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NORTHUMBRIAN WATER LIMITED

ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 1990

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**NORTHUMBRIAN WATER LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

For the year ended 31 March 1990

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## **NORTHUMBRIAN WATER LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report and the Company's first accounts for the period from incorporation until 31 March 1990.

#### **Incorporation and vesting of the business**

The Company was incorporated on 1 April 1989. On 1 September 1989, under the provisions of the Water Act 1989, the property rights and liabilities of Northumbrian Water Authority, other than those applicable to the National Rivers Authority, were vested in the Company. Details of the shares issued and the balance sheet adjustments made in accordance with the Water Act 1989 are set out in note 18 to the accounts.

#### **Principal activities**

The principal activities of the Company are those of providing water and sewerage services.

#### **Review of the business**

The Company's profit for the year before taxation amounted to £5.5m.

An analysis of turnover and profits for the various activities of the Company is shown in note 2 to the accounts.

The Company supplies water to some 45 per cent of the region's population, the remainder being supplied by local statutory water companies. During the year ended 31 March 1990 an average of 666.69 MI/d of water (a total of approximately 243,360 megalitres) was put into supply.

The Company has sufficient resources of water for the foreseeable future and customer access to supplies was unrestricted during the drought of 1989.

The Company is responsible for the collection of sewage by the sewerage system throughout the region and for its subsequent treatment and disposal. Trends in this area are difficult to assess because sewage volumes are not measured and because of rainfall and infiltration.

Work continued to programme during the year to improve the performance of those sewers judged to be "critical" to the performance of the system which the Company plans to renovate or replace over the next twenty years.

#### **Dividend**

The directors propose a final dividend of £9.3m for the year to 31 March 1990.

#### **Fixed assets**

Changes in fixed assets are set out in note 11 to the accounts.

#### **Directors**

The directors of the Company during the year ended 31 March 1990 were:

Sir M I B Straker	- Appointed 1 September 1989
M J Murden	- Appointed 1 September 1989
R H Smith	- Appointed 1 September 1989
D G Cranston	- Appointed 1 September 1989
J A Foster	- Appointed 29 September 1989
J Redpath	- Appointed 1 September 1989

## NORTHUMERIAN WATER LIMITED

### DIRECTORS' REPORT (continued)

The first directors of the Company were J A L Gunn and A D Whetnall (Nominees of the Secretary of State for the Environment), who were appointed on 1 April 1989 and resigned on 31 August 1989.

The shareholdings of directors are set out in note 19 to the accounts.

#### Donations

During the year donations to charities, mostly by seconding staff to charitable, education or enterprise projects amounted to approximately £85,000.

#### Employees

The Company recognises its responsibilities towards disabled people and to their training, career development and promotion and gives full and fair consideration to applications for employment made by disabled persons where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the Company.

The Board recognises that it is important to continue to recruit and develop a successful team. This is achieved by promoting opportunities for decentralised decision making, individual accountability, teamwork and successful communication. Continuous development is promoted to enable employees to reach their full potential. It is the Board's aim to develop a company where people are committed to achieving the best for the business and confident to use their skills and initiative to add maximum value.

There is a savings related share option scheme operated by the parent company for employees of the group at all levels.

Employees are represented on the Trustee Boards of the group pension schemes in which the Company participates.

#### Taxation

The directors believe that the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

#### Auditors

Coopers & Lybrand were appointed as first auditors of the company with effect from 1 April 1989. They have since merged their practice with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name. They have signified their willingness to continue in office and a resolution reappointing them as auditors and authorising the directors to fix their remuneration will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

  
STUART RAISTRICK

Secretary

23 July 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF  
NORTHUMBRIAN WATER LIMITED

We have audited the accounts set out on pages 5 to 21 in accordance with Auditing Standards.

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

*Coopers & Lybrand Deloitte*

COOPERS & LYBRAND DELOITTE

Chartered Accountants

Newcastle upon Tyne  
23 July 1990

NORTHUMBRIAN WATER LIMITED

PROFIT AND LOSS ACCOUNT  
For the year ended 31 March 1990

	<u>Note</u>	<u>1990</u> £'m	<u>1989</u> £'m
TURNOVER	2	150.8	141.7
Operating costs	3	(114.3)	(82.6)
		-----	-----
OPERATING PROFIT		36.5	59.1
Net interest payable	4	(31.0)	(49.0)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	5.5	10.1
Tax on profit on ordinary activities	8	1.6	-
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7.1	10.1
Extraordinary item	9	(3.6)	(0.5)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		3.5	9.6
Dividend	10	(9.3)	-
		-----	-----
(LOSS)/PROFIT RETAINED	20	(5.8)	9.6
		-----	-----

The Statement of Reserves is set out at note 20 to the Accounts.

The notes on pages 8 to 21 form part of these Accounts.

Auditors' report page 4.

NORTHUMBRIAN WATER LIMITED

BALANCE SHEET  
At 31 March 1990

	Note	1990		1989	
		£'m	£'m	£'m	£'m
<b>FIXED ASSETS</b>					
Tangible assets	11		550.5		510.2
Investments	12		0.1		0.1
			<hr/>		<hr/>
			550.6		510.3
<b>CURRENT ASSETS</b>					
Stocks	13	2.6		2.0	
Debtors	14	23.6		17.3	
Cash at bank and in hand		-		10.1	
		<hr/>		<hr/>	
			26.2		29.4
<b>CREDITORS : Amounts falling due within one year</b>	15	(69.1)		(113.7)	
		<hr/>		<hr/>	
<b>NET CURRENT LIABILITIES</b>			(42.9)		(84.3)
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			507.7		426.0
<b>CREDITORS : Amounts falling due after more than one year</b>	16	(0.7)		(373.1)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(9.9)		-	
		<hr/>		<hr/>	
			(10.6)		(373.1)
			<hr/>		<hr/>
			497.1		52.9
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		0.1		-
Profit and loss account	20		497.0		52.9
			<hr/>		<hr/>
			497.1		52.9
			<hr/>		<hr/>

Approved by the board on 23 July 1990.

*M. C. B. H. K.* Chairman

*[Signature]* Finance Director

The notes on pages 8 to 21 form part of these Accounts.

Auditors' report page 4.

NORTHUMBRIAN WATER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 March 1990

	1990		1989	
	£'m	£'m	£'m	£'m
<b>SOURCE OF FUNDS</b>				
Profit on ordinary activities before taxation		5.5		10.1
Extraordinary charges		(3.6)		(0.5)
Adjustments for items not involving movement of funds:				
Infrastructure renewals expenditure		9.9		-
Depreciation of tangible fixed assets		10.4		8.0
Loss/(profit) on sale of fixed assets		0.1		(0.5)
		<hr/>		<hr/>
<b>TOTAL FROM OPERATIONS</b>		22.3		17.1
<b>FUNDS FROM OTHER SOURCES</b>				
Loans	75.0		135.0	
Proceeds from sale of fixed assets	0.1		1.0	
Capital grants and contributions	5.0		4.1	
Other creditors falling due after more than one year	(0.1)		0.1	
	<hr/>	80.0	<hr/>	140.2
		<hr/>		<hr/>
<b>TOTAL SOURCE OF FUNDS</b>		102.3		157.3
<b>APPLICATION OF FUNDS</b>				
Purchase of tangible fixed assets	(55.9)		(27.9)	
Loan repayments	(72.2)		(113.3)	
Investments	-		(0.4)	
	<hr/>		<hr/>	
<b>TOTAL APPLICATION OF FUNDS</b>		(128.1)		(141.6)
		<hr/>		<hr/>
		(25.8)		15.7
		<hr/>		<hr/>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>				
Stocks	0.6		0.6	
Debtors: Excluding taxation	4.7		(0.9)	
Creditors : Amounts falling due within one year, excluding proposed dividend, bank overdraft and loans	2.7		(0.7)	
	<hr/>	8.0	<hr/>	(1.0)
<b>Movement in net liquid funds:</b>				
Cash at bank and in hand	(10.1)		10.1	
Bank overdraft	(23.7)		6.6	
	<hr/>	(33.8)	<hr/>	16.7
		<hr/>		<hr/>
		(25.8)		15.7
		<hr/>		<hr/>

Auditors' report page 4.

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS**

For the year ended 31 March 1990

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation**

On 1 September 1989 under the provisions of the Water Act 1989 the property, rights and liabilities of Northumbrian Water ("the Authority"), other than those applicable to the National Rivers Authority ("NRA"), were vested in Northumbrian Water Limited. However, the Water Act 1989 provides also that for statutory accounts purposes, all the property, rights and liabilities to which the Authority was entitled or subject, other than those applicable to the NRA, immediately before the end of the Authority's last financial year are to be treated as having vested in Northumbrian Water Limited immediately after the end of that year. Accordingly, the accounts of Northumbrian Water Limited, based on the accounting policies set out below, are presented for the financial year from 1 April 1989 to 31 March 1990. Comparative figures are included after adjustment in respect of property, rights and liabilities vested in the NRA.

The accounts have been prepared under the historical cost convention.

**(b) Turnover**

Turnover represents the income receivable in the ordinary course of business for services provided.

**(c) Tangible fixed assets and depreciation**

Tangible fixed assets comprise:-

infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipe lines and sea outfalls); and

other assets (including properties, overground plant and equipment).

**(i) Infrastructure assets**

Infrastructure assets comprise a network of systems.

Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as additions which are included at cost after deducting grants and contributions.

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

No depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**ACCOUNTING POLICIES (continued)**

**(ii) Other assets**

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

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows :-

Freehold buildings	30 - 60 years
Short leasehold land and buildings	25 years
Operational structures, plant and machinery	4 - 80 years
Fixtures, fittings, tools and equipment	4 - 10 years

**(d) Leased assets**

Where assets are financed by leasing arrangements which transfer substantially all the risk and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance costs being written off to the profit and loss account over the period of the lease in reducing amounts in relation to outstanding obligations. The assets are depreciated over the shorter of their estimated useful lives and the lease periods.

All other leases are regarded as operating leases. Rental costs arising under operating leases are expensed in the year they are incurred.

**(e) Stores and work in progress**

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

**(f) Pension costs**

The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as prepayments in the balance sheet.

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**ACCOUNTING POLICIES (continued)**

**(g) Taxation**

The charge for taxation is based on the profit for the period as adjusted for taxation purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to apply when the liability or asset crystallises.

**(h) Foreign currency**

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date.

**(i) Research and development**

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

**TURNOVER AND PROFIT BEFORE TAXATION**

2 An analysis by class of business of turnover and profit before taxation, which is wholly derived in the United Kingdom, is as follows:-

	<u>Turnover</u>		<u>Profit/(loss) before taxation</u>	
	<u>1990</u> £'m	<u>1989</u> £'m	<u>1990</u> £'m	<u>1989</u> £'m
Appointed business:				
Water supply	46.3	45.4	(13.2)	(4.3)
Sewerage services	80.6	71.0	14.9	10.5
	-----	-----	-----	-----
Other trading activities	126.9	116.4	1.7	6.2
	23.9	25.3	3.8	3.9
	-----	-----	-----	-----
	150.8	141.7	5.5	10.1
	=====	=====	=====	=====

The appointed business is that part of the Company's business covered by appointments made by the Secretary of State for the Environment to be water undertaker and sewerage undertaker for specific areas in the North East of England in accordance with the Water Act 1989.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

OPERATING COSTS

3 (a) Operating costs are made up as follows :-

	<u>1990</u> £'m	<u>1989</u> £'m
Materials and consumables	7.0	4.5
Other external charges	12.0	6.5
Manpower costs (note 7)	19.0	15.7
Depreciation	10.4	8.0
Infrastructure renewals expenditure	19.9	13.2
Other operating charges	46.0	36.7
Exceptional items (see (c) below)	-	(1.5)
Other operating income	-	(0.5)
	<hr/>	<hr/>
	114.3	82.6
	<hr/>	<hr/>

(b) The above costs are stated after including :-

Depreciation of owned assets	10.2	8.0
Depreciation of assets held under finance leases	0.2	-
Operating leases :		
Plant and machinery	0.5	0.6
Other operating leases	1.0	0.4
Voluntary severance and early retirement costs	2.1	1.1
Costs of research and development	0.2	0.3
Directors' emoluments (note 5)	0.1	-
Members' emoluments	-	0.2
Auditors' remuneration	0.1	0.1
	<hr/>	<hr/>

(c) Exceptional items comprise:-

Rates refund	-	(1.5)
	<hr/>	<hr/>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

NET INTEREST PAYABLE

	<u>1990</u> £'m	<u>1989</u> £'m
4 Net interest payable is comprised as follows:		
Interest payable:		
Debentures held by parent company	10.7	-
Bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	21.5	1.5
Repayable within five years by instalments	-	10.9
Not wholly repayable within five years	-	37.2
	<hr/>	<hr/>
Total interest payable	32.2	49.6
Interest receivable	(1.2)	(0.6)
	<hr/>	<hr/>
Net interest payable	<u>31.0</u>	<u>49.0</u>

DIRECTORS' EMOLUMENTS

5 The total emoluments for the year of directors of the Company, including employer's pension contributions, amounted to £51,000 (1989 the emoluments of the members of Northumbrian Water Authority were £210,000).

The directors of the Company were appointed with effect from 1 September 1989. The emoluments disclosed below, which exclude employer's pension contributions, are accordingly in respect of the period since their appointment. Prior to that date certain directors of Northumbrian Water Group PLC served as members of the Northumbrian Water Authority. Accordingly, emoluments in respect of those services including the 1989 comparative figures are disclosed in the accounts of Northumbrian Water Group PLC.

Two directors of the Company who served from the date of incorporation 1 April 1989 to 31 August 1989, received no emoluments in respect of their service to the Company and are not included in the ranges of emoluments set out below.

	<u>1990</u> £'000
Chairman	-
	<hr/>
Highest paid director	26
	<hr/>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

DIRECTORS' EMOLUMENTS (continued)

Other directors within the following ranges:

	<u>1990</u> Number
£0 - £5,000	3
£25,001 - £30,000	1
	<hr/>

TRANSACTIONS WITH DIRECTORS AND OFFICERS

6 There are no transactions or arrangements which would be disclosable under the provisions of the Companies Act 1985.

EMPLOYEE INFORMATION

7 (a) The total employment costs of all employees (including directors) were:

	<u>1990</u> £'m	<u>1989</u> £'m
Wages and salaries	19.1	16.4
Social Security costs	1.5	1.2
Other pension costs	1.8	1.4
	<hr/>	<hr/>
Total employment costs	22.4	19.0
	<hr/>	<hr/>

(b) Total employment costs are charged as follows:

Capital schemes and infrastructure renewals	3.4	3.3
Manpower costs	19.0	15.7
	<hr/>	<hr/>
	22.4	19.0
	<hr/>	<hr/>

(c) The average number of employees on the payroll during the financial year was 1,323 (1989 : 1,313).

(d) The emoluments of senior employees (excluding directors) fell within the following ranges:

	<u>1990</u> Number	<u>1989</u> Number
£30,001 - £35,000	6	7
£35,001 - £40,000	2	2
£40,001 - £45,000	2	1
	<hr/>	<hr/>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

TAX ON PROFIT ON ORDINARY ACTIVITIES

3

	<u>1990</u> £'m
Taxation based on profits for the year:	
Corporation tax at 35% (see (a) below)	-
Deferred tax	-
Credit for tax losses surrendered to group companies	(1.6)
	<hr style="width: 50px; margin-left: auto; margin-right: 0;"/> (1.6) <hr style="width: 50px; margin-left: auto; margin-right: 0;"/>

- (a) The tax charge for the year is reduced by the utilisation of tax allowances arising on qualifying capital expenditure in the year and on qualifying capital assets transferred from the Northumbrian Water Authority on vesting.
- (b) The full potential amount of deferred taxation calculated at 35% on all timing differences is as follows:

	<u>1990</u> £'m
Accelerated capital allowances	49.3
Other timing differences	(2.6)
	<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>
Losses carried forward	46.7
	(12.2)
	<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>
	34.5 <hr style="width: 50px; margin-left: auto; margin-right: 0;"/>

- (c) Northumbrian Water Authority was not liable to corporation tax.

EXTRAORDINARY ITEM

9

	<u>1990</u> £'m	<u>1989</u> £'m
Expenses borne in connection with the Offer for Sale of Northumbrian Water Group PLC's shares	3.6	0.5
	<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>	<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>

There is no taxation attributable to the extraordinary item.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

DIVIDEND

10	<u>1990</u> £m	<u>1989</u> £m
Proposed ordinary final dividend	9.3	-

TANGIBLE FIXED ASSETS

11

Cost:	<u>Freehold land and buildings</u> £m	<u>Short leasehold land and buildings</u> £m	<u>Infra- structure assets</u> £m	<u>Operational structures plant and machinery</u> £m	<u>Fixtures fittings tools and equipment</u> £m	<u>Total</u> £m
Balance at 1 April 1989	14.7	2.6	337.2	189.5	10.3	554.3
Additions	0.3	-	18.4	26.8	10.4	55.9
Grants and contributions	-	-	(2.7)	(2.3)	-	(5.0)
Disposals	-	-	(0.2)	(0.6)	-	(0.8)
Balance at 31 March 1990	<u>15.0</u>	<u>2.6</u>	<u>352.7</u>	<u>213.4</u>	<u>20.7</u>	<u>604.4</u>
Depreciation:						
Balance at 1 April 1989	2.7	0.1	-	35.3	6.0	44.1
Provision for year	0.3	0.1	-	5.8	4.2	10.4
Disposals	-	-	-	(0.6)	-	(0.6)
Balance at 31 March 1990	<u>3.0</u>	<u>0.2</u>	<u>-</u>	<u>40.5</u>	<u>10.2</u>	<u>53.9</u>
Net book value:						
At 31 March 1990	<u>12.0</u>	<u>2.4</u>	<u>352.7</u>	<u>172.9</u>	<u>10.5</u>	<u>550.5</u>
At 31 March 1989	<u>12.0</u>	<u>2.5</u>	<u>337.2</u>	<u>154.2</u>	<u>4.3</u>	<u>510.2</u>

Operational structures, plant and machinery includes an element of land and buildings dedicated to those assets.

Tangible fixed assets at 31 March 1990 include £32.3m (31 March 1989 : £21.1m) of assets in the course of construction, which are not depreciated until commissioning.

The net book value of tangible fixed assets held under finance leases at 31 March 1990 was £0.7m (31 March 1989 : £0.9m).

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

INVESTMENTS

12 The Company has unlisted investments of £0.1m (1989 : £0.1m).

STOCKS

13	<u>1990</u> £'m	<u>1989</u> £'m
Stores	1.9	1.5
Work in progress	0.7	0.5
	<hr/>	<hr/>
	2.6	2.0
	<hr/>	<hr/>

DEBTORS

14	<u>1990</u> £'m	<u>1989</u> £'m
Trade debtors	7.4	9.8
Amounts owed by group companies (see (a) below)	6.6	-
Other debtors	2.7	2.8
Prepayments and accrued income	6.9	4.7
	<hr/>	<hr/>
	23.6	17.3
	<hr/>	<hr/>

Debtors disclosed above include £nil m (1989 : £0.1m) of amounts falling due after more than one year.

(a) Included in amounts owed by group companies is £1.6m (1989 : £nil m) in respect of group tax relief.

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

15	<u>1990</u> £'m	<u>1989</u> £'m
Loans (see (a) below)	-	74.9
Bank loans and overdraft	25.1	1.4
Trade creditors	0.9	1.1
Amounts owed to group companies	1.4	-
Other creditors	26.9	16.7
Taxation and social security	0.7	0.4
Proposed dividend payable to parent company	9.3	-
Accruals and deferred income	4.8	19.2
	<hr/>	<hr/>
	69.1	113.7
	<hr/>	<hr/>

(a) The 1989 loans of £74.9m were, during 1989/90, either repaid or included in the extinguishment of loans (see note 20(a)).

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

16	<u>1990</u> £'m	<u>1989</u> £'m
Loans (see (a) below)	-	372.3
Other creditors	0.7	0.8
	<hr/>	<hr/>
	0.7	373.1
	<hr/>	<hr/>

(a) The 1989 loans of £372.3m were, during 1989/90, either repaid or included in the extinguishment of loans (see note 20(a)).

PROVISIONS FOR LIABILITIES AND CHARGES

17	<u>1990</u> £'m	<u>1989</u> £'m
Infrastructure renewals expenditure:		
Balance at 1 April 1989	-	-
Transferred from profit and loss account	9.9	-
	<hr/>	<hr/>
Balance at 31 March 1990	9.9	-
	<hr/>	<hr/>

CALLED UP SHARE CAPITAL

18 The share capital of the Company is shown below:

	<u>1990</u> £'m
Authorised:	
122,650,000 Ordinary Shares of £1 each	122.7
	<hr/>
Allotted, called up and fully paid:	
50,000 Ordinary Shares of £1 each	0.1
	<hr/>

## NORTHUMBRIAN WATER LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### CALLED UP SHARE CAPITAL (continued)

- (a) Northumbrian Water Limited was incorporated on 1 April 1989. The Company's authorised share capital on incorporation was £100, divided into 100 shares of £1 each, of which two were subscribed at par by nominees of the Crown.
- (b) On 29 August 1989 the authorised share capital was increased to 50,000 shares of £1 each and redesignated as Ordinary Shares of £1 each.
- (c) On 1 September 1989 49,998 Ordinary Shares were issued at par to the nominated holding company of the Company, credited as fully paid, as directed by the Secretary of State under section 83(1) Water Act 1989.
- (d) On 20 November 1989 the authorised share capital of the Company was increased to 122,650,000 Ordinary Shares of £1 each.

#### DIRECTORS' INTERESTS

- 19 The beneficial interests of directors at 31 March 1990 and their families in numbers of ordinary shares of Northumbrian Water Group PLC are set out below:

	31 March 1990		
	Fully paid shares	Options	
		Executive scheme	SAYE scheme
J A Foster	1,795	27,449	6,136
J Redpath	1,271	26,058	6,136

The above interests are shown by the Register kept in accordance with the Companies Act 1985.

At the date of their appointment none of the directors had any interests in the shares of Northumbrian Water Group PLC.

The beneficial interests of other directors also being directors of Northumbrian Water Group PLC are disclosed in those accounts.

None of the directors had any interest in the shares of other companies in the Group.

Further details of the share option schemes are set out in the accounts of Northumbrian Water Group PLC.

From the end of the financial year to the date of signing these accounts no change took place in the above mentioned interests of any of the directors.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

RESERVES

20

	<u>Profit and loss account</u> £'m
Balance at 1 April 1989 (see (b) below)	52.9
Retained loss for the year	(5.8)
Capital restructuring (see (a) below)	450.0
Appropriation of reserves (see note 18(c))	(0.1)
	<hr/>
Balance at 31 March 1990	497.0
	<hr/>

- (a) Northumbrian Water Limited inherited, on vesting, the outstanding loans of Northumbrian Water Authority. On 1 September 1989 loans amounting to £450.1m were transferred to Northumbrian Water Group PLC in return for the issue of a £450.1m debenture in accordance with a direction made by the Secretary of State for the Environment under Section 85(1) of the Water Act 1989.

On 15 November 1989 the outstanding debenture of Northumbrian Water Limited and the outstanding loans of Northumbrian Water Group PLC, both amounting to £450m, were extinguished in accordance with an order made by the Secretary of State under Sections 86(1) and 86(2) of the Water Act 1989. As a result £450m has been credited to reserves in respect of Northumbrian Water Limited.

- (b) Reserves at 1 April 1989 have been adjusted in respect of the net asset value of property, rights and liabilities vested in the NRA amounting to £3.5m (see note 1 (a)).

COMMITMENTS AND CONTINGENT LIABILITIES

21	<u>1990</u> £'m	<u>1989</u> £'m
(a) <u>Capital expenditure</u>		
Expenditure contracted for	36.8	14.3
Expenditure authorised by directors but not yet contracted for	71.8	32.9
	<hr/>	<hr/>
	108.6	47.2
	<hr/>	<hr/>

In addition to these commitments the Company has longer term capital expenditure plans which include investment to meet shortfalls in performance and condition and to provide for new demand and growth.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) Lease commitments

The Company has entered into non-cancellable operating leases in respect of land and buildings, plant, machinery and motor vehicles. The total amount payable under these leases in the next year is as follows:

	1990		1989	
	<u>Land and buildings</u> £'m	<u>Other</u> £'m	<u>Land and buildings</u> £'m	<u>Other</u> £'m
Leases which expire:				
Within 2 - 5 years	0.1	0.7	0.2	0.8
After 5 years	0.1	-	0.1	-
	<u>0.2</u>	<u>0.7</u>	<u>0.3</u>	<u>0.8</u>

(c) Contingent liabilities

Northumbrian Water Limited is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Overdrafts outstanding at 31 March 1990 amounted to £nil m.

PENSIONS

22 The Company participates in a group pension scheme. The Group operates two defined benefit final salary schemes, the Water Mirror Image Pension Scheme (MIS) and the Water Pension Scheme (WPS).

Prior to 1 September 1989, employees were members of either the Water Authorities Superannuation Fund (WASF) or the WPS, which was established in 1988 as an optional alternative to the WASF. As part of the reorganisation of pension arrangements effective from 1 September 1989, WASF was no longer available and employees who were members of WASF at that time were transferred to MIS, which was established on that date to replicate the existing arrangements of WASF for members benefits and contributions.

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

## NORTHUMBRIAN WATER LIMITED

### NOTES TO THE ACCOUNTS (continued)

#### PENSIONS (continued)

The employer's contributions and pension cost under the accounting standard SSAP 24 have been assessed in accordance with the advice of William M Mercer Fraser Limited using the projected unit method for WPS and the attained age method for MIS. For this purpose the main actuarial assumptions used are based upon investment growth of 9% per annum and pay growth of 7% per annum. Full allowance is also made for increases to pensions and deferred pensions under each scheme.

The pension cost for the Company for the year was £1.8m (1989 : £1.4m).

The Company also operates discretionary arrangements for both WPS and MIS under which augmentation of retirement benefits can be made. The additional cost of those benefits are borne by the Company, and for those known at 31 March 1990 the liability has been fully funded by the Company at a cost of £1.8m (1989 : £1.1m).

Following a recent ruling by the European Court, certain further liabilities may be imposed on the two schemes as a result of changes to the contracting-out requirements relating to Guaranteed Minimum Pensions. The extent of these liabilities cannot, however, be quantified with any degree of certainty pending clarification of the detailed application of the ruling.

#### ULTIMATE PARENT COMPANY

23 The Company's ultimate parent company is Northumbrian Water Group PLC, a company incorporated in Great Britain.

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