

Coquetdale Property Investment Limited

**Report and Financial Statements
for the year ended 31 December 2000**

Registered number : 2379478



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Coquetdale Property Investment Limited

Report and Financial Statements for the year ended 31 December 2000

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Coquetdale Property Investment Limited

Directors' report for the year ended 31 December 2000

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 2000.

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 combined value in excess of £4.4m. The portfolio produces a rental income in the region of £1.1m. During the year the Company disposed of 4 properties, with a net book value of £109,255. During the year one leased property has come partly vacated, as a result the directors have felt it necessary to create an onerous lease provision as detailed in note 13 to the accounts and write off some related leasehold impairments. However the parent company has agreed to fund the cost of the lease and the impairment. 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 2000 was £179,762. This compares unfavorably with the £1,057,900 profit made in the previous period.

The directors do not recommend the payment of a dividend (1999: £200,000).

Directors

The directors of the Company during the year ended 31 December 2000, who were directors for the whole or part of the year to that date, were:

Stuart Buchanan	
Christopher Michael Green	Appointed 5 May 2000
Dr Roger Griffin	Resigned 31 July 2000
Barrie Stuart Lister	
David John Watson	Retired 5 May 2000

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

Directors' interests

No director of the company who held office on 31 December 2000 had an interest in the Company's shares or debentures either during the financial year or at 31 December 2000. Directors interests in the shares, share options or debentures of the Company's ultimate parent company, Suez Lyonnaise des Eaux SA, are disclosed in note 15 to these financial statements.

Coquetdale Property Investment Limited

Directors' report for the year ended 31 December 2000 (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.

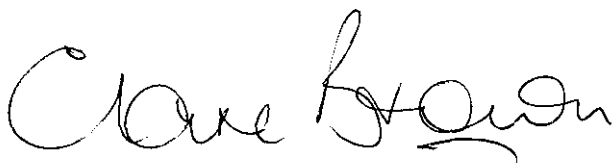
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3PX

Date: 26 April 2001

Auditors' report to the members of Coquetdale Property Investment Limited

We have audited the financial statements on pages 4 to 15, 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 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our professions ethical guidance.

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 2000 and of its 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

Date: *26* April 2001

Coquetdale Property Investment Limited

Profit and loss account for the year ended 31 December 2000

		Twelve months to December Note 2000 £	Twelve months to December 1999 £
Turnover	2	1,417,320	1,447,221
Operating costs - continuing operations	3	(1,393,643)	(1,401,064)
Exceptional operating costs -provision for diminution in value of fixed assets		-	(43,000)
Operating profit		<u>23,677</u>	<u>3,157</u>
Net profit on sale of fixed assets		120,245	1,308,017
Interest payable	7	<u>(325,683)</u>	<u>(310,676)</u>
(Loss)/profit on ordinary activities before taxation		(181,761)	1,000,498
Tax on (loss)/profit on ordinary activities	8	<u>1,999</u>	<u>57,402</u>
(Loss)/profit on ordinary activities after taxation		(179,762)	1,057,900
Dividend proposed		<u>-</u>	<u>(200,000)</u>
Retained (loss)/profit for the year	16	<u>(179,762)</u>	<u>857,900</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 15 form an integral part of these financial statements.

Coquetdale Property Investment Limited

Balance sheet as at 31 December 2000

	Note	31 December 2000 £	31 December 1999 £
Fixed assets			
Tangible assets	9	<u>4,407,814</u>	<u>4,651,405</u>
Current assets			
Debtors	10	<u>2,586,720</u>	<u>2,628,786</u>
Cash at bank and in hand		<u>250</u>	<u>250</u>
		<u>2,586,970</u>	<u>2,629,036</u>
Creditors - amounts falling due within one year	11	<u>(3,689,610)</u>	<u>(7,076,248)</u>
Net current liabilities		<u>(1,102,640)</u>	<u>(4,447,212)</u>
Total assets less current liabilities		<u>3,305,174</u>	<u>204,193</u>
Creditors - amounts falling due after more than one year	12	<u>(2,241,904)</u>	<u>-</u>
Provisions for liabilities and charges	13	<u>(1,087,849)</u>	<u>(49,010)</u>
Net (liabilities)/assets		<u>(24,579)</u>	<u>155,183</u>
Capital and reserves			
Called up share capital	14	<u>2</u>	<u>2</u>
Profit and loss account	16	<u>(24,581)</u>	<u>155,181</u>
Equity shareholders' (deficit)/funds		<u>(24,579)</u>	<u>155,183</u>
Reconciliation of movements in equity shareholders' funds			
		<u>2000</u>	<u>1999</u>
		£	£
(Loss)/profit retained for the year		<u>(179,762)</u>	<u>857,900</u>
Opening equity shareholders' funds/(deficit)		<u>155,183</u>	<u>(702,717)</u>
Closing equity shareholders' (deficit)/funds		<u>(24,579)</u>	<u>155,183</u>

The financial statements on pages 4 to 15 were approved by the board of directors and were signed on its behalf by:



Director
Date: 26 April 2001

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 2000

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 2000 of £1,102,640 (1999: £4,447,212). The Company's immediate parent undertaking, 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 Northumbrian Water Group PLC and the cash flows of the company are included in the consolidated cash flow statement of Northumbrian Water Group 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 2000 (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 2000 £	Twelve months to December 1999 £
Operating costs comprise:		
Materials and consumables	770	2,691
Other external charges	71,499	77,441
Manpower costs (see note 6)	159,587	157,662
Depreciation	292,440	157,906
Other operating charges	869,347	1,005,364
	<u>1,393,643</u>	<u>1,401,064</u>
	Twelve months to December 2000 £	Twelve months to December 1999 £
The preceding costs include:		
Depreciation of owned tangible fixed assets	30,133	59,014
Operating leases - land & buildings	334,000	334,000
Operating leases - motor vehicles	10,996	11,005
Auditors' remuneration for audit services	2,500	2,500
Redundancy costs	-	10,000

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Notes to the financial statements for the year ended 31 December 2000 (continued)

4 Directors' remuneration

None of the directors received remuneration from the company during the year (1999 - £nil).

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 2000 Number	Twelve months to December 1999 Number
<i>By activity</i>		
Administration	5	3
Building and maintenance	1	1
Management of property investment portfolio	4	5
	<u>10</u>	<u>9</u>
	Twelve months to December 2000 £	Twelve months to December 1999 £
<i>Staff costs (for the above persons)</i>		
Wages and salaries	134,334	134,095
Social security costs	13,266	12,664
Other pension costs	11,987	10,903
	<u>159,587</u>	<u>157,662</u>

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Notes to the financial statements for the year ended 31 December 2000 (continued)

7 Interest payable	Twelve months to	Twelve months to
	December 2000	December 1999
	£	£
On loans & bank overdrafts	<u>325,683</u>	<u>310,676</u>
8 Tax on profit on ordinary activities	Twelve months to	Twelve months to
	December 2000	December 1999
	£	£
United Kingdom corporation tax at 30% (31 December 1999 : 30.25%):		
Deferred	66,000	44,760
Receivable in respect of group relief	<u>(53,900)</u>	<u>(94,681)</u>
	<u>12,100</u>	<u>(49,921)</u>
Under/(over) provision in respect of prior years:		
Current	-	(10,117)
Deferred	28,240	-
Payable in respect of group relief	<u>(42,339)</u>	<u>2,636</u>
	<u>(14,099)</u>	<u>(7,481)</u>
	<u>(1,999)</u>	<u>(57,402)</u>

The tax credit for the year has been reduced by approximately £80,000 (1999: £57,000) in respect of depreciation of properties on which no capital allowances are available, and has been increased by approximately £18,000 (1999: £380,000) in respect of property disposals that are sheltered for tax purposes.

£nil (1999: £2,636) 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).

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Notes to the financial statements for the year ended 31 December 2000 (continued)

9 Tangible fixed assets

	Freehold land £	Freehold buildings £	Short leasehold land and buildings £	Furniture & equipment £	Total £
Cost					
At 1 January 2000	329,200	772,674	4,473,364	61,285	5,636,523
Additions	-	1,681	151,359	5,064	158,104
Disposals	(66,200)	(48,756)	-	-	(114,956)
At 31 December 2000	263,000	725,599	4,624,723	66,349	5,679,671
Depreciation					
At 1 January 2000	-	279,486	677,761	27,871	985,118
Charge for year	-	17,583	262,307	12,550	292,440
Impairment losses	193,000	(193,000)	-	-	-
Disposals	-	(5,701)	-	-	(5,701)
At 31 December 2000	193,000	98,368	940,068	40,421	1,271,857
Net book value					
At 31 December 2000	70,000	627,231	3,684,655	25,928	4,407,814
At 31 December 1999	329,200	493,188	3,795,603	33,414	4,651,405

10 Debtors

	31 December 2000 £	31 December 1999 £
Trade debtors	74,903	28,255
Amounts owed by parent and fellow subsidiary undertakings	2,188,455	2,234,011
Other debtors	15,379	128,599
Corporation tax repayable	93,008	95,808
Prepayments and accrued income	214,975	142,113
	2,586,720	2,628,786

Included in amounts owed by parent and fellow subsidiary undertakings is £nil (31 December 1999: £6,527) in respect of surrendered ACT and £80,420 (31 December 1999: £94,681) in respect of group relief receivable from fellow subsidiaries.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

11 Creditors - amounts falling due within one year

	31 December 2000	31 December 1999
	£	£
Bank overdrafts(see note17b)	2,844,712	6,017,144
Trade creditors	82,540	34,957
Amounts owed to parent and fellow subsidiary undertakings	516,308	642,971
Other taxation and social security costs	3,194	4,062
Other creditors	30,702	4,034
Accruals and deferred income	212,154	373,080
	<u>3,689,610</u>	<u>7,076,248</u>

Included in amounts owed to fellow and subsidiary undertakings is £nil (31 December 1999: £2,661) in respect of group relief provisionally claimed in prior years for which payment was then postponed.

12 Creditors - amounts falling due after more than one year

	31 December 2000	31 December 1999
	£	£
Amounts owed to parent and fellow subsidiary undertakings	<u>2,241,904</u>	<u>-</u>

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Notes to the financial statements for the year ended 31 December 2000 (continued)

13 Provisions for liabilities and charges

	Provision for onerous leases	Deferred taxation (see below)	Total
	£	£	£
At 1 January 2000	4,250	44,760	49,010
Charge to profit and loss account	-	94,240	94,240
Created in the year	948,849	-	948,849
Utilised during the year	(4,250)	-	(4,250)
At 31 December 2000	948,849	139,000	1,087,849

Deferred taxation

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

	Amount provided		Full potential liability/(asset)	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	170,000	94,430	170,000	94,430
Other	(31,000)	(49,670)	(31,000)	(49,670)
	139,000	44,760	139,000	44,760

The movement on the provision for deferred taxation is as follows:

	£
At 1 January 2000	44,760
Transferred to profit and loss account	94,240
At 31 December 2000	139,000

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 2000	31 December 1999
	£	£
<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 2000 (continued)

15 Directors' interests

No director of the company who held office on 31 December 2000 had an interest in the Company's shares or debentures either during the financial year or at 31 December 2000.

The directors who held office on 31 December 2000 had the following beneficial interests in the ordinary shares, other than share options, and debentures of the Company's ultimate parent company, Suez Lyonnaise des Eaux 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>
Stuart Buchanan	Ordinary Shares of 10 Euros	280	276
Barrie Stuart Lister	Ordinary Shares of 10 Euros	351	180
Christopher Michael Green	Ordinary Shares of 10 Euros	489	264

The directors who held office on 31 December 2000 held the following options over ordinary shares of 10 Euros each in Suez Lyonnaise des Eaux 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	2,400	900	3,300
Barrie Stuart Lister	500	-	500

No options have lapsed during the year.

No director holds any other interests 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 2000 (continued)

16 Reserves

	Profit and loss account £
At 1 January 2000	155,181
Retained loss	(179,762)
At 31 December 2000	(24,581)

17 Commitments and contingent liabilities

(a) Lease commitments

At 31 December 2000 the company had annual commitments in respect of non-cancellable operating leases of motor vehicles as follows:

	31 December 2000 £	31 December 1999 £
Expiring within one year	392	-
Expiring between two and five years inclusive	4,800	13,552
	5,192	13,552

(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 2000 was £23.3m (31 December 1999 : £18.2m).

(c) Corporation tax

The company may become liable to make a payment of approximately £1,000 (31 December 1999 : £1,000) 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.

Coquetdale Property Investment Limited

Notes to the financial statements for the year ended 31 December 2000 (continued)

18 Pensions

As a subsidiary of Northumbrian Water Group PLC, the company participates in a group pension scheme. The Group operates a funded defined benefit pension scheme providing benefits based on final pensionable remuneration. The scheme, named the Northumbrian Lyonnaise Pension Scheme, comprises three sections reflecting the transfer from the Water Pension Scheme in 1998 and an existing separation between different businesses within the Group.

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

Details of the scheme and its latest actuarial valuation, carried out as at 31 December 1998 are shown below.

Section	South	North	WPS
Members' Contributions	5%	5%	6%
Employer's Contributions	Nil	6.3%	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 market value of assets for the whole Scheme as at 31 December 1998 was £416.2m. The 1998 valuation disclosed that the value of the assets of the whole Scheme represented 114% of the value of the accrued liabilities of the whole Scheme.

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 60 employees. The last actuarial valuation was carried out at 31 March 1998.

The Northumbrian Water Group Personal Pension Plan provides defined contribution benefits to 670 employees.

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., 1 Rue d'Astorg, 75008, 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.