

FRE Limited (a company limited by guarantee)

Report and Financial Statements

31 March 2004



FRE Limited

Registered No: 4337181

Directors

P J Hudson

I Leece

Secretary

J C Downes

Auditors

Ernst & Young LLP

PO Box 61

Cloth Hall Court

14 King Street

Leeds

LS1 2JN

Registered office

Western House

Halifax Road

Bradford

BD6 2SZ

Directors' report

The directors present their report and the audited accounts for the period ended 31 March 2004.

Principal activities and review of business developments

The company was incorporated on 10 December 2001.

The company has not traded since its incorporation.

On 7 January 2002 the company acquired all of the issued share capital of Best Selection Limited. It subsequently disposed of these shares on 23 April 2002.

Directors and their interests

There are no directors interests in FRE Limited requiring disclosure under the Companies Act 1985.

The directors of the company during the period ended 31 March 2004 were as listed on page 1.

Directors shareholdings

The interests of the directors holding office at 31 March 2004 in the shares of Kelda Group plc were:

	<i>Ordinary shares at 31 March 2004</i>	<i>Ordinary shares at 1 April 2003</i>
I Leece	4,036	4036

PJ Hudson had no interest in the shares of Kelda Group plc, the ultimate parent undertaking, during the year.

Directors share options

	<i>At 31 March 2003</i>	<i>Granted during year</i>	<i>Lapsed during period</i>	<i>Exercised during period</i>	<i>At 31 March 2004</i>	<i>Exercise Price (p)</i>	<i>Date options exercisable</i>	<i>Market price at date of exercise (p)</i>
P J Hudson	6,018	-	-	-	6,018	275	01.03.2005	-
I Leece	2,953	-	-	-	2,953	320	01.03.2006	-

The market price of the shares subject to these options at 31 March 2004 was 450.75p (2003: 409.5p) ranging from 404.00p to 469.25p during the year. The aggregate gain on exercise of share options during the period was £nil (2002: £7,507).

Long term incentive plan of Kelda Group plc

Interest of the directors in the plan are:

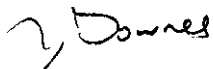
	<i>At 31 March 2003</i>	<i>Granted during period</i>	<i>Vested during period</i>	<i>Lapsed during period</i>	<i>At 31 March 2004</i>	<i>Earliest vesting date</i>
P J Hudson	7,657	-	-	-	7,657	07.06.2004
	7,167	-	-	-	7,167	11.06.2005
	-	16,707	-	-	16,707	02.09.2006
I Leece	2,959	-	-	-	2,959	07.06.2004
	2,738	-	-	-	2,738	11.06.2005
	-	6,087	-	-	6,087	02.09.2006

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board


✓ J.C. Downes
Secretary
9 July 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 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;
- 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 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.

Independent auditors' report

to the members of FRE Limited

We have audited the company's financial statements for the period ended 31 March 2004 which comprise the Balance sheet and the related notes 1 to 5. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 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 audit 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 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.

Independent auditors' report

to the members of FRE Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Leeds

27 July

2004

Balance sheet

at 31 March 2004

	2004 £
Net assets	-
Capital and reserves	-

This financial statement was approved by the Board of Directors of FRE Limited on 9 July 2004 and was signed on its behalf by:

P J Hudson



Director

Notes to the financial statements

at 31 March 2004

1. Basis of accounting

The accounts of the Company are prepared under the historical cost convention in compliance with all applicable accounting standards (Financial Reporting Standards 'FRS', Statement of standard Accounting Practice 'SSAP' and Urgent Issues Task Force abstract 'UITF') and, except where otherwise stated in the notes to the accounts, with the Companies Act 1985.

The accounting policies have been reviewed in accordance with the requirements of FRS 18. The directors consider that the accounting policies set out below remain most appropriate to the company's circumstances, have been consistently applied and are supported by reasonable and prudent estimates and judgements.

2. Profit and loss account

The company has not traded during the period. Therefore, the company has made neither profits nor losses and no profit and loss account has been presented.

3. Employees and directors

The company has no employees and none of the directors received any emoluments for their services to the company.

4. Capital structure

The company is limited by guarantee and does not have a share capital.

5. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Kelda Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Kelda Group plc consolidated financial statements can be obtained from the Company Secretary at Western House, Halifax Road, Bradford, BD6 2SZ.