

**UK WATER INDUSTRY RESEARCH LIMITED**

**REPORT AND  
ACCOUNTS**

**FOR THE YEAR ENDED  
31 MARCH 2002**

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*Registered number:*

2862807



**UK WATER INDUSTRY RESEARCH LIMITED**  
**(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)**

**ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

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**UK WATER INDUSTRY RESEARCH LIMITED**  
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**COMPANY INFORMATION**  
**AT 31 MARCH 2002**

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**BOARD OF DIRECTORS**

**Water Service Companies**

John Baynard  
Director of Asset Management  
Severn Trent Water Limited

John Barnes  
Licence to Operate Director  
United Utilities Water plc

Dr Stephen Bird  
Operations Director  
South West Water Limited

Charles Harries  
Water Planning and Strategy Manager  
Corporate Strategy  
Southern Water Services Limited  
(to 30 June 2001)

Barrie Delacour  
Corporate Strategy Director  
Southern Water Services Limited  
(from 1 July 2001)

Ceri Jones  
Regulation & Competition Director  
Northumbrian Water Limited

Chris Newsome  
Manager of Investment Planning  
Yorkshire Water Services Limited

John Sexton  
Managing Director  
Thames Water Utilities Limited

Paul Woodcock  
Head of Water Quality & Environmental Regulation  
Anglian Water Services Limited  
(to 1 July 2002)

**Water Supply Companies**

David Alexander  
Managing Director  
Three Valleys Water plc

Roger Harrington  
Technical Director  
Bournemouth & West Hampshire Water plc

**Scotland**

John Rae  
General Manager, Operations  
Scottish Water

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**COMPANY INFORMATION**  
**AT 31 MARCH 2002**

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Northern Ireland

Henry Thompson  
Technical Director  
Northern Ireland Water Service

**OFFICERS AND PROFESSIONAL ADVISERS**

**Chairman**

John Sexton

**Director**

Dr Michael Farrimond

**Company Secretary**

Averil Zaniboni

**Programme Coordinator**

Pauline Avery

**Programme Manager**

Gordon Wheale

**Office Manager**

Carol Ham

**Accountant**

W M Haigh & Co

**Auditors**

BDO Stoy Hayward

**Bankers**

Yorkshire Bank plc

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**DIRECTORS' REPORT**

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The company directs and procures a three-year rolling programme of research for UK water operators on 'one voice' issues. This is the company's eighth annual report and audited accounts covering the year to 31 March 2002.

**CONSTITUTIONAL FRAMEWORK**

Since 1999, the Board has continued to assume a strategic role on behalf of the water industry. This was in response to a request from its members who felt that the Board of UK Water Industry Research Limited (UKWIR) should set the strategic direction for research on behalf of the industry, as well as be responsible for the development and delivery of the programme. That role also requires it to agree business needs driving research and to determine overall priorities. Directors continue to be appointed to the Board from senior people in the industry whose experience covers a wide range of disciplines and interests.

Part of the Board's remit is to enhance the value for members by increasing collaboration with other bodies interested in carrying out research on similar issues and ensure feedback at all levels.

In accordance with the provisions in Article 5 of the Articles of Association, Glas Cymru (formerly Dwr Cymru Welsh Water), gave notice of resignation during 2000/2001. Dwr Cymru later decided to continue to pay its full subscription to UKWIR for 2002/03.

**PRINCIPAL ACTIVITIES**

From 1 April 2001 Dr Mike Farrimond was appointed full-time (instead of part-time) and has concentrated on encouraging increased collaboration both nationally and internationally. His role includes development of UKWIR's R & D and business strategies, development of international collaboration and raising the profile of UKWIR in the UK and the international water community.

The research programme continues to cover the following main subject areas: drinking water quality and health; toxicology; water resources; climate change; waste water treatment; sewage sludge; water mains and services sewerage; as well as regulatory and customer issues. Having consulted the industry in depth as well as collaborators and stakeholders, the Board has set down its long-term strategy.

During the year, UKWIR has driven the process for the identification and specification of new research projects by holding two UKWIR Advisory Group meetings where the industry has been widely represented to formulate proposals for research as well as prioritise them to meet business needs. In 2002 the proposals have been posted on UKWIR's web site to facilitate feedback from the industry.

During 2001/2002, collaborative work continued with government departments. These included the Department for Environment, Food and Rural Affairs (DEFRA) formerly the Department of the Environment, Transport and Regions and incorporating the former Ministry of Agriculture, Fisheries and Food (MAFF), the Drinking Water Inspectorate (DWI) and the Environment Agency.

UKWIR has successfully established closer links outside the UK in order to enhance the value of the programme and to promote the transfer of knowledge. Several projects of mutual interest have been identified for joint funding with the American Water Works Association Research Foundation (AWWARF) and the Water Environment Research Foundation (WERF) in the USA. In addition UKWIR is one of the participating organisations in the Global Water Research Coalition that has eleven partners drawn from Australia, France, the Netherlands, South Africa and the USA. Dr Farrimond is Vice Chairman and proposals for joint collaboration have been identified.

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**DIRECTORS' REPORT**

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In addition, relationships have been sought for closer collaboration in Europe, both with the European Commission and colleague organisations in other member states. This has been facilitated by representation and input into EUREAU (European Union of National Associations of Water Suppliers and Waste Water Services). UKWIR has continued to work with the Engineering and Physical Sciences Research Council (EPSRC) in the dissemination of outputs from the Water Infrastructure and Treatment Engineering (WITE) programme to the industry. A number of dissemination workshops have been arranged and hosted by UKWIR.

**OPERATING OF THE COMPANY**

The members of UKWIR set a price cap for subscription income from members of £2,828K for the 2001/2002 programme.

Project management continues to be performed by a mixture of companies/authorities within the water industry and consultants employed specifically. In order to facilitate the process for letting work, much effort continues towards improving model tender documents for use by all project managers with enhanced requirements of contractors, such as milestones against stage payments together with model contractual terms for use both within the UK and internationally.

UKWIR continues to publish and distribute reports from research projects. By the end of June 2002 the number of reports had reached 332. The full text and contents of all reports in the public domain are produced in a CD ROM, which is updated twice a year. The UKWIR web site ([www.ukwir.org](http://www.ukwir.org)) is used to publicise the UKWIR programme and news. Reports are listed on the web site and public domain reports can be purchased on-line.

Project dissemination through seminars and workshops continues and a further two regional technology transfer days have been organised - one in Scotland and one in Northern Ireland.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

UKWIR views the dissemination and implementation of technical results as crucial and has asked contractors to plan for and arrange technology transfer workshops at the conclusion of projects. UKWIR will seek to utilise all opportunities to disseminate information arising from its research programme into the industry.

Water UK Council members continue to be provided on a bi-monthly basis with an UKWIR briefing sheet that summarises the value and benefits to members achieved from a particular project area.

'UKWIR News' is published on a quarterly basis both separately and as an insert in the industry's 'Water' magazine. It is circulated to many industry professionals around the world.

An improved web site with increased functionality has been developed. This has updated UKWIR's image and allowed a number of activities, such as gathering research ideas, prioritising research options etc. to be undertaken on-line. Plans for future developments are under discussion.

**FUNDING**

Funding is based on population served by the parties to UKWIR and the amount is adjusted to reflect the split between research on potable and waste water projects. In 2001/02 two calls for funds were made to finance the company's operations. Where funding is shared with collaborators, funds are called in from parties other than the water industry. In 2001/02, a number of contracts had collaborators as sponsors, who made funds of £230,206 (2000/01: £339,114) available through UKWIR.

The accounts for the year ended 31 March 2002 show income of £2,998,090 which produced an operating deficit of £38,598. After interest of £40,449 and taxation, the result was a surplus of £1,851. Expenditure will continue to be reconciled between research and development on potable water and that on waste water and sewerage.

**DIRECTORS AND OFFICERS**

The directors and officers at 31 March 2002 are shown on pages 1 to 2, together with any subsequent changes.

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**DIRECTORS' REPORT**

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**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 as at the end of the financial year and of the surplus or deficit of the company for that period. In preparing those 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

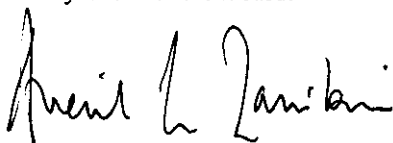
**AUDITORS**

BDO Stoy Hayward continue to be the company's auditors

**ANNUAL GENERAL MEETINGS**

Since 10 April 1995, elective resolutions have been in force to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the obligation to re-appoint auditors annually.

By Order of the Board:



.....  
Averil Zaniboni  
Company Secretary

Date: 24 October 2002

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**REPORT OF THE INDEPENDENT AUDITORS**

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**To the members of UK Water Industry Research Limited**

We have audited the accounts of UK Water Industry Research Limited for the year ended 31 March 2002 on pages 7 to 14 which have been prepared under the basis of accounting policies set out on page 10.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the accounts 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 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 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 judgments 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 as to whether 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 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.

*BDO Stoy Hayward*

.....  
**BDO Stoy Hayward**  
**Chartered Accountants & Registered Auditors**

**The Manor House**  
**260 Eccleshall Road South**  
**Sheffield**  
**S11 9AT**

**- 4 NOV 2002**  
Date: .....



**UK WATER INDUSTRY RESEARCH LIMITED**  
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**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
<b>INCOME</b>	2	2,998,090	2,750,857
Expenditure		3,036,688	2,797,858
		<hr/>	<hr/>
<b>OPERATING DEFICIT</b>	3	(38,598)	(47,001)
Interest receivable	4	40,449	41,343
		<hr/>	<hr/>
<b>SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	1,851	(5,658)
Tax		-	-
		<hr/>	<hr/>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	11	1,851	(5,658)
		<hr/>	<hr/>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years.

**Total recognised gains and losses**

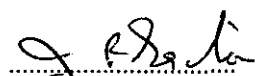
The company has no recognised gains or losses other than the surplus or deficit for the above two financial years.

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**BALANCE SHEET**  
**AT 31 MARCH 2002**

			2002		2001
	Notes	£	£	£	£
<b>CURRENT ASSETS</b>					
Debtors	9	163,502		209,519	
Cash at bank and in hand		1,196,808		963,056	
		<u>1,360,310</u>		<u>1,172,575</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	(1,383,589)		(1,197,705)	
		<u></u>		<u></u>	
<b>NET CURRENT LIABILITIES</b>			(23,279)		(25,130)
			<u></u>		<u></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(23,279)		(25,130)
			<u></u>		<u></u>
<b>REVENUE RESERVES</b>					
Accumulated revenue deficit	11		(23,279)		(25,130)
			<u></u>		<u></u>

Approved by the Board of directors on 24 October 2002 and signed on its behalf by:

  
 John Sexton  
 Chairman

The notes on pages 10 to 14 form part of these accounts.

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
Net cash inflow / (outflow) from operating activities	3	193,303	(330,474)
Interest received	12	40,449	41,343
Cash inflow / (outflow) before use of liquid resources and Financing		233,752	(289,131)
<b>INCREASE / (DECREASE) IN CASH IN THE YEAR</b>		233,752	(289,131)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
	13		
<b>INCREASE / (DECREASE) IN CASH IN THE YEAR</b>		233,752	(289,131)
Change in net funds resulting from cash flows		233,752	(289,131)
Movement in funds in the year		233,752	(289,131)
Net funds at 1 April 2001		963,056	1,252,187
Net funds at 31 March 2002		1,196,808	963,056

The notes on pages 10 to 14 form part of these accounts

**NOTES TO THE ACCOUNTS**

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**1. STATEMENT OF ACCOUNTING POLICIES**

The accounts for the period are prepared on the historical cost basis and in accordance with applicable accounting standards in the United Kingdom.

The company has taken advantage of paragraph 3 (3) of Schedule 4 of the Companies' Act 1985 to adapt the headings otherwise required by paragraph 1 of Schedule 4 as the special nature of the company's business requires such adaptation.

A summary of the more important accounting policies which have been applied consistently is set out below:

**Income**

Income represents contributions from members of the company and collaborators, shared income from the sale of toxicity datasheets and sales of reports, excluding Value Added Tax.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**Pension costs**

The company participates in the Water Companies' Pension Scheme (WCPS), a defined benefit scheme for staff employed by UKWIR prior to 1 May 2000. WCPS is managed by corporate trustees, the Water Companies (Pension Fund) Trustee Company, and is accounted for separately from the company's finances. The company's contributions are paid in accordance with actuarial advice and are charged so as to spread the cost of liabilities over the expected remaining service lives of current employees.

From 1 May 2000, new employees have been offered a personal pension arranged by UKWIR. The amount charged to the profit and loss account represents the amounts contributed during the period.

**2. INCOME**

	2002 £	2001 £
<b>Analysis by class of business:</b>		
Contributions receivable from members	2,759,448	2,403,068
Contributions receivable from collaborators	225,000	339,114
Publications	3,976	8,675
Other	9,666	-
	<hr/> 2,998,090	<hr/> 2,750,857

During 2001/02, all contributions funded activities predominantly within the United Kingdom with the exception of shared expenses for a jointly funded workshop held in Montreal.

The notes on pages 10 to 14 form part of these accounts

**UK WATER INDUSTRY RESEARCH LIMITED**  
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**NOTES TO THE ACCOUNTS**

**3. OPERATING DEFICIT**

<b>Operating deficit is stated</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>After charging:</b>		
Auditors' remuneration	2,100	1,549
Non-audit service remuneration paid to auditors	629	500
Operating lease rentals		
Office accommodation	29,943	29,285
	<hr/>	<hr/>
<b>Reconciliation of operating deficit to net cash inflow / (outflow) from operating activities</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Operating deficit	(38,598)	(47,001)
Decrease in debtors	46,017	295,170
Increase / (decrease) in creditors	185,884	(578,643)
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from operating activities</b>	<b>193,303</b>	<b>(330,474)</b>
	<hr/>	<hr/>

**4. INTEREST RECEIVABLE**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Interest received and receivable</b>		
Bank interest	40,449	41,343
	<hr/>	<hr/>

**5. INFORMATION ON DIRECTORS AND EMPLOYEES**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Staff costs</b>		
Wages and salaries	173,423	203,419
Social security costs	17,197	17,984
Other pension costs	18,510	25,276
	<hr/>	<hr/>
	<b>209,130</b>	<b>246,679</b>
	<hr/>	<hr/>

The average number of persons employed by the company during the year was 5 (2001 : 5)

**NOTES TO THE ACCOUNTS**

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**6. DIRECTORS**

The Board did not receive any remuneration for their services to the company.

**7. PENSION COSTS**

As a result of decisions made by Water UK with regard to the staff who had been employed by Water UK in 1999 and seconded to UKWIR, the company continues to participate in the Water Companies' Pension Scheme (WCPS), a defined benefit scheme for staff employed prior to 1 May 2001. The total pension cost for the year was £18,510 (2001 : £25,276).

An independent qualified actuary, using the following major assumptions in accordance with the transitional arrangements of FRS17 carried out an actuarial valuation as at 31 March 2002.

**Assumptions**

Inflation	2.8%
Pension increases	2.8%
Salary increases	4.8%
Discount rate	6.1%

Expected 2002/03 return for:

Equities	8.3%
Bonds/gilts	5.2%
Corporate bonds	6.1%
Property	6.7%
Cash	5.2%

The market value of the assets of the Section at 31 March 2002 was £179,000, composed of 80% equities, 12% bonds/gilts, 4% corporate bonds, 3% property and 1% cash. At the same date, the present Value of the Section's liabilities, under the FRS17 assumptions, was £199,000. Under FRS17, the Section would therefore be represented on the balance sheet as a liability of £20,000 (£14,000 net of deferred tax).

As a result of a review of pension arrangements for all UKWIR's employees, the Board agreed in October 2000 that from 1 May 2000 new employees would be offered a personal pension to which UKWIR would contribute a maximum of 6%. In addition an insurance provision for a death in service benefit (of two years' salary) would be maintained and all employees with personal pensions would be Contracted in to SERPS. The amount charged to the profit and loss account during the year amounted to £2,624 (2001: £2,413).

**UK WATER-INDUSTRY RESEARCH LIMITED**  
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**NOTES TO THE ACCOUNTS**

**8. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Corporation tax at 10%	-	-
The tax assessed for the period is less than the standard rate of corporation tax in the UK. The differences are explained below:		
Surplus/(deficit) on ordinary activities before tax	<u>1,851</u>	<u>(5,658)</u>
Corporation tax at 20%	185	-
Capital allowances in excess of depreciation	(326)	-
Disallowable expenses	450	-
Utilisation of tax losses	(309)	-

**9. DEBTORS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade debtors	37,883	16,926
Other debtors	112,465	178,681
Prepayments and accrued income	13,154	13,912
	<u>163,502</u>	<u>209,519</u>

**10. CREDITORS: amounts falling due within one year**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade creditors	584,375	501,731
Other taxes and social security costs	6,169	19,866
Other creditors	261	11,606
Accruals and deferred income	792,784	664,502
	<u>1,383,589</u>	<u>1,197,705</u>

The Notes on pages 10 to 14 form part of these accounts

**UK WATER-INDUSTRY RESEARCH LIMITED**  
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**NOTES TO THE ACCOUNTS**

**11. REVENUE RESERVES DEFICIT**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Accumulated deficit as at 1 April 2001	(25,130)	(19,472)
Surplus / (deficit) for the year	1,851	(5,658)
	<hr/>	<hr/>
Accumulated deficit as at 31 March 2002	(23,279)	(25,130)

**12. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Interest received</b>		
Bank interest received	40,449	41,343
	<hr/>	<hr/>

**13. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>2001</b>	<b>Cash flow</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	963,056	233,753	1,196,809
	<hr/>	<hr/>	<hr/>

**14. STATUS OF THE COMPANY**

The company is incorporated as a company limited by guarantee not having a share capital. The liability is guaranteed and limited to £1 to each member of the company.

**15. REVENUE COMMITMENTS**

At the year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	<b>Office Accommodation</b>		<b>Other</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	32,934	29,942	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**16. MOVEMENT OF FUNDS STATEMENTS**

A separate movement of funds statement is not provided as there are no changes for the current or previous year other than the retained deficit in the income and expenditure account.

The notes on pages 10 to 14 form part of these accounts