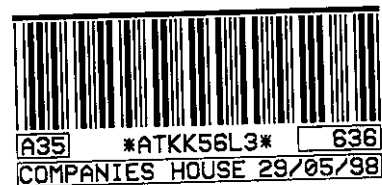


**Coquetdale Property Investment Limited**

**Statutory Accounts**

for the period ended 31 December 1997

Registered number : 2379478



# **Coquetdale Property Investment Limited**

## **Statutory Accounts for the period ended 31 December 1997**

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## **Coquetdale Property Investment Limited**

### **Directors' report for the nine months ended 31 December 1997**

The directors present their report on the affairs of the Company together with the accounts and auditors report, for the nine months ended 31 December 1997.

The company has changed the end date of their financial reporting period from 31 March to 31 December to bring it in line with the financial reporting period of the ultimate parent company, Suez Lyonnaise des Eaux S.A.

#### **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**

During the period the Company disposed of 2 properties, with a net book value of £145,051.

The Company has also sold 3 properties from trading stock to third parties.

Both the level of business and the period end financial position remain satisfactory.

The coming financial year will also hopefully see significant development opportunities coming to fruition.

#### **Results and dividends**

The profit after taxation for the nine months to 31 December 1997 was £170,981. This compares favourably with the £67,913 loss in the previous year despite still carrying the planning cost for Follingsby Lane.

The directors do not recommend the payment of a dividend, and the profit for the nine months to 31 December 1997 will be used to decrease the deficit on reserves.

#### **Directors**

The directors of the company during the nine months to 31 December 1997, who were directors for the whole or part of the nine months to that date, were:

Stuart Buchanan	
Ian Frederick Goodfellow	Date of appointment 16 June 1997
David John Watson	
Michael Charles Stoker	
John Michael Taylor	Resigned 3 Sept 1997

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

#### **Directors' interests**

No director had any interest in the company's shares either during the period or at 31 December 1997.

## Coquetdale Property Investment Limited

### Directors' report for the nine months ended 31 December 1997

#### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

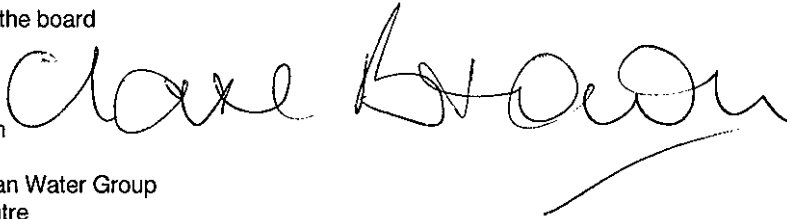
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company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

#### Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the board

Clare Brown  
Secretary  
Northumbrian Water Group  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3PX



Date: 26 March 1998

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

We have audited the accounts on pages 4 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 the company's affairs at 31 December 1997 and of its profit 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

Date: 26 March 1998

# Coquetdale Property Investment Limited

## Profit and loss account for the nine months ended 31 December 1997

	Notes	Nine months to December 1997 £	Twelve months to March 1997 £
Turnover	2	1,467,102	1,680,404
Operating costs	3a	(1,075,727)	(1,198,041)
Exceptional operating income	3b	137,200	-
<b>Operating profit</b>		<b>528,575</b>	<b>482,363</b>
Exceptional non operating income	3c	149,025	28,167
Interest payable	7	(421,021)	(534,924)
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>256,579</b>	<b>(24,394)</b>
Tax on Profit / (Loss) on ordinary activities	8	(85,598)	(43,519)
<b>Profit / (Loss) for the year</b>	16	<b>170,981</b>	<b>(67,913)</b>

### Statement of total recognised gains and losses

The company has no recognised gains and losses other than those included in the profit / (loss) 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 / (loss) on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

The notes on pages 6 to 13 form part of these financial statements.

**Coquetdale Property Investment Limited**

**Balance sheet  
for the nine months ended 31 December 1997**

	Note	December 1997 £	March 1997 £
<b>Fixed assets</b>			
Tangible assets	9	4,725,705	4,908,427
<b>Current assets</b>			
Stocks	10	-	437,924
Debtors	11	1,927,738	718,170
Cash at bank and in hand		250	150
		<u>1,927,988</u>	<u>1,156,244</u>
<b>Creditors</b> - amounts falling due within one year	12	(7,900,509)	(7,476,318)
<b>Net current liabilities</b>		<u>(5,972,521)</u>	<u>(6,320,074)</u>
<b>Total assets less current liabilities</b>		<u>(1,246,816)</u>	<u>(1,411,647)</u>
<b>Provisions for liabilities and charges</b>	13	(20,650)	(26,800)
<b>Net liabilities</b>		<u>(1,267,466)</u>	<u>(1,438,447)</u>
<b>Capital and reserves</b>			
Called up share capital	14	2	2
Profit and loss account	16	(1,267,468)	(1,438,449)
<b>Equity shareholders' deficit</b>		<u>(1,267,466)</u>	<u>(1,438,447)</u>
<b>Reconciliation of movements in equity shareholders' deficit</b>		December 1997 £	March 1997 £
Profit / (loss) retained for the year		170,981	(67,913)
Opening equity shareholders' deficit		<u>(1,438,447)</u>	<u>(1,370,534)</u>
<b>Closing equity shareholders' deficit</b>		<u>(1,267,466)</u>	<u>(1,438,447)</u>

The financial statements on pages 4 to 13 were approved by the board of directors on 26 March and were signed on its behalf by:

Director



The notes on pages 6 to 13 form part of these financial statements.

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 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. At 31 December 1997, the company had net liabilities. Northumbrian Water Group, the company's parent company, has agreed to provide continuing financial support for the foreseeable future, therefore the accounts continue to be prepared on a going concern basis.

#### (b) Cash flow

The company is a wholly owned subsidiary of Northumbrian Water Group PLC and the cash flows of the company are included in the consolidated cash flow statement of Northumbrian statement of Northumbrian Water Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

#### (c) Turnover

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

#### (d) 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.

#### (e) Stocks

Stocks consist of properties held for resale and are valued at the lower of cost and net realisable value.

#### (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 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.



# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 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 (a) Operating costs

	Nine months to December 1997	Twelve months to March 1997
	£	£
Operating costs comprise:		
Materials and consumables	104,702	4,034
Other external charges	190,628	301,529
Manpower costs (see note 6)	124,931	142,676
Depreciation	119,349	163,939
Other operating charges	536,117	585,863
	<u>1,075,727</u>	<u>1,198,041</u>

	Nine months to December 1997	Twelve months to March 1997
	£	£
The preceding costs include:		
Depreciation of owned tangible fixed assets	119,349	163,939
Operating leases - motor vehicles	12,843	14,118
Auditors' remuneration for audit services	<u>2,000</u>	<u>1,785</u>

#### (b) Exceptional operating income

Exceptional operating income has resulted from the sale of an asset bought and sold during the period which was not held for continuing use in the business.

#### (c) Exceptional non operating income

Exceptional non operating income has resulted from the sale of assets that had been held for continuing use in the business.

This income comprised the following:

	Nine months to December 1997	Twelve months to March 1997
Assets classified as fixed assets	83,950	28,167
Assets reclassified to trading stock in prior period	<u>65,075</u>	<u>-</u>
	<u>149,025</u>	<u>28,167</u>

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 4 Directors' remuneration

Nine months to December 1997	Twelve months to March 1997
£	£

Emoluments	18,717	23,594
Company contributions to defined benefit pension schemes	2,065	2,204
	<u>20,782</u>	<u>25,798</u>

### Pensions

Nine months to December 1997	Twelve months to March 1997
£	£

The number of directors who were members of pension schemes was as follows:

Defined benefit schemes	<u>1</u>	<u>1</u>
-------------------------	----------	----------

### 5 Transactions with directors and officers

There are no transactions or arrangements which would be disclosable under schedule 7 of the Companies Act 1985.

### 6 Employee information

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

	Nine months to December 1997 Number	Twelve months to March 1997 Number
<i>By activity</i>		
Administration	2	2
Building and maintenance	3	3
Management of property investment portfolio	4	4
	<u>9</u>	<u>9</u>

### Staff costs (for the above persons)

	Nine months to December 1997 £	Twelve months to March 1997 £
Wages and salaries	108,212	121,382
Social security costs	9,425	9,855
Other pension costs	7,294	11,439
	<u>124,931</u>	<u>142,676</u>

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

7 Interest payable	Nine months to December 1997	Twelve months to March 1997
	£	£
On bank overdrafts	<u>421,021</u>	<u>534,924</u>
<b>8 Tax on profit on ordinary activities</b>		
Tax on profit / (loss) on ordinary activities before exceptionals	1997	1997
United Kingdom corporation tax at 31 December 1997 31% (31 March 1997 : 33%):	£	£
Current	<u>39,310</u>	<u>72,968</u>
Tax on profit / (loss) on exceptional items		
United Kingdom corporation tax at 31 December 1997 31% (31 March 1997 : 33%):		
Current tax on exceptional operating income	42,532	-
Current tax on exceptional non operating income	-	-
	<u>42,532</u>	<u>-</u>
Under/(over) provision in respect of prior years		
Current	-	(31,502)
Payable in respect of group relief	3,756	2,053
	<u>3,756</u>	<u>(29,449)</u>
At 31 December 1997	<u>85,598</u>	<u>43,519</u>

The tax charge for the period has been increased by approximately £36,000 (31 March 1997: £81,000) in respect of depreciation of properties on which no capital allowances are available.

The tax charge on exceptional non operating income has been reduced by £46,000 (31 March 1997: £ n/a) by the availability of capital losses.

£3,756 has been charged (31 March 1997:£2,053) in respect of amounts payable to fellow subsidiaries for group relief claimed in years for which payment was then postponed (see note 17c).

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 9 Tangible fixed assets

	Freehold land £	Freehold buildings £	Short leasehold land and buildings £	Furniture & equipment £	Total £
<i>Cost</i>					
At 1 April 1997	1,015,200	2,449,867	2,173,500	39,485	5,678,052
Additions	-	74,776	-	6,233	81,009
Disposals	(26,000)	(126,781)	-	-	(152,781)
<b>At 31 December 1997</b>	<b>989,200</b>	<b>2,397,862</b>	<b>2,173,500</b>	<b>45,718</b>	<b>5,606,280</b>
<i>Depreciation</i>					
At 1 April 1997	-	351,692	405,803	12,130	769,625
Charge for year	-	42,903	73,563	2,883	119,349
Disposals	-	(8,399)	-	-	(8,399)
<b>At 31 December 1997</b>	<b>-</b>	<b>386,196</b>	<b>479,366</b>	<b>15,013</b>	<b>880,575</b>
<b>Net book value</b>					
<b>At 31 December 1997</b>	<b>989,200</b>	<b>2,011,666</b>	<b>1,694,134</b>	<b>30,705</b>	<b>4,725,705</b>
At 31 March 1997	1,015,200	2,098,175	1,767,697	27,355	4,908,427

### 10 Stocks

	December 1997 £	March 1997 £
Properties held for resale	-	437,924

### 11 Debtors

	December 1997 £	March 1997 £
Trade debtors	70,364	61,658
Amounts owed by parent and fellow subsidiary undertakings	1,518,781	427,190
Other debtors	15,811	13,837
Prepayments and accrued income	322,782	215,485
	<b>1,927,738</b>	<b>718,170</b>

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 12 Creditors - amounts falling due within one year

	December 1997	March 1997
	£	£
Bank overdrafts(see note17b)	7,081,574	7,193,993
Trade creditors	135,633	44,087
Amounts owed to parent and fellow subsidiary undertakings	11,548	43,605
Other taxation and social security costs	5,321	2,306
Corporation tax	123,308	41,466
Other creditors	2,018	3,410
Accruals and deferred income	541,107	147,451
	<b>7,900,509</b>	<b>7,476,318</b>

Included in amounts owed to parent and fellow subsidiary undertakings is £5,809 (31 March 1997:£2,053) in respect of group relief provisionally claimed in prior years for which payment was then postponed

### 13 Provisions for liabilities and charges

	Provisions for losses on lease terminations	Deferred taxation (see below)	Total
	£	£	£
At 1 April 1997	26,800	-	26,800
Profit and loss account	(6,150)	-	(6,150)
<b>At 31 December 1997</b>	<b>20,650</b>	<b>-</b>	<b>20,650</b>

#### Deferred taxation

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

	Amount provided		Full potential liability	
	31 December 1997	31 March 1997	31 December 1997	31 March 1997
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	-	-	1,265	1,564
Other	-	-	(48,208)	(53,626)
	<b>-</b>	<b>-</b>	<b>(46,943)</b>	<b>(52,062)</b>

# Coquetdale Property Investment Limited

## Notes to the financial statements for the nine months ended 31 December 1997

### 14 Called up share capital

	December 1997 £	March 1997 £
<i>Authorised:</i> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid:</i> 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 15 Directors' interests

No director of the Company who held office on 31 December 1997 had an interest in the Company's shares or debentures either during the financial period or at 31 December 1997.

The directors who held office on 31 December 1997 had the following beneficial interests in the ordinary shares, other than share options, and debentures of the ultimate parent company, Suez Lyonnaise des Eaux:

Name of Director	Description of Shares or Debentures	31 December 1997	Start of period or subsequent date of appointment
Stuart Buchanan	Ordinary shares of 60 FF	78	-
David John Watson	Ordinary shares of 60 FF	39	-

The directors who held office on 31 December 1997 held the following options over ordinary shares of 60 FF each in Suez Lyonnaise des Eaux SA:

Name of Director	Start of period or subsequent date of appointment	Granted during period	December 1997
Ian Frederick Goodfellow	400	1,100	1,500
David John Watson	200	400	600

### 16 Reserves

	Profit and loss account £
At 1 April 1997	(1,438,449)
Profit for the period	<u>170,981</u>
At 31 December 1997	<u>(1,267,468)</u>

## Coquetdale Property Investment Limited

### Notes to the financial statements for the nine months ended 31 December 1997

#### 17 Commitments and contingent liabilities

##### (a) Lease commitments

At 31 December 1997 the company had annual commitments in respect of non-cancellable operating leases of motor vehicles as follows:

	December 1997 £	March 1997 £
Expiring between two and five years inclusive	<u>12,054</u>	<u>11,220</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 1997 was £18.1m (31 March 1997 : £14.5m).

##### (c) Corporation tax

The company may become liable to make a payment of approximately £8,000 (31 March 1997 : £13,000) in respect of group relief provisionally claimed from fellow subsidiaries for which payment has been postponed. Payment will be due when the companies which have surrendered the losses in question themselves become liable to pay mainstream corporation tax at a time when this company is still a member of the Northumbrian Water Group PLC.

#### 18 Pensions

As a subsidiary of Northumbrian Water Group PLC, the company participates in a group pension scheme. The Group operates two funded defined benefit final salary schemes, the Water Mirror Image Pension Scheme and the Water Pension Scheme.

The employer's contributions and pension costs have been assessed in accordance with advice from William M Mercer Fraser Limited. The last actuarial valuation of the schemes was carried out as at 31 March 1996. Full details of the schemes are disclosed in the accounts of Northumbrian Water Group PLC.

#### 18 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No 8 'Related Party Disclosures' from disclosing transactions with other members of the group headed by Northumbrian Water Group which produces publicly available financial statements which includes the company.

#### 19 Ultimate parent company

The ultimate parent company of the company is Suez Lyonnaise des Eaux S.A., incorporated in France. The largest group which consolidates the results of the company is Suez Lyonnaise des Eaux S.A. Copies of the consolidated accounts are available to the public from Suez Lyonnaise des Eaux S.A., 72 Avenue de la Liberte, 92753 Nanterre Cedex, Paris, France. The smallest group which consolidates the results of the company is that of which Northumbrian Water Group PLC is the parent.

Copies of the consolidated accounts may be obtained from Northumbrian Water Group PLC, Northumbria House, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3PX. Northumbrian Water Group PLC is registered in England and Wales.