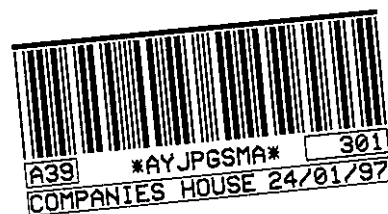


Wessex Water Plc

INTERIM ACCOUNTS

FOR THE 9 MONTHS TO 31 DECEMBER 1996



Registered office: Wessex House Passage Street
Bristol BS2 0JQ

Registered in England No 2366633

COMPANY PROFIT AND LOSS ACCOUNT

for the 9 months to 31 December 1996

	NOTE	9 months to 31.12.96 £m	12 months to 31.3.96 £m
Turnover	2	31.4	61.0
Operating profit	3	26.8	55.9
Net interest receivable	4	17.7	24.1
Profit on ordinary activities before taxation		44.5	80.0
Taxation on profit on ordinary activities	5	0.5	4.8
Profit attributable to shareholders		44.0	75.2
Dividends (including non-equity)	6	19.2	38.5
Profit retained	15	24.8	36.7

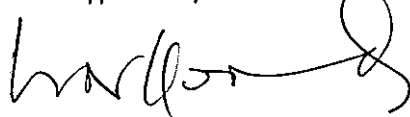
The notes on pages 3 to 7 form part of these accounts.

The movements on reserves are shown in note 15 on page 6.

BALANCE SHEET

	NOTE	At 31.12.96 £m	At 31.3.96 £m
Fixed assets			
Investments	8	260.5	259.4
		<u>260.5</u>	<u>259.4</u>
Current assets			
Debtors	9	154.6	161.9
Listed investments	10	0.7	0.7
Cash investments	11	260.8	245.8
		<u>416.1</u>	<u>408.4</u>
Creditors - amounts falling due within one year	12	33.9	55.0
		<u>382.2</u>	<u>353.4</u>
Net current assets		<u>642.7</u>	<u>612.8</u>
Capital and reserves			
Called up share capital	13	310.4	309.2
Share premium account	14	22.2	18.3
Profit and loss account	15	310.1	285.3
		<u>642.7</u>	<u>612.8</u>
Shareholders' funds	16	<u>642.7</u>	<u>612.8</u>
Shareholders' funds comprise:			
Equity shareholders' funds		453.9	424.0
Non-equity shareholders' funds	16	188.8	188.8
		<u>642.7</u>	<u>612.8</u>

These accounts were approved by the board of directors on 23 January 1997


director

The notes on pages 3 to 7 form part of these accounts.

NOTES TO THE ACCOUNTS

for the 9 months to 31 December 1996

1 Accounting policies

a. Basis of preparation

The accounts have been prepared under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 1985.

b. Turnover

Turnover represents the dividend receivable from a subsidiary company, and management charge made to a subsidiary company.

c. Taxation

The charge for taxation is based on the profit for the period adjusted in accordance with tax legislation. No deferred tax has been provided as projections indicate that a potential liability will not materialise in the foreseeable future.

	9 months to 31.12.96 £m	12 months to 31.3.96 £m
2 Turnover		
Dividend receivable from Wessex Water Services Ltd	30.0	59.5
Management charge to Wessex Water Services Ltd	<u>1.4</u>	<u>1.5</u>
	<u>31.4</u>	<u>61.0</u>
3 Operating profit		
Operating profit of £26.8m for the 9 months to 31.12.96 (£55.9m for the 12 months to 31.3.96) is shown after charging the following costs:		
Operational costs		
Manpower costs (note 7)	1.8	1.7
Other operational costs	<u>2.8</u>	<u>3.4</u>
	<u>4.6</u>	<u>5.1</u>
4 Net interest receivable		
Interest payable	-	0.2
Interest receivable	17.7	24.3
Net interest receivable	<u>17.7</u>	<u>24.1</u>
5 Taxation on profit on ordinary activities		
UK corporation tax at 33%	4.8	7.8
Advance corporation tax utilised relating to prior years	(3.1)	(4.7)
Advance corporation tax on dividends for the year	8.1	8.9
Advance corporation tax surrendered to subsidiary	<u>(9.3)</u>	<u>(7.2)</u>
	<u>0.5</u>	<u>4.8</u>

NOTES TO THE ACCOUNTS continued

for the 9 months to 31 December 1996

	9 months to 31.12.96 £m	12 months to 31.3.96 £m
6 Dividends		
On equity shares		
Ordinary shares		
Interim dividend of 5.7p per share (year ended 31 March 1996 - 5.0p)	12.3	10.7
Final dividend of 10.2p per share for year ended 31 March 1996	<u>-</u>	<u>21.9</u>
	<u>12.3</u>	<u>32.6</u>
On non-equity shares		
B ordinary shares		
Total dividend of 0.7785p per share (year ended 31 March 1996 - 1.557p)	<u>0.2</u>	<u>0.5</u>
C ordinary shares		
Total dividend of 1.26675p per share (year ended 31 March 1996 - 2.5335p)	<u>0.2</u>	<u>0.3</u>
Preference shares		
At 5.3% net for the period 7 September 1996 to 31 December 1996	<u>6.5</u>	<u>5.1</u>
(5.81875% net for the period 7 September 1995 to 6 September 1996)	<u>19.2</u>	<u>38.5</u>

7 Employment costs

a. Total employment costs of the company:

Wages and salaries	1.5	1.4
Social security costs	0.1	0.1
Other pension costs	<u>0.2</u>	<u>0.2</u>
	<u>1.8</u>	<u>1.7</u>

b. The monthly average number of employees during the 9 months to 31 December 1996 was 29 (12 months to 31 March 1996 20).

	COMPANY Subsidiary companies £m	COMPANY Associated undertakings £m	COMPANY Total £m
8 Investments			
Fixed asset investments at cost			
At 31 March 1996	94.5	164.9	259.4
Additions	<u>0.1</u>	<u>1.0</u>	<u>1.1</u>
At 31 December 1996	<u>94.6</u>	<u>165.9</u>	<u>260.5</u>

The principal subsidiary companies and associated undertakings are listed in note 20.

	31.12.96 £m	31.3.96 £m
9 Debtors: amounts due within one year		
Amounts owed by subsidiary undertakings	150.5	155.4
Prepayments and accrued income	<u>4.1</u>	<u>6.5</u>
	<u>154.6</u>	<u>161.9</u>

10 Listed investments

The market value of listed investments at 31 December 1996 was £2.3m (31 March 1996 £2.3m).

11 Cash investments

Cash investments with maturities - less than 3 months	237.0	218.3
- 3 - 12 months	16.2	3.7
- over 12 months	<u>7.6</u>	<u>23.8</u>
	<u>260.8</u>	<u>245.8</u>

	31.12.96 £m	31.3.96 £m
12 Creditors: amounts falling due within one year		
Proposed dividend	15.0	38.1
Corporation tax	7.0	4.9
Advance corporation tax	11.0	8.9
Accruals and deferred income	0.9	3.1
	<u>33.9</u>	<u>55.0</u>

Wessex Water Plc has acted as guarantor for certain borrowing facilities made available to Wessex Water Services Ltd. As part of the group's banking arrangements the company has entered into a cross undertaking with Wessex Water Services Ltd in relation to that company's overdraft and related facilities.

13 Called up share capital

AUTHORISED			
300,000,000	ordinary shares of 60p each	180.0	180.0
33,333,335	B ordinary shares of 60p each	20.0	20.0
13,333,335	C ordinary shares of 60p each	8.0	8.0
310,000,000	50p redeemable preference shares	<u>155.0</u>	<u>155.0</u>
		<u>363.0</u>	<u>363.0</u>
ALLOTTED AND FULLY PAID			
216,331,156	ordinary shares of 60p each (31 March 1996 - 214,417,242)	129.8	128.6
30,225,106	B ordinary shares of 60p each	18.1	18.1
13,285,088	C ordinary shares of 60p each	8.0	8.0
308,984,402	50p redeemable preference shares	<u>154.5</u>	<u>154.5</u>
		<u>310.4</u>	<u>309.2</u>

- On 7 September 1995, a bonus issue of 308,984,402 fully paid 50p cumulative redeemable preference shares was made to holders of ordinary, B and C shares on the register on 31 August 1995, on a one for one basis. The preference shares will be redeemable at par in 4 equal tranches on the dividend payment date in each of the years 1998, 1999, 2000 and 2001. The preference dividend is to be paid annually in arrears at a gross dividend rate, fixed in advance, of 12 month LIBOR plus one half per cent.
- B and C voting ordinary shares will convert into new ordinary shares on 28 February 1998. Holders of B and C ordinary shares are entitled to a fixed dividend of 0.75% net per annum on the adjusted issue price of £2.076 and £3.378 respectively.
- Options granted to UK Waste Management Holdings in respect of 10,605,303 ordinary shares may be exercised between 1 January 1997 and 31 December 1999 at prices between £3.41 and £4.53 per share, dependent on the date of exercise, provided certain performance targets are achieved by Wessex Waste Management Ltd.
- On 9 April 1996 and 1 October 1996 263,760 and 520,207 60p ordinary shares respectively were issued at 3.398p and 3.574p per share to existing shareholders in lieu of a cash dividend and resulted in a share premium on allotment of £2,285,096.
- During the 9 months to 31 December 1996 472,715 60p ordinary shares were issued at prices between £0.855 and £2.475 per share under the savings related share option scheme. 463,476 60p ordinary shares were issued at prices between £1.38 and £3.16 per share under the executive share option scheme and 193,756 60p ordinary shares at £3.49 per share under the profit sharing scheme. These issues resulted in a share premium on allotment of £1,701,766.

	9 months to 31.12.96 £m
14 Share premium account	
At 1 April	18.3
Premium on shares issued	4.0
Issue costs	<u>(0.1)</u>
At 31 December	<u>22.2</u>

NOTES TO THE ACCOUNTS continued

for the 9 months to 31 December 1996

	9 months to 31.12.96 £m	
15 Profit and loss account		
At 1 April		285.3
Profit retained for the year		<u>24.8</u>
At 31 December		<u>310.1</u>
	31.12.96 £m	31.3.96 £m
16 Reconciliation of movements in shareholders' funds		
Profit attributable to shareholders	44.0	75.2
Dividends	<u>(19.2)</u>	<u>(38.5)</u>
	24.8	36.7
Share capital issued	1.2	155.2
Share premium created/(utilised)	<u>3.9</u>	<u>(152.7)</u>
Net addition to shareholders' funds	29.9	39.2
Opening shareholders' funds	<u>612.8</u>	<u>573.6</u>
Closing shareholders' funds	<u>642.7</u>	<u>612.8</u>

Non equity interests within shareholders' funds of £188.8m, are split between B ordinary shares £22.6m, C ordinary shares £11.7m and preference shares £154.5m.

17 Commitments

At 31 December 1996 the company had interest rate and currency instrument agreements outstanding with commercial banks with a principal value of £203.8m.

18 Contingent liabilities

Wessex Water Plc has provided guarantees on loan notes issued by Wessex Waste Management Ltd for certain acquisitions, the maximum liability at 31 December 1996 was £2.7m.

19 Pensions

The defined benefit schemes operated by the company, which cover the majority of staff, are the Wessex Water Pension Scheme (WWPS), the Wessex Water Mirror Image Pension Scheme (WWMIS) and the Wessex Water Executive Pension Scheme (WWEPS). The assets are held in separate trustee administered funds. The pension cost charged to the profit and loss account has been determined on the advice of independent qualified actuaries and is such as to spread the cost of pensions over the service lives of the members of the schemes.

The pension cost for the 9 months to 31 December 1996, including amounts set aside for early retirees, was £0.2m (year to 31 March 1996 - £0.2m).

The latest actuarial valuations for WWPS and WWMIS were undertaken as at 31 March 1993. The projected unit method was used for the WWPS valuation and the attained age method for the WWMIS valuation. The assumptions which have the most significant effect on the results of a valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 3.75% per annum in the WWPS and 4% per annum in the WWMIS. The same actuarial methods and assumptions were used for assessing pension costs. The market value of the WWPS assets as at 31 March 1993 was £54.7m and for WWMIS £24.3m. The valuation showed that the actuarial value of the assets at 31 March 1993 represented 102% and 106% of the actuarial value of the accrued benefits for the WWPS and WWMIS respectively. The first valuation of the WWEPS was at 31 March 1993, using the attained age method, which showed that the actuarial value of assets represented 103% of accrued benefits.

20 Principal subsidiary companies and associated undertakings

a. Subsidiary companies

Wessex Water Plc owns 100% of the issued ordinary share capital of each subsidiary company.

Company	Principal activities
Wessex Water Services Ltd (incorporated in the United Kingdom)	Water supply and waste water services
Wessex Water Trustee Company Ltd (incorporated in the United Kingdom)	Trustee of employee share scheme
Wessex Water B.V. (incorporated in the Netherlands)	Financial services
SC Technology AG (incorporated in Switzerland)	Waste water processes
SC Technology Deutschland GmbH (incorporated in Germany)	Waste water processes

Other subsidiary companies are dormant.

b. Associated undertakings

Company	Principal activities
Wessex Waste Management Ltd (incorporated in the United Kingdom)	Waste management
Brunel Insurance Company Ltd (incorporated in Guernsey)	Insurance

Both associated undertakings are 50% owned by Wessex Water Plc.