

YORKSHIRE WATER FIRST FINANCE LIMITED

Report and Accounts

31 March 2002

Company Number: 2180720



Yorkshire Water First Finance Limited

Registered No. 2180720

DIRECTORS

J H Newman	(resigned 6 August 2002)
I G Knight	(resigned 2 April 2001)
P J Hudson	(appointed 2 April 2001)

SECRETARY

J C Downes

AUDITORS

Ernst & Young LLP
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

REGISTERED OFFICE

Western House
Halifax Road
Bradford
BD6 2SZ

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company is an investment holding company.

The company has not traded during the year, the profit being generated from interest received from another group company. The directors do not have an immediate intention of making further investments.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounts to £650,302 (2001: £6,605,174).

The directors recommend the payment of a final ordinary dividend of £1,000,000 (2001 - £6,250,000).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 March 2002 were those listed on page 1.

There are no directors' interests in the share capital of Yorkshire Water First Finance Limited requiring disclosure under Companies Act 1985.

The interests of the directors serving at the year end in the share capital of the ultimate holding company Kelda Group plc were as follows:

Directors' share options

	At date of appointment	Granted during year	Lapsed during year	Exercised during year	At 31 March 2002	Exercise Price (p)	Date options exercisable	Date options expire
P J Hudson	-	6,018	-	-	6,018	275.0	01/03/2005	31/08/2005

The aggregate gain on the exercise of share options during the year was £nil (2001: £357).

Long-term incentive plan of Kelda Group plc

Interests of the directors in the plan are:

	At date of appointment	Granted during year	Vested during year	Lapsed during year	At 31 March 2002	Earliest vesting date
P J Hudson	-	7,657	-	-	7,657	08/06/2004

Details of the plan are set out in the group accounts of Kelda Group plc.

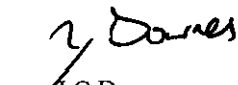
J H Newman was also a director of the ultimate holding company, Kelda Group plc, and his interests in its share capital are disclosed in the accounts of the ultimate parent undertaking.

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


J C Downes
Secretary

23 September 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors confirm that they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed; and
- prepared the accounts on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the company and which enables them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statement, which should be read in conjunction with the statement of the auditor's responsibilities, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YORKSHIRE WATER FIRST FINANCE LIMITED**

We have audited the company's accounts for the year ended 31 March 2002 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

1 October

2002

Yorkshire Water First Finance Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2002

	Notes	2002 £	2001 £
External charges		-	(4,760)
OPERATING LOSS	2	-	(4,760)
Exceptional item	5	-	6,555,389
Dividend from associated company		-	1,484,110
Interest receivable	6	929,003	295,409
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		929,003	8,330,148
Tax on profit on ordinary activities	7	(278,701)	(1,724,974)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		650,302	6,605,174
Dividends proposed		(1,000,000)	(6,250,000)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(349,698)	355,174

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

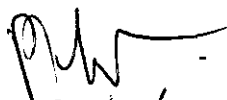
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £650,302 for the year ended 31 March 2002 (2001: £6,605,174). Accordingly, a statement of recognised gains and losses has not been presented.

Yorkshire Water First Finance Limited

BALANCE SHEET

at 31 March 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
CURRENT ASSETS			
Debtors	8	17,084,025	24,168,166
CREDITORS: amounts falling due within one year	9	(1,278,701)	(8,013,144)
NET CURRENT ASSETS		<u>15,805,324</u>	<u>16,155,022</u>
CAPITAL AND RESERVES			
Called up share capital	10	15,800,002	15,800,002
Profit and loss account	11	5,322	355,020
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>15,805,324</u>	<u>16,155,022</u>

 - Director
23/9/ 2002

NOTES TO THE ACCOUNTS at 31 March 2002

1. ACCOUNTING POLICIES

Basis of accounting

The accounts of the Company are prepared under the historical cost convention in compliance with all applicable accounting standards (Financial Reporting Standards 'FRS', Statement of Standard Accounting Practice 'SSAP' and Urgent Issues Task Force abstract 'UITF') and, except where otherwise stated in the notes to the accounts, with the Companies Act 1985.

The company has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax' for the first time in these accounts. FRS 18 deals with accounting policies and its adoption did not have an impact on the company's accounts.

The accounting policies have been reviewed in accordance with the requirements of FRS 18. The directors consider that the accounting policies set out below remain most appropriate to the company's circumstances, have been consistently applied and are supported by reasonable and prudent estimates and judgements.

Taxation

The taxation charge in the profit and loss account is based on the profit for the year as adjusted for disallowable and non-taxable items using current rates and takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

2. OPERATING LOSS

External charges in 2001 related to a management fee payable in respect of the investment in White Rose (Leeds) Limited for the interim period immediately prior to the completion of the sale.

Auditors remuneration has been borne by another group company.

3. DIRECTORS' EMOLUMENTS

All of the directors are employees, or directors, of other group undertakings and are remunerated by the relevant undertaking and received no emoluments in respect of their services to the company.

4. STAFF NUMBERS

The average number of persons employed by the company during the year was nil (2001: nil).

5. EXCEPTIONAL ITEM

	2002	2001
	£	£
Profit on sale of investment in White Rose (Leeds) Limited	-	6,555,389

6. INTEREST RECEIVABLE

	2002	2001
	£	£
Interest receivable from group undertakings	929,003	295,409

Yorkshire Water First Finance Limited

NOTES TO THE ACCOUNTS

at 31 March 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
ANALYSIS OF CHARGE IN PERIOD		
Current tax:		
UK corporation tax on profits for the year	278,701	1,724,974
	<u>278,701</u>	<u>1,724,974</u>
TAX CHARGE RECONCILIATION		
The tax assessed for the prior year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profits on ordinary activities before tax	929,003	8,330,148
	<u>929,003</u>	<u>8,330,148</u>
Profits on ordinary activities multiplied by the standard rate of UK corporation tax (30%)	278,701	2,499,044
Effects of:		
Disposal of assets	-	(282,590)
Dividend income	-	(491,480)
	<u>-</u>	<u>(774,070)</u>
Current tax charge for the year	278,701	1,724,974
	<u>278,701</u>	<u>1,724,974</u>

8. DEBTORS

Amounts falling due within one year:

	2002 £	2001 £
Amounts owed by group undertakings	17,084,023	24,168,164
Called up share capital not paid	2	2
	<u>17,084,025</u>	<u>24,168,166</u>

Yorkshire Water First Finance Limited

NOTES TO THE ACCOUNTS at 31 March 2002

9. CREDITORS: amounts falling due within one year

	2002 £	2001 £
Corporation tax	278,701	1,724,974
Other creditors	-	38,170
Proposed dividend	1,000,000	6,250,000
	<u>1,278,701</u>	<u>8,013,144</u>

10. SHARE CAPITAL

	2002 £	2001 £
Ordinary shares of £1 each: Authorised	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>
Allotted, called up and fully paid	15,800,000	15,800,000
Called up share capital not paid	2	2
Called up share capital	<u>15,800,002</u>	<u>15,800,002</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Called up Share capital</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 April 2000	15,800,002	(154)	15,799,848
Profit for the year	-	6,605,174	6,605,174
Dividend	-	(6,250,000)	(6,250,000)
	<u>15,800,002</u>	<u>355,020</u>	<u>16,155,022</u>
At 1 April 2001	15,800,002	355,020	16,155,022
Profit for the year	-	650,302	650,302
Dividend	-	(1,000,000)	(1,000,000)
	<u>15,800,002</u>	<u>5,322</u>	<u>15,805,324</u>
At 31 March 2002	15,800,002	5,322	15,805,324

12. CASH FLOW

The company is a wholly owned subsidiary of Kelda Group plc and is included in the consolidated accounts of Kelda Group plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

NOTES TO THE ACCOUNTS

at 31 March 2002

13. RELATED PARTY TRANSACTIONS

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Kelda Group plc or investees of Kelda Group plc.

14. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Keyland Developments Limited.

The ultimate parent undertaking is Kelda Group plc, which is the parent undertaking of the smallest and largest group to consolidate these accounts. Copies of Kelda Group plc consolidated accounts can be obtained from the Company Secretary at Western House, Halifax Road, Bradford, BD6 2SZ.