

Glas Cymru Cyfyngedig

Financial Results for the 12 months to 31 March 2004

£1 billion investment benefits water customers**Welsh Water delivers better services and customer rebate**

Glas Cymru and its principal subsidiary Welsh Water today report on a further year of progress, with a strong financial performance and benefits to customers.

Welsh Water has delivered:

- continuing high customer service standards in 2003/04 and currently ranked by Ofwat as the second best performing water and sewerage company
- a strong financial performance - including a reduction in net debt to 84% of Regulatory Capital Value (RCV), down from 93% in May 2001
- the promised £9 bill rebate for customers
- capital expenditure of £271 million - on course to meet regulatory targets for the period to March 2005

Chairman Lord Burns said: "Glas Cymru exists solely to serve its customers and uses any profits it makes for their benefit. During the year Welsh Water customers have seen increased investment, improved services and benefitted from the first of our customer rebates. The Company has also outperformed its financial targets.

"We have invested nearly £1 billion in our water and sewerage networks over the past four years. This is not only delivering sustained improvements in a range of services to customers, but also enabling better environmental performance that benefits rivers and the coastline of Wales.

"Furthermore, we have kept our pledge to keep bills as low as possible, despite investing heavily in our services. During the year we made the first of our customer rebates of £12 million, bringing bills down to £9 below the price cap set by Ofwat. This rebate is being maintained in 2004/05.

"However, there are big challenges ahead – including the current Ofwat review of prices and investment plans for the five-year period to 2010. Welsh Water has submitted its Strategic Business Plan to Ofwat for consideration. We remain committed to delivering the best possible value for money to customers and will continue to seek the right balance between service standards, investment needs and the level of customer bills.

Operational and environmental performance highlights:

- maintaining very high standards of drinking water quality - achieving 99.8% compliance with regulatory standards
- completing the improvement of 1,000 kilometres of water mains
- further improvements to the wastewater network, helping to achieve best ever results for “guideline” bathing water quality around the Welsh coastline
- Welsh Water ranked second in 2002-03 in Ofwat’s Operational Performance Assessment (OPA) of the ten water and sewerage companies in England and Wales, up from third the previous year
- Welsh Water’s OPA score in 2003-04 is likely to be our highest ever

More than 650km of water mains were renewed or relined in 2003, following completion of 350km the previous year, to hit the targets set by the Drinking Water Inspectorate. Improvement schemes were also completed at 20 water treatment works and 68 wastewater treatment works.

Over the last three years, investment in our sewerage network has removed the risk of repeated sewage flooding from over 500 homes and businesses.

Investment in wastewater collection and treatment has contributed to further excellent results for coastal bathing water quality in Wales, with the announcement last week that there are now 40 Blue Flag quality bathing beaches and marinas in Wales, as well as 40 equivalent Green Coast awards for rural beaches. In 1995, Wales had only two Blue Flag beaches. Welsh Water has spent nearly £1 billion on environmental improvements over the last decade - investment that directly benefits rivers, estuaries and coastal waters.

Financial highlights

- Profit before interest and taxation of £187 million, down 5%
- Net debt at 31 March 2004 represents 84% of Regulatory Capital Value (RCV), down from 93% in May 2001
- Voluntary bill rebate of £9 per customer, costing £12 million in 2003/04
- Capital expenditure of £271 million (bringing the total invested since March 2000 to £956 million)
- Operating efficiency improved by a further 2% in real terms

Profit before interest and taxation for the year was £187 million (2003: £196 million), down 5%, due to higher charges for asset depreciation and the introduction of the customer rebate. From this profit the Company paid interest of £146 million (2003: £128 million). After providing for deferred taxation, the balance has been reinvested in the business.

A key financial objective for the Company is to reduce net debt as a proportion of the Company’s regulatory capital value (RCV). Over the course of the year, net debt as a proportion of RCV has reduced from 85% to 84%. The Company now has “reserves” (RCV less net debt) of £421 million, exceeding the Board’s published target of £400 million by 31 March 2005.

Welsh Water customers received a £9 rebate on their bills in April 2003, fulfilling a promise made when Glas Cymru acquired the Company in May 2001. Charges for 2003/04 and 2004/05 have been set at £12 million below the price cap set by Ofwat. On average, Welsh Water's domestic customers now pay £286 for their water and sewerage services, which is 14% below the average charges in 1999 in real terms.

During the year the Company successfully completed an £85 million tap issue of index-linked bonds, demonstrating continued strong support for the business in the capital markets.

Lord Burns added, "This has been a successful year for Glas Cymru. Our finances are growing stronger, our efficiency is steadily improving and we have maintained a clear focus on giving customers the best possible service. While there remains much to do in the years ahead, I am very encouraged by the overall performance during the year and am confident that, under Glas Cymru's ownership, Welsh Water will continue to deliver improving services to our customers."