relating to the companies are included on the grounds of non materiality.

Other unlisted investments

The company owns 14% of the issued share capital of Water Pension Fund Holdings Limited a company which is incorporated and operates in the UK providing administrative and like services to water company and other pension funds. The company also holds £26,583 of convertible unsecured loan stock and £26,583 of 'B' ordinary shares in Water Research Centre (1989) Plc, which conducts research on behalf of the water industry.

NOTES TO THE ACCOUNTS (CONTINUED)

10. Stocks	1990 £m	1989 £m
Raw materials and consumables	3.2	2.4
Work in progress	0.3	0.3
	<u>3.5</u>	<u>2.7</u>
11. Debtors	1990 £m	1989 £m
Receivable within one year:		
Trade debtors	15.2	13.8
Amounts owed by group companies	4.0	-
Prepayments and accrued income	22.2	21.3
Other debtors	5.5	5.3
Receivable after more than one year:		
Amounts owed by holding company	73.6	-
Other debtors	0.9	0.3
	<u>121.4</u>	<u>40.7</u>
12. Short term borrowings	1990 £m	1989 £m
Bank loans and overdrafts	15.7	75.7
Other short term loans	0.1	64.2
	<u>15.8</u>	<u>139.9</u>
13. Long term borrowings	1990 £m	1989 £m
European Investment Bank	41.0	-
Local authority loans	1.1	1.2
Mortgage loans	0.1	0.1
National Loans Fund	-	433.2
Other central government loans	-	5.3
	<u>42.2</u>	<u>439.8</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13. Long term borrowings (cont'd)

Loan repayment terms are:	1990 £m	1989 £m
Bank loans		
Maturing after 31 March 1995 and repayable by instalments after that date	41.0	—
Wholly repayable after 31 March 1995	0.1	—
Other loans		
Maturing between 1 April 1991 and 31 March 1995 and repayable as follows:		
Between one and two years	—	13.8
Between two and five years	—	21.7
Maturing after 31 March 1995 and repayable as follows:		
Between one and two years	0.1	32.3
Between two and five years	0.3	117.8
After five years	0.7	254.2
	<u>42.2</u>	<u>439.8</u>

Borrowings, any part of which is repayable after five years, have been negotiated at variable interest rates which at 31 March 1990 ranged between 7% and 11½%.

Security against the revenues of the company has been given on £0.1 million (1989: £0.2million) of the above borrowings.

As part of the capital restructuring prior to the flotation of Yorkshire Water Plc all central government loans to the company were transferred to the holding company and extinguished on 15 November 1989.

14. Other creditors	1990 £m	1989 £m
Amounts falling due within one year:		
Trade creditors	18.1	19.0
Capital creditors	27.4	23.5
Amounts owed to group companies	2.4	—
Social security and payroll deductions	1.5	1.8
Accruals	7.0	7.0
Receipts in advance	18.1	15.5
Other creditors	1.1	16.5
Obligations under finance leases	0.2	0.2
	<u>75.8</u>	<u>83.5</u>
Amounts falling due after more than one year:		
Capital creditors	1.8	1.6
Other creditors	6.6	6.1
Obligations under finance leases between one and five years	0.5	0.7
	<u>8.9</u>	<u>8.4</u>

NOTES TO THE ACCOUNTS (CONTINUED)

15. Provisions for liabilities and charges

A charge is made to the profit and loss account for infrastructure renewals expenditure which reflects planned expenditure on maintaining the operating capability of infrastructure assets. The provision represents the unexpended balance of the profit and loss account charge carried forward.

	1990 £m
At 1 April 1989	—
Charged in profit and loss account	29.5
At 31 March 1990	<u>29.5</u>

16. Commitments

	1990 £m	1989 £m
Capital and infrastructure renewals expenditure commitments at 31 March 1990 were:		
Contracts placed	119.8	97.2
Authorised but not contracted for	97.2	75.2
	<u>217.0</u>	<u>172.4</u>

In addition Yorkshire Water Services Limited has a long term Asset Management Plan which includes substantial capital and infrastructure renewals expenditure to meet shortfalls in performance and condition.

At 31 March 1990 the company was committed to making the following payments during the next financial year under operating leases with terms as set out below:

	Land and buildings 1990 £m	Other 1990 £m	Land and buildings 1989 £m	Other 1989 £m
Leases which expire -				
Within one year	—	—	—	0.1
Between one and five years	—	0.4	0.1	0.3
After five years	0.3	—	0.5	—
	<u>0.3</u>	<u>0.4</u>	<u>0.6</u>	<u>0.4</u>

17. Contingent liabilities

Under a Revolving Credit Facility Agreement arranged by Yorkshire Water Plc, Yorkshire Water Services Limited has issued guarantees in respect of all liabilities of its holding company.

The banking arrangements of the company operate on a pooled basis with other group companies and the bank balances of each subsidiary can be offset against each other.

NOTES TO THE ACCOUNTS

18. Pensions

The company operates two defined benefit final pay schemes, the Water Mirror In Pension Scheme (WMIS) and the Water Pension Scheme (WPS).

Prior to 1 September 1989, employees were members of either the Water Authority Superannuation Fund (WASF) or the WPS which was established in 1988 as an option alternative to the WASF. As part of a reorganisation of pension arrangements effective from 1 September 1989 employees who were members of the WASF at that date were transferred to the WMIS which was established on that date to replicate existing arrangements of the WASF for members' contributions and benefits.

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

The employer's contributions and the pension cost under the accounting standard SS 24 have been assessed in accordance with the advice of William M. Mercer Fraser Limited using the projected unit method for the WPS and the attained age method for the WMIS. For this purpose the main actuarial assumption used is that there will be investment growth 2% greater than the rise in pay levels. Full allowance is allowed for increases to pensions and deferred pensions under each Scheme.

The pension cost for the period was £8.9million (1989: £7.5million).

The pension cost in respect of the WPS and the WMIS is the annual regular cost providing benefits including an allowance for funding expected supplementary discretionary arrangements operated by the company. In respect of the WASF the pension cost has been taken as the contribution paid. Although these actuarial contributions would have been insufficient to fund pension increases and supplementary discretionary benefits no unfunded liability for these remains with the company or its schemes. With effect from 1 September 1989 these liabilities within the WASF were transferred to the National Rivers Authority. For other benefits the full liability relating to service up to the date of each member's transfer to the WPS or WMIS, including the liability for future pension increases is intended to be met within the transfers from the WASF as described above.

19. Called up share capital

	Authorised £	Allotted and fully paid
Ordinary shares of £1 each	275,000,000	275,000,000

NOTES TO THE ACCOUNTS (CONTINUED)

The initial share capital was 2 ordinary (subscription) shares of £1 each issued at par for cash and held by nominees of H M Government. On 1 September 1989 these shares were transferred for nil consideration to Yorkshire Water Plc.

The authorised share capital was increased by ordinary resolution on 29 August 1989 to £30,000 and on 20 November to £275,000,000 in each case divided into ordinary shares of £1.

On 1 September 1989 49,998 ordinary shares of £1 each were issued at par to Yorkshire Water Plc, credited as fully paid.

On 21 November 1989 185,930,000 ordinary shares of £1 each were issued at par for cash to Yorkshire Water Plc.

On 23 January 1990 a further 89,020,000 ordinary shares of £1 each were issued at par for cash to Yorkshire Water Plc.

All the above share issues were associated with the setting up of the capital structure of the company under the provisions of Chapter V of the Water Act 1989.

20. Reserves

	1990 £m
Profit and loss account	
Reserves of former Authority at 1 April 1989	291.5
Cancellation of central government loans	558.7
Transfer from profit and loss account	(140.1)
	<u>710.1</u>

NOTES TO THE ACCOUNTS (CONTINUED)

21. Directors' interests

The interests of the directors and their immediate families in the ordinary shares of Yorkshire Water Plc are set out below:

		Ordinary shares	Options to acquire ordinary shares
M C Batty	1.9.89	-	-
	31.3.90	1,271	26,197
A J Shuttleworth	1.9.89	-	-
	31.3.90	1,786	24,229
J M Taylor	1.9.89	-	-
	31.3.90	2,295	26,842
C A Tunley	1.9.89	-	-
	31.3.90	3,386	23,361

Sir Gordon Jones and Mr A I Ward are directors of Yorkshire Water Plc. Their interests in the ordinary shares of Yorkshire Water Plc are disclosed in the accounts of that company.

There has been no change in the interests shown above between 31 March 1990 and 21 June 1990.

In common with other individual shareholders, directors and their families may be entitled to a Customer Share Bonus, up to a maximum of 300 bonus shares, of one bonus share for every ten shares held in Yorkshire Water Plc for two years from flotation.

Holdings of ordinary shares include beneficial interests in shares made available to qualifying employees under special arrangements at the time of flotation:

- i) Under the "Free Offer" between 29 and 46 shares, depending on length of service, together with up to 166 shares under the "Matching Offer". All the shares are registered to and held by Scheme Trustees and are not eligible for the Customer Bonus.
- ii) Up to 5,980 shares purchased under the "Employee Discount and Priority Offer" and subject to a discount of 10% on the offer price, to be given on the first instalment to be paid to H M Government in 1991.

The Executive Share Option Scheme and SAYE Share Option Scheme are described in the accounts of the holding company, Yorkshire Water Plc.

At no time during the period has any director had a material interest in a contract with any company in the group, being a contract which was significant in relation to the business of that company.

22. Ultimate holding company

The ultimate holding company is Yorkshire Water Plc, a company incorporated in Great Britain.

**AUDITORS' REPORT**

We have audited the accounts on pages 2 to 18 in accordance with Auditing Standards.

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



**Price Waterhouse  
Chartered Accountants  
Leeds**

21 June 1990

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and audited accounts for the year ended 31 March 1990.

### Activities

The Company's principal activities are the water supply and sewerage services it provides to its customers.

### Review of Developments

The Company was incorporated on 1 April 1989 and has an issued share capital of 275 million £1 ordinary shares.

Under Section 4 of the Water Act 1989, all assets and liabilities of the Yorkshire Water Authority which did not relate to functions transferred to the National Rivers Authority were vested in Yorkshire Water Services Limited on 1 September 1989. However, in accordance with the provisions of Section 91 of the Water Act 1989, statutory accounts for the Company have been prepared as if vesting had been effected as at 1 April 1989. On 1 October 1989, certain assets were transferred to the parent company Yorkshire Water Plc and to a fellow subsidiary company YW Enterprise Limited. The Company's financial results for the year exclude figures relating to National Rivers Authority functions, YW Enterprises Limited and the parent company.

Yorkshire Water Services Limited is the appointed water and sewerage undertaker operating under the terms and conditions of the Instrument of Appointment issued by the Secretary of State for the Environment in August 1989. Since 1 September 1989 the Company has been responsible for the provision of water services throughout the Yorkshire region with the exception of functions transferred to the National Rivers Authority.

The Company's first period of operation was marked by the continuing effects of a period of particularly dry weather. The Company has continued to make substantial investment to meet drinking water quality standards, to comply with consent conditions for sewage works discharges and to improve bathing water quality. During the year, expenditure on tangible fixed assets was £160.6 million while £55.8 million was provided to maintain the operating capability of infrastructure assets.

### Results for the Year

Profit on ordinary activities after taxation was £59.9 million. An interim dividend of £200 million was paid to Yorkshire Water Plc on 21 November 1989. The Directors recommend that no final dividend should be paid.

## DIRECTORS' REPORT (CONTINUED)

### Directors

Upon incorporation of the Company on 1 April 1989, two directors were appointed by H. M. Government, Mr. J. A. L. Gunn and Mr. A. D. Whetnall. These directors resigned on 1 August 1989. The present directors of the Company were appointed on 1 September 1989. They are as follows:-

Sir Gordon Jones, BSc - Chairman

A. I. Ward, BSc(Hons) FICE, FIWEM - Managing Director

J. M. Taylor, CEng FIWEM, MIE - Director of Operations

M. C. Batty, IPFA - Director of Finance

A. J. Shuttleworth, MA, DPhil - Director of Water Quality

C. A. Tunley, IPFA, FBIM - Director of Information Technology

### Research and Development

The Company operates an extensive research and development programme to secure future improvements in the efficiency and effectiveness of the business. During the year, expenditure on research and development amounted to £2.1 million. The Company works closely with Water Research Centre (1989) Plc, universities and other research institutions and a variety of projects have been developed as a result. Particular attention is placed on projects designed to improve capital productivity and operational efficiency.

### Fixed Assets

The movements in fixed assets are shown in the accounts (note 8) and include transfers to YW Enterprises Limited and the parent company.

The directors are aware that the value of certain land and buildings in the balance sheet is not representative of the market value of these assets. However, a substantial proportion of land and buildings comprises specialised operational properties and structures for which there is no ready market and it is not therefore practicable to provide a full valuation.

### Regulatory Accounting Statements

The Instrument of Appointment requires the Company to provide the Director General of Water Services with certain accounting statements. These are available upon request. The accounting statements include current cost information. The Director General has indicated his intention of issuing guidelines on the basis of current cost valuations during 1990/91.

### Employee Involvement

The Company has continued to develop its comprehensive range of employee communications including a system of team briefing, a news magazine on video and an employee newspaper. A special version of the Annual Report is produced for employees.

Arrangements for employees to acquire shares in Yorkshire Water Plc have been established including a 'sharesave' scheme.

### Employment of Disabled People

Yorkshire Water Services Limited gives every consideration, wherever practicable, to the employment of disabled persons and has made, and will continue to make, every effort to retain and assist any employee who becomes disabled during his or her employment.

### Taxation

The Company is not a close company as defined by the Income and Corporation Taxes Act 1988 and there has been no change in this respect since the end of the financial year.

### Instrument of Appointment - Condition K

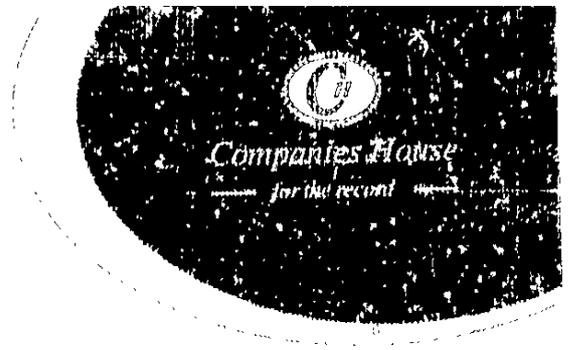
The Directors declare that at 31 March 1990 the Company holds sufficient rights and assets (other than financial resources) to enable any successor to continue to manage the affairs, business and property of Yorkshire Water Services Limited within its appointed area.

BY ORDER OF THE BOARD



M. W. Plimley  
Company Secretary

28 June 1990



## NOTICE OF ILLEGIBLE DOCUMENT ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company contain some documents which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

