

Coquetdale Property Investment Limited

**Report and Financial Statements
for the year ended 31 December 2001**

Registered number : 2379478



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Coquetdale Property Investment Limited

Report and Financial Statements for the year ended 31 December 2001

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Coquetdale Property Investment Limited

Directors' report for the year ended 31 December 2001

The directors present their annual report on the affairs of the Company together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities

The principal activities of the Company are that of property investment and the provision of property and estate management services over both owned and managed assets.

Review of the business and future developments

At the end of the year the company had a wholly owned portfolio comprising of 34 properties with a carrying value in excess of £4.2m. The portfolio produces a rental income in the region of £1.1m. Both the level of business and the year end financial position remain satisfactory.

Results and dividends

The loss after taxation for the financial year to 31 December 2001 was £302,774. This compares unfavorably with the £179,762 loss made in the previous period.

The directors do not recommend the payment of a dividend (2000: £nil).

Directors

The directors of the Company during the year ended 31 December 2001, who were directors for the whole or part of the year to that date, were:

Stuart Buchanan
Christopher Michael Green
Barrie Stuart Lister

Resigned 30 April 2001

The company has effected directors' and officers' liability insurance.

Directors' interests

No director of the company who held office on 31 December 2001 had an interest in the Company's shares or debentures either during the financial year or at 31 December 2001. Directors interests in the shares, share options or debentures of the Company's ultimate parent company, Suez SA, are disclosed in note 15 to these financial statements.

Coquetdale Property Investment Limited

**Directors' report
for the year ended 31 December 2001 (continued)**

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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.

Fixed assets

Details of movements in fixed assets during the year are set out in note 9 to the financial statements.

In the opinion of the directors the current open market value of the Company's interests in land and buildings is not significantly less than its current net book value.

By order of the board



Clare Brown
Secretary

Registered Office:
Northumbria House
Abbey Road
Pity Me
Durham
DH1 5FJ

Date:



April 2002

**Auditors' report to the members of
Coquetdale Property Investment Limited**

We have audited the financial statements of Coquetdale Property Investment Limited for the period ended 31 December 2001, which comprise the Profit and loss account, the Balance Sheet and the related notes numbered 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements 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 financial statements, 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 and other members of the group 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 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 financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 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 state of affairs of the company and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen 
Chartered Accountants and Registered Auditors
Pearl Assurance House
7 New Bridge Street
Newcastle upon Tyne
NE1 8BQ

8 April 2002

Date 8/4/2002

Coquetdale Property Investment Limited

**Profit and loss account
for the year ended 31 December 2001**

		Twelve months to December 2001	Twelve months to December 2000
	Note	£	£
Turnover	2	1,550,926	1,417,320
Operating costs - continuing operations	3	(1,675,964)	(1,393,643)
Operating (loss)/profit		<u>(125,038)</u>	<u>23,677</u>
Net profit on sale of fixed assets		-	120,245
Interest payable	7	<u>(335,590)</u>	<u>(325,683)</u>
Loss on ordinary activities before taxation		(460,628)	(181,761)
Tax on loss on ordinary activities	8	<u>157,854</u>	<u>1,999</u>
Retained loss on ordinary activities after taxation	16	<u>(302,774)</u>	<u>(179,762)</u>

Statement of total recognised gains and losses

The company has no recognised gains and losses other than those included in the profit disclosed above, and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profit and losses

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All of the company's activity relates to continuing operations.

The notes on pages 6 to 14 form an integral part of these financial statements.

Coquetdale Property Investment Limited

Balance sheet
as at 31 December 2001

	31 December 2001 £	31 December 2000 £
Fixed assets		
Tangible assets	9 <u>4,201,040</u>	<u>4,407,814</u>
Current assets		
Debtors	10 1,583,402	2,586,720
Cash at bank and in hand	<u>250</u>	<u>250</u>
	1,583,652	2,586,970
Creditors - amounts falling due within one year	11 <u>(3,836,111)</u>	<u>(3,689,610)</u>
Net current liabilities	<u>(2,252,459)</u>	<u>(1,102,640)</u>
Total assets less current liabilities	1,948,581	3,305,174
Creditors - amounts falling due after more than one year	12 <u>(2,126,934)</u>	<u>(2,241,904)</u>
Provisions for liabilities and charges	13 <u>(149,000)</u>	<u>(1,087,849)</u>
Net liabilities	<u>(327,353)</u>	<u>(24,579)</u>
Capital and reserves		
Called up share capital	14 2	2
Profit and loss account	16 <u>(327,355)</u>	<u>(24,581)</u>
Equity shareholders' (deficit)/funds	<u>(327,353)</u>	<u>(24,579)</u>
Reconciliation of movements in equity shareholders' funds		
	<u>2001</u>	<u>2000</u>
	£	£
Loss retained for the year	(302,774)	(179,762)
Opening equity shareholders' deficit	<u>(24,579)</u>	<u>155,183</u>
Closing equity shareholders' deficit	<u>(327,353)</u>	<u>(24,579)</u>

The financial statements on pages 4 to 14 were approved by the board of directors and were signed on its behalf by:



Director

Date:

8th

April 2002

C.M. GREEN

The notes on pages 6 to 15 form part of these financial statements.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001

1 Principal accounting policies

The financial statements 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 financial statements have been prepared under the historical cost convention.

(b) Going concern

The Company has net current liabilities at 31 December 2001 of £2,252,459 (2000: £1,102,640). The Company's immediate parent undertaking, Ondeo Services UK plc (formerly known as Northumbrian Water Group plc), has confirmed that adequate resources will be made available for the Company to continue in operational existence for at least twelve months from the date of issue of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

(c) Cash flow

The company is a wholly owned subsidiary of Ondeo Services UK plc and the cash flows of the company are included in the consolidated cash flow statement of Ondeo Services UK plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (revised 1996) from publishing a cash flow statement.

(d) Turnover

Turnover, which excludes value added tax, represents the income receivable in the ordinary course of business for goods and services provided.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are included at cost together with any incidental expenses of acquisition less accumulated depreciation.

Assets are depreciated on a straight line basis over their useful economic lives to an expected residual value. The number of years over which assets are depreciated are as follows:

	<u>No. years</u>
Freehold buildings	30-60
Short leasehold land and buildings	20-60
Furniture and equipment	4-10

Freehold land is not depreciated.

(f) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

(g) Pension scheme arrangements

The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected remaining average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either prepayments or provisions in the balance sheet. The Company operates a defined benefit scheme.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

1 Principal accounting policies (continued)

(h) Deferred taxation

Deferred tax is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future. Provision is made at the rate which is expected to apply when the liability crystallises.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom. In the opinion of the Directors, the company has only one class of business.

All turnover and operating profits are derived from the continuing activities of the business.

3 Operating costs

	Twelve months to December 2001 £	Twelve months to December 2000 £
Operating costs comprise:		
Materials and consumables	8,647	770
Other external charges	301,175	71,499
Manpower costs (see note 6)	108,980	159,587
Depreciation	293,789	292,440
Other operating charges	963,373	869,347
	<u>1,675,964</u>	<u>1,393,643</u>

	Twelve months to December 2001 £	Twelve months to December 2000 £
The preceding costs include:		
Depreciation of owned tangible fixed assets	11,846	12,550
Operating leases - land & buildings	495,520	334,000
Operating leases - motor vehicles	2,343	10,996
Auditors' remuneration for audit services	-	2,500

4 Directors' remuneration

None of the directors received remuneration from the company during the year (2000 - £nil).

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

5 Transactions with directors and officers

There are no transactions or arrangements which would be disclosable under the provisions of the Companies Act 1985.

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	Twelve months to December 2001	Twelve months to December 2000
<i>By activity</i>	Number	Number
Administration	2	5
Building and maintenance	-	1
Management of property investment portfolio	2	4
	<u>4</u>	<u>10</u>

	Twelve months to December 2001	Twelve months to December 2000
<i>Staff costs (for the above persons)</i>	£	£
Wages and salaries	93,186	134,334
Social security costs	7,760	13,266
Other pension costs	8,034	11,987
	<u>108,980</u>	<u>159,587</u>

	Twelve months to December 2001	Twelve months to December 2000
7 Interest payable	£	£
On loans & bank overdrafts	<u>335,590</u>	<u>325,683</u>

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Notes to the financial statements

for the year ended 31 December 2001 (continued)

8 Tax on loss on ordinary activities	Twelve months to December 2001	Twelve months to December 2000
	£	£
United Kingdom corporation tax at 30% (2000 : 30%):		
Current	-	-
Deferred	39,000	66,000
Receivable in respect of group relief	(113,000)	(53,900)
	(74,000)	12,100
Under/(over) provision in respect of prior years:		
Current	(49,201)	-
Deferred	(29,000)	28,240
Payable in respect of group relief	(5,653)	(42,339)
	(83,854)	(14,099)
	(157,854)	(1,999)

The tax credit for the year has been reduced by approximately £55,000 (2000: £80,000) in respect of depreciation of properties on which no capital allowances are available, and has been increased by approximately £nil (2000: £18,000) in respect of property disposals that are sheltered for tax purposes.

£1,000 (2000: £nil) has been charged in respect of amounts payable to fellow subsidiaries for tax losses surrendered in prior years for which payment was then postponed (see note 17c).

9 Tangible fixed assets

	Freehold land	Freehold buildings	Leasehold land and buildings	Furniture & equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2000	263,000	725,599	4,624,723	66,349	5,679,671
Additions	-	57,196	33,054	-	90,250
Disposals	-	-	-	(5,064)	(5,064)
At 31 December 2001	263,000	782,795	4,657,777	61,285	5,764,857
Depreciation					
At 1 January 2000	193,000	98,368	940,068	40,421	1,271,857
Charge for year	-	19,636	262,307	11,846	293,789
Disposals	-	-	-	(1,829)	(1,829)
At 31 December 2001	193,000	118,004	1,202,375	50,438	1,563,817
Net book value					
At 31 December 2001	70,000	664,791	3,455,402	10,847	4,201,040
At 31 December 2000	70,000	627,231	3,684,655	25,928	4,407,814

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**Notes to the financial statements
for the year ended 31 December 2001 (continued)**

10 Debtors

	31 December 2001	31 December 2000
	<u>£</u>	<u>£</u>
Trade debtors	165,733	74,903
Amounts owed by parent and fellow subsidiary undertakings	1,187,797	2,188,455
Other debtors	10,241	15,379
Corporation tax repayable	-	93,008
Prepayments and accrued income	219,631	214,975
	<u>1,583,402</u>	<u>2,586,720</u>

Included in amounts owed by parent and fellow subsidiary undertakings is £62,653 (2000:£80,420) in respect of group relief receivable from fellow subsidiaries.

11 Creditors - amounts falling due within one year

	31 December 2001	31 December 2000
	<u>£</u>	<u>£</u>
Bank overdrafts(see note17b)	2,895,989	2,844,712
Trade creditors	51,796	82,540
Amounts owed to parent and fellow subsidiary undertakings	378,665	516,308
Other taxation and social security costs	-	3,194
Other creditors	294,865	30,702
Accruals and deferred income	214,796	212,154
	<u>3,836,111</u>	<u>3,689,610</u>

12 Creditors - amounts falling due after more than one year

	31 December 2001	31 December 2000
	<u>£</u>	<u>£</u>
Amounts owed to parent and fellow subsidiary undertakings	<u>2,126,934</u>	<u>2,241,904</u>

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

13 Provisions for liabilities and charges

	Provision for onerous leases	Deferred taxation	Total
	£	£	£
At 1 January 2001	948,849	139,000	1,087,849
(Credit)/charge to profit and loss account	(805,548)	10,000	(795,548)
Utilised during the year	(143,301)	-	(143,301)
At 31 December 2001	-	149,000	149,000

Deferred taxation

Deferred taxation provided in the financial statements, and the total potential liability/(asset) are as follows:

	Amount provided 2001	2000	Full potential liability/(asset) 2001	2000
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	178,000	170,000	178,000	170,000
Other	(29,000)	(31,000)	(29,000)	(31,000)
	149,000	139,000	149,000	139,000

Onerous leases

The provision for onerous leases was a result of a partial vacation of one of the company's properties. The liability which will be fully funded by the parent, will be discharged on termination of the lease which is expected to be in 2003.

14 Called up share capital

	31 December 2001	31 December 2000
	£	£
<i>Authorised:</i>		
100 (1999 : 100) ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid:</i>		
2 (1999 : 2) ordinary shares of £1 each	2	2

Coquetdale Property Investment Limited

**Notes to the financial statements
for the year ended 31 December 2001 (continued)**

15 Directors' interests

No director of the Company who held office on 31 December 2001 had an interest in the Company's shares or debentures either during the financial year or at 31 December 2001.

The directors who held office on 31 December 2001 had the following beneficial interests in the ordinary shares, other than share options, and debentures of the Company's ultimate parent company, Suez SA:

<u>Name of Director</u>	<u>Description of Shares or Debentures</u>	<u>31 December 2000</u>	<u>Start of year or subsequent date of appointment</u>
Barrie Stuart Lister	Ordinary Shares of 2 Euros	1,786	1,786
Christopher Michael Green	Ordinary Shares of 2 Euros	2,446	2,446

The directors who held office on 31 December 2001 held the following options over ordinary shares of 2 Euros each in Suez SA:

<u>Name of Director</u>	<u>Start of year or subsequent date of appointment</u>	<u>Granted/(Exercised) during year</u>	<u>31 December 2000</u>
Christopher Green	16,500	5,000	21,500
Barrie Stuart Lister	2,500	-	2,500

No options have lapsed or been exercised during the year.

On 4 May 2001 Suez SA shareholders resolved to restructure that company's ordinary share capital by splitting each Suez SA Ordinary Share with a nominal value of 10 Euros into five new shares with a nominal value of 2 Euros each. The restructure took effect on 15 May 2001 and the Company's Register of Directors Interests in shares has been adjusted to reflect the change.

No director holds any other interest required to be disclosed in accordance with Schedule 7 of the Companies Act 1985.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Reserves

	Profit and loss account £
At 1 January 2001	(24,581)
Retained loss	<u>(302,774)</u>
At 31 December 2001	<u>(327,355)</u>

17 Commitments and contingent liabilities

(a) Lease commitments

At 31 December 2001 the company had annual commitments in respect of non-cancellable operating leases of motor vehicles as follows:

	31 December 2001 £	31 December 2000 £
Expiring within one year	-	392
Expiring between two and five years inclusive	<u>-</u>	<u>4,800</u>
	<u>-</u>	<u>5,192</u>

(b) Contingent liabilities

The company is party to a cross guarantee arrangement with other group companies in respect of bank overdrafts. The net potential liability at 31 December 2001 was £18.4m (31 December 2000 : £23.3m).

(c) Corporation tax

The company may become liable to make a payment of £nil (2000 : £1,000) in respect of group relief provisionally claimed from fellow subsidiaries for which payment has been postponed.

18 Pensions

The Group operates a funded defined benefit pension scheme, providing benefits based on final pensionable remuneration to 2,304 employees. The scheme named the Northumbrian Lyonnaise Pension Scheme, comprises three unitised sections - the WPS section, LUKPS (North) section and LUKPS (South) section.

The assets of the Scheme are held separately from those of the Group in independently administered funds.

The most recent actuarial valuation of the Scheme was at 31 December 1998. At that date the market value of assets amounted to £416.2m in aggregate. The 1998 valuation disclosed that the combined value of the assets represented 114% of the value of accrued liabilities.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

18 Pensions (continued)

The following table sets out the contributions agreed based on the 31 December 1998 valuations:

Section	South	North	WPS
Members' Contribution	5%	5%	6%
Employer's Contribution	Nil	6.30%	17.2%

The company contribution rate was assessed using the Projected Unit Method and the following actuarial assumptions:-

Investment Return	
- Pre Retirement	6.2%
- Post Retirement	5.7%
Pay Increases	
- for 5 years after valuation date	3.8%
- thereafter	4.3%
Pension Increases	2.8%
Price Inflation	2.8%

The next valuation will be carried out as at 31 December 2001.

Under the transitional provisions of FRS 17 'Retirement benefits' additional disclosures regarding the group defined benefit pension scheme are required. In accordance with FRS 17, the company will account for its contributions to the Scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the net assets and liabilities in the Scheme on a consistent and reasonable basis.

The latest actuarial valuation of the Scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements (accounts) of the parent company, shows a surplus of £63.0m. Further details of this valuation can be found in the consolidated financial statements (accounts) of the parent company.

The group also participates in the Water Mirror Image Pension Scheme and the employer's contribution has been assessed and paid in accordance with the advice of an independent actuary. This Scheme provides a defined benefit pension arrangement for 56 employees. The last actuarial valuation was carried out as at 31 March 2001. At that date the Scheme assets amounted to £21.8m and the assets represented 103% of the value of the accrued liabilities.

The Northumbrian Water Group Personal Pension Plan provides defined contribution benefits to 651 employees.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2001 (continued)

19 Ultimate parent company

The ultimate parent company of the company is Suez SA, incorporated in France. The largest group which consolidates the results of the company is Suez SA. Copies of the consolidated accounts are available to the public from Suez SA, 16 rue de la Ville l'Eveque, 75383 Paris, France. The smallest group which consolidates the results of the company is that of which Ondeo Services UK plc is the parent. Copies of the consolidated accounts may be obtained from Ondeo Services UK plc, Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ. Ondeo Services UK plc is registered in England and Wales.