

YORKSHIRE WATER SERVICES LIMITED

(REGISTERED NUMBER 2366682)

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1995**



CHAIRMAN'S REVIEW

Last year was perhaps the most significant for the company since privatisation. We experienced the first regulatory Review of the business, while at the same time we began to implement our plans to transform the efficiency of the business and to deliver better service to customers.

THE PERIODIC REVIEW

In July, the Director General of Water Services announced the result of the first five year Review of prices and investment. Prices will be permitted to rise by the rate of inflation plus 2½% per annum up to 1999, with no 'real' increases during the following five years. The requirement for price increases up to 1999 is largely driven by the capital investment programme. The Director General assessed the cost of the programme at £1,500 million (1992/93 prices) to meet legal obligations – notably the EU Urban Waste Water Treatment Directive – during the next five years.

In deciding to accept the outcome of the Review, we had to take account of a number of factors. The capital investment allowed to deliver service improvements to customers in much needed 'discretionary' areas such as sewage flooding, low pressure and security of rural water supplies was wholly inadequate. We therefore needed to be, and now are, confident that we could, by increasing efficiency, deliver our legal obligations at lower capital cost in order to find the resources necessary to carry out some discretionary investments. The investment programme will be funded partly from customer charges but borrowing will need to increase substantially in the future. We concur with the balance struck by the Director General between prices and borrowing, and have already secured a substantial proportion of our borrowing needs at attractive fixed interest rates. OFWAT's analysis confirmed that we were amongst the more efficient water and sewerage companies and we were concerned to ensure that the benefit of some of this efficiency could be retained by the company, at least for a period, in order to provide an incentive to become even more efficient in the future. Our evaluation of OFWAT's efficiency targets for the next five years confirmed that this was indeed the case. Overall, therefore, we were content with the outcome of the Review.

OUR STRATEGY FOR THE BUSINESS

The company has been establishing plans for the post Review period and our vision – known as YW99 – for transforming the way in which the business operates is now well on the way to becoming a reality. A key team of people at all levels throughout the business has begun to implement changes across all functions, and technology designed to meet the needs of operational and support services is being installed.

A new technique, activity value analysis, has been used extensively to attack overheads, whilst outsourcing of some functions has produced valuable cost reductions. Introducing competition into traditional 'in-house' areas of activity is an important part of our strategy, and the internal business units which are directly in competition with external suppliers in maintenance and distribution functions have responded to the challenge.

It was gratifying that staff operating waste water treatment plants in the central area of Yorkshire were successful in winning a contract in direct competition with external suppliers. The focus on cost reduction through increased efficiency meant the cash cost of operating the company was almost unchanged. The introduction of new technology, working practices and cost reduction through increased efficiency involved 557 people leaving the business last year. I expect base operating costs to show only modest increases during the next few years.

CHAIRMAN'S REVIEW

LISTENING AND RESPONDING TO CUSTOMERS

As well as improving efficiency, the YW99 programme is also about raising levels of service to our customers. This means a higher quality product and quicker, friendlier, more reliable service. Undoubtedly, the key focus of our efforts last year was the drive to develop still further the quality and coverage of our customer services.

Our emphasis during the past 12 months has been to involve customers in establishing our future customer service strategy through extensive research and customer forums held around the region. The research, carried out in conjunction with Leeds University, stressed the importance of communicating regularly with our customers and we have recently embarked on a long-term campaign utilising TV, radio and newspapers. The campaign will develop further in 1995 to ensure the continuity of our consultation process.

Throughout the campaign we will track perceptions of Yorkshire Water and the service we deliver to our customers. We have set ourselves annual improvement targets and will share the results publicly. We have made significant progress in a number of areas. In the last year customer complaints declined by over 30%, with a similar reduction in complaints sent to the Customer Services Committee. This was achieved by focusing on key problem areas and, where possible, targeting capital schemes to resolve problems. Over £15 million has been spent on discretionary schemes to remedy problems such as low pressure, dirty water and interruptions to supply.

Since establishing our Call Centre in 1993, we have consistently improved our central call handling. In 1994 we handled over 1 million calls, many during our peak billing period. This year we have enlisted the help of a customer bureau, enabling us to take more calls than ever before. Over 95% of all calls are taken and answered within 15 seconds. The improvements at our Call Centre have helped considerably in the reduction of complaints.

For the second year running we have achieved the regulatory 'Very Good' standard for response to customer letters, with less than 1% of complaints being dealt with outside 20 days. We continue to track the speed of response to customer problems and this year over 80% of customers rated us as above average in this area.

To meet our customers' expectations of operational service, we have developed an appointment system which allows customers to arrange an appointment at a time to suit them. We plan to launch the service in September 1995.

The following table illustrates the improvements which have been achieved during the last five years in respect of the levels of customer service monitored by OFWAT.

IMPROVING ON OUR REGULATORY TARGETS

PERFORMANCE MEASURE	1989/90	1994/95	Target 1999/2000
Number of customers supplied by water sources which do not have sufficient capacity to meet the highest recorded historical demand	63,500	0	0
Properties with poor mains pressure	64,000	30,000	15,000
Properties affected by unplanned interruptions to supply (over 12 hours)	7,500	19,700	10,000
Population subject to hosepipe restrictions	100%	32%	0%
Properties at risk from sewer flooding more than twice in ten years	1,385	878	300
Billing queries not dealt with within 10 days	8%	1%	0%
Written complaints not dealt with within 10 days	24%	1%	0%

POLICY CHANGES

During the year, company policies were reviewed with a view to giving choice to customers wherever possible. Having examined our policy on the compulsory metering of new properties, we have decided to offer all existing metered customers the choice of continuing on meter or changing to a 'notional rateable value'. We are committed to maintaining in the long-term the choice of metering for domestic customers and think that it is vital that they understand the need for metering on the grounds of resource management and environmental impact.

We have decided not to add fluoride to the water supply in view of the potential risks to the company and its staff.

Throughout the year we placed great emphasis on reducing the number of disconnections and following on last year's reduction of over 30%, we have reduced these by a further 37%. This was achieved by improving our collection procedures and introducing home visits to customers in the most difficulty. We continue to work closely with the local Customer Services Committee and Citizens Advice Bureaux in this sensitive area.

IMPROVING BUSINESS CUSTOMER SERVICE

It is essential for every business to recognise the varying needs of its customers and ours is no different. To meet the needs of our biggest business accounts, each customer has been allocated an account manager as a single point of contact. In this way we can ensure that, if problems arise, our business customers can speak directly to someone who understands their needs.

We have also introduced a large user Business Tariff for customers using over 250,000 cubic metres of water per annum, further demonstrating our commitment to the continual review of our customers' needs.

CHAIRMAN'S REVIEW**IMPROVING PRODUCT QUALITY**

We are committed to ensuring that Yorkshire Water customers get the quality product they expect. As a result of on-going capital investment, the quality of drinking water has continued to improve and we have successfully met all the obligations undertaken at the time of privatisation. New water treatment plants were completed at Holmbridge (serving Kirklees), Ewden, Loxley and Rivelin (all serving the Sheffield area); and our new flagship 'water factory' at Headingley, Leeds, is currently being commissioned. Altogether, more than 800,000 customers will benefit from the highest ever water quality.

WATER QUALITY PERFORMANCE	1990	1991	1992	1993	1994
Overall percentage compliance with Water Quality Standards	99.1	99.2	99.4	99.5	99.6
Percentage compliance:					
Aluminium	92.6	98.0	98.6	98.8	98.7
Iron	90.8	92.9	95.8	94.4	95.9
Manganese	93.1	95.3	96.7	97.5	98.6

The table above shows the overall improvement in water quality achieved over the last five calendar years. These improvements, along with service level improvements, have been delivered through a combination of investment, innovative technology and the dedication, commitment and expertise of our staff.

"SHARING IN OUR SUCCESS"

Our record of improvement is clear but there is more to do. To ensure that our customers benefit from our continued efficiency, we have launched a five year programme entitled "Sharing in our Success". This package includes £125 million additional investment in those areas which give rise to the majority of customer service complaints such as sewage flooding and water pressure, as well as supply security, leakage reduction and environmental improvements.

In September, Yorkshire Water will write to every customer outlining ten new standards and a consultation paper will be published for business customers. Yorkshire Water customers will receive a £10 "Customer Dividend" as their share of savings achieved through improving efficiency over the last five years. Eight further Customer Forums will be held from September onwards, so that customers can meet directors and senior management to exchange views. By April 1996, Yorkshire Water will have three Customer Advisory Groups established, to review and offer advice on the company's customer service performance and policies.

IMPROVING THE ENVIRONMENT

Yorkshire Water is the region's biggest environmental investor. River quality throughout Yorkshire has improved considerably in recent years. We have spent £450 million improving waste water treatment plants since 1989 and the impact of this investment has made a significant contribution to the overall improvement. Nevertheless, there is still more to do and we are working very closely with the National Rivers Authority (NRA) in order to meet our legal obligations and move towards its objectives for improving river quality even further. In recent years, this has resulted in improvements to many of the highly polluted stretches of the rivers Aire, Don and Rother. Indeed, fish can now be found in these rivers after an absence, in some cases, of more than a hundred years. One outcome of the Periodic Review process to which I referred earlier was the inclusion of additional investment of £60 million during the next five years to spend on river quality improvement projects over and above our legal obligations. The NRA established a new forum to advise on how and where this should be spent to maximise environmental benefit and we are delighted to have been invited to be an active member of this group.

Clear priorities have now been established by the forum and we are working closely with the NRA to ensure that the investment is delivered on time. We are convinced that it should be possible to go beyond the existing priority list of projects by finding lower cost solutions to some of the problems and, to the extent that this proves possible, we have committed to re-invest these savings into additional environmental projects.

WASTE WATER TREATMENT PLANT COMPLIANCE

PERFORMANCE MEASURE	1991/92	1992/93	1993/94	1994/95
Number of treatment plants	655	642	630	629
Number complying with consent	628	625	621	617
% complying	95	97	98	98

The solution to many of today's environmental problems requires innovation and the application of new technology. In waste water treatment, although the basic treatment processes have changed relatively little over 50 years, our waste water treatment plants are still the last barrier between society's polluting activities and the aquatic environment. However, our ability to ensure compliance with standards relies increasingly on on-line, real-time monitoring of pollution. Our research and development programme in partnership with the University of Manchester Institute of Science and Technology has concentrated in this area and, in particular, on the development of sensors for control and instrumentation. An on-line bio-sensor to monitor the toxicity of water and effluent (both before and after treatment) has been successfully produced and is currently being commercially developed in partnership with Siemens. Once the bio-sensors are installed, they will enable better detection of pollution and will improve our efficiency in taking appropriate actions.

CHAIRMAN'S REVIEW

The application of state-of-the-art technology is especially necessary in the incineration process we use for the disposal of sewage sludge. We aim to meet, and beat, the best European standards in this area and our track record is exemplary: anything less would be unacceptable to us and to our neighbours. We believe that, when managed to our very high standards, incineration is often the best available environmental solution to difficult waste problems; but we would be the first to recognise that the arguments have not yet convinced everyone and more needs to be done to explain the issues.

Our staff, quite rightly, consider themselves to be working for the environment and we encourage this by working through them to meet the targets set in the Environmental Report and to develop even more ambitious environmental targets in the future. One particular issue which we all embrace is waste minimisation within the company. For example, we are using waste heat from the Bradford incinerator to heat the company's training centre.

FUTURE PROSPECTS

The business is well placed to drive forward with the twin aims of listening to and satisfying its customers, while at the same time improving its efficiency and financial performance.

Our staff have had a challenging and difficult year. Throughout the company, change of all kinds has been experienced on an unprecedented scale and our people have risen to the challenge magnificently. Although the pace of change will continue to accelerate, I am confident that the challenges and uncertainties of the future will be overcome with their help and commitment.



TREVOR NEWTON OBE
Chairman
Yorkshire Water Services Limited

DIRECTORS' REPORT

The directors have pleasure in presenting their sixth report, for the year April 1994 to March 1995.

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 AND OFFICERS

The directors, all of whom 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	
Dr A J Shuttleworth	
Mr C J Stones	
Mr J M Taylor	
Mr C A Tunley	

Mr C A Tunley and Mr I G Murdoch retired on 6 April 1995. Mr J M Taylor will retire on 30 June 1995 and Mr A I Ward will retire on 30 September 1995.

COMPANY SECRETARY

Mr D J Brimblecombe was appointed as Company Secretary on 1 April 1995.

FINANCIAL RESULTS FOR THE YEAR

Profit on ordinary activities was £136.2 million, after taking into account £27.2 million restructuring costs and a provision of £20 million for a "Customer Dividend" to be paid in September 1995. After adjusting for these non-recurring costs the profit on ordinary activities amounts to £183.4 million.

DIRECTORS' REPORT**DIVIDENDS**

The total dividend for the year paid to the parent company, Yorkshire Water plc, of £115.8 million comprises the following:

	Interim Dividends £m	Proposed Final Dividend £m	Total Dividend £m
BASE DIVIDEND			
Regulated activities	21.4	42.8	64.2
Non-regulated activities	0.8	0.8	1.6
	22.2	43.6	65.8
Special Efficiency Dividend	20.0	30.0	50.0
Total Dividend for the year	42.2	73.6	115.8

The Base Dividend relates to normal business operations and is in line with the assumptions used by the Government when price limits were set initially in 1989. The Base Dividend also includes the profit on non-regulated activities. Over the past five years Yorkshire Water Services Ltd has made substantial efficiency gains on both capital investment and operating costs beyond the targets set by the Secretary of State in 1989. These gains are reflected in the Special Efficiency Dividend.

The directors consider that there is scope to increase the level of debt in the company to improve financing efficiency. Accordingly on 22 June 1995 the board approved an interim dividend of £125 million for capital restructuring purposes. The dividend will be paid on 23 June 1995.

RESERVES

An amount of £20.4 million has been added to reserves, bringing the balance held in reserves to £1,014.9 million.

RESEARCH AND DEVELOPMENT

The company undertakes a major programme of research in pursuit of improvements in service and operating efficiency. In 1994/95 £5.4 million was committed to research and development including £4.2 million on fixed assets for research and development purposes.

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 11 to the Accounts and include transfers to YW Estates 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.

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 its business.

CONTRIBUTIONS

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

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 26 to 43. Further copies of these statements can be obtained, free of charge, by writing to Customer Communications, PO Box 201, Broadacre House, Vicar Lane, Bradford, BD1 5PZ.

ENVIRONMENTAL POLICY

The company is fully committed to environmental improvement and during 1994/95 produced 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.

D J BRIMBLECOMBE
Company Secretary



22 June 1995

Registered Office:
2 The Embankment
Sovereign Street
Leeds

LS1 4BG.

Registered in England No. 2366682.

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	NOTES	1995 £m	1994 £m
TURNOVER		501.2	485.5
Operating costs	2	(307.5)	(319.7)
OPERATING PROFIT BEFORE EXCEPTIONAL COSTS		193.7	165.8
Restructuring costs		(27.2)	(10.0)
"Customer Dividend"		(20.0)	-
OPERATING PROFIT		146.5	155.8
Interest	3	(10.3)	(13.8)
PROFIT BEFORE TAXATION		136.2	142.0
Taxation	4	-	-
PROFIT FOR THE YEAR		136.2	142.0
Dividends - interim	5	(42.2)	(20.7)
- final	5	(73.6)	(40.1)
PROFIT RETAINED		20.4	81.2

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 1995	NOTES	1995 £m	1994 £m
FIXED ASSETS			
Tangible assets	11	1,792.3	1,734.1
Investments	10	0.2	0.2
		1,792.5	1,734.3
CURRENT ASSETS			
Stocks	12	4.0	3.4
Debtors	13	293.3	222.3
Cash and short-term deposits		-	-
		297.3	225.7
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short-term borrowings		(16.4)	(2.9)
Other creditors	16	(224.1)	(152.8)
		(240.5)	(155.7)
NET CURRENT ASSETS			
		56.8	70.0
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,849.3	1,804.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Long-term borrowings	14	(301.7)	(293.6)
Other creditors	16	(119.4)	(99.3)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(138.3)	(141.9)
		1,289.9	1,269.5
CAPITAL AND RESERVES			
Called up share capital	20	275.0	275.0
Profit and loss account	21	1,014.9	994.5
		1,289.9	1,269.5

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF ON 22 JUNE 1995



T NEWTON OBE
Chairman




C J STONES
Director of Finance and Regulation



NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

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

ACCOUNTING CONVENTION 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.

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.

TAXATION

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

INFRASTRUCTURE ASSETS

Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams and sea outfalls) comprise a network of systems. Increases in capacity or enhancements of the network are 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. A review of planned expenditure was conducted as part of the July 1994 Periodic Review process, on the basis of which an annual revenue charge has been fixed. The charge reflects the amount which the company intends to spend, on average, on the maintenance and renewal of infrastructure assets in each of the fifteen years up to 2005. 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.

FIXED ASSETS HELD UNDER LEASES

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 on a straight-line basis over the term of the lease.

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. Depreciation is not 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 deferred and credited to the profit and loss account by instalments over the expected economic 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.

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.

FOREIGN CURRENCIES

Individual 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.

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	1995 £m	1994 £m
Own work capitalised	(21.3)	(16.9)
Other operating income	(3.2)	(7.6)
Raw materials and consumables	17.8	18.1
Other external charges	138.8	108.7
Wages and salaries	69.0	68.5
Social security costs	5.5	5.5
Other pension costs	18.7	11.6
Total staff costs	93.2	85.6
Depreciation of tangible assets	52.3	49.4
Other operating charges	77.1	92.4
	354.7	329.7
Other external charges include:		
“Customer Dividend”	20.0	-
Research and development	1.2	1.7
Operating lease rentals - plant and equipment	0.6	0.8
- other	1.0	0.7
Short-term hire of plant and equipment	1.8	0.6
Auditors’ remuneration - audit fees and expenses	0.1	0.1
- other services	-	0.1
Depreciation arises:		
On owned assets	46.4	45.4
On assets held under finance leases	5.9	4.0
Restructuring costs of £27.2m (1994: £10.0m) have been charged to operating costs and included within the above analysis in:		
Other external charges	1.0	-
Other pension costs	9.1	1.9
Other operating charges	17.1	8.1
Other operating charges include:		
Infrastructure renewals charge	49.3	68.1

3 INTEREST	1995 £m	1994 £m
Interest payable on:		
Bank and other loans wholly repayable within five years	-	0.1
Bank and other loans not wholly repayable within five years	11.4	12.3
Amounts due to parent company	0.8	0.7
Finance charges in respect of finance leases	11.0	9.0
Other	0.6	0.8
	23.8	22.9
Interest receivable:		
Inter-company loans	(12.2)	(7.7)
Other	(1.3)	(1.4)
	10.3	13.8

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:

	1995 £m	1994 £m
Accelerated capital allowances	167	255
Unrelieved advance corporation tax	(65)	(53)
Short-term timing differences	(46)	(49)
	56	153

5 DIVIDENDS

	1995 £m	1994 £m
1st interim dividend (paid January 1995)	22.2	20.7
2nd interim dividend (paid January 1995)	20.0	-
Proposed final dividend	73.6	40.1
	115.8	60.8

NOTES TO THE ACCOUNTS

6 DIRECTORS AND EMPLOYEES	1995			1994		
	Salary £000	Benefits in kind £000	Total emoluments excluding pension contributions £000	Total emoluments excluding pension contributions £000	Pension contributions £000	Pension contributions £000
REMUNERATION OF THE BOARD						
Chairman:						
T Newton	-	-	-	-	-	-
Directors:						
J M Dunlop (appointed 14/10/93)	76	6	82	33	11	5
T Flanders (appointed 07/03/94)	71	6	77	5	10	-
J Layfield	78	6	84	70	11	11
I G Murdoch	73	7	80	74	12	11
A J Shuttleworth	66	6	72	68	11	10
C J Stones	76	7	83	71	11	10
J M Taylor	81	8	89	83	13	13
C A Tunley	79	4	83	79	13	12
A I Ward	102	9	111	106	17	16
	702	59	761	589	109	88

The Chairman, Mr T Newton OBE, is an executive director of the holding company, Yorkshire Water plc, and his emoluments are shown in the accounts of that company.

The directors participated in profit sharing and profit related pay schemes which are open to all UK employees who have been employed by the group for a minimum period of permanent employment. Participations are distributed equally to all employees and in 1994/95 £500 was paid.

The salary total also includes £40,000 paid to four of the directors in respect of bonuses earned during the year.

The average number of persons employed by the company during the year was 3,651 (1994: 3,854).

7 DIRECTORS' SHARE OPTIONS

	Balance at 1 April 1994	Granted during year	Exercised during year	Balance at 31 March 1995	Exercise price (pence)	Market price at date of exercise (pence)	Date options exercisable	Date options expire
J M Dunlop								
Sharesave-	6,136	-	(6,136)	0	176	478	01.02.95	31.07.95
	2,622	-	-	2,622	286	-	01.03.97	31.08.97
Executive-	16,438	-	-	16,438	451	-	09.07.95	09.07.02
T Flanders								
	-	-	-	-	-	-	-	-
J Layfield								
Sharesave-	2,045	-	(2,045)	0	176	478	01.02.95	31.07.95
I G Murdoch								
Sharesave-	6,136	-	(6,136)	0	176	478	01.02.95	31.07.95
A J Shuttleworth								
Sharesave-	6,136	-	(6,136)	0	176	536	01.02.95	31.07.95
	2,622	-	-	2,622	286	-	01.03.97	31.08.97
Executive-	4,229	-	-	4,229	299	-	09.02.93	09.02.00
C J Stones								
Sharesave-	6,136	-	(6,136)	0	176	514	01.02.95	31.07.95
	1,746	-	-	1,746	415	-	01.03.98	31.08.98
	-	2,536	-	2,536	496	-	01.02.99	31.08.99
J M Taylor								
Sharesave-	6,136	-	(6,136)	0	176	478	01.02.95	31.07.95
Executive-	13,442	-	-	13,442	299	-	09.02.93	09.02.00
C A Tunley								
Sharesave-	6,136	-	(6,136)	0	176	478	01.02.95	31.07.95
	2,622	-	-	2,622	286	-	01.03.97	31.08.97
A I Ward								
Sharesave-	6,136	-	(6,136)	0	176	536	01.02.95	31.07.95
	2,622	-	-	2,622	286	-	01.03.97	31.08.97
Executive-	8,720	-	-	8,720	301	-	13.07.93	10.01.02
	12,365	-	-	12,365	353*	-	10.01.95	10.01.02

*subject to a performance target these options may be exercised at 301p between 10.01.97 and 10.01.02.

The market price of the shares at 31 March 1995 was 526p (1994: 518p) and has ranged from 460p to 609p during the year. No share options lapsed during the year.

The Executive Share Option Scheme and Sharesave Scheme refer to shares in the holding company, Yorkshire Water plc, and are described in the accounts of that company.

NOTES TO THE ACCOUNTS

8 DIRECTORS' SHARE INTERESTS

The interests of the directors who held office at the end of the year, and their immediate families, in the ordinary shares of the holding company, Yorkshire Water plc, as at 31 March 1995 and at the beginning of the year (or date of appointment if later) are set out below:

	Balance at 1 April 1994	Bought/(sold) during year	Options exercised	Balance at 31 March 1995
J M Dunlop	1,047	(3,520)	6,136	3,663
T Flanders	-	-	-	-
J Layfield	10,237	(4,110)	2,045	8,172
I G Murdoch	12,158	(4,000)	6,136	14,294
A J Shuttleworth	11,303	-	6,136	17,439
C J Stones	7,704	(2,900)	6,136	10,940
J M Taylor	5,130	(4,200)	6,136	7,066
C A Tunley	13,295	(3,656)	6,136	15,775
A I Ward	37,710	122	6,136	43,968

The Chairman, Mr T Newton OBE, is an executive director of the holding company, Yorkshire Water plc, and his interests in the ordinary shares of Yorkshire Water plc are disclosed in the accounts of that company.

Holdings of ordinary shares include the beneficial interests in shares under the Employee Profit Sharing Scheme.

There have been no changes to the holdings or options of the directors between 31 March 1995 and 22 June 1995.

At no time during the year 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.

9 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 £9.1 million have been included within the pension cost for the period.

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

10 INVESTMENTS

	Interests in associated undertakings £m	Other unlisted investments £m	Total £m
AT 1 APRIL 1994 AND 31 MARCH 1995	-	0.2	0.2

OTHER UNLISTED INVESTMENTS

The company owns 14% of the issued share capital of Water Pension Fund Holding 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 TANGIBLE ASSETS

	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Total £m
COST					
At 1 April 1994	652.9	547.7	431.5	458.2	2,090.3
Additions	0.6	1.1	8.4	111.4	121.5
Transfers on commissioning	60.5	45.1	99.4	(205.0)	-
Disposals	(1.9)	-	(8.3)	(5.0)	(15.2)
Grants and contributions	-	-	-	(6.5)	(6.5)
AT 31 MARCH 1995	712.1	593.9	531.0	353.1	2,190.1
DEPRECIATION					
At 1 April 1994	210.4	-	145.8	-	356.2
Disposals	(0.6)	-	(7.3)	(5.0)	(12.9)
Depreciation for the year	18.2	-	31.3	5.0	54.5
AT 31 MARCH 1995	228.0	-	169.8	-	397.8
NET BOOK AMOUNT AT 31 MARCH 1995	484.1	593.9	361.2	353.1	1,792.3
NET BOOK AMOUNT AT 31 MARCH 1994	442.5	547.7	285.7	458.2	1,734.1
At 31 March 1995 assets included above held under finance leases amounted to:					
Cost	47.6	-	109.0	42.2	198.8
Depreciation	1.9	-	11.8	-	13.7
NET BOOK AMOUNT AT 31 MARCH 1995	45.7	-	97.2	42.2	185.1
NET BOOK AMOUNT AT 31 MARCH 1994	36.5	-	51.7	90.0	178.2

NOTES TO THE ACCOUNTS

11 TANGIBLE ASSETS (CONTINUED)

	Cost at 31 March 1995 £m	Depreciation at 31 March 1995 £m	Net book amount at 31 March 1995 £m	Net book amount at 31 March 1994 £m
The net book amount of land and buildings comprised:				
Freehold properties	710.5	227.7	482.8	441.2
Properties held on long lease	1.3	0.2	1.1	1.1
Properties held on short lease	0.3	0.1	0.2	0.2
	712.1	228.0	484.1	442.5

The cost 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 £35.5 million lower than it would have been had this treatment not been adopted.

12 STOCKS

	1995 £m	1994 £m
Raw materials and consumables	3.7	3.2
Work in progress	0.3	0.2
	4.0	3.4

13 DEBTORS

	1995 £m	1994 £m
Trade debtors	26.6	26.1
Amounts owed by group undertakings	5.6	5.8
Amounts owed by parent company	214.6	144.6
Prepayments and accrued income	29.1	36.6
Other debtors:		
Receivable within one year	16.2	7.7
Receivable after more than one year	1.2	1.5
	293.3	222.3

14 LONG-TERM BORROWINGS	1995 £m	1994 £m
MATURITIES		
Repayable between one and five years:		
Bank loans	20.1	0.1
Other loans	-	-
Finance leases	3.2	2.1
Repayable by instalments and maturing after five years:		
Bank loans	90.1	92.5
Other loans	0.6	0.7
Finance leases	187.7	178.2
Wholly repayable after five years:		
Bank loans	-	20.0
	301.7	293.6

15 AGGREGATE BORROWINGS AND CASH	Bank loans and overdrafts £m	Other loans £m	Finance leases £m	Total £m
REPAYMENTS				
Within one year or on demand	14.5	0.1	1.8	16.4
Between one and two years	7.8	0.1	1.6	9.5
Between two and five years	45.5	0.3	1.6	47.4
After five years	57.0	0.2	187.6	244.8
	124.8	0.7	192.6	318.1
Amounts owed by parent company				(214.6)
Net debt				103.5

As shown above, the net debt as at 31 March 1995 was £103.5 million (1994: £151.9 million).

Borrowings, any part of which is repayable after five years, have been negotiated at fixed and variable interest rates which at 31 March 1995 ranged between 6.61% and 11.5%.

Security against the revenues of Yorkshire Water Services Limited has been given on £0.1 million (1994: £0.1 million) of the above borrowings.

NOTES TO THE ACCOUNTS

16 OTHER CREDITORS	1995 £m	1994 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade creditors	60.8	36.2
Capital creditors	49.4	44.3
Deferred grants and contributions on depreciating fixed assets	2.1	1.9
Amounts owed to parent company - proposed dividend	73.6	40.1
Amounts owed to group undertakings	1.8	2.2
Social security and payroll deductions	2.4	2.4
Taxation	0.3	-
Receipts in advance	28.0	21.6
Other creditors	5.7	4.1
	224.1	152.8
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:		
Capital creditors	2.8	4.5
Deferred grants and contributions on depreciating fixed assets	80.9	75.8
Other creditors	35.7	19.0
	119.4	99.3

17 PROVISIONS FOR LIABILITIES AND CHARGES	Infrastructure Renewals £m	Landslip Reinstatement £m	Total £m
At 1 April 1994	139.3	2.6	141.9
Expenditure in the year	(52.5)	(1.3)	(53.8)
Insurance receipts	-	0.9	0.9
Charged in profit and loss account	49.3	-	49.3
AT 31 MARCH 1995	136.1	2.2	138.3

18 COMMITMENTS

	1995 £m	1994 £m
CAPITAL AND INFRASTRUCTURE RENEWALS		
EXPENDITURE COMMITMENTS AT 31 MARCH WERE:		
Contracts placed	103.6	55.7
Authorised but not contracted for	119.1	181.8
	222.7	237.5

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 1995 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 1995 £m	Other 1995 £m	Land and buildings 1994 £m	Other 1994 £m
LEASES WHICH EXPIRE:				
Within one year	–	0.4	–	0.1
Between one and five years	0.5	0.2	0.4	0.8
After five years	0.1	–	0.2	–
	0.6	0.6	0.6	0.9

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

AT 1 APRIL 1994 AND 31 MARCH 1995

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

NOTES TO THE ACCOUNTS

	£m
21 RESERVES	
At 1 April 1994	994.5
Profit retained for the year	20.4
AT 31 MARCH 1995	1,014.9
There were no other movements in shareholders' funds during the year.	

22 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.

23 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.

24 POST BALANCE SHEET EVENT

The directors consider that there is scope to increase the level of debt in the company to increase financing efficiency. Accordingly, on 22 June 1995, the board approved an interim dividend of £125 million for capital restructuring purposes. The dividend will be paid on 23 June 1995.

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 and 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 judgement and estimates have been used in the preparation of the financial statements.

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 10 to 11 and 14 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

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 those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse, Chartered Accountants and Registered Auditor, Leeds 22 June 1995

Price Waterhouse

HISTORICAL COST PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	Appointed £m	Non-appointed £m	1995 Total £m	Appointed £m	Non-appointed £m	1994 Total £m
TURNOVER	496.7	4.5	501.2	480.7	4.8	485.5
Operating costs	(354.7)	(3.2)	(357.9)	(334.0)	(3.3)	(337.3)
Operating income	1.8	-	1.8	6.6	-	6.6
OPERATING PROFIT	143.8	1.3	145.1	153.3	1.5	154.8
Other income	1.1	0.3	1.4	0.9	0.1	1.0
Interest payable	(10.3)	-	(10.3)	(13.6)	(0.2)	(13.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	134.6	1.6	136.2	140.6	1.4	142.0
Taxation	-	-	-	-	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	134.6	1.6	136.2	140.6	1.4	142.0
Dividends – interim	(41.4)	(0.8)	(42.2)	(19.9)	(0.8)	(20.7)
– final	(72.8)	(0.8)	(73.6)	(39.5)	(0.6)	(40.1)
PROFIT RETAINED FOR THE YEAR	20.4	-	20.4	81.2	-	81.2

The accounting policies set out on pages 12 to 13 apply to the historical cost regulatory accounting information.

HISTORICAL COST BALANCE SHEET

AT 31 MARCH 1995			1994			
	Appointed £m	Non-appointed £m	Total £m	Appointed £m	Non-appointed £m	Total £m
FIXED ASSETS						
Tangible assets	1,783.5	8.8	1,792.3	1,719.6	14.5	1,734.1
Investments	0.1	0.1	0.2	0.1	0.1	0.2
	1,783.6	8.9	1,792.5	1,719.7	14.6	1,734.3
CURRENT ASSETS						
Stocks	4.0	-	4.0	3.4	-	3.4
Debtors	292.0	1.3	293.3	221.1	1.2	222.3
Cash at bank and in hand	-	-	-	-	-	-
	296.0	1.3	297.3	224.5	1.2	225.7
CREDITORS:						
Amounts falling due within one year	(236.3)	(2.2)	(238.5)	(145.9)	(7.9)	(153.8)
NET CURRENT ASSETS	59.7	(0.9)	58.8	78.6	(6.7)	71.9
TOTAL ASSETS LESS CURRENT LIABILITIES						
	1,843.3	8.0	1,851.3	1,798.3	7.9	1,806.2
CREDITORS:						
Amounts falling due after more than one year	(340.2)	-	(340.2)	(317.1)	-	(317.1)
Provisions for liabilities and charges	(138.2)	-	(138.2)	(141.9)	-	(141.9)
Deferred income	(75.0)	(8.0)	(83.0)	(69.8)	(7.9)	(77.7)
	1,289.9	-	1,289.9	1,269.5	-	1,269.5
CAPITAL AND RESERVES						
Called up share capital	275.0	-	275.0	275.0	-	275.0
Profit and loss account	1,014.9	-	1,014.9	994.5	-	994.5
	1,289.9	-	1,289.9	1,269.5	-	1,269.5

CURRENT COST PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	NOTES	1995 £m	1994 £m
TURNOVER	5	496.7	480.7
Current cost operating costs	6	(382.5)	(365.5)
Operating income	5	0.8	5.8
		115.0	121.0
Working capital adjustment		1.1	1.0
CURRENT COST OPERATING PROFIT		116.1	122.0
Other income		1.1	0.9
Interest payable		(10.3)	(13.6)
Financing adjustment		12.2	7.5
CURRENT COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		119.1	116.8
Taxation		-	-
CURRENT COST PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		119.1	116.8
Dividends		(114.2)	(59.4)
CURRENT COST PROFIT RETAINED		4.9	57.4

CURRENT COST BALANCE SHEET FOR THE APPOINTED BUSINESS

AT 31 MARCH 1995	NOTES	1995 £m	1994 £m
FIXED ASSETS			
Tangible assets	7&8	13,666.2	13,253.5
Third party contributions since 1989/90		(117.2)	(102.0)
WORKING CAPITAL	9	(0.8)	(32.0)
NET OPERATING ASSETS			
		13,548.2	13,119.5
Cash and investments		0.1	0.1
Non-trade debtors		16.8	8.5
Non-trade creditors due within one year		(94.5)	(39.9)
Creditors due after one year		(340.2)	(317.0)
NET ASSETS EMPLOYED			
		13,130.4	12,771.2
CAPITAL AND RESERVES			
Called up share capital		275.0	275.0
Profit and loss account		647.6	642.7
Current cost reserve	10	12,207.8	11,853.5
		13,130.4	12,771.2

CURRENT COST CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1995

	NOTES	Appointed £m	Non-appointed £m	1995 Total £m	Appointed £m	Non-appointed £m	1994 Total £m
NET CASH FLOW FROM OPERATING ACTIVITIES	11	217.5	1.5	219.0	240.8	-	240.8
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE							
Other income received		1.1	0.3	1.4	0.9	0.1	1.0
Interest received		12.2	-	12.2	9.3	-	9.3
Interest paid		(12.6)	-	(12.6)	(13.4)	(0.2)	(13.6)
Interest in finance lease rentals		(2.9)	-	(2.9)	(9.3)	-	(9.3)
Dividends paid		(80.9)	(1.4)	(82.3)	(56.8)	(1.7)	(58.5)
NET CASH FLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(83.1)	(1.1)	(84.2)	(69.3)	(1.8)	(71.1)
TAXATION							
UK corporation tax paid		-	-	-	-	-	-
INVESTING ACTIVITIES							
Purchase of fixed assets		(117.9)	(0.2)	(118.1)	(181.6)	(1.4)	(183.0)
Reclassification of fixed assets		(5.7)	5.7	-	-	-	-
Disposal of fixed assets		6.2	-	6.2	5.9	-	5.9
Grants and contributions		25.5	(0.1)	25.4	23.5	0.3	23.8
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(91.9)	5.4	(86.5)	(152.2)	(1.1)	(153.3)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		42.5	5.8	48.3	19.3	(2.9)	16.4
FINANCING							
New leasing finance		13.1	-	13.1	23.1	-	23.1
Capital in finance lease rentals		(2.7)	-	(2.7)	(1.7)	-	(1.7)
Increase in short-term deposits		(70.0)	-	(70.0)	(39.6)	-	(39.6)
Repayment of long-term loans		(0.1)	-	(0.1)	(0.1)	-	(0.1)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		(59.7)	-	(59.7)	(18.3)	-	(18.3)
INCREASE/(DECREASE) IN CASH		(17.2)	5.8	(11.4)	1.0	(2.9)	(1.9)

AUDITORS' REPORT ON THE REGULATORY ACCOUNTING INFORMATION

TO THE DIRECTOR GENERAL OF WATER SERVICES

We have audited the regulatory financial statements on pages 27 to 31 and 33 to 43.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 25, the company's directors are responsible for the preparation of the regulatory 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 regulatory financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the regulatory 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 regulatory 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 regulatory financial statements in terms of generally accepted accounting principles, the Regulatory Accounting Guidelines and consistency with the statutory accounts.

OPINION

In our opinion, the regulatory financial statements contain the information for the year to 31 March 1995 required to be published and submitted to you by Yorkshire Water Services Limited to comply with Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the company as a water and sewerage undertaker under the Water Industry Act 1991.

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 27 to 28 have been properly prepared from the financial statements set out on pages 10 to 24 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 29 to 31 and 35 to 43 has been properly prepared in accordance with the Regulatory Accounting Guideline 1, Accounting for Current Costs issued in May 1992 by the Office of Water Services.



Price Waterhouse, Chartered Accountants and Registered Auditor, Leeds. 22 June 1995

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

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.

The MEA values arising from the recent Periodic Review will not be shown in the 1994/95 Regulatory Accounting Information but will be introduced in 1995/96 as allowed by the Director General of Water Services.

– 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 change 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.

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

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 & OPERATING INCOME FOR THE APPOINTED BUSINESS
YEAR ENDED 31 MARCH 1995

	Water services £m	Sewerage services £m	1995 Total Appointed Business £m	Water services £m	Sewerage services £m	1994 Total Appointed Business £m
TURNOVER						
Measured	85.6	53.1	138.7	79.0	63.7	142.7
Unmeasured	159.8	167.8	327.6	156.6	150.5	307.1
Trade effluent	-	20.4	20.4	-	19.3	19.3
Revenue grants	-	-	-	0.1	-	0.1
Other sources	7.1	2.9	10.0	8.2	3.3	11.5
TOTAL TURNOVER	252.5	244.2	496.7	243.9	236.8	480.7
OPERATING INCOME						
Current cost profit on fixed assets net of expenses	0.9	(0.1)	0.8	0.8	5.0	5.8
TOTAL OPERATING INCOME	0.9	(0.1)	0.8	0.8	5.0	5.8

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

6 ANALYSIS OF OPERATING COSTS AND ASSETS
YEAR ENDED 31 MARCH 1995

	Resources and treatment £m	Distribution £m	Water supply sub total £m
DIRECT COSTS			
Employment costs	7.3	12.2	19.5
Power	5.0	6.2	11.2
Agencies	-	-	-
Hired and contracted services	1.0	5.8	6.8
Associated companies	-	-	-
Materials and consumables	3.5	1.9	5.4
Service charges	4.4	0.1	4.5
Other direct costs	5.3	7.5	12.8
TOTAL DIRECT COSTS	26.5	33.7	60.2
General and support expenditure	15.0	22.5	37.5
FUNCTIONAL EXPENDITURE	41.5	56.2	97.7
CAPITAL COSTS			
Current cost depreciation	17.9	7.6	25.5
Infrastructure renewals expenditure	2.0	41.2	43.2
Infrastructure renewals accrual/prepayment	6.6	(11.4)	(4.8)
FUNCTIONAL COST	68.0	93.6	161.6
Business service functional expenditure			19.5
Total (from above)			181.1
Rates			16.5
Doubtful debts			2.5
Exceptional			-
Intangible assets			-
Business activities capital costs			10.0
SERVICE COSTS			210.1
Services for third parties			6.0
TOTAL			216.1
CCA GROSS MEA VALUES			
Service activities	2,673.3	3,141.1	5,814.4
Business activities			129.1
SERVICE TOTALS			5,943.5
Services for third parties			-
TOTAL			5,943.5

SERVICE ANALYSIS					BUSINESS ANALYSIS		
Sewerage £m	Sewage treatment £m	Sludge treatment and disposal £m	Sewage treatment and disposal £m	Sewerage services sub total £m	Customer services £m	Scientific services £m	Cost of regulation £m
0.9	9.0	4.6	13.6	14.5			
0.4	5.9	1.3	7.2	7.6			
9.3	-	-	-	9.3			
0.4	1.4	3.3	4.7	5.1			
-	-	0.1	0.1	0.1			
0.1	1.4	1.4	2.8	2.9			
1.0	2.3	-	2.3	3.3			
3.0	6.0	3.0	9.0	12.0			
15.1	26.0	13.7	39.7	54.8	17.0	8.5	2.8
5.4	15.6	6.2	21.8	27.2	4.7	2.0	0.8
20.5	41.6	19.9	61.5	82.0	21.7	10.5	3.6
6.0	24.9	7.0	31.9	37.9			
8.9	0.4	-	0.4	9.3			
1.6	-	-	-	1.6			
37.0	66.9	26.9	93.8	130.8			
				16.3			
				147.1			
				10.3			
				2.0			
				-			
				-			
				6.6			
				166.0			
				0.4			
				166.4			
7,344.7	1,587.0	277.0	1,864.0	9,208.7			
54.0			67.7	121.7			
7,398.7			1,931.7	9,330.4			
				-			
				9,330.4			

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

6 ANALYSIS OF OPERATING COSTS AND ASSETS
YEAR ENDED 31 MARCH 1994

	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 (from above)			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
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

SERVICE ANALYSIS					BUSINESS ANALYSIS		
Sewerage £m	Sewage treatment £m	Sludge treatment and disposal £m	Sewage treatment and disposal £m	Sewerage services sub total £m	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			
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 1995

	Specialised operational assets £m	Non-specialised operational properties £m	Infrastructure assets £m	Other tangible assets £m	Total £m
GROSS REPLACEMENT COST					
At 1 April 1994	2,646.6	198.9	11,142.7	769.2	14,757.4
RPI adjustment	74.2	5.6	312.0	21.5	413.3
Disposals	(4.4)	(3.6)	—	(15.8)	(23.8)
Additions	130.2	4.3	46.7	(54.2)	127.0
AT 31 MARCH 1995	2,846.6	205.2	11,501.4	720.7	15,273.9
DEPRECIATION					
At 1 April 1994	1,339.5	38.8	—	125.6	1,503.9
RPI adjustment	37.5	1.1	—	3.5	42.1
Disposals	(4.4)	(1.3)	—	(14.7)	(20.4)
Charge for year	51.8	3.0	—	27.3	82.1
AT 31 MARCH 1995	1,424.4	41.6	—	141.7	1,607.7
NET BOOK AMOUNT AT 31 MARCH 1995	1,422.2	163.6	11,501.4	579.0	13,666.2
NET BOOK AMOUNT AT 1 APRIL 1994	1,307.1	160.1	11,142.7	643.6	13,253.5

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	NOTES	1995 £m	1994 £m
TURNOVER		501.2	485.5
Operating costs	2	(307.5)	(319.7)
OPERATING PROFIT BEFORE EXCEPTIONAL COSTS		193.7	165.8
Restructuring costs		(27.2)	(10.0)
"Customer Dividend"		(20.0)	-
OPERATING PROFIT		146.5	155.8
Interest	3	(10.3)	(13.8)
PROFIT BEFORE TAXATION		136.2	142.0
Taxation	4	-	-
PROFIT FOR THE YEAR		136.2	142.0
Dividends - interim	5	(42.2)	(20.7)
- final	5	(73.6)	(40.1)
PROFIT RETAINED		20.4	81.2

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 1995	NOTES	1995 £m	1994 £m
FIXED ASSETS			
Tangible assets	11	1,792.3	1,734.1
Investments	10	0.2	0.2
		1,792.5	1,734.3
CURRENT ASSETS			
Stocks	12	4.0	3.4
Debtors	13	293.3	222.3
Cash and short-term deposits		-	-
		297.3	225.7
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short-term borrowings		(16.4)	(2.9)
Other creditors	16	(224.1)	(152.8)
		(240.5)	(155.7)
NET CURRENT ASSETS			
		56.8	70.0
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,849.3	1,804.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Long-term borrowings	14	(301.7)	(293.6)
Other creditors	16	(119.4)	(99.3)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(138.3)	(141.9)
		1,289.9	1,269.5
CAPITAL AND RESERVES			
Called up share capital	20	275.0	275.0
Profit and loss account	21	1,014.9	994.5
		1,289.9	1,269.5

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF ON 22 JUNE 1995



T NEWTON OBE
Chairman




C J STONES
Director of Finance and Regulation



NOTES TO THE ACCOUNTS

2 OPERATING COSTS	1995 £m	1994 £m
Own work capitalised	(21.3)	(16.9)
Other operating income	(3.2)	(7.6)
Raw materials and consumables	17.8	18.1
Other external charges	138.8	108.7
Wages and salaries	69.0	68.5
Social security costs	5.5	5.5
Other pension costs	18.7	11.6
Total staff costs	93.2	85.6
Depreciation of tangible assets	52.3	49.4
Other operating charges	77.1	92.4
	354.7	329.7
Other external charges include:		
“Customer Dividend”	20.0	-
Research and development	1.2	1.7
Operating lease rentals - plant and equipment	0.6	0.8
- other	1.0	0.7
Short-term hire of plant and equipment	1.8	0.6
Auditors’ remuneration - audit fees and expenses	0.1	0.1
- other services	-	0.1
Depreciation arises:		
On owned assets	46.4	45.4
On assets held under finance leases	5.9	4.0
Restructuring costs of £27.2m (1994: £10.0m) have been charged to operating costs and included within the above analysis in:		
Other external charges	1.0	-
Other pension costs	9.1	1.9
Other operating charges	17.1	8.1
Other operating charges include:		
Infrastructure renewals charge	49.3	68.1

3 INTEREST	1995 £m	1994 £m
Interest payable on:		
Bank and other loans wholly repayable within five years	-	0.1
Bank and other loans not wholly repayable within five years	11.4	12.3
Amounts due to parent company	0.8	0.7
Finance charges in respect of finance leases	11.0	9.0
Other	0.6	0.8
	23.8	22.9
Interest receivable:		
Inter-company loans	(12.2)	(7.7)
Other	(1.3)	(1.4)
	10.3	13.8

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:

	1995 £m	1994 £m
Accelerated capital allowances	167	255
Unrelieved advance corporation tax	(65)	(53)
Short-term timing differences	(46)	(49)
	56	153

5 DIVIDENDS

	1995 £m	1994 £m
1st interim dividend (paid January 1995)	22.2	20.7
2nd interim dividend (paid January 1995)	20.0	-
Proposed final dividend	73.6	40.1
	115.8	60.8

10 INVESTMENTS

	Interests in associated undertakings £m	Other unlisted investments £m	Total £m
AT 1 APRIL 1994 AND 31 MARCH 1995	-	0.2	0.2

OTHER UNLISTED INVESTMENTS

The company owns 14% of the issued share capital of Water Pension Fund Holding 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 TANGIBLE ASSETS

	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Total £m
COST					
At 1 April 1994	652.9	547.7	431.5	458.2	2,090.3
Additions	0.6	1.1	8.4	111.4	121.5
Transfers on commissioning	60.5	45.1	99.4	(205.0)	-
Disposals	(1.9)	-	(8.3)	(5.0)	(15.2)
Grants and contributions	-	-	-	(6.5)	(6.5)
AT 31 MARCH 1995	712.1	593.9	531.0	353.1	2,190.1
DEPRECIATION					
At 1 April 1994	210.4	-	145.8	-	356.2
Disposals	(0.6)	-	(7.3)	(5.0)	(12.9)
Depreciation for the year	18.2	-	31.3	5.0	54.5
AT 31 MARCH 1995	228.0	-	169.8	-	397.8
NET BOOK AMOUNT AT 31 MARCH 1995	484.1	593.9	361.2	353.1	1,792.3
NET BOOK AMOUNT AT 31 MARCH 1994	442.5	547.7	285.7	458.2	1,734.1
At 31 March 1995 assets included above held under finance leases amounted to:					
Cost	47.6	-	109.0	42.2	198.8
Depreciation	1.9	-	11.8	-	13.7
NET BOOK AMOUNT AT 31 MARCH 1995	45.7	-	97.2	42.2	185.1
NET BOOK AMOUNT AT 31 MARCH 1994	36.5	-	51.7	90.0	178.2

NOTES TO THE ACCOUNTS

11 TANGIBLE ASSETS (CONTINUED)

	Cost at 31 March 1995 £m	Depreciation at 31 March 1995 £m	Net book amount at 31 March 1995 £m	Net book amount at 31 March 1994 £m
The net book amount of land and buildings comprised:				
Freehold properties	710.5	227.7	482.8	441.2
Properties held on long lease	1.3	0.2	1.1	1.1
Properties held on short lease	0.3	0.1	0.2	0.2
	712.1	228.0	484.1	442.5

The cost 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 £35.5 million lower than it would have been had this treatment not been adopted.

12 STOCKS

	1995 £m	1994 £m
Raw materials and consumables	3.7	3.2
Work in progress	0.3	0.2
	4.0	3.4

13 DEBTORS

	1995 £m	1994 £m
Trade debtors	26.6	26.1
Amounts owed by group undertakings	5.6	5.8
Amounts owed by parent company	214.6	144.6
Prepayments and accrued income	29.1	36.6
Other debtors:		
Receivable within one year	16.2	7.7
Receivable after more than one year	1.2	1.5
	293.3	222.3

14 LONG-TERM BORROWINGS	1995 £m	1994 £m
MATURITIES		
Repayable between one and five years:		
Bank loans	20.1	0.1
Other loans	-	-
Finance leases	3.2	2.1
Repayable by instalments and maturing after five years:		
Bank loans	90.1	92.5
Other loans	0.6	0.7
Finance leases	187.7	178.2
Wholly repayable after five years:		
Bank loans	-	20.0
	301.7	293.6

15 AGGREGATE BORROWINGS AND CASH	Bank loans and overdrafts £m	Other loans £m	Finance leases £m	Total £m
REPAYMENTS				
Within one year or on demand	14.5	0.1	1.8	16.4
Between one and two years	7.8	0.1	1.6	9.5
Between two and five years	45.5	0.3	1.6	47.4
After five years	57.0	0.2	187.6	244.8
	124.8	0.7	192.6	318.1
Amounts owed by parent company				(214.6)
Net debt				103.5

As shown above, the net debt as at 31 March 1995 was £103.5 million (1994: £151.9 million).

Borrowings, any part of which is repayable after five years, have been negotiated at fixed and variable interest rates which at 31 March 1995 ranged between 6.61% and 11.5%.

Security against the revenues of Yorkshire Water Services Limited has been given on £0.1 million (1994: £0.1 million) of the above borrowings.

NOTES TO THE ACCOUNTS

16 OTHER CREDITORS	1995 £m	1994 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade creditors	60.8	36.2
Capital creditors	49.4	44.3
Deferred grants and contributions on depreciating fixed assets	2.1	1.9
Amounts owed to parent company - proposed dividend	73.6	40.1
Amounts owed to group undertakings	1.8	2.2
Social security and payroll deductions	2.4	2.4
Taxation	0.3	-
Receipts in advance	28.0	21.6
Other creditors	5.7	4.1
	224.1	152.8
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:		
Capital creditors	2.8	4.5
Deferred grants and contributions on depreciating fixed assets	80.9	75.8
Other creditors	35.7	19.0
	119.4	99.3

17 PROVISIONS FOR LIABILITIES AND CHARGES	Infrastructure Renewals £m	Landslip Reinstatement £m	Total £m
At 1 April 1994	139.3	2.6	141.9
Expenditure in the year	(52.5)	(1.3)	(53.8)
Insurance receipts	-	0.9	0.9
Charged in profit and loss account	49.3	-	49.3
AT 31 MARCH 1995	136.1	2.2	138.3

NOTES TO THE ACCOUNTS

	£m
21 RESERVES	
At 1 April 1994	994.5
Profit retained for the year	20.4
AT 31 MARCH 1995	1,014.9
There were no other movements in shareholders' funds during the year.	

22 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.

23 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.

24 POST BALANCE SHEET EVENT

The directors consider that there is scope to increase the level of debt in the company to increase financing efficiency. Accordingly, on 22 June 1995, the board approved an interim dividend of £125 million for capital restructuring purposes. The dividend will be paid on 23 June 1995.

HISTORICAL COST PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	Appointed £m	Non-appointed £m	1995 Total £m	Appointed £m	Non-appointed £m	1994 Total £m
TURNOVER	496.7	4.5	501.2	480.7	4.8	485.5
Operating costs	(354.7)	(3.2)	(357.9)	(334.0)	(3.3)	(337.3)
Operating income	1.8	-	1.8	6.6	-	6.6
OPERATING PROFIT	143.8	1.3	145.1	153.3	1.5	154.8
Other income	1.1	0.3	1.4	0.9	0.1	1.0
Interest payable	(10.3)	-	(10.3)	(13.6)	(0.2)	(13.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	134.6	1.6	136.2	140.6	1.4	142.0
Taxation	-	-	-	-	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	134.6	1.6	136.2	140.6	1.4	142.0
Dividends – interim	(41.4)	(0.8)	(42.2)	(19.9)	(0.8)	(20.7)
– final	(72.8)	(0.8)	(73.6)	(39.5)	(0.6)	(40.1)
PROFIT RETAINED FOR THE YEAR	20.4	-	20.4	81.2	-	81.2

The accounting policies set out on pages 12 to 13 apply to the historical cost regulatory accounting information.

CURRENT COST PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1995	NOTES	1995 £m	1994 £m
TURNOVER	5	496.7	480.7
Current cost operating costs	6	(382.5)	(365.5)
Operating income	5	0.8	5.8
		115.0	121.0
Working capital adjustment		1.1	1.0
CURRENT COST OPERATING PROFIT		116.1	122.0
Other income		1.1	0.9
Interest payable		(10.3)	(13.6)
Financing adjustment		12.2	7.5
CURRENT COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		119.1	116.8
Taxation		-	-
CURRENT COST PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		119.1	116.8
Dividends		(114.2)	(59.4)
CURRENT COST PROFIT RETAINED		4.9	57.4

CURRENT COST BALANCE SHEET FOR THE APPOINTED BUSINESS

AT 31 MARCH 1995	NOTES	1995 £m	1994 £m
FIXED ASSETS			
Tangible assets	7&8	13,666.2	13,253.5
Third party contributions since 1989/90		(117.2)	(102.0)
WORKING CAPITAL	9	(0.8)	(32.0)
NET OPERATING ASSETS			
		13,548.2	13,119.5
Cash and investments		0.1	0.1
Non-trade debtors		16.8	8.5
Non-trade creditors due within one year		(94.5)	(39.9)
Creditors due after one year		(340.2)	(317.0)
NET ASSETS EMPLOYED			
		13,130.4	12,771.2
CAPITAL AND RESERVES			
Called up share capital		275.0	275.0
Profit and loss account		647.6	642.7
Current cost reserve	10	12,207.8	11,853.5
		13,130.4	12,771.2

CURRENT COST CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1995

	NOTES	Appointed £m	Non-appointed £m	1995 Total £m	Appointed £m	Non-appointed £m	1994 Total £m
NET CASH FLOW FROM OPERATING ACTIVITIES	11	217.5	1.5	219.0	240.8	-	240.8
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE							
Other income received		1.1	0.3	1.4	0.9	0.1	1.0
Interest received		12.2	-	12.2	9.3	-	9.3
Interest paid		(12.6)	-	(12.6)	(13.4)	(0.2)	(13.6)
Interest in finance lease rentals		(2.9)	-	(2.9)	(9.3)	-	(9.3)
Dividends paid		(80.9)	(1.4)	(82.3)	(56.8)	(1.7)	(58.5)
NET CASH FLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(83.1)	(1.1)	(84.2)	(69.3)	(1.8)	(71.1)
TAXATION							
UK corporation tax paid		-	-	-	-	-	-
INVESTING ACTIVITIES							
Purchase of fixed assets		(117.9)	(0.2)	(118.1)	(181.6)	(1.4)	(183.0)
Reclassification of fixed assets		(5.7)	5.7	-	-	-	-
Disposal of fixed assets		6.2	-	6.2	5.9	-	5.9
Grants and contributions		25.5	(0.1)	25.4	23.5	0.3	23.8
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(91.9)	5.4	(86.5)	(152.2)	(1.1)	(153.3)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		42.5	5.8	48.3	19.3	(2.9)	16.4
FINANCING							
New leasing finance		13.1	-	13.1	23.1	-	23.1
Capital in finance lease rentals		(2.7)	-	(2.7)	(1.7)	-	(1.7)
Increase in short-term deposits		(70.0)	-	(70.0)	(39.6)	-	(39.6)
Repayment of long-term loans		(0.1)	-	(0.1)	(0.1)	-	(0.1)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		(59.7)	-	(59.7)	(18.3)	-	(18.3)
INCREASE/(DECREASE) IN CASH		(17.2)	5.8	(11.4)	1.0	(2.9)	(1.9)

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

7 CURRENT COST ANALYSIS OF FIXED ASSETS
BY ASSET TYPE AT 31 MARCH 1995

	Specialised operational assets £m	Non-specialised operational properties £m	Infrastructure assets £m	Other tangible assets £m	Total £m
GROSS REPLACEMENT COST					
At 1 April 1994	2,646.6	198.9	11,142.7	769.2	14,757.4
RPI adjustment	74.2	5.6	312.0	21.5	413.3
Disposals	(4.4)	(3.6)	—	(15.8)	(23.8)
Additions	130.2	4.3	46.7	(54.2)	127.0
AT 31 MARCH 1995	2,846.6	205.2	11,501.4	720.7	15,273.9
DEPRECIATION					
At 1 April 1994	1,339.5	38.8	—	125.6	1,503.9
RPI adjustment	37.5	1.1	—	3.5	42.1
Disposals	(4.4)	(1.3)	—	(14.7)	(20.4)
Charge for year	51.8	3.0	—	27.3	82.1
AT 31 MARCH 1995	1,424.4	41.6	—	141.7	1,607.7
NET BOOK AMOUNT AT 31 MARCH 1995	1,422.2	163.6	11,501.4	579.0	13,666.2
NET BOOK AMOUNT AT 1 APRIL 1994	1,307.1	160.1	11,142.7	643.6	13,253.5

**8 CURRENT COST ANALYSIS OF FIXED ASSETS
AT 31 MARCH 1995**

	Water supply £m	Sewerage £m	Sewage treatment & disposal £m	Total £m
GROSS REPLACEMENT COST				
At 1 April 1994	5,718.4	7,190.9	1,848.1	14,757.4
RPI adjustment	160.2	201.3	51.8	413.3
Disposals	(11.0)	(3.4)	(9.4)	(23.8)
Additions	75.9	9.9	41.2	127.0
AT 31 MARCH 1995	5,943.5	7,398.7	1,931.7	15,273.9
DEPRECIATION				
At 1 April 1994	562.1	96.6	845.2	1,503.9
RPI adjustment	15.8	2.7	23.6	42.1
Disposals	(8.9)	(3.1)	(8.4)	(20.4)
Charge for year	36.4	7.4	38.3	82.1
AT 31 MARCH 1995	605.4	103.6	898.7	1,607.7
NET BOOK AMOUNT AT 31 MARCH 1995	5,338.1	7,295.1	1,033.0	13,666.2
NET BOOK AMOUNT AT 1 APRIL 1994	5,156.3	7,094.3	1,002.9	13,253.5
ANALYSIS BY ASSET TYPE				
Specialised operational assets	602.2	66.7	753.3	1,422.2
Non-specialised operational properties	121.0	10.7	31.9	163.6
Infrastructure assets	4,316.0	7,131.5	53.9	11,501.4
Other tangible assets	298.9	86.2	193.9	579.0
NET BOOK AMOUNT AT 31 MARCH 1995	5,338.1	7,295.1	1,033.0	13,666.2

9 WORKING CAPITAL

	1995 £m	1994 £m
Stock	4.0	3.4
Trade debtors	25.8	25.5
Trade creditors	(60.3)	(37.8)
Short-term capital creditors	(49.2)	(42.2)
Infrastructure renewals accrual	(136.0)	(139.3)
Other trade accruals	-	-
Trade payments in advance	(28.0)	(21.4)
Payroll related taxes & social security contributions	(2.4)	(2.4)
Group trade debtors/(creditors)	218.4	148.2
Landslip reinstatement	(2.2)	(2.6)
Prepayments	29.1	36.6
	(0.8)	(32.0)

**8 CURRENT COST ANALYSIS OF FIXED ASSETS
AT 31 MARCH 1995**

	Water supply £m	Sewerage £m	Sewage treatment & disposal £m	Total £m
GROSS REPLACEMENT COST				
At 1 April 1994	5,718.4	7,190.9	1,848.1	14,757.4
RPI adjustment	160.2	201.3	51.8	413.3
Disposals	(11.0)	(3.4)	(9.4)	(23.8)
Additions	75.9	9.9	41.2	127.0
AT 31 MARCH 1995	5,943.5	7,398.7	1,931.7	15,273.9
DEPRECIATION				
At 1 April 1994	562.1	96.6	845.2	1,503.9
RPI adjustment	15.8	2.7	23.6	42.1
Disposals	(8.9)	(3.1)	(8.4)	(20.4)
Charge for year	36.4	7.4	38.3	82.1
AT 31 MARCH 1995	605.4	103.6	898.7	1,607.7
NET BOOK AMOUNT AT 31 MARCH 1995	5,338.1	7,295.1	1,033.0	13,666.2
NET BOOK AMOUNT AT 1 APRIL 1994	5,156.3	7,094.3	1,002.9	13,253.5
ANALYSIS BY ASSET TYPE				
Specialised operational assets	602.2	66.7	753.3	1,422.2
Non-specialised operational properties	121.0	10.7	31.9	163.6
Infrastructure assets	4,316.0	7,131.5	53.9	11,501.4
Other tangible assets	298.9	86.2	193.9	579.0
NET BOOK AMOUNT AT 31 MARCH 1995	5,338.1	7,295.1	1,033.0	13,666.2

9 WORKING CAPITAL

	1995 £m	1994 £m
Stock	4.0	3.4
Trade debtors	25.8	25.5
Trade creditors	(60.3)	(37.8)
Short-term capital creditors	(49.2)	(42.2)
Infrastructure renewals accrual	(136.0)	(139.3)
Other trade accruals	-	-
Trade payments in advance	(28.0)	(21.4)
Payroll related taxes & social security contributions	(2.4)	(2.4)
Group trade debtors/(creditors)	218.4	148.2
Landslip reinstatement	(2.2)	(2.6)
Prepayments	29.1	36.6
	(0.8)	(32.0)

NOTES TO THE REGULATORY ACCOUNTING INFORMATION

10 MOVEMENT ON CURRENT COST RESERVE	1995 £m	1994 £m
Balance at 1 April	11,853.5	11,558.6
AMP/SIR adjustment	-	-
RPI adjustment:		
Fixed assets	371.2	305.0
Working capital	(1.1)	(1.0)
Financing	(12.2)	(7.5)
Grants & third party contributions	(3.6)	(1.6)
BALANCE AT 31 MARCH	12,207.8	11,853.5

11 RECONCILIATION OF APPOINTED BUSINESS OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	1995 £m	1994 £m
CURRENT COST OPERATING PROFIT	116.1	122.0
Current cost depreciation	80.0	80.8
Current cost profit on sale of assets	(0.8)	(5.9)
Increase in stocks, debtors and prepaid expenses	(7.3)	7.7
Increase in creditors and accrued expenses	34.3	5.3
Increase in provisions	(3.7)	31.9
Working capital adjustment	(1.1)	(1.0)
NET CASH FLOW FROM OPERATING ACTIVITIES	217.5	240.8

12 CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE APPOINTED BUSINESS – ROLLING SUMMARY

	1995 £m	*1994 £m	*1993 £m	*1992 £m	*1991 £m
TURNOVER	496.7	494.2	477.0	463.1	432.5
Current cost operating costs	(382.5)	(375.7)	(358.4)	(363.1)	(342.5)
Operating income	0.8	6.0	1.0	3.4	1.5
Working capital adjustment	115.0	124.5	119.6	103.4	91.5
	1.1	1.0	0.4	1.2	(0.5)
CURRENT COST OPERATING PROFIT	116.1	125.5	120.0	104.6	91.0
Other income	1.1	0.9	0.8	1.0	0.9
Interest receivable/(payable)	(10.3)	(14.0)	(12.5)	(1.4)	10.2
Financing adjustments	12.2	7.7	5.0	5.6	4.9
CURRENT COST PROFIT BEFORE TAXATION	119.1	120.1	113.3	109.8	107.0
Taxation	–	–	–	–	–
CURRENT COST PROFIT ON ORDINARY ACTIVITIES	119.1	120.1	113.3	109.8	107.0
Dividends	(114.2)	(61.1)	(58.0)	(56.3)	(74.6)
CURRENT COST PROFIT RETAINED	4.9	59.0	55.3	53.5	32.4

13 CURRENT COST BALANCE SHEET FOR THE APPOINTED BUSINESS – ROLLING SUMMARY

	1995 £m	*1994 £m	*1993 £m	*1992 £m	*1991 £m
FIXED ASSETS					
Tangible assets	13,666.2	13,717.4	13,612.8	13,429.4	13,245.4
Third party contributions since 1989/90	(117.2)	(105.6)	(73.1)	(43.4)	(22.3)
Working capital	(0.8)	(33.1)	(43.5)	(21.0)	(30.3)
NET OPERATING ASSETS	13,548.2	13,578.7	13,496.2	13,365.0	13,192.8
Cash and investments	0.1	0.1	1.4	3.5	0.7
Non-trade debtors	16.8	8.8	11.2	9.1	10.7
Non-trade creditors due within one year	(94.5)	(41.3)	(50.0)	(42.2)	(52.2)
Creditors due after one year	(340.2)	(328.1)	(307.2)	(241.7)	(106.6)
NET ASSETS EMPLOYED	13,130.4	13,218.2	13,151.6	13,093.7	13,045.4
CAPITAL AND RESERVES					
Called up share capital	275.0	284.6	291.2	296.7	308.8
Profit and loss account	647.6	665.2	619.8	574.4	542.0
Current cost reserve	12,207.8	12,268.4	12,240.6	12,222.6	12,194.6
	13,130.4	13,218.2	13,151.6	13,093.7	13,045.4

*Figures for years prior to 1994/95 have been restated into pounds of the latest year using RPI indexation