

Yorkshire
Water
Services
Limited



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COMPANIES HOUSE 20/10/94

DIRECTORS' REPORT
AND ACCOUNTS 1994



Directors' Report and Accounts 1994

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DIRECTORS' RESPONSIBILITIES AND AUDITORS' REPORT

DIRECTORS' RESPONSIBILITIES

In respect of the preparation of the financial statements

The directors are required by law to present financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors confirm that appropriate accounting policies, as described in the notes to the accounts, have been applied consistently and that applicable accounting standards have been followed. In addition, reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The directors also confirm that it is appropriate for the financial statements to be prepared on the going concern basis.

The directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company and for ensuring that steps are taken with a view to preventing and detecting fraud and other irregularities.

AUDITORS' REPORT



We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, 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 the company's affairs as at 31 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Price Waterhouse

Chartered Accountants
and Registered Auditors
Leeds

23 June 1994





DIRECTORS' REPORT

The directors have pleasure in presenting their fifth report, for the year April 1993 to March 1994,

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 exceptions of Mr Dunlop and Ms Flanders who were appointed as directors on 14 October 1993 and 7 March 1994 respectively) served throughout the year, were:

Mr T Newton OBE	Chairman
Mr A I Ward	Deputy Chairman
Mr J M Dunlop	
Ms T Flanders	
Mr J R Layfield	
Mr I G Murdoch	
Mr A J Shuttleworth	
Mr C J Stones	
Mr J M Taylor	
Mr C A Tunley	

Financial results for the year

Profit on ordinary activities was £142.0 million. An interim dividend of £20.7 million was paid to Yorkshire Water plc in January 1994 and a final dividend of £40.1 million is proposed. An amount of £81.2 million is available to be added to reserves.

Operations

Total capital and infrastructure renewals investment expenditure on regulated activities amounted to £221 million 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 waters by the construction and major refurbishment of sewers and sewage treatment plants. The company remains on track to achieve compliance with its water quality and environmental obligations by the required dates.

The company's technology based cost reduction strategy has evolved into a future vision of the company focused on excellence in customer service, centralised command and control of operations, outsourcing and minimised overheads. New management arrangements, including a separate Contract Services Division, were implemented during the year.

Research and development

The company undertakes a major programme of research in pursuit of improvements in service and operating efficiency. In 1993-94 £4.4 million was committed to research and development including £2.7 million on fixed assets.

Fixed assets

The directors are aware that the value of certain land and buildings in the balance sheet may not be representative of the market value of these assets. 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.

Movements in fixed assets are shown in Note 9 to the Accounts and include transfers to YW Enterprises Limited, which have all been made on the basis of independent external valuations obtained specifically for the purpose and approved by the Office of Water Services.

Periodic Review

The company submitted its 'Strategic Business Plan' to the Office of Water Services (OFWAT) in



March 1994 as part of the Periodic Review process. OFWAT will set new price limits for the regulated business for the ten year period from 1 April 1995. The announcement of the Director General's determination on prices will be made on 28 July 1994.

Employees

The company operates a human resource policy which recognises the importance of employee involvement in the significant changes being implemented in the company. There is an extensive communication process with employees and their representatives, including trade unions, to keep employees informed and involved in the change programme.

The company seeks to be an equal opportunity employer by adopting a positive approach to the development of women's potential and by responding to and reflecting the needs of special interest groups, the disabled and ethnic minorities.

The company continues to set and achieve high standards in its health and safety policies and to promote and achieve quality objectives throughout the business.

Contributions

The company made no contributions during the year to political or charitable causes.

Directors' and officers' liability

Insurance

During the year, directors' and officers' liability insurance was arranged on behalf of the company directors and certain officers. A premium of £17,000 for twelve months to March 1994 was paid by Yorkshire Water plc on behalf of the group.

Instrument of Appointment

Condition F of the company's Instrument of Appointment as a water and sewerage undertaker requires the company to publish regulatory accounting information in a prescribed format in addition to that required for the statutory accounts. This additional information is included

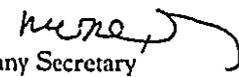
on pages 17 to 32. Further copies of these statements can be obtained, free of charge, by writing to the Regional Customer Liaison Manager, PO Box 201, Broadacre House, Vicar Lane, Bradford, BD1 5PX.

Environmental policy

The company is fully committed to environmental improvement and will during 1994-95 produce a separate report on its environmental policy and achievements.

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
23 June 1994

Registered Office
2 The Embankment
Sovereign Street
Leeds
LS1 4BG

Registered in England
No. 2366682



PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1994

	Notes	1994 £m	1993 £m
Turnover		485.5	460.3
Operating costs	2	(329.7)	(312.3)
Operating profit		155.8	148.0
Interest	3	(13.8)	(12.2)
Profit before taxation		142.0	135.8
Taxation	4	-	-
Profit for the year		142.0	135.8
Dividends -- interim	5	(20.7)	(18.6)
-- final	5	(40.1)	(37.8)
Profit retained		81.2	79.4

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

The movement on reserves is shown in Note 19.



BALANCE SHEET
AT 31 MARCH 1994

	Notes	1994 £m	1993 £m
Fixed assets			
Tangible assets	9	1,734.1	1,616.4
Investments	8	<u>0.2</u>	<u>0.2</u>
		<u>1,734.3</u>	<u>1,616.6</u>
Current assets			
Stocks	10	3.4	3.9
Debtors	11	222.3	177.5
Cash and short term deposits		<u>-</u>	<u>1.1</u>
		<u>225.7</u>	<u>182.5</u>
Creditors: amounts falling due within one year			
Short term borrowings		(2.9)	(1.8)
Other creditors	14	<u>(152.8)</u>	<u>(155.1)</u>
		<u>(155.7)</u>	<u>(156.9)</u>
Net current assets			
		<u>70.0</u>	<u>25.6</u>
Total assets less current liabilities			
		1,804.3	1,642.2
Creditors: amount falling due after more than one year			
Long term borrowings	12	(293.6)	(272.5)
Other creditors	14	(99.3)	(71.3)
Provisions for liabilities and charges	15	<u>(141.9)</u>	<u>(110.1)</u>
		<u>1,269.5</u>	<u>1,188.3</u>
Capital and reserves			
Called up share capital	18	275.0	275.0
Profit and loss account	19	<u>994.5</u>	<u>913.3</u>
		<u>1,269.5</u>	<u>1,188.3</u>

Approved by the board and signed on its behalf on 23 June 1994

Trevor 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.

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.

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. Assets and liabilities denominated in foreign currency are translated at the rate of exchange prevailing at the balance sheet date.

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 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.

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 to fixed assets 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 the unexpended balance brought forward from the previous year.

Other tangible assets

Other tangible assets are included at cost less accumulated depreciation.



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. 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

	1994	1993
	£m	£m
Wages and salaries	68.5	69.9
Social security costs	5.5	5.2
Other pension costs	11.6	12.6
Raw materials and consumables	18.1	19.5
National non-domestic rates	25.2	23.2
Research and development	1.7	1.8
Restructuring costs	10.0	6.0
Other operating charges	77.6	63.5
Infrastructure renewals charge	68.1	66.3
Depreciation on owned assets	47.0	42.0
Depreciation on assets held under finance leases	4.0	3.1
Operating lease rentals – plant and equipment	0.8	0.7
– other	0.7	0.7
Short term hire of plant and equipment	0.6	0.2
Auditors' remuneration – audit fees and expenses	0.1	0.1
– other services	0.1	0.2
Inter-company charges	16.2	21.6
	<u>355.8</u>	<u>336.6</u>
Amortisation of grants and contributions associated with capitalised schemes	(1.6)	(1.3)
Own work capitalise.. or charged as infrastructure renewals expenditure	(16.9)	(19.1)
Other operating income – inter-company asset sales	(6.4)	(3.1)
– other	(1.2)	(0.8)
	<u>329.7</u>	<u>312.3</u>

3. Interest

	1994	1993
	£m	£m
Interest payable on:		
Bank and other loans wholly repayable within five years	(0.1)	(0.4)
Bank and other loans not wholly repayable within five years	(12.3)	(12.0)
Amounts due to parent company	(0.7)	(0.6)
Finance charges in respect of finance leases	(9.0)	(11.8)
Other	(0.8)	(1.1)
	<u>(22.9)</u>	<u>(25.9)</u>
Interest receivable:		
Inter-company loans	7.7	13.1
Other	1.4	0.6
	<u>(13.8)</u>	<u>(12.2)</u>



4. 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:

	1994	1993
	£m	£m
Accelerated capital allowances	255	190
Unrelieved advance corporation tax	(53)	(42)
Short term timing differences	(49)	(37)
	<u>153</u>	<u>111</u>

5. Dividends

	1994	1993
	£m	£m
Interim dividend (paid January 1994)	20.7	18.6
Proposed final dividend	40.1	37.8
	<u>60.8</u>	<u>56.4</u>

6. Directors and employees

	1994	1993
	£000	£000
Directors' emoluments (including pension contributions)	678	607
Emoluments of the Chairman (excluding pension contributions)	-	-
Emoluments of the highest paid director (excluding pension contributions)	106	105
The directors earned emoluments (excluding pension contributions) which fall within the following bands:		

£	1994	1993
	Number	Number
0 - 5,000	2	2
30,001 - 35,000	1	-
60,001 - 65,000	-	1
65,001 - 70,000	2	2
70,001 - 75,000	2	2
75,001 - 80,000	1	1
80,001 - 85,000	1	-
105,001 - 110,000	1	1

The Chairman, Mr T Newton OBE, is Group Managing Director and Deputy Chairman of the holding company, Yorkshire Water plc, and his emoluments are shown in the accounts of that company.



6. Directors and employees (continued)

The employer's pension contributions in respect of directors amounted to £89,000 (1993: £80,000). These included nil (1993: nil) for the chairman and £16,000 (1993: £16,000) for the highest paid director.

The average number of persons employed by the company during the year was 3,854 (1993: 3,948).

7. 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 pensions cost 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 assumptions adopted are based upon 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 £1.9 million have been included within the pension cost for the period.

The last actuarial valuation of the two schemes was carried out at 31 March 1993 and details of the results of this valuation can be found in the accounts of the parent company.

8. Investments

	Interests in associated undertakings	Other unlisted investments	Total
	£m	£m	£m
At 1 April 1993 and 31 March 1994	—	0.2	0.2

Associated undertakings

Shares in Corrocoat Services Ltd were disposed of during the financial year. No profit arose on these transactions.

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.



9. Tangible assets

	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Total £m
Cost					
At 1 April 1993	615.7	509.8	355.0	451.6	1,932.1
Transfers from other group companies	-	-	0.5	0.1	0.6
Additions	10.6	0.1	1.6	167.1	179.4
Transfers on commissioning	27.3	37.8	79.9	(145.0)	-
Disposals	(0.7)	-	(5.5)	(6.3)	(12.5)
Grants and contributions	-	-	-	(9.3)	(9.3)
At 31 March 1994	652.9	547.7	431.5	458.2	2,090.3
Depreciation					
At 1 April 1993	193.9	-	121.8	-	315.7
Transfers from other group companies	-	-	0.3	-	0.3
Disposals	(0.4)	-	(4.1)	(6.3)	(10.8)
Depreciation for the year	16.9	-	27.8	6.3	51.0
At 31 March 1994	210.4	-	145.8	-	356.2
Net book amount at 31 March 1994	442.5	547.7	285.7	458.2	1,734.1
Net book amount at 31 March 1993	421.8	509.8	233.2	451.6	1,616.4
At 31 March 1994 assets included above held under finance leases amounted to:					
Cost	37.5	-	58.9	90.0	186.4
Depreciation	1.0	-	7.2	-	8.2
Net book amount at 31 March 1994	36.5	-	51.7	90.0	178.2
Net book amount at 31 March 1993	23.5	-	41.4	94.3	159.2
	Cost at 31 March 1994 £m	Depreciation at 31 March 1994 £m	Net book amount at 31 March 1994 £m	Net book amount at 31 March 1993 £m	
The net book amount of land and buildings comprises:					
Freehold properties	651.3	210.1	441.2	420.7	
Properties held on long lease	1.3	0.2	1.1	0.9	
Properties held on short lease	0.3	0.1	0.2	0.2	
	652.9	210.4	442.5	421.8	

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 £29.0 million lower than it would have been had this treatment not been adopted.



NOTES TO THE ACCOUNTS

10. Stocks

	1994	1993
	£m	£m
Raw materials and consumables	3.2	3.5
Work in progress	0.2	0.4
	<u>3.4</u>	<u>3.9</u>

11. Debtors

	1994	1993
	£m	£m
Trade debtors	26.1	24.5
Amounts owed by group undertakings	5.8	10.4
Amounts owed by parent company	144.6	105.0
Prepayments and accrued income	36.6	26.2
Other debtors:		
Receivable within one year	7.7	9.9
Receivable after more than one year	1.5	1.5
	<u>222.3</u>	<u>177.5</u>

12. Long term borrowings

	1994	1993
	£m	£m
Maturities		
Repayable between one and five years:		
Bank loans	26.8	0.1
Other loans	0.4	-
Finance leases	2.1	4.0
Repayable by instalments and maturing after five years:		
Bank loans	65.8	92.5
Other loans	0.3	0.8
Finance leases	178.2	155.1
Wholly repayable after five years:		
Bank loans	20.0	20.0
	<u>293.6</u>	<u>272.5</u>



13. Aggregate borrowings and cash

	Bank loans and overdrafts £m	Other loans £m	Finance leases £m	Total £m
Repayments				
Within one year or on demand	0.8	0.1	2.0	2.9
Between one and two years	2.3	0.1	1.2	3.6
Between two and five years	24.5	0.3	0.9	25.7
After five years	85.8	0.3	178.2	264.3
	<u>113.4</u>	<u>0.8</u>	<u>182.3</u>	<u>296.5</u>
Amounts owed by parent company				<u>(144.6)</u>
Net debt				<u>151.9</u>

As shown above, the net debt at 31 March 1994 was £151.9 million (1993: £168.2 million).

Borrowings, any part of which is repayable after five years, have been negotiated at fixed and variable interest rates which at 31 March 1994 ranged between 6.7% and 11.5%.

Security against the revenues of Yorkshire Water Services Limited has been given on £0.1million (1993: £0.1million) of the above borrowings.

14. Other creditors

	1994 £m	1993 £m
Amount falling due within one year:		
Trade creditors	36.2	22.3
Capital creditors	44.3	46.8
Deferred grants and contributions on depreciating fixed assets	1.9	1.4
Amount owed to parent company – proposed dividend	40.1	37.8
Amount owed to group undertakings	2.2	6.7
Social security and payroll deductions	2.4	2.4
Taxation	-	0.1
Accruals	-	3.2
Receipts in advance	21.6	22.2
Other creditors	4.1	12.2
	<u>152.8</u>	<u>155.1</u>
Amounts falling due after more than one year:		
Capital creditors	4.5	5.2
Deferred grants and contributions on depreciating fixed assets	75.8	53.5
Other creditors	19.0	12.6
	<u>99.3</u>	<u>71.3</u>



NOTES TO THE ACCOUNTS

15. Provisions for liabilities and charges

	Infrastructure renewals	Landslip reinstatement	Total
	£m	£m	£m
At 1 April 1993	108.1	2.0	110.1
Expenditure in the year	(36.9)	(0.1)	(37.0)
Insurance receipts	-	0.7	0.7
Charged in profit and loss account	68.1	-	68.1
At 31 March 1994	<u>139.3</u>	<u>2.6</u>	<u>141.9</u>

16. Commitments

	1994	1993
	£m	£m
Capital and infrastructure renewals expenditure commitments at 31 March were:		
Contracts placed	55.7	126.7
Authorised but not contracted for	<u>181.8</u>	<u>106.3</u>
	<u>237.5</u>	<u>233.0</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 1994 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 buildings 1994	Other 1994	Land and buildings 1993	Other 1993
	£m	£m	£m	£m
Leases which expire:				
Within one year	-	0.1	-	0.1
Between one and five years	0.4	0.8	0.1	0.8
After five years	<u>0.2</u>	<u>-</u>	<u>0.5</u>	<u>-</u>
	<u>0.6</u>	<u>0.9</u>	<u>0.6</u>	<u>0.9</u>

17. 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.



18. Called up share capital

	Authorised £	Allotted and fully paid £
At 1 April 1993 and 31 March 1994		
Ordinary shares of £1 each	<u>275,000,000</u>	<u>275,000,000</u>

19. Reserves

	£m
At 1 April 1993	913.3
Profit retained for the year	<u>81.2</u>
At 31 March 1994	<u>994.5</u>

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

20. 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 1994			At 1 April 1993 or date of appointment		
	Shares	Executive Options	SAYE Options	Shares	Executive Options	SAYE Options
J M Dunlop	937	16,438	8,758	937	16,438	8,758
T Flanders	-	-	-	-	-	-
J R Layfield	10,237	-	2,045	11,557	-	2,045
I G Murdoch	12,158	-	6,136	18,097	-	6,136
A J Shuttleworth	11,303	4,229	8,758	2,046	24,229	8,758
C J Stones	7,604	-	7,882	11,122	-	7,882
J M Taylor	5,130	13,442	6,136	7,169	13,442	6,136
C A Tunley	13,295	-	8,758	17,637	-	8,758
A I Ward	33,710	21,085	8,758	37,530	21,085	8,758

Mr T Newton OBE is Group Managing Director and Deputy Chairman of Yorkshire Water plc. His 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 1994 and 23 June 1994, except for scrip dividend shares issued in April 1994.

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.



21. 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.

22. 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.



Regulatory Accounting Information 1994

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Explanatory note

Pages 18 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.



HISTORICAL COST PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1994

	1994			1993		
	Appointed	Non- appointed	Total	Appointed	Non- appointed	Total
	£m	£m	£m	£m	£m	£m
Turnover	480.7	4.8	485.5	456.5	3.8	460.3
Operating costs	(334.0)	(3.3)	(337.3)	(313.5)	(2.7)	(316.2)
Operating income	6.6	-	6.6	3.1	-	3.1
Operating profit	153.3	1.5	154.8	146.1	1.1	147.2
Other income	0.9	0.1	1.0	0.8	-	0.8
Interest payable	(13.6)	(0.2)	(13.8)	(12.0)	(0.2)	(12.2)
Profit on ordinary activities before taxation	140.6	1.4	142.0	134.9	0.9	135.8
Taxation	-	-	-	-	-	-
Profit on ordinary activities after taxation	140.6	1.4	142.0	134.9	0.9	135.8
Dividends - interim	(19.9)	(0.8)	(20.7)	(18.6)	-	(18.6)
- final	(39.5)	(0.6)	(40.1)	(36.9)	(0.9)	(37.8)
Profit retained	81.2	-	81.2	79.4	-	79.4

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



HISTORICAL COST BALANCE SHEET
AT 31 MARCH 1994

	1994			1993		
	Appointed £m	Non- appointed £m	Total £m	Appointed £m	Non- appointed £m	Total £m
Fixed assets						
Tangible assets	1,719.6	14.5	1,734.1	1,602.5	13.9	1,616.4
Investments	0.1	0.1	0.2	0.2	–	0.2
	<u>1,719.7</u>	<u>14.6</u>	<u>1,734.3</u>	<u>1,602.7</u>	<u>13.9</u>	<u>1,616.6</u>
Current assets						
Stocks	3.4	–	3.4	3.9	–	3.9
Debtors	221.1	1.2	222.3	177.3	0.2	177.5
Cash at bank and in hand	–	–	–	1.1	–	1.1
	<u>224.5</u>	<u>1.2</u>	<u>225.7</u>	<u>182.3</u>	<u>0.2</u>	<u>182.5</u>
Creditors: amounts falling due within one year	(145.9)	(7.9)	(153.8)	(148.9)	(6.6)	(155.5)
Net current assets	<u>78.6</u>	<u>(6.7)</u>	<u>71.9</u>	<u>33.4</u>	<u>(6.4)</u>	<u>27.0</u>
Total assets less current liabilities	1,798.3	7.9	1,806.2	1,636.1	7.5	1,643.6
Creditors: amounts falling due after more than one year	(317.1)	–	(317.1)	(290.1)	(0.2)	(290.3)
Provisions for liabilities and charges	(141.9)	–	(141.9)	(110.1)	–	(110.1)
Deferred income	(69.8)	(7.9)	(77.7)	(47.6)	(7.3)	(54.9)
	<u>1,269.5</u>	<u>–</u>	<u>1,269.5</u>	<u>1,188.3</u>	<u>–</u>	<u>1,188.3</u>
Capital and reserves						
Called up share capital	275.0	–	275.0	275.0	–	275.0
Profit and loss account	994.5	–	994.5	913.3	–	913.3
	<u>1,269.5</u>	<u>–</u>	<u>1,269.5</u>	<u>1,188.3</u>	<u>–</u>	<u>1,188.3</u>



CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE APPOINTED BUSINESS
YEAR ENDED 31 MARCH 1994

	Notes	1994 £m	1993 £m
Turnover			
Current cost operating costs	5	480.7	456.5
Operating income	6	(365.5)	(343.0)
	5	<u>5.8</u>	<u>1.0</u>
Working capital adjustment		121.0	114.5
Current cost operating profit		<u>1.0</u>	<u>0.4</u>
		122.0	114.9
Other income			
Interest payable		0.9	0.8
Financing adjustment		(13.6)	(12.0)
Current cost profit on ordinary activities before taxation		<u>7.5</u>	<u>4.8</u>
		116.8	108.5
Taxation			
Current cost profit on ordinary activities after taxation		<u>-</u>	<u>-</u>
		116.8	108.5
Dividends			
Current cost profit retained		<u>(59.4)</u>	<u>(55.5)</u>
		<u>57.4</u>	<u>53.0</u>



CURRENT COST BALANCE SHEET FOR THE APPOINTED BUSINESS
AT 31 MARCH 1994

	Notes	1994 £m	1993 £m
Fixed assets			
Tangible assets	7, 8	13,253.5	12,854.4
Third party contributions since 1989-90		(102.0)	(69.0)
Working capital	9	<u>(32.0)</u>	<u>(41.1)</u>
Net operating assets		<u>13,119.5</u>	<u>12,744.3</u>
Cash and investments		0.1	1.3
Non-trade debtors		8.5	10.6
Non-trade creditors due within one year		(39.9)	(47.2)
Creditors due after one year		<u>(317.0)</u>	<u>(290.1)</u>
Net assets employed		<u>12,771.2</u>	<u>12,418.9</u>
Capital and reserves			
Called up share capital		275.0	275.0
Profit and loss account		642.7	585.3
Current cost reserve	10	<u>11,853.5</u>	<u>11,558.6</u>
		<u>12,771.2</u>	<u>12,418.9</u>



CURRENT COST CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1994

	Note	1994		1993			
		Appointed £m	Non- appointed £m	Total £m	Appointed £m	Non- appointed £m	Total £m
Net cash flow from operating activities	11	240.8	–	240.8	191.2	1.1	192.3
Returns on investments and servicing of finance							
Other income received		0.9	0.1	1.0	0.8	–	0.8
Interest received		9.3	–	9.3	18.2	–	18.2
Interest paid		(13.4)	(0.2)	(13.6)	(15.5)	(0.2)	(15.7)
Interest in finance lease rentals		(9.3)	–	(9.3)	(0.5)	–	(0.5)
Dividends paid		(56.8)	(1.7)	(58.5)	(53.7)	(0.3)	(54.0)
Net cash flow from returns on investments and servicing of finance		(69.3)	(1.8)	(71.1)	(50.7)	(0.5)	(51.2)
Taxation							
UK corporation tax paid		–	–	–	–	–	–
Investing activities							
Purchase of fixed assets		(181.6)	(1.4)	(183.0)	(252.6)	(6.3)	(258.9)
Disposal of fixed assets		5.9	–	5.9	4.4	–	4.4
Grants and contributions		23.5	0.3	23.8	30.6	3.2	33.8
Net cash outflow from investing activities		(152.2)	(1.1)	(153.3)	(217.6)	(3.1)	(220.7)
Net cash inflow (outflow) before financing		19.3	(2.9)	16.4	(77.1)	(2.5)	(79.6)
Financing							
Capital in finance lease rentals		(21.4)	–	(21.4)	(53.1)	–	(53.1)
New bank loans		39.7	–	39.7	(24.9)	–	(24.9)
Net cash inflow (outflow) from financing		18.3	–	18.3	(78.0)	–	(78.0)
Increase (reduction) in cash and cash equivalents		1.0	(2.9)	(1.9)	0.9	(2.5)	(1.6)
		19.3	(2.9)	16.4	(77.1)	(2.5)	(79.6)



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.



1. Accounting policies – current cost information (continued)

— 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 on to 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, i.e. 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 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 twelve 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 1994

	1994			1993		
	Water services £m	Sewerage services £m	Appointed Business £m	Water services £m	Sewerage services £m	Appointed Business £m
Turnover						
Measured	79.0	63.7	142.7	77.0	58.6	135.6
Unmeasured	156.6	150.5	307.1	146.5	143.8	290.4
Trade effluent	–	19.3	19.3	–	18.8	18.8
Revenue grants	0.1	–	0.1	0.1	–	0.1
Other sources	8.2	3.3	11.5	7.9	3.7	11.6
Total turnover	243.9	236.8	480.7	231.6	224.9	456.5
Operating income						
Current cost profit on fixed assets net of expenses	0.8	5.0	5.8	1.0	–	1.0
Total operating income	0.8	5.0	5.8	1.0	–	1.0

6. Analysis of operating costs and assets

YEAR ENDED 31 MARCH 1994

Service analysis

	Resources and treatment £m	Distribution £m	Water supply sub total £m
Direct costs			
Employment costs	6.0	8.6	14.6
Power	4.9	6.4	11.3
Agencies	-	-	-
Hired and contracted services	1.1	6.5	7.6
Associated companies	-	2.4	2.4
Materials and consumables	3.6	1.4	5.0
Service charges	4.5	-	4.5
Other direct costs	0.7	1.3	2.0
Total direct costs	20.8	26.6	47.4
General and support expenditure	13.2	19.4	32.6
Functional expenditure	34.0	46.0	80.0
Capital costs			
Current cost depreciation	15.0	8.8	23.8
Infrastructure renewals expenditure	2.7	22.5	25.2
Infrastructure renewals accrual/prepayment	2.5	8.5	11.0
Functional cost	54.2	85.8	140.0
Business service functional expenditure			17.6
Total			157.6
Rates			16.2
Doubtful debts			2.2
Exceptional			-
Intangible assets			-
Business activities capital costs			8.3
Service costs			184.3
Services for third parties			7.1
Total			191.4
Total year ended 31 March 1993			187.2
CCA gross MEA values			
Service activities	2,562.6	3,041.4	5,604.0
Business activities			114.4
Service totals			5,718.4
Services for third parties			-
Total			5,718.4



Sewerage £m	Sewage treatment £m	Sludge treatment and disposal £m	Sewage treatment and disposal £m	Sewerage services sub total £m	Business analysis		
					Customer services £m	Scientific services £m	Cost of regulation £m
0.6	7.3	3.6	10.9	11.5			
0.2	6.4	1.4	7.8	8.0			
9.8	-	-	-	9.8			
0.4	1.6	3.0	4.6	5.0			
-	-	0.1	0.1	0.1			
0.1	1.3	1.5	2.8	2.9			
1.2	2.2	-	2.2	3.4			
0.5	0.9	0.4	1.3	1.8			
12.8	19.7	10.0	29.7	42.5	13.3	7.8	2.7
5.3	13.8	6.0	19.8	25.1	5.0	2.4	0.9
18.1	33.5	16.0	49.5	67.6	18.3	10.2	3.6
3.3	33.4	5.9	39.3	42.6			
11.4	0.3	-	0.3	11.7			
20.2	-	-	-	20.2			
53.0	67.2	21.9	89.1	142.1			
				14.5			
				156.6			
				8.9			
				1.9			
				-			
				-			
				6.1			
				173.5			
				0.6			
				174.1			
				155.8			
7,139.4	1,527.2	261.4	1,788.6	8,928.0			
51.5			59.5	111.0			
7,190.9			1,848.1	9,039.0			
				-			
				9,039.0			

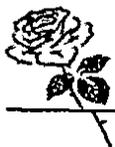


NOTES TO THE REGULATORY ACCOUNTING INFORMATION

7. Current cost analysis of fixed assets by asset type

AT 31 MARCH 1994

	Specialised operational assets £m	Non- specialised operational properties £m	Infra- structure assets £m	Other tangible assets £m	Total £m
Gross replacement cost					
At 1 April 1993	2,525.9	192.3	10,855.4	692.6	14,266.2
Inter-company transfers	-	-	-	0.7	0.7
RPI adjustment	59.4	4.9	249.3	24.9	338.5
Disposals	(11.9)	(0.3)	-	(14.4)	(26.6)
Additions	73.2	2.0	38.0	65.4	178.6
At 31 March 1994	2,646.6	198.9	11,142.7	769.2	14,757.4
Depreciation					
At 1 April 1993	1,267.8	36.8	-	107.2	1,411.8
Inter-company transfers	-	-	-	0.3	0.3
RPI adjustment	29.9	0.8	-	2.8	33.5
Disposals	(11.1)	(0.1)	-	(12.9)	(24.1)
Charge for year	52.9	1.3	-	28.2	82.4
At 31 March 1994	1,339.5	38.8	-	125.6	1,503.9
Net book amount at					
31 March 1994	1,307.1	160.1	11,142.7	643.6	13,253.5
Net book amount at 31 March 1993	1,258.1	155.5	10,855.4	585.4	12,854.4



8. Current cost analysis of fixed assets by service

AT 31 MARCH 1994

	Water supply £m	Sewerage £m	Sewage treatment and disposal £m	Total £m
Gross replacement cost				
At 1 April 1993	5,485.0	6,996.2	1,785.0	14,266.2
Inter-company transfers	0.4	0.1	0.2	0.7
RPI adjustment	130.0	166.2	42.3	338.5
Disposals	(7.3)	(0.9)	(18.4)	(26.6)
Additions	110.3	29.3	39.0	178.6
At 31 March 1994	5,718.4	7,190.9	1,848.1	14,757.4
Depreciation				
At 1 April 1993	522.6	91.0	798.2	1,411.8
Inter-company transfers	0.2	—	0.1	0.3
RPI adjustment	12.5	2.1	18.9	33.5
Disposals	(6.1)	(0.8)	(17.2)	(24.1)
Charge for year	32.9	4.3	45.2	82.4
At 31 March 1994	562.1	96.6	845.2	1,503.9
Net book amount at 31 March 1994	5,156.3	7,094.3	1,002.9	13,253.5
Net book amount at 31 March 1993	4,962.4	6,905.2	986.8	12,854.4
Analysis by asset type				
Specialised operational assets	508.1	68.5	730.5	1,307.1
Non-specialised operational properties	120.0	11.6	28.5	160.1
Infrastructure assets	4,188.1	6,903.0	51.6	11,142.7
Other tangible assets	340.1	111.2	192.3	643.6
Net book amount at 31 March 1994	5,156.3	7,094.3	1,002.9	13,253.5

9. Working capital	1994	1993
	£m	£m
Stocks	3.4	3.9
Trade debtors	25.5	25.1
Trade creditors	(37.8)	(24.1)
Short term capital creditors	(42.2)	(44.1)
Infrastructure renewals accrual	(139.3)	(108.1)
Other trade accruals	-	(3.2)
Trade payments in advance	(21.4)	(21.1)
Payroll related taxes and social security contributions	(2.4)	(2.4)
Group trade debtors (creditors)	148.2	108.7
Landslip reinstatement	(2.6)	(2.0)
Prepayments	36.6	26.2
	<u>(32.0)</u>	<u>(41.1)</u>

10. Movement on current cost reserve

	1994	1993
	£m	£m
Balance at 1 April 1993	11,558.6	11,327.7
AMP/SIR adjustment	-	-
RPI adjustment		
Fixed assets	305.0	236.9
Working capital	(1.0)	(0.4)
Financing	(7.5)	(4.8)
Grants and third party contributions	(1.6)	(0.8)
Balance at 31 March 1994	<u>11,853.5</u>	<u>11,558.6</u>

11. Reconciliation of Appointed Business operating profit to net cash flow from operating activities

	1994	1993
	£m	£m
Current cost operating profit	122.0	114.9
Current cost depreciation	80.8	73.3
Current cost profit on sale of assets	(5.9)	(1.1)
Increase in stocks, debtors and prepaid expenses	7.7	(3.8)
Increase in creditors and accrued expenses	5.3	(4.1)
Increase in provisions	31.9	12.4
Working capital adjustment	(1.0)	(0.4)
Net cash flow from operating activities	<u>240.8</u>	<u>191.2</u>



FOUR YEAR FINANCIAL SUMMARY

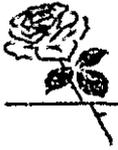
Current cost profit and loss account for the Appointed Business

	1994	*1993	*1992	*1991
	£m	£m	£m	£m
Turnover	480.7	464.3	450.7	420.6
Current cost operating costs	(365.5)	(348.8)	(353.3)	(333.1)
Operating income	<u>5.8</u>	<u>1.0</u>	<u>3.4</u>	<u>1.4</u>
	121.0	116.5	100.8	88.9
Working capital adjustment	<u>1.0</u>	<u>0.4</u>	<u>1.2</u>	<u>(0.4)</u>
Current cost operating profit	<u>122.0</u>	<u>116.9</u>	<u>102.0</u>	<u>88.5</u>
Other income	0.9	0.8	0.9	0.9
Interest receivable (payable)	(13.6)	(12.2)	(1.4)	9.9
Financing adjustment	<u>7.5</u>	<u>4.9</u>	<u>5.5</u>	<u>4.7</u>
Current cost profit before taxation	<u>116.8</u>	<u>110.4</u>	<u>107.0</u>	<u>104.0</u>
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current cost profit on ordinary activities	<u>116.8</u>	<u>110.4</u>	<u>107.0</u>	<u>104.0</u>
Dividends	<u>(59.4)</u>	<u>(56.4)</u>	<u>(54.8)</u>	<u>(72.5)</u>
Current cost profit retained	<u>57.4</u>	<u>54.0</u>	<u>52.2</u>	<u>31.5</u>

Current cost balance sheet for the Appointed Business

	1994	*1993	*1992	*1991
	£m	£m	£m	£m
Fixed assets				
Tangible assets	13,253.5	13,150.1	12,968.9	12,785.5
Third party contributions since 1989-90	<u>(102.0)</u>	<u>(70.6)</u>	<u>(41.9)</u>	<u>(21.6)</u>
Working capital	<u>(32.0)</u>	<u>(42.0)</u>	<u>(20.3)</u>	<u>(29.3)</u>
Net operating assets	<u>13,119.5</u>	<u>13,037.5</u>	<u>12,906.7</u>	<u>12,734.6</u>
Cash and investments	0.1	1.3	3.3	0.7
Non-trade debtors	8.5	10.8	8.8	10.3
Non-trade creditors due within one year	(39.9)	(48.3)	(40.7)	(50.4)
Creditors due after one year	<u>(317.0)</u>	<u>(296.8)</u>	<u>(233.4)</u>	<u>(102.9)</u>
Net assets employed	<u>12,771.2</u>	<u>12,704.5</u>	<u>12,644.7</u>	<u>12,592.3</u>
Capital and reserves				
Called up share capital	275.0	281.3	286.5	298.1
Profit and loss account	642.7	598.8	554.7	523.1
Current cost reserve	<u>11,853.5</u>	<u>11,824.4</u>	<u>11,803.5</u>	<u>11,771.1</u>
	<u>12,771.2</u>	<u>12,704.5</u>	<u>12,644.7</u>	<u>12,592.3</u>

*Figures for years prior to 1993-94 have been restated into pounds of the latest year using RPI indexation.



To the Director General of Water Services



Respective responsibilities of directors and auditors

The company's directors are responsible for preparing financial statements containing information which the company is required to publish in order to comply with its Instrument of Appointment as a water and sewerage undertaker. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We have audited the financial statements on pages 18 to 31. We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

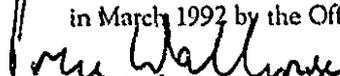
An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting 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 contain the information for the year to 31 March 1994 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 18 to 19 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 20 to 31 has been properly prepared in accordance with the Regulatory Accounting Guideline 1, Accounting for Current Costs, issued in March 1992 by the Office of Water Services.


Price Waterhouse

Chartered Accountants
and Registered Auditors

Leeds

23 June 1994