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NORTHUMBRIAN

WATER

*Serving the North East*

*ANNUAL*

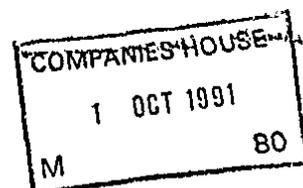
*REPORT AND ACCOUNTS*

*OF*

*NORTHUMBRIAN WATER LIMITED*

*FOR THE YEAR ENDED*

*31 MARCH 1991*



**NORTHUMBRIAN WATER LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 1991**

**NORTHUMBRIAN WATER LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**For the year ended 31 March 1991**

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# **NORTHUMBRIAN WATER LIMITED**

## **DIRECTORS' REPORT**

The Directors submit their report and accounts for the year ended 31 March 1991.

### **Result and Dividends**

The Company's profit for the year before taxation amounted to £28.3m. An analysis of turnover and profits for the various activities of the Company is shown in note 2 to the accounts.

The Directors propose a final dividend of £34.8m making a total of £157.4m for the year to 31 March 1991. The retained loss of £122.6m is transferred from reserves.

### **Principal activities and review of the business**

The Company has sufficient storage to support water supply requirements for the foreseeable future; supplies to customers were unrestricted during the droughts of 1989 and 1990.

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 1991 an average 670.2 megalitres per day of water (a total of approximately 244,623 megalitres) was put into supply.

The Company is responsible for the collection of sewage by the sewerage system throughout the region and for its subsequent treatment and disposal.

### **Research and Development**

The Company places a high priority on research and technological innovation to serve the needs of customers. Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

### **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 1991 were:-

Sir Michael Straker	-	(Chairman)	
DG Cranston			
RH Smith	-	(Managing Director)	
JA Foster	-	(Operations Director)	
J Redpath			
DJ Watson	-	(Finance Director)	- Appointed 25 January 1991
MJ Murden			- Resigned 31 January 1991

The shareholdings of Directors are set out in note 22 to the accounts.

### **Donations**

During the year donations to charities amounted to approximately £8,000.

# **NORTHUMBRIAN WATER LIMITED**

## **DIRECTORS' REPORT (continued)**

### **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 is available. 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 initiatives 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**

During the year the Company passed an elective resolution allowing dispensation from the annual appointment of auditors. Coopers & Lybrand Deloitte have signified their willingness to continue in office.

**BY ORDER OF THE BOARD**



**STUART RAISTRICK**

**Secretary**

**18 June 1991**

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
NORTHUMBRIAN WATER LIMITED**

We have audited the accounts set out on pages 5 to 23 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 1991 and of the 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

18 June 1991

**NORTHUMBRIAN WATER LIMITED**

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 1991

	<u>Note</u>	<u>1991</u> £'m	<u>1990</u> £'m
TURNOVER	2	167.6	150.8
Operating costs	3	(134.9)	(114.3)
		-----	-----
OPERATING PROFIT		32.7	36.5
Net interest payable	4	(4.4)	(31.0)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	28.3	5.5
Tax on profit on ordinary activities	8	6.5	1.6
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		34.8	7.1
Extraordinary item	9	-	(3.6)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		34.8	3.5
Dividend	10	(157.4)	(9.3)
		-----	-----
LOSS RETAINED FOR THE YEAR	23	(122.6)	(5.8)
		=====	=====

The Statement of Reserves is set out at note 23 to the Accounts.

The notes on pages 8 to 23 form part of these Accounts.

Auditors' report page 4.

**NORTHUMBRIAN WATER LIMITED**

**BALANCE SHEET**  
At 31 March 1991

	Note	1991		1990	
		£'m	£'m	£'m	£'m
<b>FIXED ASSETS</b>					
Tangible assets	11		630.6		567.8
Investments	12		<u>0.1</u>		<u>0.1</u>
			630.7		567.9
<b>CURRENT ASSETS</b>					
Stocks	13	3.0		2.6	
Debtors	14	36.0		23.6	
Cash at bank and in hand		<u>35.9</u>		-	
		74.9		26.2	
<b>CREDITORS: Amounts falling due within one year</b>	15		<u>(78.0)</u>		<u>(69.1)</u>
<b>NET CURRENT LIABILITIES</b>			<u>(3.1)</u>		<u>(42.9)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			627.6		525.0
<b>CREDITORS: Amounts falling due after more than one year</b>	16		(91.6)		(0.7)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19		(18.9)		(9.9)
<b>ACCRUALS AND DEFERRED INCOME</b>	20		<u>(20.0)</u>		<u>(17.3)</u>
			(130.5)		(27.9)
			<u>497.1</u>		<u>497.1</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	21		122.7		0.1
Profit and loss account	23		374.4		497.0
			<u>497.1</u>		<u>497.1</u>

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Approved by the Board on 18 June 1991

Sir Michael Straker        )  
                                       )     Chairman  
 DJ Watson                    )     Finance Director

*M. C. B. Straker*  
*D. J. Watson*

The notes on pages 8 to 23 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 1991

	1991		1990	
	£'m	£'m	£'m	£'m
<b>SOURCE OF FUNDS</b>				
Profit on ordinary activities before taxation		28.3		5.5
Extraordinary item		-		(3.6)
Adjustments for items not involving movement of funds:				
Infrastructure renewals		9.0		9.9
Depreciation of tangible fixed assets		15.5		10.7
Amortisation of capital grants		(0.4)		(0.3)
Loss on sale of tangible fixed assets		0.4		0.1
<b>TOTAL FROM OPERATIONS</b>		<b>52.8</b>		<b>22.3</b>
<b>FUNDS FROM OTHER SOURCES</b>				
Proceeds from issue of shares				
Loans	122.6		-	
Proceeds from sale of tangible fixed assets	90.0		75.0	
Capital grants and contributions	0.2		0.1	
Other creditors falling due after more than one year	7.2		5.0	
Group tax relief received	0.9		(0.1)	
	<u>1.1</u>		<u>-</u>	
<b>TOTAL SOURCE OF FUNDS</b>		<b>222.0</b>		<b>80.0</b>
		274.8		102.3
<b>APPLICATION OF FUNDS</b>				
Purchase of tangible fixed assets	(83.0)		(55.9)	
Loan repayments	-		(72.2)	
Dividends paid	(131.9)		-	
<b>TOTAL APPLICATION OF FUNDS</b>		<b>(214.9)</b>		<b>(128.1)</b>
		59.9		(25.8)
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>				
Stocks		0.4		0.6
Debtors: Excluding taxation		7.0		4.7
Creditors: Amounts falling due within one year, excluding taxation, proposed dividend, bank overdraft and loans		(8.5)		2.7
<b>Movement in net liquid funds:</b>		<b>(1.1)</b>		<b>8.0</b>
Cash at bank and in hand	35.9		(10.1)	
Bank overdraft	<u>25.1</u>		<u>(23.7)</u>	
		61.0		(33.8)
		59.9		(25.8)

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 March 1991

### 1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom with the exception of the treatment of capital grants and contributions received in respect of infrastructure assets (note 1(d)). A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### (a) Basis of accounting

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:

##### (i) Infrastructure assets

Infrastructure assets comprise a network of systems (being water mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls)

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

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

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.

##### (ii) Other assets

Other assets (including properties, overground plant and equipment) are included at cost less accumulated depreciation. Additions are included at cost.

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS (continued)

### ACCOUNTING POLICIES (continued)

#### (ii) Other assets (continued)

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

#### (iii) Assets in the course of construction

Assets in the course of construction are not depreciated until commissioning.

#### (d) Government grants and contributions

Revenue grants are credited to the profit and loss account when received.

Capital grants and contributions received in respect of infrastructure assets are treated as a deduction from the cost of these assets. Infrastructure assets are not depreciated and in the opinion of the Directors it is therefore not appropriate to recognise related capital grants and contributions as deferred income. This treatment has been adopted in order to show a true and fair view.

Capital grants and contributions relating to other assets are treated as deferred income and amortised in the profit and loss account over the expected useful economic lives of the qualifying assets. This treatment represents a change in accounting policy from the year ended 31 March 1990. The effect of this change in accounting policy is set out in notes 3, 11 and 20 to the accounts.

#### (e) Hire purchase and leasing

Where assets are financed by hire purchase or leasing arrangements which transfer substantially all the risks and rewards of ownership to the Company, the assets are treated as if they had been purchased and the corresponding capital cost is treated as a liability. Rentals or leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the outstanding liability and the finance costs being charged to the profit and loss account over the period of the hire purchase contract or lease in proportion to the reducing outstanding liability.

Rental costs arising under operating leases are charged to the profit and loss account in the year they are incurred.

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (f) 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.

### (g) 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.

### (h) Taxation

The charge for taxation is based on the profit for the year 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.

### (i) 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. Exchange gains or losses are recognised in the profit and loss account.

### (j) Research and development

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

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	<u>Turnover</u>		<u>Profit/(loss) on ordinary activities before taxation</u>	
	<u>1991</u> £'m	<u>1990</u> £'m	<u>1991</u> £'m	<u>1990</u> £'m
Appointed business:				
Water services	51.4	46.3	6.5	(13.2)
Sewerage services	99.5	80.6	19.1	14.9
	<hr/>	<hr/>	<hr/>	<hr/>
	150.9	126.9	25.6	1.7
Other trading activities	16.7	23.9	2.7	3.8
	<hr/>	<hr/>	<hr/>	<hr/>
	167.6	150.8	28.3	5.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 and sewerage undertaker for specific areas in the North East of England in accordance with the Water Act 1989.

**OPERATING COSTS**

3 (a) Operating costs comprise:

	<u>1991</u> £'m	<u>1990</u> £'m
Materials and consumables	8.2	7.0
Other external charges	10.1	12.0
Manpower costs (note 7)	18.3	19.0
Depreciation	15.5	10.7
Infrastructure renewals expenditure	24.6	19.9
Other operating charges	58.6	46.0
Other operating income	(0.4)	(0.3)
	<hr/>	<hr/>
	134.9	114.3
	<hr/> <hr/>	<hr/> <hr/>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**OPERATING COSTS (continued)**

(b) The above costs are stated after crediting:

	<u>1991</u> £'m	<u>1990</u> £'m
Amortisation of capital grants	0.4	0.3
	<u>          </u>	<u>          </u>
And after charging:		
Depreciation of owned assets	15.4	10.5
Depreciation of assets held under hire purchase and finance leases	0.1	0.2
Operating leases:		
Plant and machinery	-	0.5
Other operating leases	0.6	1.0
Voluntary severance and early retirement costs	-	2.1
Costs of research and development	1.5	0.2
Directors' emoluments (note 5)	0.2	0.1
Auditors' remuneration	0.1	0.1
	<u>          </u>	<u>          </u>

(c) Amortisation of capital grants of £0.3m for the year ended 31 March 1990, previously reported within depreciation, has been reclassified as other operating income as a result of a change in accounting policy (note 1(d)).

**NET INTEREST PAYABLE**

4	<u>1991</u> £'m	<u>1990</u> £'m
Net interest payable comprises:		
Interest payable:		
Bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	5.1	21.5
Not wholly repayable within five years	0.9	-
	<u>          </u>	<u>          </u>
Debentures held by parent company	6.0	21.5
	-	10.7
	<u>          </u>	<u>          </u>
Total interest payable	6.0	32.2
Interest receivable	(1.6)	(1.2)
	<u>          </u>	<u>          </u>
Net interest payable	<u>4.4</u>	<u>31.0</u>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**DIRECTORS' EMOLUMENTS**

5 The total emoluments for the year of the Directors of the Company including pension contributions amounted to £162,000 (1990:£51,000)

Emoluments (excluding pension contributions) include amounts paid to:

	<u>1991</u> £'000	<u>1990</u> £'000
Chairman	nil	nil
Highest paid Director	<u>77</u>	<u>26</u>

Number of other Directors within the following ranges:

	<u>1991</u> No.	<u>1990</u> No.
£0 - £5,000	3	3
£10,001 - £15,000	1	-
£25,001 - £30,000	-	1
£55,001 - £60,000	<u>1</u>	<u>-</u>

**TRANSACTIONS WITH DIRECTORS AND OFFICERS**

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

**EMPLOYEE INFORMATION**

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

	<u>1991</u> £'m	<u>1990</u> £'m
Wages and salaries	17.2	19.1
Social security costs	1.4	1.5
Other pension costs	1.7	1.8
Total employment costs	<u>20.3</u>	<u>22.4</u>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**EMPLOYEE INFORMATION (continued)**

(b) Total employment costs are charged as follows:

	<u>1991</u> £'m	<u>1990</u> £'m
Manpower costs	18.3	19.0
Capital schemes and infrastructure renewals	2.0	3.4
	<u>20.3</u>	<u>22.4</u>

(c) The average number of employees on the payroll during the financial year was 1,155 (1990:1,323).

**TAX ON PROFIT ON ORDINARY ACTIVITIES**

8	<u>1991</u> £'m	<u>1990</u> £'m
Taxation based on profits for the year:		
Credit for tax losses surrendered to group companies	<u>6.5</u>	<u>1.6</u>

(a) The credit for tax losses surrendered to group companies represents the payment receivable in respect of tax losses based on a tax rate of 34 per cent (1990:35 per cent) and has been reduced by £0.5m provided in respect of the prior year.

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

(b) The full potential amount of deferred taxation calculated at 33 per cent (1990:35 per cent) on all timing differences is as follows:

	<u>1991</u> £'m	<u>1990</u> £'m
Accelerated capital allowances	78.9	49.3
Other timing differences	(8.6)	(2.6)
	-----	-----
Losses carried forward	70.3 (22.2)	46.7 (12.2)
	-----	-----
	48.1	34.5
	=====	=====

**EXTRAORDINARY ITEM**

9	<u>1991</u> £'m	<u>1990</u> £'m
Expenses borne in connection with the Offer for Sale of Northumbrian Water Group PLC's shares	-	3.6
	=====	=====

There is no taxation attributable to the extraordinary item.

**DIVIDEND**

10	<u>1991</u> £'m	<u>1990</u> £'m
Ordinary:		
Interim paid of 100p (1990:nil) per share	122.6	-
Final proposed of 28.4p (1990:£186) per share	34.8	9.3
	-----	-----
	157.4	9.3
	=====	=====

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS (continued)

### TANGIBLE FIXED ASSETS

11	Freehold land and buildings £'m	Short leasehold land and buildings £'m	Infra- structure assets £'m	Operational structures plant and machinery £'m	Fixtures fittings tools and equipment £'m	Assets in the course of construction £'m	Total £'m
<b>Cost:</b>							
Balance at 1 April 1990	14.3	2.6	340.2	184.4	17.2	45.7	604.4
Prior year adjustment	0.7	-	-	17.2	-	-	17.9
Restated cost	15.0	2.6	340.2	201.6	17.2	45.7	622.3
Additions	3.0	-	22.0	19.4	3.7	34.9	83.0
Disposals	(0.5)	-	-	(0.7)	(0.2)	-	(1.4)
Grants - Infrastructure assets	-	-	(4.1)	-	-	-	(4.1)
Balance at 31 March 1991	17.5	2.6	358.1	220.3	20.7	80.6	699.8
<b>Depreciation:</b>							
Balance at 1 April 1990	3.0	0.2	-	40.5	10.2	-	53.9
Prior year adjustment	0.1	-	-	0.5	-	-	0.6
Restated depreciation	3.1	0.2	-	41.0	10.2	-	54.5
Provision for year	0.8	0.1	-	11.0	3.6	-	15.5
Disposals	(0.1)	-	-	(0.7)	-	-	(0.8)
Balance at 31 March 1991	3.8	0.3	-	51.3	13.8	-	69.2
<b>Net book value:</b>							
at 31 March 1991	13.7	2.3	358.1	169.0	6.9	80.6	630.6
At 31 March 1990	11.9	2.4	340.2	160.6	7.0	45.7	567.8

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS (continued)

### TANGIBLE FIXED ASSETS (continued)

The prior year adjustment arises from a change in accounting policy (note 1(d)).

The cost of infrastructure assets is stated net of capital grants and contributions received in respect of these assets. As a result the net book value of infrastructure assets is £30.4m lower than it would have been had this treatment not been adopted (1990:£26.3m lower).

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

Assets in the course of construction at 1 April 1990 includes £13.4m of assets reclassified from other asset categories.

The net book value of tangible fixed assets held under finance leases at 31 March 1991 was as follows:

	<u>1991</u> £'m	<u>1990</u> £'m
Operational structures, plant and machinery	0.6	0.7
Assets in the course of construction	1.2	-
	<hr/>	<hr/>
	1.8	0.7
	<hr/> <hr/>	<hr/> <hr/>

### INVESTMENTS

12 The Company has unlisted investments of £0.1m (1990:£0.1m)

### STOCKS

13	<u>1991</u> £'m	<u>1990</u> £'m
Stores	2.4	1.9
Work in progress	0.6	0.7
	<hr/>	<hr/>
	3.0	2.6
	<hr/> <hr/>	<hr/> <hr/>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

14	<u>1991</u> £'m	<u>1990</u> £'m
Trade debtors	9.8	7.4
Amounts owed by group companies (see (a) below)	11.2	6.6
Other debtors	3.7	2.7
Prepayments and accrued income	11.3	6.9
	—	—
	<u>36.0</u>	<u>23.6</u>

(a) Included in amounts owed by group companies is £7.0m (1990:£1.6m) in respect of group tax relief.

**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

15	<u>1991</u> £'m	<u>1990</u> £'m
Bank loans and overdraft	-	25.1
Trade creditors	3.2	0.9
Amounts owed to group companies	5.4	1.4
Other creditors (see (a) below)	32.0	26.9
Taxation and social security	0.4	0.7
Proposed dividend payable to parent company	34.8	9.3
Accruals and deferred income	2.2	4.8
	—	—
	<u>78.0</u>	<u>69.1</u>

(a) Other creditors includes creditors related to capital projects of £15.8m (1990:£14.7m)

**CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

16	<u>1991</u> £'m	<u>1990</u> £'m
Loans (note 17)	80.0	-
Obligations under hire purchase contracts and finance leases (note 18)	1.2	-
Amounts owed to group companies	10.0	-
Other creditors	0.4	0.7
	—	—
	<u>91.6</u>	<u>0.7</u>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

Included above are £40m of loans drawn down from a five year committed revolving credit facility and £10m owed to the holding company. All of these amounts have been treated as falling due after more than one year because it is intended that the loans will be refinanced or rolled over and committed undrawn facilities are in place to support this intention.

At 31 March 1991 the Company had entered into interest swap arrangements totalling £50.0m (1990:£nil), over five years with various counterparties. Under these arrangements the company is required to pay interest on the above amounts at fixed rates of 11.42 to 11.45 per cent and will receive interest on these amounts at rates linked to LIBOR.

**LOANS**

17		<u>1991</u>	<u>1990</u>
		£'m	£'m
	Loans are repayable as follows:		
	Between two and five years	40.0	-
	In five years or more	40.0	-
		<hr/>	<hr/>
		80.0	-
		<hr/> <hr/>	<hr/> <hr/>

Loans repayable in five years or more are repayable by instalments at rates of interest in the range 11.0 to 11.5 per cent.

**OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES**

18 Obligations under hire purchase contracts and finance leases are as follows:

		<u>1991</u>	<u>1990</u>
		£'m	£'m
	Amounts due:		
	Between two and five years	0.2	-
	In five years or more	5.1	-
		<hr/>	<hr/>
		5.3	-
	Less: finance charge allocated to future periods	(4.1)	-
		<hr/>	<hr/>
		1.2	-
		<hr/> <hr/>	<hr/> <hr/>

**NORTHUMBRIAN WATER LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES  
(continued)**

Disclosed as due:	<u>£'m</u>	<u>£'m</u>
Within one year	-	-
After more than one year	1.2	-
	<u>1.2</u>	<u>-</u>
	<u>1.2</u>	<u>-</u>

**PROVISIONS FOR LIABILITIES AND CHARGES**

19	<u>£'m</u>
Infrastructure renewals:	
Balance at 1 April 1990	9.9
Utilised during the year	(15.6)
Transferred from profit and loss account	24.6
	<u>18.9</u>
Balance at 31 March 1991	<u>18.9</u>

**ACCRUALS AND DEFERRED INCOME**

20	<u>£'m</u>
Capital grants and contributions:	
At 1 April 1990 - Capital grants and contributions reclassified as deferred income (note 1 (d))	17.3
Additions	3.1
Amortisation in year	(0.4)
	<u>20.0</u>
At 31 March 1991	<u>20.0</u>

**CALLED UP SHARE CAPITAL**

21 The share capital of the Company is shown below:

	<u>1991</u>	<u>1990</u>
	<u>£'m</u>	<u>£'m</u>
Authorised:		
122,650,000 Ordinary Shares of £1 each	122.7	122.7
	<u>122.7</u>	<u>122.7</u>
Allotted, called up and fully paid:		
122,650,000 (1990:50,000) Ordinary Shares of £1 each	122.7	0.1
	<u>122.7</u>	<u>0.1</u>

# NORTHUMBRIAN WATER LIMITED

## NOTES TO THE ACCOUNTS (continued)

### CALLED UP SHARE CAPITAL (continued)

On 20 November 1989 the Secretary of State for the Environment entered into a Subscription Agreement with Northumbrian Water Group PLC for that company to subscribe £122.6m for shares in Northumbrian Water Limited. The allotment of shares at par for cash on 28 September 1990 to Northumbrian Water Group PLC satisfied this condition.

### DIRECTORS' INTERESTS

22 The beneficial interests of Directors at 31 March 1991 and their families in numbers of Ordinary shares of Northumbrian Water Group PLC are set out below:

	<u>31 March 1991</u>			<u>31 March 1990</u>		
	<u>Partly paid shares</u>	<u>Execu- tive scheme</u>	<u>SAYE scheme</u>	<u>Partly paid shares</u>	<u>Execu- tive scheme</u>	<u>SAYE scheme</u>
J A Foster	1795	27449	6136	1795	27449	6136
J Redpath	1271	26058	6136	1271	26058	6136
D J Watson(see(a)below)	1526	11093	6136	1526	11093	6136

(a) D J Watson was appointed as a Director of the Company on 25 January 1991. The comparative figures are as at that date.

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

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**

23		<u>Profit and loss account</u> £'m
	Balance at 1 April 1990	497.0
	Loss retained for the year	(122.6)
		<hr/>
	Balance at 31 March 1991	374.4
		<hr/> <hr/>

**COMMITMENTS AND CONTINGENT LIABILITIES**

24		<u>1991</u> £'m	<u>1990</u> £'m
(a)	Capital expenditure		
	Expenditure contracted for	32.1	36.8
	Expenditure authorised by Directors but not yet contracted for	72.9	71.8
		<hr/>	<hr/>
		105.0	108.6
		<hr/> <hr/>	<hr/> <hr/>

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

**(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:

	<u>1991</u>		<u>1990</u>	
	<u>Land and buildings</u> £'m	<u>Other</u> £'m	<u>Land and buildings</u> £'m	<u>Other</u> £'m
Leases which expire:				
Within one year	-	0.1	-	-
Between two and five years	0.1	0.5	0.1	0.7
In five years or more	0.1	-	0.1	-
	<hr/>	<hr/>	<hr/>	<hr/>
	0.2	0.6	0.2	0.7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NORTHUMBRIAN WATER LIMITED  
NOTES TO THE ACCOUNTS (continued)

COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) Contingent liabilities

Northumbrian Water Limited is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Under these arrangements the contingent liability at 31 March 1991 amounted to £39.2m.

PENSIONS

25 As a subsidiary of Northumbrian Water Group PLC, the Company participates in a Group pension scheme. The Group operates two funded defined benefit final salary schemes, the Water Mirror Image Pension Scheme and the Water Pension Scheme.

The employer's contributions and pension cost have been assessed in accordance with advice from William M Mercer Fraser Limited. The first actuarial valuations of the schemes were carried out as at 31 March 1990. Full details of the schemes are disclosed in the accounts of Northumbrian Water Group PLC.

ULTIMATE PARENT COMPANY

26 The Company's ultimate parent company is Northumbrian Water Group PLC, a company registered in England and Wales.

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