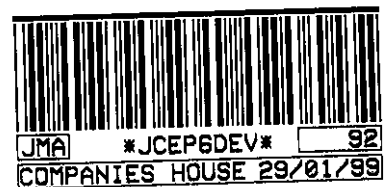


NORWEB PROPERTY AND ESTATE SERVICES LIMITED
Registered number 2373209

FINANCIAL STATEMENTS
For the year ended 31 March 1998



NORWEB PROPERTY AND ESTATE SERVICES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1998

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DIRECTORS' REPORT

For the year ended 31 March 1998

The directors have pleasure in presenting the annual report and audited financial statements of Norweb Property and Estates Services Limited for the year ended 31 March 1998.

Review of the business

The principal activity of the company is the pursuance of investment opportunities on behalf of NORWEB plc, the company's parent undertaking.

The company owns 75% of the issued share capital of Norweb Gas Limited.

The directors have no present plans to make further investments.

Directors and their interests

The directors who served during the year were :

P N Applewhite

T M Rayner

J R Tetlow

(appointed 31 December 1997)

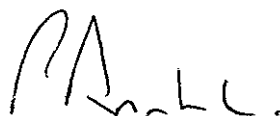
(resigned 31 December 1997)

None of the directors serving at 31 March 1998 held any interest in the share capital of the company.

The directors' interests at 31 March 1998 in the share capital of United Utilities PLC, the company's ultimate parent undertaking were as follows :

	1998	1997 or on appointment	
		United Utilities PLC	
	Ordinary shares	Share options	Ordinary shares
			Share options
P N Applewhite	8,156	9,593	7,138
T M Rayner	-	15,543	-
			10,298
			15,543

By order of the Board



P N Applewhite
Director

PO Box 14
410 Birchwood Boulevard
Birchwood
Warrington
WA3 7GA

FINANCIAL STATEMENTS

For the year ended 31 March 1998

DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the auditors on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the financial statements, the directors are required to select appropriate accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent, and state whether all applicable accounting standards have been followed. The directors are also required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors have a responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to comply with the Companies Act 1985.

The directors have a general responsibility at law for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect other irregularities.

FINANCIAL STATEMENTS

For the year ended 31 March 1998

AUDITORS' REPORT

TO THE MEMBERS OF NORWEB PROPERTY AND ESTATE SERVICES LIMITED

We have audited the financial statements on pages 4 to 7.

Respective responsibilities of directors and auditors

As described under 'Directors' Responsibilities' on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements, and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the company's state of affairs as at 31 March 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
St James' Square
Manchester
M2 6DS

29 January 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 1998

	note	1998 £	1997 £
Profit on sale of fixed asset investment	2	-	150,466
Profit on ordinary activities before and after taxation	3	-	150,466
Profit and loss account brought forward		126,141	(24,325)
Profit and loss account carried forward		<u>126,141</u>	<u>126,141</u>

The company has no recognised gains or losses other than the profit for the year.

BALANCE SHEET
As at 31st March 1998

	note	1998 £	1997 £
Fixed assets - investments	4	242,307	242,307
Current assets			
Debtors	5	1,100,102	1,100,102
Creditors - amounts falling due within one year	6	(1,216,166)	(1,216,166)
Net current liabilities		(116,064)	(116,064)
Total assets less current liabilities		126,243	126,243
		£	£
Capital and reserves			
Share capital	7	102	102
Profit and loss account		126,141	126,141
Shareholders' funds	8	126,243	126,243

The financial statements on pages 4 to 7 were approved by the Board of directors on 25th January 1999 and signed on its behalf by:



T M Rayner
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1998

1 Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements present information about the company as an individual undertaking and not about its group as the company is itself a wholly owned subsidiary undertaking of NORWEB plc, which is incorporated in Great Britain and registered in England and Wales and which prepares group accounts. The company has taken advantage of the exemption under section 228 of the Companies Act not to prepare group accounts.

Investments

Investments are stated at the lower of cost, including related costs of acquisition, and directors' valuation.

Cash Flow Statement

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirements to prepare a cash flow statement on the grounds that its parent company includes the cash flows of the company in its own published consolidated financial statements.

Related Party Transactions

The company has taken advantage of the exemption contained within FRS8 'Related Party Transactions', and has not separately disclosed transactions and balances with other group undertakings within the United Utilities PLC group, on the basis that the company is included in those consolidated financial statements, and those financial statements are publicly available (see note 10).

2 Profit on sale of fixed asset investment

	1998 £	1997 £
Disposal of investment in Keadby Developments Limited		
Proceeds from disposal	-	1,100,000
Cost of investment	-	(949,534)
	<u>-</u>	<u>150,466</u>

3 Taxation

There is no tax charge for the year ended 31 March 1998 (1997: nil).

4 Investments

	Proportion of issued share capital held	1998 £	1997 £
Investment in group undertaking at cost - Norweb Gas Limited:			
Shares	75%	<u>242,307</u>	<u>242,307</u>

The shares are all £1 ordinary shares.

Norweb Gas Limited operates in the part of the gas supply market that is open to competition.

The directors are of the opinion that the aggregate value of the investments is at least equal to the value at which they appear above.

5 Debtors

	1998 £	1997 £
Called up share capital not paid	102	102
Due from parent undertaking	1,100,000	1,100,000
	<u>1,100,102</u>	<u>1,100,102</u>

6 Creditors

Amounts falling due within one year:

	1998 £	1997 £
Loan from parent undertaking	<u>1,216,166</u>	<u>1,216,166</u>

7 Share capital

The authorised share capital consists of 5,000,000 £1 ordinary shares (1996 5,000,000 £1 ordinary shares).

	1998 £	1997 £
Ordinary shares of £1 each:		
Allotted and called up (not paid)	<u>102</u>	<u>102</u>

8 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit for the financial year	-	150,466
Opening shareholders' funds	126,243	(24,223)
Closing shareholders' funds	<u>126,243</u>	<u>126,243</u>

9 Directors emoluments

None of the directors received emoluments for their services.

10 Ultimate parent undertaking

The directors regard United Utilities PLC as the company's ultimate parent undertaking. United Utilities PLC is also the company's ultimate controlling party as defined by FRS8 'Related Party Transactions'.

The company is a subsidiary of NORWEB plc, which is the smallest higher group of undertakings for which group accounts are drawn up. The results of the company are consolidated within the group accounts of NORWEB plc, and copies of those accounts can be obtained from the address below.

The Group accounts of NORWEB plc are consolidated within the Group accounts of United Utilities PLC, a company registered in England and Wales.

Copies of these accounts can be obtained from:

The Company Secretary
United Utilities PLC
Birchwood Boulevard
Birchwood Point Business Park
Birchwood
Warrington
WA3 7WB