

Yorkshire  
Water  
Services  
Limited

**DIRECTORS' REPORT  
AND ACCOUNTS 1993**

The Directors have pleasure in presenting their fourth report, for the year April 1992 to March 1993.

**Share capital**

There has been no change, during the year, to the company's share capital of £275 million in shares of £1 each fully paid, all of which is held by Yorkshire Water plc and its nominees.

**Principal activities**

The principal activity of the company is the provision of drinking water and waste water management services to the Yorkshire region, for which the company is the water and sewerage undertaker.

**Directors**

The Directors, all of whom (with the exception of Mr Stones, who was appointed on 1 May 1992 and Sir Gordon Jones, who resigned as a Director on 24 March 1993) served throughout the year, were:

- Sir Gordon Jones
- Mr A. I. Ward
- Mr J. R. Layfield
- Mr I. G. Murdoch
- Mr T. Newton OBE
- Dr A. J. Shuttleworth
- Mr C. J. Stones
- Mr J. M. Taylor
- Mr C. A. Tunley

Mr Newton was appointed as Chairman on 24 March 1993.

**Financial results for the year**

Profit on ordinary activities was £135.8 million. An interim dividend of £18.6 million was paid to Yorkshire Water plc in January 1993 and a final dividend of £37.8 million is proposed. An amount of £79.4 million is available to be added to reserves.

**Operations**

The Customer Services Directorate has continued to develop and focus on the needs of our customers with the introduction of Customer Advisors and the establishment of a "one-stop shop" call centre to deal with customers' telephone enquiries.

Major investments amounting to some £300 million took place during the year. This investment has been targetted at further improving drinking water quality by the construction and major refurbishment of water treatment plants and water mains; and the continued improvement in the quality of our rivers and bathing beaches by the construction and major refurbishment of sewers and sewage treatment plants.

**Directors' and Officers' liability insurance**

During the year, Directors' and Officers' liability insurance was arranged on behalf of the company Directors and certain specified managers. A premium of £22,000 for twelve months to March 1993 was paid by Yorkshire Water plc on behalf of the Group.

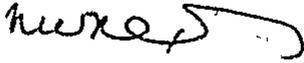


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**Auditors**

Price Waterhouse have expressed their willingness to be re-appointed as auditors of the company. A resolution will be proposed at the Annual General Meeting to re-appoint them.

By Order of the Board



M. W. Plimley  
Company Secretary

2 June 1993

**Registered Office:**  
2 The Embankment  
Sovereign Street  
Leeds  
LS1 4BG.  
Registered in England No. 2366682.



**PROFIT AND LOSS ACCOUNT**  
YEAR ENDED 31 MARCH 1993

	Notes	1993 £m	1992 £m
<b>Turnover</b>		460.3	430.8
Operating costs	2	<u>(312.3)</u>	<u>(303.2)</u>
<b>Operating profit</b>		148.0	127.6
Interest	4	<u>(12.2)</u>	<u>(1.3)</u>
<b>Profit before taxation</b>		135.8	126.3
Taxation	5	<u>-</u>	<u>-</u>
<b>Profit after taxation</b>		135.8	126.3
Dividends – interim	6	(18.6)	(18.1)
– final	6	(37.8)	(35.4)
<b>Profit retained</b>		<u>79.4</u>	<u>72.8</u>

All recognised gains and losses are accounted for in the profit and loss account.

The movement on reserves is shown in Note 21.



**BALANCE SHEET**  
AT 31 MARCH 1993.

	Notes	1993 £m	1992 £m
<b>Fixed assets</b>			
Tangible assets	9	1,616.4	1,413.4
Investments	10	0.2	0.5
		<u>1,616.6</u>	<u>1,413.9</u>
<b>Current assets</b>			
Stocks	11	3.9	4.5
Debtors	12	177.5	189.1
Cash and short term deposits		1.1	2.7
		<u>182.5</u>	<u>196.3</u>
<b>Creditors: amounts falling due within one year</b>			
Short term borrowings	13	(1.8)	(1.5)
Other creditors	16	(155.1)	(148.7)
		<u>(156.9)</u>	<u>(150.2)</u>
<b>Net current assets</b>			
		<u>25.6</u>	<u>46.1</u>
<b>Total assets less current liabilities</b>			
		1,642.2	1,460.0
<b>Creditors: amounts falling due after more than one year</b>			
Long term borrowings	14	(272.5)	(209.8)
Other creditors	16	(71.3)	(43.6)
<b>Provisions for liabilities and charges</b>			
	17	<u>(110.1)</u>	<u>(97.7)</u>
		<u>1,188.3</u>	<u>1,108.9</u>
<b>Capital and reserves</b>			
Called up share capital	20	275.0	275.0
Profit and loss account	21	913.3	833.9
		<u>1,188.3</u>	<u>1,108.9</u>

Approved by the board and signed on its behalf on 2 June 1993

T. Newton  
Chairman



### **1. Accounting policies**

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

#### **Accounting convention and basis of preparation**

These accounts have been prepared under the historical cost convention. Certain comparative figures have been restated in order to correspond to the form of analysis 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 financial year in which it is incurred. Expenditure on fixed assets relating to research and development projects is written off over the expected useful life of those assets.

#### **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 within borrowings. All other leases are operating leases and the rentals are charged to the profit and loss account as incurred over the life of the lease.

#### **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. Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost.

The charge for infrastructure renewals expenditure takes account of planned expenditure on maintaining the operating capability of 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 is made each year to maintain the value of any unexpended balance brought forward from the previous year.

#### **Other tangible assets**

Other tangible assets are included at cost less accumulated depreciation.



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## Depreciation

Depreciation is charged, where appropriate, on the original cost of assets on a straight-line basis over the estimated economic lives of the assets.

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.

Depreciation is charged from the date of commissioning of assets and the principal economic lives used are:

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

## Grants and contributions

Grants and contributions in respect of tangible assets, other than infrastructure assets, are treated as deferred income and credited to the profit and loss account by instalments over the expected useful lives of the related assets.

Grants and contributions in respect of expenditure enhancing the infrastructure network are applied in reducing that expenditure. This treatment is adopted because infrastructure assets, as described in the policy above, are not depreciated.

Grants and contributions received in respect of expenditure charged to the profit and loss account during the year are included in 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 stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is stated 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.

## Accounting standards

The accounts of the company are prepared in compliance with all applicable accounting standards including Financial Reporting Standard 3 – Reporting Financial Performance – which has been adopted in advance of the official implementation date. No Statement of Total Recognised Gains and Losses has been presented because total recognised gains equate to the profit for the year.



## NOTES TO THE ACCOUNTS

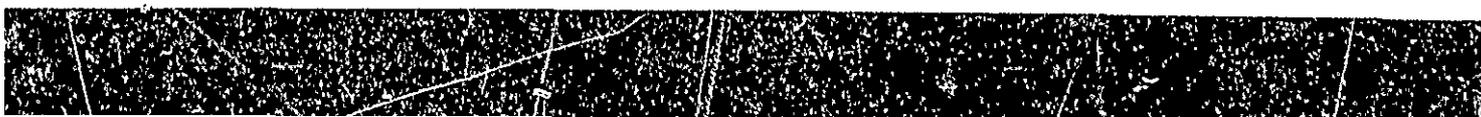
### 2. Operating costs

	1993	1992
	£m	£m
Wages and salaries	69.9	66.6
Social security costs	5.2	4.8
Other pension costs	12.6	9.1
Raw materials and consumables	19.5	18.8
National non-domestic rates	23.2	24.7
Other operating charges	71.3	64.5
Depreciation on owned assets	39.8	41.5
Depreciation on assets held under finance leases	5.3	1.3
Operating lease rentals – plant and equipment	0.7	0.7
– other	0.7	0.7
Short term hire of plant and equipment	0.2	0.6
Auditors' remuneration – audit fees and expenses	0.1	0.1
– other services	0.2	0.5
Inter-company charges	21.6	19.9
Landslip reinstatement	–	5.5
Infrastructure renewals charge	66.3	66.5
	<u>336.6</u>	<u>325.8</u>
Amortisation of grants and contributions associated with capitalised schemes	1.3	0.8
Own work capitalised or charged as infrastructure renewals expenditure	19.1	15.4
Other operating income – inter-company asset sales	3.1	4.4
– other	0.8	2.0
	<u>312.3</u>	<u>303.2</u>

### 3. Research and development expenditure

Research and development costs of £3.6 million (1992: £3.5 million), including depreciation, have been charged against operating profit during the year.

Additionally an amount of £1.4 million relating to assets acquired for research and development purposes has been capitalised.





#### 4. Interest

	1993	1992
Interest payable on:	£m	£m
Bank and other loans wholly repayable within five years	(0.4)	(0.8)
Bank and other loans not wholly repayable within five years	(12.0)	(10.8)
Amounts due to parent company	(0.6)	(0.4)
Finance charges in respect of finance leases	(11.8)	(5.1)
Other	(1.1)	(0.1)
	<u>(25.9)</u>	<u>(17.2)</u>
Interest receivable:		
Inter-company loans	13.1	15.5
Other	0.6	0.4
	<u>(12.2)</u>	<u>(1.3)</u>

#### 5. Taxation

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

The full potential deferred tax liability on timing differences, calculated using the liability method, at a tax rate of 33% is:

	1993	1992
	£m	£m
Accelerated capital allowances	190	128
Unrelieved advance corporation tax	(42)	(30)
Short term timing differences	(37)	(32)
	<u>111</u>	<u>66</u>

#### 6. Dividends

	1993	1992
	£m	£m
Interim dividend (paid January 1993)	18.6	18.1
Proposed final dividend	37.8	35.4
	<u>56.4</u>	<u>53.5</u>



7. Directors and employees

	1993	1992
	£000	£000
Directors' emoluments (including pension contributions)	486	424
Emoluments of the Chairman (excluding pension contributions)	-	-
Emoluments of the highest paid director (excluding pension contributions)	80	84
The directors earned emoluments (excluding pension contributions) which fall within the following bands:		
£	1993	1992
	Number	Number
0 - 5,000	3	3
60,001 - 65,000	1	-
65,001 - 70,000	2	2
70,001 - 75,000	2	1
75,001 - 80,000	1	1
80,001 - 85,000	-	1

Sir Gordon Jones, Mr T. Newton OBE 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.

No part of the directors' emoluments in 1992/93 was performance-related. The employer's pension contributions in respect of Directors amounted to £64,000. (1992: £57,000.)

The average number of persons employed by the company during the year was 3,948 (1992: 4,031).

8. Pensions

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

The employer's contributions and the pension cost under the accounting standard SSAP 24 have been assessed in accordance with the advice of the group's actuaries 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 also made for increases to pensions and deferred pensions under each scheme.

During the year various costs in addition to the normal company contributions have been incurred in pension terms due to restructuring within the company. These amounts totalling £3.0 million have been included within the pension cost for the period.

The first actuarial valuation of the two schemes was carried out as at 31 March 1990 and details of the results of this valuation can be found in the accounts of the parent company. A valuation due as at 31 March 1993 is currently being undertaken.



## 9. Tangible assets

Cost	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Total £m
At 1 April 1992	554.0	470.4	283.0	386.9	1,694.3
Additions	11.5	1.4	5.3	236.7	254.9
Transfers on commissioning	50.9	38.0	72.2	(161.1)	—
Disposals	(0.7)	—	(5.5)	(4.8)	(11.0)
Grants and contributions	—	—	—	(6.1)	(6.1)
At 31 March 1993	615.7	509.8	355.0	451.6	1,932.1

### Depreciation

At 1 April 1992	178.2	—	102.7	—	280.9
Disposals	(0.5)	—	(5.0)	(4.8)	(10.3)
Depreciation for the year	16.2	—	24.1	4.8	45.1
At 31 March 1993	193.9	—	121.8	—	315.7

### Net book amount at 31 March 1993

	421.8	509.8	233.2	451.6	1,616.4
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### Net book amount at 31 March 1992

	375.8	470.4	180.3	386.9	1,413.4
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### At 31 March 1993 assets included above held under finance leases amounted to:

Cost	24.0	—	46.2	94.3	164.5
Depreciation	0.5	—	4.8	—	5.3

### Net book amount at 31 March 1993

	23.5	—	41.4	94.3	159.2
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### Net book amount at 31 March 1992

	9.7	—	4.6	92.6	106.9
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### The net book amount of land and buildings comprised:

	Cost at 31 March 1993 £m	Depreciation at 31 March 1993 £m	Net book amount at 31 March 1993 £m	Net book amount at 31 March 1992 £m
Freehold properties	614.3	193.6	420.7	374.7
Properties held on long lease	1.1	0.2	0.9	0.9
Properties held on short lease	0.3	0.1	0.2	0.2
	615.7	193.9	421.8	375.8

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

Grants and contributions received relating to infrastructure assets have been deducted from the cost of fixed assets in order to show a true and fair view. As a consequence, the net book amount of fixed assets is £19.7 million lower than it would have been had this treatment not been adopted.



## NOTES TO THE ACCOUNTS

### 10. Investments

	Interests in associated undertakings £m	Other unlisted investments £m	Total £m
At 1 April 1992	0.3	0.2	0.5
Provision during year	(0.3)	-	(0.3)
<b>At 31 March 1993</b>	<u>-</u>	<u>0.2</u>	<u>0.2</u>

### Associated undertakings

The investment in associated undertakings comprises:

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

Corrocoat Services Limited is registered in England and operates in the United Kingdom.

### 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.

### 11. Stocks

	1993 £m	1992 £m
Raw materials and consumables	3.5	4.1
Work in progress	0.4	0.4
	<u>3.9</u>	<u>4.5</u>



<b>12. Debtors</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
Trade debtors	24.5	23.0
Amounts owed by group undertakings	10.4	11.6
Amounts owed by parent company	105.0	120.0
Prepayments and accrued income	26.2	25.7
Other debtors:		
Receivable within one year	9.9	7.5
Receivable after more than one year	1.5	1.3
	<u>177.5</u>	<u>189.1</u>

<b>13. Short term borrowings</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
Repayable within one year or on demand:		
Short term loans	0.1	0.1
Finance leases	1.7	1.4
	<u>1.8</u>	<u>1.5</u>

<b>14. Long term borrowings</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
<b>Maturities</b>		
Repayable between one and five years:		
Bank loans	0.1	—
Finance leases	4.0	3.2
Repayable by instalments and maturing after five years:		
Bank loans	92.5	92.5
Other loans	0.8	0.9
Finance leases	155.1	103.1
Wholly repayable after five years:		
Bank loans	20.0	10.1
	<u>272.5</u>	<u>209.8</u>



## NOTES TO THE ACCOUNTS

<b>15. Aggregate borrowings and cash</b>	<b>Bank loans and overdrafts</b>	<b>Other loans</b>	<b>Finance leases</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Repayments</b>				
Within one year or on demand	–	0.1	1.7	1.8
Between one and two years	–	0.1	2.0	2.1
Between two and five years	18.4	0.3	2.0	20.7
After five years	94.2	0.4	155.1	249.7
	<u>112.6</u>	<u>0.9</u>	<u>160.8</u>	<u>274.3</u>
Cash and short term deposits				(1.1)
Net borrowings				<u>273.2</u>

Borrowings, any part of which is repayable after five years, have been negotiated at fixed and variable interest rates which at 31 March 1993 ranged between 7% and 11½%.

Security against the revenues of Yorkshire Water Services Limited has been given on £0.1 million (1992: £0.1 million) of the above borrowings.

<b>16. Other creditors</b>	<b>1993</b>	<b>1992</b>
	<b>£m</b>	<b>£m</b>
<b>Amounts falling due within one year</b>		
Trade creditors	22.3	24.1
Capital creditors	46.8	52.4
Deferred grants and contributions on depreciating fixed assets	1.4	0.8
Amounts owed to parent company – proposed dividend	37.8	35.4
Amounts owed to group undertakings	6.7	5.7
Social security and payroll deductions	2.4	2.1
Taxation	0.1	–
Accruals	3.2	4.9
Receipts in advance	22.2	19.6
Other creditors	12.2	3.7
	<u>155.1</u>	<u>148.7</u>
<b>Amounts falling due after more than one year</b>		
Capital creditors	5.2	3.7
Deferred grants and contributions on depreciating fixed assets	53.5	29.3
Other creditors	12.6	10.6
	<u>71.3</u>	<u>43.6</u>



17. Provisions for liabilities and charges	Infrastructure	Landslip	Total
	renewals expenditure	reinstatement	
	£m	£m	£m
At 1 April 1992	97.7	5.0	97.7
Expenditure in the year	-	(3.0)	(3.0)
Charged in profit and loss account	15.4	-	15.4
<b>At 31 March 1993</b>	<b>108.1</b>	<b>2.0</b>	<b>110.1</b>

18. Commitments	1993	1992
	£m	£m
Capital and infrastructure renewals expenditure commitments at 31 March were:		
Contracts placed	126.7	189.2
Authorised but not contracted for	106.3	167.2
	<u>233.0</u>	<u>356.4</u>

In addition Yorkshire Water Services Limited has a long term Asset Management Plan which identifies substantial future capital and infrastructure renewals expenditure.

At 31 March 1993 the company was committed to making the following payments during the next financial year under non-cancellable operating leases with terms as set out below:

	Land and	Other	Land and	Other
	buildings		buildings	
	1993	1993	1992	1992
	£m	£m	£m	£m
Leases which expire:				
Within one year	-	0.1	-	0.2
Between one and five years	0.1	0.8	0.1	0.5
After five years	0.5	-	0.5	-
	<u>0.6</u>	<u>0.9</u>	<u>0.6</u>	<u>0.7</u>

### 19. Contingent liabilities

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.

### 20. Called up share capital

	Authorised	Allotted and
	£	fully paid
	£	£
At 1 April 1992 and 31 March 1993		
Ordinary shares of £1 each	275,000,000	275,000,000



## NOTES TO THE ACCOUNTS

### 21. Reserves

#### Profit and loss account

	£m
At 1 April 1992	833.9
Transfer from profit and loss account	79.4
<b>At 31 March 1993</b>	<b>913.3</b>

There were no other movements in shareholders' funds during the year.

### 22. Directors' interests

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

	At 31 March 1993			At 1 April 1992 or date of appointment		
	Shares	Executive Options	SAYE Options	Shares	Executive Options	SAYE Options
J. R. Layfield	11,557	-	2,045	386	23,206	2,045
I. G. Murdoch	18,097	-	6,136	3,465	23,481	6,136
A. J. Shuttleworth	2,046	24,229	8,758	1,960	24,229	8,758
D. J. Stones	11,122	-	7,882	2,957	22,272	7,882
J. M. Taylor	7,169	13,442	6,136	2,469	26,842	6,136
C. A. Tunley	17,637	-	8,758	3,798	23,361	8,758

Mr T. Newton OBE 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 1993 and 2 June 1993.

Holdings of ordinary shares include beneficial interests in shares made available to qualifying employees under special arrangements at the time of flotation and shares under the Employee Profit Sharing Scheme.

The Executive Share Option Scheme and Sharesave 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.

### 23. Ultimate holding company

Yorkshire Water plc, which is registered in England, is the company's ultimate parent company and is the parent undertaking of the largest group to consolidate these accounts. Copies of the group accounts may be obtained from The Company Secretary, Yorkshire Water plc, 2 The Embankment, Sovereign Street, Leeds LS1 4BG.

### 24. Cashflow statement

The accounts do not include a cashflow statement because the accounts of the ultimate holding company contain a cashflow statement in accordance with Financial Reporting Standard 1.



**AUDITORS' REPORT**

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**To the members of Yorkshire Water Services Limited**



We have audited the accounts on pages 4 to 16 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 1993 and of its profit for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Price Waterhouse**  
Chartered Accountants  
and Registered Auditor  
Leeds

2 June 1993



# Regulatory Accounting Information 1993

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### Explanatory note

Pages 19 to 32 include the regulatory accounting information which the company is required to publish under the company's Instrument of Appointment as a water and sewerage undertaker. The information has been prepared in accordance with the requirements of Regulatory Accounting Guidelines issued by the Director General of Water Services.



## AUDITORS' REPORT ON THE REGULATORY ACCOUNTING INFORMATION



To the Director General of Water Services

We have audited the financial statements on pages 20 to 32 in accordance with Auditing Standards.

In our opinion, the financial statements contain the information for the year to 31 March 1993 required to be published and submitted to you by Yorkshire Water Services Limited to comply with Condition F of the Instrument of Appointment by the Secretary of State for the Environment of the company as a water and sewerage undertaker under the Water Act 1989.

In respect of this information, we report that in our opinion:

- (a) proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument;
- (b) the information is in agreement with the Appointee's accounting records, complies with the requirements of Condition F of the Instrument and has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services;
- (c) the summarised financial statements on pages 20 to 21 have been properly prepared from the financial statements set out on pages 4 to 16 and, in conjunction therewith give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointed Business; and
- (d) the current cost financial information on pages 22 to 32 has been properly prepared in accordance with Regulatory Accounting Guideline 1, Accounting for Current Costs, issued in March 1992 by the Office of Water Services.

**Price Waterhouse**  
Chartered Accountants  
and Registered Auditor  
Leeds

2 June 1993



**HISTORICAL COST PROFIT AND LOSS ACCOUNT**  
 YEAR ENDED 31 MARCH 1993

	1993			1992		
	Appointed £m	Non- appointed £m	Total £m	Appointed £m	Non- appointed £m	Total £m
<b>Turnover</b>	456.5	3.8	460.3	429.6	1.2	430.8
Operating costs	(313.5)	(2.7)	(316.2)	(308.7)	(0.9)	(309.6)
Operating income	3.1	-	3.1	5.5	-	5.5
<b>Operating profit</b>	146.1	1.1	147.2	126.4	0.3	126.7
Other income	0.8	-	0.8	0.9	-	0.9
Interest receivable/(payable)	(12.0)	(0.2)	(12.2)	(1.3)	-	(1.3)
<b>Profit on ordinary activities before taxation</b>	134.9	0.9	135.8	126.0	0.3	126.3
Taxation	-	-	-	-	-	-
<b>Profit on ordinary activities after taxation</b>	134.9	0.9	135.8	126.0	0.3	126.3
Dividends – interim	(18.6)	-	(18.6)	(17.1)	(1.0)	(18.1)
– proposed final	(36.9)	(0.9)	(37.8)	(35.1)	(0.3)	(35.4)
<b>Profit/(loss) retained</b>	79.4	-	79.4	73.8	(1.0)	72.8

The accounting policies set out on pages 6 to 7 apply to the historical cost regulatory accounting information.


**HISTORICAL COST BALANCE SHEET**

AT 31 MARCH 2009

	1993			1992		
	Appointed £m	Non- appointed £m	Total £m	Appointed £m	Non- appointed £m	Total £m
<b>Fixed assets</b>						
Tangible assets	1,602.5	13.9	1,616.4	1,405.7	7.7	1,413.4
Investments	0.2	-	0.2	0.5	-	0.5
	<u>1,602.7</u>	<u>13.9</u>	<u>1,616.6</u>	<u>1,406.2</u>	<u>7.7</u>	<u>1,413.9</u>
<b>Current assets</b>						
Stocks	3.9	-	3.9	4.5	-	4.5
Debtors	177.3	0.2	177.5	188.6	0.5	189.1
Cash at bank and in hand	1.1	-	1.1	2.7	-	2.7
	<u>182.3</u>	<u>0.2</u>	<u>182.5</u>	<u>195.8</u>	<u>0.5</u>	<u>196.3</u>
<b>Creditors: amounts falling due within one year</b>	<u>(148.9)</u>	<u>(6.6)</u>	<u>(155.5)</u>	<u>(145.6)</u>	<u>(3.8)</u>	<u>(149.4)</u>
<b>Net current assets</b>	<u>33.4</u>	<u>(6.4)</u>	<u>27.0</u>	<u>50.2</u>	<u>(3.3)</u>	<u>46.9</u>
<b>Total assets less current liabilities</b>	1,636.1	7.5	1,643.6	1,456.4	4.4	1,460.8
<b>Creditors: amounts falling due after more than one year</b>	(290.1)	(0.2)	(290.3)	(224.0)	(0.1)	(224.1)
<b>Provisions for liabilities and charges</b>	(110.1)	-	(110.1)	(97.7)	-	(97.7)
<b>Deferred income</b>	<u>(47.6)</u>	<u>(7.3)</u>	<u>(54.9)</u>	<u>(25.8)</u>	<u>(4.3)</u>	<u>(30.1)</u>
	<u>1,188.3</u>	<u>-</u>	<u>1,188.3</u>	<u>1,108.9</u>	<u>-</u>	<u>1,108.9</u>
<b>Capital and reserves</b>						
Called up share capital	275.0	-	275.0	275.0	-	275.0
Profit and loss account	913.3	-	913.3	833.9	-	833.9
	<u>1,188.3</u>	<u>-</u>	<u>1,188.3</u>	<u>1,108.9</u>	<u>-</u>	<u>1,108.9</u>



**CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE APPOINTED BUSINESS**  
PERIOD ENDING 31 MARCH 1993

	Notes	1993 £m	1992 £m
<b>Turnover</b>	5	456.5	429.6
Current cost operating costs		(343.0)	(336.8)
Operating income	5	<u>1.0</u>	<u>3.2</u>
		114.5	96.0
Working capital adjustment		<u>0.4</u>	<u>1.1</u>
<b>Current cost operating profit</b>		114.9	97.1
Other income		0.8	0.9
Interest receivable/(payable)		(12.0)	(1.3)
Financing adjustment		<u>4.8</u>	<u>5.2</u>
<b>Current cost profit on ordinary activities before taxation</b>		108.5	101.9
Taxation		<u>-</u>	<u>-</u>
<b>Current cost profit on ordinary activities after taxation</b>		108.5	101.9
Dividends		<u>(55.5)</u>	<u>(52.2)</u>
<b>Current cost profit retained</b>		<u>53.0</u>	<u>49.7</u>

**CURRENT COST BALANCE SHEET FOR THE APPOINTED BUSINESS**

AT 30 MARCH 2011/10

	Notes	1993 £m	1992 £m
<b>Fixed assets</b>			
Tangible assets	6, 7	12,854.4	12,446.2
Third party contributions since 1989/90		(69.0)	(40.2)
<b>Working capital</b>	8	<u>(41.1)</u>	<u>(19.5)</u>
<b>Net operating assets</b>		12,744.3	12,386.5
Cash and investments		1.3	3.2
Non-trade debtors		10.6	8.4
Non-trade creditors due within one year		(47.2)	(39.1)
Creditors due after one year		<u>(290.1)</u>	<u>(224.0)</u>
<b>Net assets employed</b>		<u>12,418.9</u>	<u>12,135.0</u>
<b>Capital and reserves</b>			
Called up share capital		275.0	275.0
Profit and loss account		585.3	532.3
Current cost reserve	9	<u>11,558.6</u>	<u>11,327.7</u>
		<u>12,418.9</u>	<u>12,135.0</u>



## CURRENT COST CASH FLOW STATEMENT

31st MARCH 1997

	Note	1995		1997		
		Appointed £m	Non- appointed £m	Total Appointed £m	Non- appointed £m	Total £m
<b>Net cash flow from operating activities</b>	10	191.2	1.1	192.3	1.2	194.8
<b>Returns on investments and servicing of finance</b>						
Other income received		0.8	-	0.8	0.9	0.9
Interest received		18.2	-	18.2	15.9	15.9
Interest paid		(15.5)	(0.2)	(15.7)	(10.5)	(10.5)
Interest in finance lease rentals		(0.5)	-	(0.5)	(0.3)	(0.3)
Dividends paid		(53.7)	(0.3)	(54.0)	(47.6)	(48.6)
<b>Net cash flow from returns on investments and servicing of finance</b>		(50.7)	(0.5)	(51.2)	(41.6)	(42.6)
<b>Taxation</b>						
UK corporation tax paid		-	-	-	-	-
<b>Investing activities</b>						
Purchase of fixed assets		(252.6)	(6.3)	(258.9)	(241.1)	(247.7)
Disposal of fixed assets		4.4	-	4.4	6.8	6.8
Grants and contributions		30.6	3.2	33.8	19.4	24.6
<b>Net cash outflow from investing activities</b>		(217.6)	(3.1)	(220.7)	(214.9)	(216.3)
<b>Net cash outflow before financing</b>		(77.1)	(2.5)	(79.6)	(62.9)	(64.1)
<b>Financing</b>						
Capital in finance lease rentals		(53.1)	-	(53.1)	(85.0)	(85.0)
New bank loans		(24.9)	-	(24.9)	5.1	5.1
<b>Net cash inflow from financing</b>		(78.0)	-	(78.0)	(79.9)	(79.9)
<b>Increase/(decrease) in cash and cash equivalents</b>		0.9	(2.5)	(1.6)	17.0	15.8



## 1. Accounting Policies – Current Cost Information

The current cost information has been prepared for the Appointed Business of Yorkshire Water Services Ltd in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. Profitability is measured on the basis of real financial capital maintenance in the context of assets which are valued at their current cost value to the business with the exception of assets acquired prior to 31 March 1990.

The accounting policies used are the same as those adopted in the statutory historical cost accounts, except as set out below.

### Tangible fixed assets

Assets acquired prior to 31 March 1990 and in operational use are valued at the replacement cost of their operating capability. To the extent that the regulatory regime does not allow such assets to earn a return high enough to justify that value, this represents a modification of the value to the business principle. Also, no provision is made for the possible funding of future replacements of pre-31 March 1990 assets by contributions from third parties and, to the extent that some of those assets would on replacement be so funded, replacement cost again differs from value to the business. Redundant assets are valued at their recoverable amount.

#### — Land and buildings

Non-specialised operational properties were valued on the basis of open market value for existing use at 1 September 1989 and have been expressed in real terms by indexing using the Retail Price Index (RPI) since that date.

Specialised operational properties acquired since 31 March 1990 are valued at the lower of depreciated replacement cost and recoverable amount, restated annually between periodic Surface Investment Requirement (SIR) reviews by adjusting for inflation as measured by changes in the RPI. The unamortised portion of third party contributions received is deducted in arriving at net operating assets (as described below).

#### — Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls are valued at replacement cost, determined principally on the basis of data provided by the Asset Management Plan (AMP).

A process of continuing refinement of asset records is expected to produce adjustments to existing values when periodic reviews of the AMP take place. In the intervening years, values are restated to take account of changes in the general level of inflation, as measured by changes in the RPI over the year.

#### — Other fixed assets

All other fixed assets are valued periodically at depreciated replacement cost. Between periodic SIR reviews, values are restated for inflation as measured by changes in the RPI.

#### — Surplus land

Surplus land is valued at recoverable amount, taking into account that part of any proceeds to be passed onto customers under Condition B of the Licence.



### **Grants and other third party contributions**

Grants, infrastructure charges and other third party contributions received since 31 March 1990 are carried forward to the extent that any balance has not been credited to revenue. The balance carried forward is restated for the change in the RPI for the year and treated as for deferred income.

### **Real financial capital maintenance adjustments**

These adjustments are made to historical cost profit in order to arrive at profit after the maintenance of financial capital in real terms:

— **Working capital adjustment**

This is calculated by applying the change in the RPI over the year to the opening total of trade debtors and stock less trade creditors and the provision for liabilities and charges.

— **Financing adjustment**

This is calculated by applying the change in the RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

## **2. Ring Fencing**

In the opinion of the directors, the company was in compliance with paragraph 3.1 of Condition K of the Instrument of Appointment at the end of the financial year. This relates to the availability of rights and assets.

## **3. Appointed and Non-appointed Business**

The historical accounting information shows separate figures for Appointed and Non-appointed Business.

The Appointed Business is defined to be the regulated activities of the Appointee, ie. those necessary to fulfil the functions and duties of a water and sewerage undertaker. The Non-appointed Business encompasses those activities for which Yorkshire Water Services is not a monopoly supplier or the activity involves the optional use of an asset owned by the Appointed Business.

## **4. Directors' Certificate**

The directors of the company declare that the company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least 12 months, its regulated activities and sufficient management resources to enable it to carry out its functions.

## 5. Analysis of Turnover and Operating Income for the Appointed Business

YEAR ENDED 31 MARCH 1993

	1993			1992		
	Water services £m	Sewerage services £m	Appointed Business £m	Water services £m	Sewerage services £m	Appointed Business £m
<b>Turnover</b>						
Measured	77.0	58.6	135.6	70.9	52.7	123.6
Unmeasured	146.6	143.8	290.4	139.8	136.7	276.5
Trade effluent	-	18.8	18.8	-	17.3	17.3
Revenue grants	0.1	-	0.1	-	-	-
Other sources	7.9	3.7	11.6	8.7	3.5	12.2
<b>Total turnover</b>	<b>231.6</b>	<b>224.9</b>	<b>456.5</b>	<b>219.4</b>	<b>210.2</b>	<b>429.6</b>
<b>Operating income</b>						
Current cost profit on fixed assets	1.0	-	1.0	3.1	0.1	3.2
<b>Total operating income</b>	<b>1.0</b>	<b>-</b>	<b>1.0</b>	<b>3.1</b>	<b>0.1</b>	<b>3.2</b>

**6. Current Cost Analysis of Fixed Assets by Asset Type**

AT 31 MARCH 1993

	Specialised operational assets £m	Non- specialised operational properties £m	Infra- structure assets £m	Other tangible assets £m	Total £m
<b>Gross replacement cost</b>					
At 1 April 1992	2,014.9	192.0	10,613.9	986.1	13,806.9
Reclassification of assets	387.0	—	—	(387.0)	—
RPI adjustment	45.7	3.7	201.9	11.5	262.8
Disposals	(32.5)	(7.7)	—	(12.0)	(52.2)
Additions	110.8	4.3	39.6	94.0	248.7
<b>At 31 March 1993</b>	<b>2,525.9</b>	<b>192.3</b>	<b>10,855.4</b>	<b>692.6</b>	<b>14,266.2</b>
<b>Depreciation</b>					
At 1 April 1992	968.5	41.1	—	351.1	1,360.7
Reclassification of assets	258.3	—	—	(258.3)	—
RPI adjustment	23.3	0.8	—	1.8	25.9
Disposals	(31.3)	(6.7)	—	(11.4)	(49.4)
Charge for year	49.0	1.6	—	24.0	74.6
<b>At 31 March 1993</b>	<b>1,267.8</b>	<b>36.8</b>	<b>—</b>	<b>107.2</b>	<b>1,411.8</b>
<b>Net book amount at 31 March 1993</b>	<b>1,258.1</b>	<b>155.5</b>	<b>10,855.4</b>	<b>585.4</b>	<b>12,854.4</b>
Net book amount at 1 April 1992	1,046.4	150.9	10,613.9	635.0	12,446.2

**Note:**

Reclassification of assets represents an adjustment to the opening balances to reflect a refinement of the analysis over the categories.



## 7. Current Cost Analysis of Fixed Assets by Service

AT 31 MARCH 1993

	Water supply £m	Sewerage £m	Sewage treatment & disposal £m	Total £m
<b>Gross replacement cost</b>				
At 1 April 1992	5,288.4	6,833.8	1,684.7	13,806.9
RPI adjustment	100.6	130.1	32.1	262.8
Disposals	(23.9)	(0.7)	(27.6)	(52.2)
Additions	119.9	33.0	95.8	248.7
<b>At 31 March 1993</b>	<b>5,485.0</b>	<b>6,996.2</b>	<b>1,785.0</b>	<b>14,266.2</b>
<b>Depreciation</b>				
At 1 April 1992	498.4	86.1	776.2	1,360.7
RPI adjustment	9.5	1.6	14.8	25.9
Disposals	(21.7)	(0.7)	(27.0)	(49.4)
Charge for year	36.4	4.0	34.2	74.6
<b>At 31 March 1993</b>	<b>522.6</b>	<b>91.0</b>	<b>798.2</b>	<b>1,411.8</b>
<b>Net book amount at 31 March 1993</b>	<b>4,962.4</b>	<b>6,905.2</b>	<b>986.8</b>	<b>12,854.4</b>
Net book amount at 1 April 1992	4,790.0	6,747.7	908.5	12,446.2
<b>Analysis by asset type</b>				
Specialised operational assets	505.0	67.1	686.0	1,258.1
Non-specialised operational properties	116.8	11.5	27.2	155.5
Infrastructure assets	4,082.8	6,731.4	41.2	10,855.4
Other tangible assets	257.8	95.2	232.4	585.4
<b>Net book amount at 31 March 1993</b>	<b>4,962.4</b>	<b>6,905.2</b>	<b>986.8</b>	<b>12,854.4</b>



## NOTES TO THE REGULATORY ACCOUNTING INFORMATION

<b>B. Working Capital</b>	1993	1992
AT 30 MARCH 1993	£m	£m
Stocks	3.9	4.5
Trade debtors	25.1	22.9
Trade creditors	(24.1)	(24.1)
Short term capital creditors	(44.1)	(51.4)
Infrastructure renewals accrual	(108.1)	(92.7)
Other trade accruals	(3.2)	(4.9)
Trade payments in advance	(21.1)	(18.3)
Payroll related taxes and social security contributions	(2.4)	(2.1)
Group trade debtors/(creditors)	108.7	125.9
Landslip reinstatement	(2.0)	(5.0)
Prepayments	26.2	25.7
	<u>(41.1)</u>	<u>(19.5)</u>

<b>9. Movement on Current Cost Reserve</b>	1993	1992
AT 31 MARCH 1993	£m	£m
<b>Balance at 1 April 1992</b>	11,327.7	10,858.9
AMP/SIR adjustment	-	-
RPI adjustments:		
Fixed assets	236.9	475.8
Working capital	(0.4)	(1.1)
Financing	(4.8)	(5.2)
Grants and third party contributions	(0.8)	(0.7)
<b>Balance at 31 March 1993</b>	<u>11,558.6</u>	<u>11,327.7</u>

<b>10. Reconciliation of Appointed Business Operating Profit to Net Cash Flow from Operating Activities</b>	1993	1992
AT 31 MARCH 1993	£m	£m
<b>Current cost operating profit</b>	114.9	97.1
Current cost depreciation	73.3	70.1
Current cost profit on sale of assets	(1.1)	(3.2)
Increase in stocks, debtors and prepaid expenses	(3.8)	(6.4)
Increase in creditors and accrued expenses	(4.1)	4.1
Increase in provisions	12.4	33.0
Working capital adjustment	(0.4)	(1.1)
<b>Net cash flow from operating activities</b>	<u>191.2</u>	<u>193.6</u>



## 11. Current Cost Profit and Loss Account for the Appointed Business – Rolling Summary

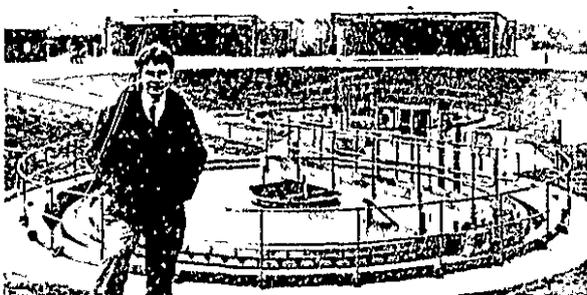
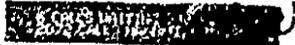
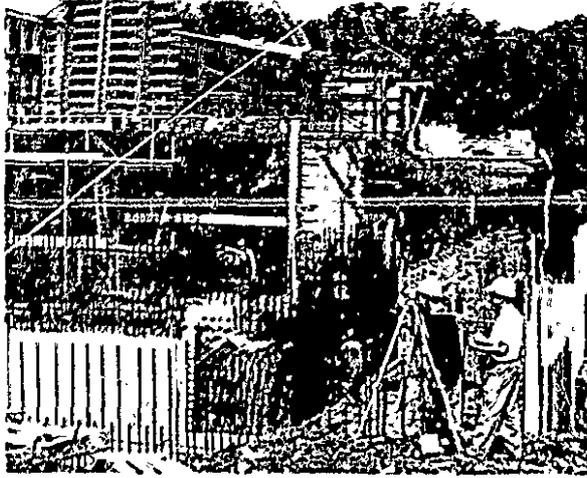
PERIOD ENDING 31 MARCH	1993	*1992	*1991
	£m	£m	£m
<b>Turnover</b>	456.5	442.9	413.7
Current cost operating costs	(343.0)	(347.2)	(327.7)
<b>Operating income</b>	<u>1.0</u>	<u>3.3</u>	<u>1.4</u>
	114.5	99.0	87.4
Working capital adjustment	<u>0.4</u>	<u>1.1</u>	<u>(0.4)</u>
<b>Current cost operating profit</b>	114.9	100.1	87.0
Other income	0.8	0.9	0.9
Interest receivable/(payable)	(12.0)	(1.3)	9.7
Financing adjustment	<u>4.8</u>	<u>5.4</u>	<u>4.6</u>
<b>Current cost profit before taxation</b>	108.5	105.1	102.2
Taxation	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current cost profit on ordinary activities</b>	108.5	105.1	102.2
Dividends	<u>(55.5)</u>	<u>(53.8)</u>	<u>(71.3)</u>
<b>Current cost profit retained</b>	<u>53.0</u>	<u>51.3</u>	<u>30.9</u>

\* Figures for years prior to 1993 have been restated using RPI indexation.

**12. Current Cost Balance Sheet for the Appointed Business –  
Rolling Summary**

AS AT 31 MARCH	1993 £m	*1992 £m	*1991 £m
<b>Fixed assets</b>			
Tangible assets	12,854.4	12,682.7	12,502.4
Third party contributions since 1989/90	(69.0)	(41.0)	(21.1)
<b>Working capital</b>	<u>(41.1)</u>	<u>(19.9)</u>	<u>(28.6)</u>
<b>Net operating assets</b>	<u>12,744.3</u>	<u>12,621.8</u>	<u>12,452.7</u>
Cash and investments	1.3	3.3	0.6
Non-trade debtors	10.6	8.6	10.1
Non-trade creditors due within one year	(47.2)	(39.8)	(49.3)
Creditors due after one year	<u>(290.1)</u>	<u>(228.3)</u>	<u>(100.6)</u>
<b>Net assets employed</b>	<u>12,418.9</u>	<u>12,365.6</u>	<u>12,313.5</u>
<b>Capital and reserves</b>			
Called up share capital	275.0	280.2	291.5
Profit and loss account	585.3	542.4	511.6
Current cost reserve	<u>11,558.6</u>	<u>11,543.0</u>	<u>11,510.4</u>
	<u>12,418.9</u>	<u>12,365.6</u>	<u>12,313.5</u>

\* Figures for years prior to 1993 have been restated using RPI indexation.



"The Water Services investment programme of £303 million was on target."

Derk Haley, Plant Engineer, at the award-winning 126 million Headingley water treatment plant, which will improve the quality of water supply to 270,000 customers in Leeds

"Our new Customer Services department has made significant improvements to the service given to our customers."

Rob Marshall, managing our call centre, which handles an average of 3,000 customer enquiries every day

"Increased effort on leakage reduction complements the development of new water resources."

Mick Shaw and Keith Skelton, Yorkshire Pipeline Services employees, carrying out epoxy lining to help refurbish water mains

"Our strategy continues to be to increase efficiency within the core business."

Colin Newberry, Plant Manager, at our innovative £7 million Lemonrold waste water treatment plant

"A high level of commitment is essential for success."

Judith Carr, Customer Liaison Manager, facilitating a Leading and Coaching for Quality session