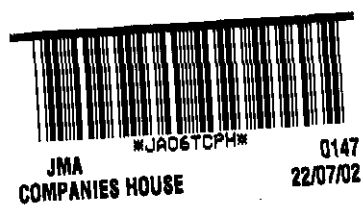


United Utilities (Overseas Holdings) Limited

Director's report and Financial Statements

Year ended 31 March 2001

Registered number 2536732



United Utilities (Overseas Holdings) Limited

Directors' report and financial statements

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United Utilities (Overseas Holdings) Limited

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2001.

Principal activities

The principle activity of the Company is to act as an investment holding company.

Directors and their interest

The directors who served during the year and changes since the year end are set out below:

PN Applewhite (resigned 30th September 2001)

SG Batey*

TM Rayner (resigned 7th January 2002)

GJM Tregaskis (resigned 7th January 2002)

GAI Waters*

A Dowds (appointed 21st May 2002)

LA Bell (appointed 7th January 2002)

DS Fleming (appointed 7th January 2002)

* Director of United Utilities PLC

None of the directors had any interest in the share capital of the Company. The directors of the Company at 31 March 2001 had the following beneficial interests in the shares of United Utilities PLC at the current and previous year end. (Details of the interests of directors of United Utilities PLC are dealt with in the company's financial statements):

	Ordinary Shares		Executive Option Scheme		Employee Sharesave Scheme	
	2001	2000	2001	2000	2001	2000
GJM Tregaskis	-	-	16,110	10,131	Nil	Nil
PN Applewhite	12,502	12,089	16,088	10,524	2,705	2,360
TM Rayner	-	-	12,250	12,250	3,293	3,293

Details of the employee sharesave scheme and the executive share option scheme operated by United Utilities PLC are given in the Directors' Report in that company's accounts.

During the year a directors' and officers' liability insurance was in force.

United Utilities (Overseas Holdings) Limited

Directors' report (*continued*)

Auditors

Pursuant to S386 to CA1985 an elective resolution has been made dispensing with the requirement to reappoint auditors annually. Therefore KPMG Audit Plc is deemed to continue as auditor of the Company.

By order of the board

A handwritten signature in black ink, appearing to read 'L. Bell', with a horizontal line underneath.

L Bell
Director

Dawson House
Great Sankey
Warrington
Cheshire
WA5 3LW

United Utilities (Overseas Holdings) Limited

Statement of 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of United Utilities (Overseas Holdings) Limited

We have audited the financial statements on pages 5 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 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 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.

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 as at 31 March 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wally Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

2/7/02

United Utilities (Overseas Holdings) Limited

Profit and Loss account

for the year ended 31 March 2001

	<i>Note</i>	2001 £000	2000 £000
Operating Costs			
Exceptional item – Write down of investment following restructuring	2	(109,646)	-
Operating Loss		(109,646)	-
Loss on ordinary activities before taxation		(109,646)	-
Tax on loss on ordinary activities		-	-
Retained Loss for the financial year		<u>(109,646)</u>	<u>-</u>

No note of historical cost losses has been prepared as the historical cost losses are the same as detailed in the above profit and loss account.

A statement of movements on reserves is given in note 4.

There are no recognised gains and losses in the year other than the loss for the year.

United Utilities (Overseas Holdings) Limited

Balance Sheet at 31 March 2001

	<i>Note</i>	2001 £000	2000 £000
Fixed assets			
Investments	2	56,000	163,657
Current assets			
Amounts owed by parent and fellow subsidiary undertakings		85,166	85,166
Total assets less current liabilities		141,166	248,823
Creditors: amounts falling due after more than one year			
Amounts owed to parent and fellow subsidiary undertakings		(44,403)	(42,414)
		<u>96,763</u>	<u>206,409</u>
Capital and reserves			
Called up share capital	3	201,988	201,988
Profit and loss account	4	<u>(105,225)</u>	<u>4,421</u>
Equity shareholders' funds		<u>96,763</u>	<u>206,409</u>

Approved by the board of Directors on 2/7/02 and were signed on its behalf by:



L Bell
Director

The notes on pages 7 and 8 form an integral part of these financial statements

United Utilities (Overseas Holdings) Limited

Notes to the accounts

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statements

No cashflow statement has been prepared as the accounts of the ultimate parent company, United Utilities PLC, include a consolidated cashflow statement prepared in accordance with Financial Reporting Standard Number 1.

Investments

Investments in subsidiary undertakings are stated at lower of cost and recoverable amount.

Related party transactions

As a wholly owned subsidiary, the Company is exempt from disclosing transactions with other Group undertakings or with investees of the Group qualifying as related parties.

2. Fixed asset investments

	Shares in Group Undertakings £'000
At 1 April 2000	163,657
Write down of investment following restructuring	(109,646)
Addition	1,989
At 31 March 2001	<u>56,000</u>

The company owns:

- 100% of the ordinary share capital of United Utilities BV, an intermediate holding company incorporated in the Netherlands.

The directors believe that the above is the only subsidiary undertaking whose results or financial position principally affect the company's own accounts and, as such, these are the only details provided.

The write down of investments follows a restructuring which crystallised a permanent diminution in the value of investments, based on management valuations.

United Utilities (Overseas Holdings) Limited

Notes to the accounts (*continued*)

3. Called up share capital

	2001 £	2000 £
Ordinary shares of £1 each Allotted called-up and fully paid	201,988,418	201,988,418

The authorised share capital consists of 250,000,000 £1 ordinary shares (2000: 250,000,000 £1 ordinary shares).

4. Reserves

	Profit and Loss Account £000
At 1 April 2000	4,421
Retained loss for the year	(109,646)
At 31 March 2001	(105,225)

5. Ultimate parent company

The ultimate parent company is United Utilities PLC, which is registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that headed by United Utilities PLC. The consolidated accounts of this group are available to the public and may be obtained from:

The Company Secretary
Dawson House
Great Sankey
Warrington
Cheshire
WA5 3LW