

NORTHUMBRIAN WATER LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1993**

Registered no: 2366703



NORTHUMBRIAN WATER LIMITED

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 March 1993

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NORTHUMBRIAN WATER LIMITED

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 31 March 1993.

Results and Dividends

The Company's profit for the year after taxation amounted to £54.7m. 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 £24.3m for the year to 31 March 1993. The retained profit of £30.4m is transferred to reserves.

Principal activities and review of business

The Company has sufficient storage to support water supply requirements for the foreseeable future; supplies to customers were not affected by drought conditions.

The Company supplies water to 45 per cent of the region's population, the remainder being supplied by water only companies. During the year ended 31 March 1993 an average 646 megalitres per day of water (a total for the year of 235,810 megalitres) was put into supply.

The Company is responsible for the collection of sewage throughout the region via the sewerage system 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 10 to the accounts.

Directors

The Directors of the Company during the year ended 31 March 1993 were:-

Sir Michael Straker	
DG Cranston	
RH Smith	(Resigned 12 April 1993)
JW Hargreaves	(Appointed 1 January 1993)
JA Foster	
DJ Watson	(Resigned 1 January 1993)
AF Jones	
A Girven	
I MacMillan	(Appointed 1 January 1993)

RH Smith retired as Managing Director of Northumbrian Water Limited on 1 April 1993. The Directors would like to express their gratitude for his valuable contribution to both the company and the Water Industry over the past 30 years.

DJ Watson resigned on 1 January 1993 to take up the position of Company Secretary of Northumbrian Water Group PLC.

The interests of Directors are set out in note 21 to the accounts.

NORTHUMBRIAN WATER LIMITED

Donations

During the year donations to charities amounted to approximately £80,000.

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 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 are 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.

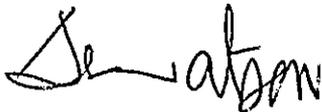
Taxation

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

Auditors

Coopers & Lybrand have indicated their willingness to continue in office.

BY ORDER OF THE BOARD



Secretary

25 June 1993

**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 1993 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

25 June 1993

NORTHUMBRIAN WATER LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1993

	<u>Note</u>	<u>1993</u> £'m	<u>1992</u> £'m
TURNOVER	2	210.0	193.5
Operating costs	3	(143.1)	(143.0)
OPERATING PROFIT		<u>66.9</u>	<u>50.5</u>
Net interest payable	4	(13.0)	(6.7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>53.9</u>	<u>43.8</u>
Taxation	8	0.8	6.4
PROFIT FOR THE FINANCIAL YEAR		<u>54.7</u>	<u>50.2</u>
Dividends	9	(24.3)	(19.7)
PROFIT RETAINED FOR THE YEAR	22	<u>30.4</u>	<u>30.5</u>

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

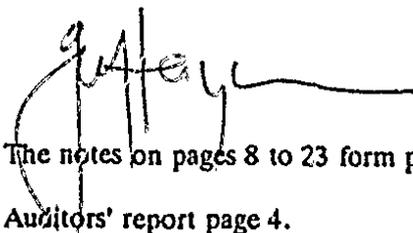
Auditors' report page 4.

NORTHUMBRIAN WATER LIMITED

BALANCE SHEET
At 31 March 1993

	Note	1993		1992	
		£'m	£'m	£'m	£'m
FIXED ASSETS					
Tangible assets	10		770.2		697.9
Investments	11		0.1		0.1
			<u>770.3</u>		<u>698.0</u>
CURRENT ASSETS					
Stocks	12	2.4		2.7	
Debtors	13	35.6		42.9	
Cash at bank and in hand		29.4		30.0	
			<u>67.4</u>	<u>75.6</u>	
CREDITORS: Amounts falling due within one year	14	(81.2)		(79.1)	
NET CURRENT LIABILITIES			<u>(13.8)</u>		<u>(3.5)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			756.5		694.5
CREDITORS: Amounts falling due after more than one year	15	(156.7)		(123.9)	
PROVISIONS FOR LIABILITIES AND CHARGES	18	(19.8)		(21.6)	
ACCRUALS AND DEFERRED INCOME	19	(22.0)		(21.4)	
			<u>(198.5)</u>	<u>(166.9)</u>	
NET ASSETS			<u>558.0</u>	<u>527.6</u>	
CAPITAL AND RESERVES					
Called up share capital	20		122.7		122.7
Profit and loss account	22		435.3		404.9
			<u>558.0</u>	<u>527.6</u>	

The accounts on pages 5 to 23 were approved by the Board on 25 June 1993 and were signed on its behalf by:




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

Auditors' report page 4.

NORTHUMBRIAN WATER LIMITED

CASH FLOW STATEMENT
for the year ended 31 March 1993

	Note	1993		1992	
		£'m	£'m	£'m	£'m
NET CASH INFLOW FROM OPERATING ACTIVITIES	23		74.2		63.8
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		2.6		5.7	
Interest paid		(13.2)		(10.8)	
Dividends paid		(19.7)		(34.8)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(30.3)		(39.9)
TAXATION					
Tax relief received			6.4		7.1
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(75.3)		(64.0)	
Sale of tangible fixed assets		3.4		1.6	
Grants received		4.0		5.5	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(67.9)		(56.9)
NET CASH OUTFLOW BEFORE FINANCING			(17.6)		(25.9)
FINANCING					
New loans		17.0		70.0	
Principal repayment of loans		-		(50.0)	
NET CASH INFLOW FROM FINANCING			17.0		20.0
DECREASE IN CASH AND CASH EQUIVALENTS	25		(0.6)		(5.9)

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

Auditors' report page 4.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 March 1993

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. 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, 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.

(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)

1 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 relating to infrastructure assets have been deducted from the cost of those assets as permitted under Statement of Standard Accounting Practice number 4. This is not in accordance with the Companies Act 1985 which requires fixed assets to be stated at their purchase price or production cost without deduction of grants and contributions which are treated as deferred income. This departure from the requirement of the Act is, in the opinion of the directors, necessary for the accounts to give a true and fair view: infrastructure assets are not depreciated, and it is therefore not appropriate to recognise related grants and contributions as deferred income. The effect of the departure on the value of tangible fixed assets is disclosed in note 10.

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.

(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)

1 ACCOUNTING POLICIES (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 or accruals in the balance sheet.

(h) Deferred taxation

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.

(k) Investments

Fixed asset investments are stated at their purchase cost.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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 on ordinary activities before taxation</u>	
	<u>1993</u> £'m	<u>1992</u> £'m	<u>1993</u> £'m	<u>1992</u> £'m
Appointed business	189.0	172.7	47.9	38.1
Non-appointed business	21.0	20.8	6.0	5.7
	<u>210.0</u>	<u>193.5</u>	<u>53.9</u>	<u>43.8</u>

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 Industry Act 1991.

The basis for the allocation of costs between the appointed and non-appointed businesses was altered during the year ended 31 March 1993 in order to comply with Regulatory Accounting Guideline 4, Analysis of Operating Costs and Assets, issued in June 1992 by the Office of Water Services.

3 OPERATING COSTS

(a) Operating costs comprise:

	<u>1993</u> £'m	<u>1992</u> £'m
Materials and consumables	10.0	9.8
Other external charges	10.9	12.3
Manpower costs (note 7)	22.8	20.2
Depreciation	12.6	12.6
Infrastructure renewals (see below)	18.5	24.3
Other operating charges	68.7	64.1
Other operating income	(0.4)	(0.3)
	<u>143.1</u>	<u>143.0</u>

The basis upon which the value of the infrastructure renewals charge is maintained, in the light of inflation, was revised during the year. As a result, the charge for the year is £6.5m lower than it would have been had this revision not been adopted. Furthermore, it is anticipated that this reduction in the level of charge will be sustained for each of the next two years to 31 March 1995.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

3 OPERATING COSTS (continued)

(b) The above costs are stated after crediting:

	<u>1993</u> £'m	<u>1992</u> £'m
Amortisation of capital grants and contributions	0.6	0.5
And after charging:		
Depreciation of owned tangible fixed assets	11.7	12.5
Depreciation of tangible fixed assets held under finance leases	0.9	0.1
Other operating leases	1.2	0.9
Costs of research and development	1.5	1.4
Directors' emoluments (note 5)	0.3	0.3
Auditors' remuneration	0.1	0.1

Remuneration of the company's auditors for provision of non-audit services to the company was £0.3m.

4 NET INTEREST PAYABLE

	<u>1993</u> £'m	<u>1992</u> £'m
Net interest payable comprises:		
Interest payable:		
Bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments	5.1	6.5
Not wholly repayable within five years	7.7	4.5
Repayable in more than five years	0.9	0.4
Financing charges payable under finance leases	1.8	0.6
Total interest payable	15.5	12.0
Interest receivable	(2.5)	(5.3)
Net interest payable	13.0	6.7

The total interest payable on bank loans, overdrafts and other loans includes £5.1m (1992: £4.7m) in respect of interest payable on amounts owed to group undertakings.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

5 DIRECTORS' EMOLUMENTS

The total emoluments for the year of the Directors of the Company including pension contributions amounted to £316,000 (1992: £273,000).

Emoluments (excluding pension contributions) include amounts paid to:

	<u>1993</u> £'000	<u>1992</u> £'000
Chairman	Nil	Nil
Highest paid Director	90	84

Number of Directors within the following ranges:

	<u>1993</u> No	<u>1992</u> No
£0 - £5,000	3	3
£20,001 - £25,000	2	-
£35,001 - £40,000	1	3
£55,001 - £60,000	2	1
£80,001 - £85,000	-	1
£90,001 - £95,000	1	-

6 TRANSACTIONS WITH DIRECTORS AND OFFICERS

No transactions or arrangements which are disclosable under the provisions of the Companies Act 1985 have occurred.

7 EMPLOYEE INFORMATION

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

	<u>1993</u> £'m	<u>1992</u> £'m
Wages and salaries	21.3	19.3
Social security costs	1.7	1.4
Other pension costs	2.1	1.9
Total employment costs	25.1	22.6

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

7 EMPLOYEE INFORMATION (continued)

(b) Total employment costs are charged as follows:

	<u>1993</u> £'m	<u>1992</u> £'m
Manpower costs	22.8	20.2
Capital schemes and infrastructure renewals	2.3	2.4
	<u>25.1</u>	<u>22.6</u>

(c) The average number of employees on the payroll during the financial year was 1,302 (1992: 1,193).

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1993</u> £'m	<u>1992</u> £'m
Credit for tax losses surrendered to group companies	0.8	6.4

a) The company has provisionally surrendered tax losses to fellow subsidiaries in the current year of £49.2m payment for which has been postponed (see note 28).

Included in the group relief provisionally surrendered is group relief provisionally surrendered to Jayhold Limited for which payment of £0.8m is receivable. The amount receivable will be applied to the Appointed Business for the benefit of customers.

Under an agreement between Northumbrian Water Group PLC, Jayhold Limited, Northumbrian Water Limited and the Office of Water Services, the Appointed Business shall be indemnified by Northumbrian Water Group PLC in respect of any mainstream corporation tax becoming due and payable in respect of any accounting period up to and including the year ended 31 March 2000 as a result of the surrender to Jayhold Limited of the group relief.

(b) Deferred taxation provided in the financial statements is £Nil (1992: £Nil). The full potential amount of deferred taxation calculated at 33 per cent (1992: 33 per cent) on all timing differences is as follows:

	<u>1993</u> £'m	<u>1992</u> £'m
Accelerated capital allowances	115.0	78.1
Other timing differences	(9.0)	(11.0)
	<u>106.0</u>	<u>67.1</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

9 DIVIDENDS

	<u>1993</u> £'m	<u>1992</u> £'m
Ordinary:		
Final proposed of 19.8p (1992: 16.1p) per share	24.3	19.7
	<u>24.3</u>	<u>19.7</u>

10 TANGIBLE FIXED ASSETS

	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
Cost:							
Balance at 1 April 1992	20.8	2.6	387.1	259.1	21.0	88.5	779.1
Additions	3.2	-	30.8	35.8	1.6	19.4	90.8
Disposals	(1.0)	(2.6)	-	(1.0)	-	-	(4.6)
Grants	-	-	(2.8)	-	-	-	(2.8)
Balance at 31 March 1993	<u>23.0</u>	<u>-</u>	<u>415.1</u>	<u>293.9</u>	<u>22.6</u>	<u>107.9</u>	<u>862.5</u>
Depreciation:							
Balance at 1 April 1992	4.4	0.4	-	60.0	16.4	-	81.2
Provision for year	0.8	0.1	-	9.7	2.0	-	12.6
Disposals	(0.1)	(0.5)	-	(0.9)	-	-	(1.5)
Balance at 31 March 1993	<u>5.1</u>	<u>-</u>	<u>-</u>	<u>68.8</u>	<u>18.4</u>	<u>-</u>	<u>92.3</u>
Net book value:							
At 31 March 1993	<u>17.9</u>	<u>-</u>	<u>415.1</u>	<u>225.1</u>	<u>4.2</u>	<u>107.9</u>	<u>770.2</u>
At 31 March 1992	<u>16.4</u>	<u>2.2</u>	<u>387.1</u>	<u>199.1</u>	<u>4.6</u>	<u>88.5</u>	<u>697.9</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

10 TANGIBLE FIXED ASSETS (continued)

The net book value of infrastructure assets is stated after the deduction of grants and contributions amounting to £36.8m (1992: £34.0m) in order to give a true and fair view.

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

The net book value of tangible fixed assets held under finance leases at 31 March 1993 was as follows:

	<u>1993</u> £'m	<u>1992</u> £'m
Operational structures, plant and machinery	26.1	7.0
Assets in the course of construction	1.5	5.7
	<u>27.6</u>	<u>12.7</u>

11 INVESTMENTS

The Company has unlisted investments of £0.1m (1992: £0.1m).

12 STOCKS

	<u>1993</u> £'m	<u>1992</u> £'m
Stores	2.3	2.6
Work in progress	0.1	0.1
	<u>2.4</u>	<u>2.7</u>

13 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1993</u> £'m	<u>1992</u> £'m
Trade debtors	13.7	12.8
Amounts owed by parent company and fellow subsidiaries (see (a) below)	5.4	12.4
Other debtors	5.9	6.2
Prepayments and accrued income	10.6	11.5
	<u>35.6</u>	<u>42.9</u>

(a) Included in amounts owed by parent company and fellow subsidiaries is £0.8m (1992: £6.4m) in respect of group tax relief.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continue)

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1993</u> £'m	<u>1992</u> £'m
Obligations under finance leases	1.8	-
Trade creditors	3.7	3.7
Amounts owed to parent company and fellow subsidiaries	6.2	8.2
Other creditors (see (a) below)	40.5	43.0
Taxation and social security	0.6	0.5
Proposed dividend payable to parent company	24.3	19.7
Accruals and deferred income	4.1	4.0
	<u>81.2</u>	<u>79.1</u>

(a) Other creditors includes creditors related to capital projects of £23.9m (1992: £24.3m).

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1993</u> £'m	<u>1992</u> £'m
Loans (note 16)	77.0	60.0
Obligations under finance leases (note 17)	29.1	13.3
Amounts owed to parent company and fellow subsidiaries	50.0	50.0
Other creditors	0.6	0.6
	<u>156.7</u>	<u>123.9</u>

At 31 March 1993 the Company had entered into interest swap arrangements totalling £67.0m (1992: £50.0m), over periods between three and seven years with various counterparties. Under these arrangements the Company is required to pay interest on this balance at various fixed rates of 11.42 to 11.45 per cent and will receive interest on these amounts at rates linked to LIBOR.

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

16 LOANS

	<u>1993</u> £'m	<u>1992</u> £'m
Loans are repayable as follows:		
Between two and five years	8.5	3.2
In five years or more	<u>68.5</u>	<u>56.8</u>
	<u>77.0</u>	<u>60.0</u>

Loans repayable otherwise than by instalments amount to £17m and bear interest at 0.2 per cent below LIBOR.

Loans repayable by instalments amount to £60m and bear interest rates in the range 10.4 to 11.5 per cent.

17 OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases are as follows:

	<u>1993</u> £'m	<u>1992</u> £'m
Amounts due:		
Within one year	1.8	-
Between two and five years	3.3	3.4
In five years or more	<u>93.7</u>	<u>50.6</u>
	98.8	54.0
Less: finance charge allocated to future periods	<u>(67.9)</u>	<u>(40.7)</u>
	<u>30.9</u>	<u>13.3</u>
Disclosed as due:		
Within one year	1.8	-
After more than one year	<u>29.1</u>	<u>13.3</u>
	<u>30.9</u>	<u>13.3</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

18 PROVISIONS FOR LIABILITIES AND CHARGES

	£'m
Infrastructure renewals:	
Balance at 1 April 1992	21.6
Utilised during the year	(20.3)
Transferred from profit and loss account	<u>18.5</u>
Balance at 31 March 1993	<u>19.8</u>

19 ACCRUALS AND DEFERRED INCOME

	£'m
Capital grants and contributions:	
At 1 April 1992	21.4
Additions	1.2
Amortisation in year	(0.6)
At 31 March 1993	<u>22.0</u>

20 CALLED UP SHARE CAPITAL

	<u>1993</u> £'m	<u>1992</u> £'m
Authorised: 122,650,000 Ordinary Shares of £1 each	<u>122.7</u>	<u>122.7</u>
Allotted, called up and fully paid: 122,650,000 Ordinary Shares of £1 each	<u>122.7</u>	<u>122.7</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

21 DIRECTORS' INTERESTS

The beneficial interests of Directors at 31 March 1993 and their families in numbers of Ordinary shares of Northumbrian Water Group PLC are set out below:

	Shares		Options			
	1 April 1992	31 March 1993	1 April 1992	Granted	Exercised	31 March 1993
JA Foster	2077	9340	36492	3034	15000	24526
JW Hargreaves (see (a) below)	770	770	29793	1621	-	31414
AF Jones	1387	1618	29007	3117	-	32124
A Girven	1395	475	15834	10895	-	26729
I MacMillan (see (a) below)	489	495	31280	1621	-	32901

(a) JW Hargreaves and I MacMillan were appointed as Directors of the Company on 1 January 1993. 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 the accounts of that company.

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.

22 PROFIT AND LOSS ACCOUNT

	£'m
Balance at 1 April 1992	404.9
Retained profit for the year	30.4
Balance at 31 March 1993	<u>435.3</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

23 NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>1993</u> £'m	<u>1992</u> £'m
Operating profit	66.9	50.5
Depreciation on tangible fixed assets	12.6	12.6
Infrastructure renewals expenditure	(20.3)	(21.6)
Provision for infrastructure renewals	18.5	24.3
Amortisation of grants	(0.6)	(0.5)
(Profit) on sale of fixed assets	(0.3)	(1.1)
Decrease in stock	0.3	0.3
(Increase) in trade debtors	(0.9)	(3.0)
Decrease/(increase) in other debtors	0.3	(2.5)
Decrease/(increase) in amounts owed by group companies	1.4	(1.9)
Decrease/(increase) in prepayments and accrued income	0.7	(0.6)
Increase in trade creditors	-	0.5
(Decrease)/increase in amounts owed to group companies	(1.4)	1.5
Increase in taxation and social security costs	0.1	0.1
(Decrease)/increase in other creditors	(3.2)	3.2
Increase in accruals	0.1	1.8
Increase in other long term liabilities	-	0.2
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>74.2</u>	<u>63.8</u>

24 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>1993</u>		<u>1992</u>	
	Share capital £'m	Loans and finance lease obligations £'m	Share capital £'m	Loans and finance lease obligations £'m
Balance at 1 April 1992	122.7	123.3	122.7	91.2
New loans	-	17.0	-	70.0
Principal repayment of loans	-	-	-	(50.0)
Inception of finance lease contracts:				
Capital value	-	15.9	-	11.5
Accrued interest	-	1.7	-	0.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 1993	<u>122.7</u>	<u>157.9</u>	<u>122.7</u>	<u>123.3</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

25 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1993</u> £'m	<u>1992</u> £'m
Cash at bank and in hand		
Balance at 1 April	30.0	35.9
Net cash outflow	(0.6)	(5.9)
Balance at 31 March	<u>29.4</u>	<u>30.0</u>

26 MAJOR NON CASH TRANSACTIONS

During the period the company had drawdowns of £15.9m (1992: £11.5m) relating to the Royal Bank of Scotland finance leasing facility.

27 COMMITMENTS AND CONTINGENT LIABILITIES

	<u>1993</u> £'m	<u>1992</u> £'m
(a) Capital expenditure		
Expenditure contracted for	38.0	57.6
Expenditure authorised by Directors but not yet contracted for	52.0	52.4
	<u>90.0</u>	<u>110.0</u>

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>1993</u>		<u>1992</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	-	0.2	0.1	0.2
Between two and five years	-	0.8	-	0.5
In five years or more	0.1	-	0.1	-
	<u>0.1</u>	<u>1.0</u>	<u>0.2</u>	<u>0.7</u>

NORTHUMBRIAN WATER LIMITED

NOTES TO THE ACCOUNTS (continued)

(c) Contingent liabilities

Northumbrian Water Limited is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Net overdrafts outstanding at 31 March 1993 amounted to £35.5m.

28 CONTINGENT GAIN

The company may become entitled to receive a payment of £16.2m (1992: £Nil) in respect of losses it has provisionally surrendered to fellow subsidiaries as group relief for which payment has been postponed. The receipt will only be due when and to the extent that this company becomes liable to pay mainstream corporation tax.

29 PENSIONS

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.

30 ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Northumbrian Water Group PLC, a company registered in England and Wales. According to the register kept by the company, Northumbrian Water Group PLC has a 100 per cent interest in the equity capital of Northumbrian Water Limited at 31 March 1993. Copies of the parent's consolidated financial statements may be obtained from Northumbrian Water Group PLC, Northumbria House, Regent Centre, Gosforth, Newcastle upon Tyne.

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