

YORKSHIRE WATER PLC

(Registered number 2366627)

REPORT AND ACCOUNTS

FOR THE THREE MONTHS ENDED

30 JUNE 1995



PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS ENDED 30 JUNE 1995

		Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Turnover	2	1,725	6,789
Operating costs	3	(1,661)	(7,627)
Other operating income	4	68	7,320
Dividends receivable		<u>125,000</u>	<u>122,359</u>
Operating profit		125,132	128,841
Net interest receivable	5	<u>550</u>	<u>1,675</u>
Profit on ordinary activities before taxation		125,682	130,516
Taxation		<u>-</u>	<u>(12,408)</u>
Profit on ordinary activities after taxation	15	125,682	118,108
Dividends payable		<u>-</u>	<u>(55,798)</u>
Retained profits		<u>125,682</u>	<u>62,310</u>

Movements on reserves are set out in note 15.

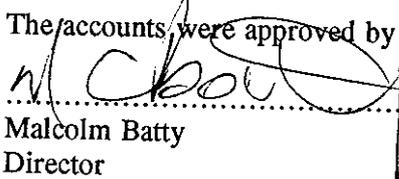
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AT 30 JUNE 1995

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Profit for the period	125,682	62,310
Currency differences	<u>(499)</u>	<u>178</u>
TOTAL RECOGNISED GAINS AND LOSSES	<u>125,183</u>	<u>62,488</u>

BALANCE SHEET AS AT 30 JUNE 1995

	Notes	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)
Fixed Assets			
Tangible assets	8	6,897	6,863
Investments	9	<u>392,418</u>	<u>393,140</u>
		<u>399,315</u>	<u>400,003</u>
Current Assets			
Debtors	10	17,208	90,100
Cash and short-term deposits		<u>350,622</u>	<u>301,423</u>
		<u>367,830</u>	<u>391,523</u>
Creditors: Amounts falling due within one year			
Short-term borrowings	11	(45,548)	(25,117)
Other creditors	12	<u>(111,835)</u>	<u>(282,168)</u>
		<u>(157,383)</u>	<u>(307,285)</u>
Net current assets		210,447	84,238
Total assets less current liabilities		609,762	484,241
Creditors: Amounts falling due after one year			
Convertible bond	22	(58,600)	(58,573)
Long Term Borrowings	13	(54,170)	(54,056)
		<u>496,992</u>	<u>371,612</u>
Capital and Reserves			
Called up share capital	14	202,706	202,620
Share Premium account	15	5,303	5,192
Profit and loss account	15	<u>288,983</u>	<u>163,800</u>
		<u>496,992</u>	<u>371,612</u>

The accounts were approved by the Board on 14 August 1995 and signed on its behalf by:



 Malcolm Batty
 Director

CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 30 JUNE 1995

	Notes	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	17	(4,004)	12,897
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		9,442	15,329
Interest paid		(5,481)	(21,044)
Dividends received		198,600	80,200
Dividends paid		-	(56,299)
Advanced Corporation Tax paid		<u>(3,722)</u>	<u>(10,359)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		<u>198,839</u>	<u>7,827</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(83)	(46)
Acquisition of subsidiary undertakings and investments		-	(7,613)
Exchange losses		(271)	(213)
Proceeds from sale of tangible fixed assets		<u>4</u>	<u>17</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(350)</u>	<u>(7,855)</u>
NET CASH INFLOW BEFORE FINANCING		<u>194,485</u>	<u>12,869</u>
FINANCING			
Issue of shares to employee profit sharing scheme		(197)	(2,939)
Increase in short-term deposits		5,460	43,974
(Increase) / reduction in inter-company loan		<u>165,916</u>	<u>(94,327)</u>
NET CASH INFLOW FROM FINANCING	18	<u>171,179</u>	<u>(53,292)</u>
Increase in cash and cash equivalents	19	23,306	66,161
		<u>194,485</u>	<u>12,869</u>

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

Basis of Preparation

These accounts are interim accounts prepared in accordance with sections 270 and 272 of the Companies Act 1985. The accounts have been prepared under the historical cost convention and in compliance with all applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, on the original cost of assets on a straight line basis over the estimated economic lives of the assets.

Tangible Fixed Assets

Tangible fixed assets are included at cost less accumulated depreciation. Depreciation is charged from the date of commissioning and the principal economic lives used are:

Buildings	30-60 years
Fixed plant	20-40 years
Vehicles, mobile plant and computers	3-10 years

Foreign Exchange

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 currencies are converted into sterling at the rates ruling at the end of the financial period. Exchange differences arising from the translation of foreign currency borrowings to the extent that they are used to finance group equity investment in foreign businesses are taken directly to reserves.

Pensions

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

2. Turnover

Turnover comprises charges to other companies within the Yorkshire Water group.

3. Operating Costs

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Wages and salaries	657	2,632
Social security costs	59	238
Other pension costs	102	389
Other operating charges	769	2,902
Inter-company charges	8	1,165
Depreciation on owned assets	49	233
Auditors remuneration	<u>17</u>	<u>68</u>
	<u>1,661</u>	<u>7,627</u>

4. Other Operating Income

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Rental income	35	152
Profit on disposal of investments	1	6,947
Profit on disposal of fixed assets	-	17
Other income	<u>32</u>	<u>204</u>
	<u>68</u>	<u>7,320</u>

5. Net interest receivable

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Interest payable		
Bank and other loans wholly repayable within five years	1,521	5,059
On other loans partially repayable after five years	1,334	5,038
To group undertakings	3,809	12,390
Other interest payable	<u>77</u>	<u>175</u>
	6,741	22,662
Interest receivable		
From third parties	(5,494)	(16,615)
From group undertakings	<u>(1,797)</u>	<u>(7,722)</u>
	(7,291)	(24,337)
NET INTEREST RECEIVABLE	<u>(550)</u>	<u>(1,675)</u>

6. Employees

The average number of persons employed by Yorkshire Water plc during the period was 81.

7. Pensions

The company operates two defined benefit final pay pension schemes, the Water Pension Scheme (WPS) and the Water Mirror Image Pension Scheme (WMIS). Most employees are members of one or other of these schemes, but the company also operates a number of smaller defined benefits and defined contribution schemes and a group personal pension plan. The employer's contributions to WPS and WMIS and the pensions cost have been assessed in accordance with the advice of William M Mercer Limited using the projected unit method for the WPS and the attained age method for the WMIS. For this purpose, the main actuarial assumptions adopted are based upon investment growth being 2% greater than the rise in pay levels. Full allowance is also made for increases to pensions and deferred pensions under each scheme. The last actuarial valuation of the two schemes was carried out as at 31 March 1993. The total market value of the assets at the valuation date was £239.2 million. Using the assumptions adopted for the Statement of Standard Accounting Practice number 24, "Accounting for pension costs", the combined actuarial value of the assets represented 101% of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP24, the surplus in the schemes is being spread over the future working lifetime of the existing members.

8. Tangible Fixed Assets

	Land and buildings (£'000s)	Plant and machinery (£'000s)	Fixtures, Fittings and tools (£'000s)	Under construction (£'000s)	Total (£'000s)
COST					
Balance at 1 April 1995	7,047	291	2,872	5	10,215
Additions	-	-	-	83	83
Balance at 30 June 1995	7,047	291	2,872	88	10,298
DEPRECIATION					
Balance at 1 April 1995	412	214	2,726	-	3,352
Depreciation for the three months to 30 June 1995	25	8	16	-	49
Balance at 30 June 1995	437	222	2,742	-	3,401
NET BOOK AMOUNT AT 30 JUNE 1995	6,610	69	130	88	6,897
Net book amount at 31 March 1995	6,635	77	146	5	6,863

9. Investments

	Loans to group undertakings (£'000s)	Investments in subsidiary undertakings (£'000s)	Investments in participating interest (£'000s)	Other investments (£'000s)	Total (£'000s)
Cost at 1 April 1995	92,089	299,388	38	1,625	393,140
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Movement during the year	<u>(722)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(722)</u>
Cost at 30 June 1995	<u>91,367</u>	<u>299,388</u>	<u>38</u>	<u>1,625</u>	<u>392,418</u>

During the three month period the company sold its investment in Yorkshire Water First Finance which was carried at a cost of £100 for a cash consideration of £1,271.

Subsidiary Undertakings

The company's principal subsidiary undertakings are as follows:

Company	Principal Activity	Proportion of issued equity capital held	Country of incorporation
Ridings Insurance Company Limited	Insurance services	100%	Isle of Man
Yorkshire Environmental Limited	Environmental services	100%	England
Yorkshire Water Estates Limited	Property company	100%	England
Yorkshire Water International Limited	Environmental services	100%	England
Yorkshire Water Services Limited	Water and sewerage services	100%	England

10. Debtors

	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)
Prepayments and accrued income	2,877	8
Interest receivable	3,493	5,644
Dividends receivable	3,040	3,040
Amounts owed by group undertakings	7,746	81,317
Other debtors	<u>52</u>	<u>91</u>
Total	<u>17,208</u>	<u>90,100</u>

11. Short term borrowings

	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)
Repayable within one year or on demand:		
Bank overdrafts	16,417	-
Other loans	<u>29,131</u>	<u>25,117</u>
Total	<u>45,548</u>	<u>25,117</u>

12. Other creditors

	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)
Amounts falling due within one year:		
Trade creditors	891	907
Amounts owed to group undertakings	59,381	227,197
Taxation	9,795	13,517
Other creditors	2,589	1,368
Proposed dividends	<u>39,179</u>	<u>39,179</u>
Total	<u>111,835</u>	<u>282,168</u>

13. Long-term borrowings

	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)
MATURITIES		
Repayable between one and five years:		
Bank loan	40,000	40,000
Wholly repayable after five years:		
Bank loan	<u>14,170</u>	<u>14,056</u>
Total	<u>54,170</u>	<u>54,056</u>

14. Called up share capital

	As at 30.6.95 £	As at 31.3.95 £
Ordinary shares of £1 each:	202,706,037	202,620,618

During the three months since 1 April 1995 85,419 ordinary shares were issued as a result of the exercise of share options for a cash consideration of £196,423. Full details of options granted and outstanding may be found in the Yorkshire Water Annual Report and Accounts 1995.

15. Reserves

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
SHARE PREMIUM ACCOUNT		
At 1 April	5,192	5,019
Premium capitalised due to scrip dividend	-	(1,183)
Premium on issue of shares	<u>111</u>	<u>1,356</u>
At 30 June	<u>5,303</u>	<u>5,192</u>
PROFIT AND LOSS ACCOUNT RESERVE		
At 1 April	163,800	95,319
Currency differences	(499)	178
Transferred from profit and loss account	125,682	62,310
Amount added back in respect of scrip dividend	<u>-</u>	<u>5,993</u>
At 30 June	<u>288,983</u>	<u>163,800</u>

16. Movement in shareholders' funds

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Profit for the period	125,682	62,310
Other recognised gains and losses:		
Currency differences	(499)	178
Issue of shares	<u>197</u>	<u>8,945</u>
Increase in shareholders' funds	125,380	71,433
Shareholders' funds at beginning of period	<u>371,612</u>	<u>300,179</u>
Shareholders' funds at end of period	<u>496,992</u>	<u>371,612</u>

17. Reconciliation of operating profit to net cash inflow from operating activities

	Three months ended 30.6.95 (£'000s)	Year ended 31.3.95 (£'000s)
Operating profit before dividends received	132	6,482
Depreciation	49	233
Profit on sale of fixed assets and other adjustments	(4)	(17)
(Increase) / decrease in debtors	(2,539)	208
(Decrease) / increase in creditors	<u>(1,642)</u>	<u>5,991</u>
Net Cash (outflow) / inflow from operating activities	<u>(4,004)</u>	<u>12,897</u>

18. Changes in financing during the period

	Share capital & premium (£'000s)	Inter-company Loans (£'000s)	Short-term deposits (£'000s)
At 1 April 1995	(207,812)	(129,049)	164,774
Currency differences	-	114	42
Cash flows from financing	<u>(197)</u>	<u>165,802</u>	<u>5,418</u>
At 30 June 1995	<u>(208,009)</u>	<u>36,867</u>	<u>170,234</u>

19. Analysis of cash and cash equivalents

	As at 30.6.95 (£'000s)	As at 31.3.95 (£'000s)	Change in three month period (£'000s)
Cash at bank and in hand	164	2,874	(2,710)
Short-term investments	180,224	133,777	46,447
Short-term borrowings	(29,131)	(25,117)	(4,014)
Bank overdrafts	<u>(16,417)</u>	<u>-</u>	<u>(16,417)</u>
Total	<u>134,840</u>	<u>111,534</u>	<u>23,306</u>

20. Commitments

At 30 June 1995, capital expenditure of approximately £30,000 on computer software had been authorised but contracts had not been issued as at that date.

21. Contingent liabilities

Yorkshire Water Plc has guaranteed certain subsidiary undertakings' borrowings of £304.9 million as at 30 June 1995.

22. Convertible bonds 2008

On 14 July 1993 £60 million Senior Convertible Bonds were issued. The bonds carry a fixed interest rate of 6.75% and are redeemable on 23 September 2008 unless previously converted. Conversion may be requested at any time up to final redemption at a conversion price of 608p. The company may redeem the bonds at their principal amount after 14 October 1998, and before the date provided that at least 85% of the bonds have been converted and/or purchased and cancelled. The carrying cost of the bonds in the balance sheet represents the net proceeds of the issue and accumulated amortisation of the issue costs.