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Hartlepool Water Limited

Annual report and accounts

For the year ended 31 March 2002

Registered Number 3017251



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Hartlepool Water Limited

Directors' report for the year ended 31 March 2002

The directors present their report and the audited financial statements of the company for the year ended 31 March 2002.

Principal activity

The company has not traded during the year since the transfer of business assets and liabilities to Anglian Water Services Limited in April 2000. Its previous principal activity was the provision of water services across the Hartlepool region.

On 26 April 2001 Hartlepool Water plc was re-registered as a private limited company, Hartlepool Water Limited.

Review of business

The profit for the year before tax was £112,000 (2001: loss £215,000), with an additional charge for taxation of £34,000 (2001: credit £1,265,000).

Anglian Water Services Limited continues to use Hartlepool Water as a trading name for the billing of customers in the Hartlepool region.

Dividends

No dividends were paid during the year (2001: £Nil).

Directors and their interests

The directors who held office during the year are given below:

A P Jessop – Managing Director
D Gooda
R A Pointer

At no time during the year did any director have a material interest in a contract which was of significance in relation to the company's business, other than a service agreement.

Directors' and officers' liability insurance was in place during the year.

Hartlepool Water Limited

Directors' report for the year ended 31 March 2002 (continued)

Directors and their interests (continued)

Throughout this section, all interests in shares as at 31 March 2002 are in relation to AWG Plc ordinary shares of 10 pence each.

Directors had the following beneficial interests in shares of AWG Plc:

	Shares	
	2002	2001
A P Jessop	5,511	5,029
D Gooda	2,615	5,578

A P Jessop and D Gooda have notified the company that, for the purposes of s324 of the Companies Act 1985, they have respectively a contingent interest in 15,732 (2001: 15,732) and 16,152 (2001: 16,152) shares in AWG Plc, representing the maximum aggregate number of shares to which they would become entitled under the Group's Long Term Incentive Plan.

A P Jessop and D Gooda have notified the company that, for the purposes of s324 of the Companies Act 1985, they have respectively a contingent interest in 15,142 (2001: nil) and 15,749 (2001: nil) shares in AWG Plc, representing the maximum aggregate number of shares to which they would become entitled under the Group's Executive Share Option Scheme.

The long-term incentive and executive share schemes are designed to encourage continuing improvement in the AWG group's performance in terms of shareholder return over the longer term. Under the scheme, each participant is conditionally awarded a number of shares based on a value equating to a percentage of base salary. The proportion of the award to be released to each will depend on the AWG group's performance in terms of earnings per share. The release of shares to participants will be made three years after the initial award.

Options to subscribe for ordinary shares, under the Sharesave scheme, granted to and exercised by directors during the year, are summarised below.

	Options granted			Options Lapsed		Options exercised		
	Options outstanding at 31 March 2001 Number	Number	Option Price pence	Number	Option Price pence	Number	Option Price pence	Options outstanding at 31 March 2002 Number
A P Jessop	4,273	497	420	613	619	482	404	3,675
D Gooda	3,760	788	420	-	-	763	452	3,785

Hartlepool Water Limited

Directors' report for the year ended 31 March 2002 (continued)

Directors and their interests (continued)

Options granted under the Sharesave scheme are exercisable within a period after either the 3rd, 5th or 7th anniversary of the date of the savings contract.

Sharesave option scheme

Date of grant	Price (pence)
December 1995	465
December 1996	452
December 1997	619
December 1998	712
January 2000	434
January 2001	468
February 2002	420

Mr R A Pointer is also a director of AWG Plc and his interests can be found in the accounts of that company.

Research and development

No expenditure was incurred during the year in respect of research and development.

Donations

There were no political or charitable donations during the year.

Policy and practice on payment of creditors

The Company's normal payment terms are to pay approved invoices in accordance with terms agreed with suppliers.

Hartlepool Water Limited

Directors' report for the year ended 31 March 2002 (continued)

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 year. 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 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 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.

Auditors

The directors appointed PricewaterhouseCoopers as auditors to fill the casual vacancy. A resolution confirming their appointment and authorising the directors to fix their remuneration will be passed at the annual general meeting.

By order of the Board



A P Jessop
Director

4 October 2002

Hartlepool Water Limited

Independent auditors' report to the members of Hartlepool Water Limited

We have audited the financial statements on pages 6 to 12

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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 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.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
4 October 2002

Hartlepool Water Limited

Profit and loss account for the year ended 31 March 2002

	Note	2002 £'000	2001 Restated £'000
Turnover		-	-
Operating costs			
Administration and general expenses	3	(1)	-
Operating profit		(1)	-
Loss on disposal of tangible fixed assets	2	-	(343)
Loss on ordinary activities before interest		(1)	(343)
Interest receivable		113	128
Profit/(Loss) on ordinary activities before taxation	3	112	(215)
Tax on profit on ordinary activities	5	(34)	1,265
Profit on ordinary activities after taxation for the financial year	10	78	1,050

All ordinary activities before interest relate to continuing activities.

The profit and loss account contains all the gains and losses recognised in the current and previous year and include the restatement of the 2001 tax charge following the implementation of FRS19 (see Note 1).

Hartlepool Water Limited

Balance sheet as at 31 March 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Current assets					
Debtors	6	2,179		2,066	
Creditors: amounts falling due within one year	7	(75)		(40)	
Total assets less liabilities			2,104		2,026
Capital and reserves					
Equity share capital	8		732		732
Share premium account	9		8		8
Profit and loss account	9		1,364		1,286
Equity shareholder's funds	9		2,104		2,026

The financial statements on pages 6 to 12 were approved by the board of directors on 4 October 2002 and were signed on its behalf by:



A P Jessop
Managing Director

Hartlepool Water Limited

Notes to the financial statements for the year ended 31 March 2002

1 Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and in accordance with the Companies Act 1985 applying the following principal accounting policies:

During the year, three new accounting standards were introduced: Financial Reporting Standard (FRS) 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax'. The requirements of FRS 17 are not disclosed as the Company has no paid employees. The effect of the implementation of FRS 19 is shown below.

The objective of FRS 18 is to ensure that accounting policies and estimation techniques adopted are the most appropriate for the purpose of giving a true and fair view; and that those policies are reviewed regularly by the board of directors. None of the company's accounting policies have been changed as a result of the implementation of FRS 18.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of event and transactions recognised in the financial statements of the current year and previous years. Deferred taxation is calculated at the rates at which it is estimated that tax will arise.. Deferred taxation balances are not discounted, as doing so does not have a material impact. Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

Hartlepool Water Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

1 Accounting policies (continued)

Change in accounting policy

Financial Reporting Standard 19 'Deferred Tax' (FRS19) has been adopted for the first time by the company in the accounting period to 31 March 2002. In previous periods, the company has complied with the Statement of Standard Accounting Practice 15 'Deferred Tax' (SSAP15) which has now been superseded by the introduction of FRS19. SSAP15 required provision for deferred taxation to be made using the liability method to the extent that net deferred tax assets or liabilities were likely to crystallise in the foreseeable future.

This method was commonly referred to as partial provisioning. FRS19, by contrast, requires a form of full provisioning (see above).

The effect of the implementation of FRS19 on reported results is as follows:

	2002	2001
	£'000	Restated £'000
Tax credit on profit/loss for the period	-	1,305
Increase in profit for the period	-	1,305
Deferred tax liability	-	-
Deferred tax asset	-	-
Net deferred tax liability	-	-
Profit and loss account at 1 April 2000 as previously reported	-	1,541
Additional FRS19 deferred tax liability at 31 March 2000	-	(1,305)
Profit and loss account as at 1 April 2000 as restated	-	236

2 Transfer of trade and assets to Anglian Water Services Limited

With effect from 1 April 2000, the company transferred its business and certain assets and liabilities to Anglian Water Services Limited. On this date the company transferred these assets and liabilities for a consideration of £8,200,000, giving rise to a loss of £343,000. No tax charge or credit arose. Anglian Water Services Limited continues to use Hartlepool Water as a trading name for the billing of customers in the Hartlepool region.

Hartlepool Water Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

3 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors:		
- audit fees	1	-
- other fees	-	-

Auditors' remuneration for the year ended 31 March 2001 was borne by AWG Plc.

4 Directors' emoluments

None of the directors received remuneration from Hartlepool Water Limited for the years ended 31 March 2002 and 31 March 2001.

5 Taxation

	2002 £'000	2001 Restated £'000
Tax on loss on ordinary activities comprises:		
Current tax		
UK Corporation tax at 30% (2001 30%)	34	40
Deferred tax		
Charge/(credit) for timing differences arising in year	-	(1,305)
Tax charge	<u>34</u>	<u>(1,265)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Reconciliation		
Profit on ordinary activities before tax	112	128
Corporation tax at the standard UK rate of tax (30%)	34	38
Effects of:		
Permanent timing differences	-	2
Current tax charge	<u>34</u>	<u>40</u>

There are no factors that will significantly alter the tax charge or credit in future years

Hartlepool Water Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

6 Debtors

	2002 £'000	2001 £'000
Amounts owed by Group Companies	<u>2,179</u>	<u>2,066</u>

7 Creditors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Accruals and payments in advance	1	-
Corporation tax	74	40
	<u>75</u>	<u>40</u>

8 Equity share capital

	2002 £'000	2001 £'000
Authorised		
Ordinary shares of 10p	<u>1,000</u>	<u>1,000</u>
Issued		
Ordinary shares of 10p	<u>732</u>	<u>732</u>

Hartlepool Water Limited

Notes to the financial statements for the year ended 31 March 2002 (continued)

9 Reconciliation of movements in equity shareholder's funds

	<i>Equity share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 April 2001	732	8	1,286	2,026
Profit for the year	-	-	78	78
At 31 March 2002	732	8	1,364	2,104

No restatement of equity shareholder's funds is required as at 1 April 2001 following the implementation of FRS19 'Deferred Tax'.

10 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 and as a wholly owned subsidiary undertaking has not disclosed details of transactions with other undertakings within the AWG Plc Group.

11 Cash flow statement

A consolidated cash flow statement is presented in the financial statements of AWG Plc. In accordance with Financial Reporting Standard 1, no cash flow statement is presented in these financial statements.

12 Ultimate parent undertaking

The ultimate parent undertaking is AWG Plc and its immediate parent is Anglian Water Limited, both companies being registered in England and Wales. Copies of the financial statements of AWG Plc may be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE29 3NZ.