

KELDA GROUP PENSION TRUSTEES LIMITED

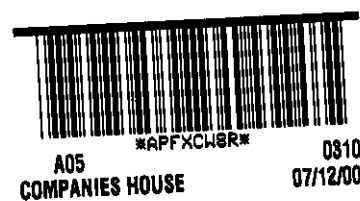
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2000

Registered Office: 2 The Embankment
Sovereign Street
Leeds
LS1 4BG

Registered Number: 3309639



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KELDA GROUP PENSION TRUSTEES LIMITED
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MEMBERS OF THE COMPANY

Kelda Group plc

BOARD OF DIRECTORS

Derek Roberts (Chairman)

Richard Ackroyd

John Boutwood *(Resigned 24 September 1999)*

Jonson Cox *(Resigned 31 March 2000)*

Andre Crosland

Eddie Goult

John Kidd

Phil Jennison

James H. Newman

David J. Brimblecombe – *as alternate for Derek Roberts, Jonson Cox and James Newman. Appointed in full as of 10 April 2000.*

Kevin Bond *- (Resigned 10 April 2000)*

OFFICER OF THE COMPANY

D. J. Brimblecombe

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REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the third Report of the Kelda Group Pension Trustees Limited ("the Trustees") and the audited financial statements for the year ended 31 March 2000.

Following the change in the name of the principal employer to Kelda Group plc, the company's name also changed to the Kelda Group Pension Trustees Limited on 31 August 1999.

Principal activities of the Company

The Company was established to act as the corporate trustee of the Kelda Group Pension Plan ("the Plan"). It was incorporated on 29 January 1997 as a company limited by guarantee. It holds the assets of the Plan on behalf of members, pensioners and other beneficiaries in a trust fund ("the Fund") which is completely separate from the assets of the participating employers. The role of the Trustees is to administer the Plan, manage the Plan's investments and ensure that the assets of the Plan are sufficient to meet its liabilities.

There have been no transactions during the year.

The appointment and role of the Trustee

The powers of appointment and removal of the Trustee and the Directors of the Trustees ("the Trustee Directors") are vested in Kelda Group plc by the Trust Deed.

On 25 September 1998 six member-elected Trustee Directors were appointed.

The transfer of the members of the Water Mirror Image Scheme and the Water Companies' Pension Scheme to the Plan constituted a "relevant event" under the Member-Nominated Trustee ("MNT") Regulations of the Pensions Act 1995. This required the existing Trustee Directors of the Plan to consider whether the existing MNT appointment procedures were still appropriate. The Trustee Directors decided that the existing procedures were no longer appropriate and asked the Principal Employer, Kelda Group plc, to consider adopting revised arrangements. Following the request from the Trustees, the Company agreed that it would be appropriate to introduce new procedures, and sought the approval of the Plan membership so that these could be put in place.

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The appointment and role of the Trustee (continued)

In summary, the new proposals comprise:

- Elections for all six MNTs will be held in September 2000, so the membership can consider the Trustee Board together, rather than in a piecemeal fashion.
- Following the first election, three MNTs will take-up office for three years and the remaining three for 18 months. The initial terms of office will be decided by the results of the ballot. Elections will then be held every 18 months. This means that not more than half of the MNTs would be replaced at any one time, enabling continuity.

The Trustee holds the assets of the Plan on behalf of members, pensioners and other beneficiaries in a trust fund ("the Fund") which is completely separate from the assets of the employers. Acting impartially in the best interests of all members and pensioners, its role is to administer the Plan, manage the investments of the Fund and ensure that its assets are sufficient to meet its liabilities.

During the year ended 31 March 2000 the Trustee met on four occasions to discuss matters associated with the administration and management of the Plan.

Finance

The Company is a non-profit making enterprise. In accordance with the provisions of Clause 15.01 of the Definitive Trust Deed for the Plan, the costs, charges and expenses incurred by the Trustees are borne by the Plan.

Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year that 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 result for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 March 2000. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

Year 2000

The Directors duly considered the potential risks and uncertainties associated with a systems failure caused by the Year 2000 problem. Action was taken to address these issues which was completely successful in all respects.

An assessment has been performed by the Directors and the assessment is disclosed in the Kelda Group Pension Plan Annual Report.



29-9-2000

BY ORDER OF THE BOARD

D. J. BRIMBLECOMBE
DIRECTOR AND SECRETARY

KELDA GROUP PENSION TRUSTEES LIMITED
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AUDITORS' REPORT

TO THE MEMBERS OF THE KELDA GROUP PENSION TRUSTEES LIMITED

We have audited the financial statements on page 6 which have been prepared under the historical cost convention.

Respective responsibilities of the Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

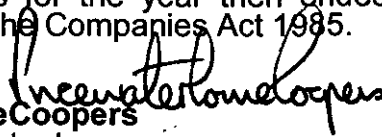
Basis of audit opinion

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 for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Sheffield

2 October 2000

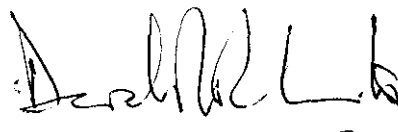
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BALANCE SHEET AT 31 MARCH 2000

	2000 £	1999 £
Current Assets		
Debtors	-	-
Cash at bank	-	-
	<hr/>	<hr/>
	-	-
Current Liabilities		
Creditors (Amounts falling due within one year)	-	-
Net Current Assets	-	-
	<hr/>	<hr/>
Net Assets	-	-
	<hr/>	<hr/>
Revenue Reserves	-	-
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This financial statement was approved by the Board of Directors of Kelda Group Pension Trustees Limited on 29 / 9 2000 and was signed on its behalf by:


Director


Director

PDR7