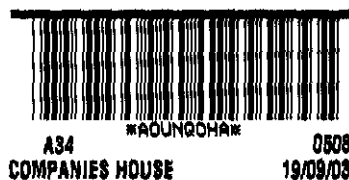


Hartlepool Water Limited

**Annual report and financial statements
For the year ended 31 March 2003**

Registered number 3017251



Hartlepool Water Limited

Directors' report

for the year ended 31 March 2003

The directors present their report together with the financial statements and independent auditors' report, for the year ended 31 March 2003.

Principal activities

The principal activities of the company comprise the operation of an on-site effluent treatment plant acquired during the year. The company did not trade during 2002, following the transfer of business assets and liabilities to Anglian Water Services Limited on 1st April 2000.

Business review

The board consider the results for the year to be satisfactory.

The directors expect to maintain the same general level of activity during 2003-04.

Results

The results for the year ended 31 March 2003 are set out in the profit and loss account on page 5.

Dividends

No dividends were paid during the year (2002: £nil).

Directors and their interests

The current directors of the company are as follows:

A P Jessop
D Gooda

All of the directors served throughout the year.

The directors have no interest in the shares of the company.

The interests of the directors who were in office at 31 March 2003 in the shares of AWG Plc and in options over such shares granted under that company's share option schemes are set out below.

Except where marked, all interests in shares throughout this section are in relation to AWG Plc ordinary shares of 16 pence each.

Beneficial and family interests in the shares of AWG Plc

	1 April 2002 #	Acquired #	Disposals #	Holding at 15 October 2002 #	31 March 2003 post consolidation
A P Jessop	5,029	482	-	5,511	3,444
D Gooda	5,578	763	3,726	2,615	1,634

Ordinary shares of 10p

On 15th October 2002, the ordinary share capital of AWG plc was re-organised into shares of 16p

Hartlepool Water Limited

Directors' report (continued)

Long term incentive plan

The following directors had a contingent interest at 31 March 2003 in the shares of AWG Plc, representing the maximum aggregate number of shares to which they would be entitled under the Group's Long Term Incentive Plan:

A P Jessop – 12,861 (2002 – 15,732)
D Gooda – 13,127 (2002 – 16,152)

Full details of this plan are given in the financial statements of AWG Plc.

The long term incentive share scheme is 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 participant previously depended on the AWG group's performance in terms of total earnings per share. No shares will be released for below median performance. Above the median level there will be a progressive release of shares up to 100 per cent of allocation. The release of shares to participants will be made three years after the initial award.

Sharesave scheme

The directors also have a contingent interest in the shares of AWG Plc under the groups sharesave scheme as follows:

AWG Plc Sharesave Scheme					
	1 April 2002	Options granted	Options exercised	Options lapsed	31 March 2003
A P Jessop	4,288	5,251	-	4,288	5,251
D Gooda	3,785	4,859	-	2,997	5,647

Options granted under the Sharesave Scheme are exercisable within a period of six months after either the third, fifth or seventh anniversary of the date of the savings contract.

The dates of grant and the option prices are set out below:

Sharesave Scheme

Date of grant	Option price
20 December 1993	£4.04
14 December 1995	£4.65
12 December 1996	£4.52
10 December 1997	£6.19
9 December 1998	£7.12
13 January 2000	£4.34
31 January 2001	£4.68
6 February 2002	£4.20

Executive share option scheme

Directors also have a contingent interest in the shares of AWG Plc under the group's Executive Share Option Scheme as follows:

	1 April 2002	Options granted	Options exercised	Options lapsed	31 March 2003
A P Jessop	15,142	15,203	-	-	30,345
D Gooda	15,749	15,851	-	-	31,600

No director has any interest in the shares of group companies, other than those shown above.

None of the directors has or had during the period, a material interest in any contracts of significance to which the company or any other group company is or was a party.

Charitable and political donations

There were no political or charitable donations during the year (2002 £nil).

Hartlepool Water Limited

Directors' report (continued)

Directors' responsibilities

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 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 judgments 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 assume 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 26 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning on the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

By order of the board,



.....
A P Jessop
Director

Anglian House, Ambury Road, Huntingdon
Registered number 3017251
10th July 2003

Hartlepool Water Limited

Independent auditors' report

Independent auditor's report to the members of Hartlepool Water Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of movement in shareholder's funds and the related notes.

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.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. The other information comprises only the directors' report.

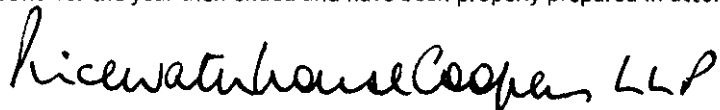
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Birmingham

10 July 2003

Hartlepool Water Limited **Profit and loss account** **for the year ended 31 March 2003**

Notes		2003 £000	2002 £000
2	Turnover	130	-
	Cost of sales	(108)	-
	Gross profit	22	-
3	Other operating expenses (net)	(3)	(1)
4	Operating profit	19	(1)
5	Finance charges (net)	76	113
	Profit on ordinary activities before taxation	95	112
6	Tax on profit on ordinary activities	(29)	(34)
15	Retained profit for the financial year	66	78

All the above results relate to continuing operations

The company has no other gains and losses and therefore a statement of total recognised gains and losses has not been prepared

The accompanying notes are an integral part of this profit and loss account.

Hartlepool Water Limited

Statement of movement in shareholder's funds for the year ended 31 March 2003

Notes	2003 £000	2002 £000
Total recognised gains and losses for the year	66	78
<i>Dividends paid and proposed</i>	-	-
Increase in shareholder's funds	66	78
Opening shareholder's funds as previously stated	2,104	2,026
Closing shareholder's funds	2,170	2,104

Hartlepool Water Limited

Balance sheet

as at 31 March 2003

Notes		2003 £000	2002 £000
	Fixed assets		
8	Tangible assets	68	-
	Current assets		
9	Debtors	1,191	2,179
	Cash at bank and in hand	980	-
		<u>2,171</u>	<u>2,179</u>
	Creditors: amounts falling due within one year		
10	Other creditors	(67)	(75)
		<u>2,104</u>	<u>2,104</u>
	Net current assets		
	Total assets less current assets	<u>2,172</u>	<u>2,104</u>
	Provisions for liabilities and charges	(2)	-
		<u>2,170</u>	<u>2,104</u>
	Net assets		
	Capital and reserves		
14	Called up share capital	732	732
15	Share premium account	8	8
15	Profit and loss account	1,430	1,364
	Shareholder's funds (all equity)	<u>2,170</u>	<u>2,104</u>

The notes on pages 8 to 12 form part of these financial statements.

The financial statements were approved by the board of directors on 10th July 2003 and signed on its behalf by :

A P Jessop
Director



Hartlepool Water Limited

Notes to the accounts

1 accounting policies

The principal accounting policies are summarised below. All have been applied consistently throughout the year and the preceding year.

a) **Basis of accounting**

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.

b) **Cash flow statement**

As the published consolidated financial statements of the ultimate holding company include a consolidated cash flow statement, the company has taken advantage of the exemption within FR51 (revised 1996) and not presented its own cash flow statement.

c) **Turnover**

Turnover represents the income receivable (excluding value added tax) in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out.

d) **Tangible fixed assets and depreciation**

Fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Fixed plant	5-10 years
-------------	------------

Interest costs are not capitalised into the cost of fixed assets.

e) **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

f) **Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

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 accounts (continued)

2. Segmental analysis

All results are derived from a single class of business within the United Kingdom

3. Other operating expenses (net)

	2003 £000	2002 £000
Administrative expenses	3	1

4. Operating profit

	2003 £000	2002 £000
Operating profit is stated after charging/(crediting):		
Depreciation – own assets	11	-
- for audit work	1	1
- for other work (all in the United Kingdom)	-	-

5. Finance charges (net)

	2003 £000	2002 £000
Investment Income		
Interest receivable and similar income	76	113

6. Taxation

	2003 £000	2002 £000
The tax (credit)/charge for the year comprised:		
UK tax – current year change	29	34
UK tax – adjustments in respect of prior years	(2)	-
Tax on profit on ordinary activities	27	34
Analysed as:		
- before exceptional items	27	34
- exceptional items	-	-
Tax on profit on ordinary activities	27	34
Tax on profit on ordinary activities comprises:		
UK Corporation tax at 30 per cent (2002– 30 per cent)	29	34
Adjustments in respect of previous periods	(2)	-
Total current tax	27	34
Deferred tax (note 12)		
Charge for timing differences arising in year	2	-
Adjustments in respect of previous periods	-	-
Total deferred tax	2	-
Tax on profit on ordinary activities	29	34

Adjustments in respect of previous periods arise from the agreement of prior year tax computations.

Hartlepool Water Limited

Notes to the accounts (continued)

6. Taxation (continued)

Factors affecting tax charge for the year

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

	2003 £000	2002 £000
Profit on ordinary activities before taxation	95	112
Tax on profit on ordinary activities at the standard UK rate of tax (30 per cent)	29	34
Effects of:		
Items not deductible for tax purposes	1	-
Capital allowances for the year in excess of depreciation	(1)	-
Adjustments to tax charge in respect of previous periods	(2)	-
Current tax charge for the year	27	34

7. Employee information

No staff were employed by the company during this or the previous year

Directors remuneration

None of the directors received remuneration from Hartlepool Water Limited for the years ended 31st March 2003 and 31st March 2002.

8. Tangible fixed assets

	Fixed plant £000
Cost	
Additions	79
At 31 March 2003	79
Depreciation	
Charge for the year	11
At 31 March 2003	11
Net book value	
At 31 March 2003	68
At 31 March 2002	-

The fixed asset additions are in respect of an effluent treatment plant purchased from another group company, Anglian Water Services Limited.

capital commitments

The liability on contracts for capital expenditure, not provided in these accounts is £nil (2002: £nil)

Hartlepool Water Limited

Notes to the accounts (continued)

9. Debtors

	2003 £000	2002 £000
Amount falling due within one year:		
Prepayments and accrued income	12	-
Amounts owed by group companies	1,179	2179
	1,191	2,179

10. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to fellow group undertakings	2	-
Corporation tax	63	74
Accruals and deferred income	2	1
	67	75

11. Provisions for liabilities and charges

	Deferred tax £000
At 31 March 2002	-
Charge for the year	2
At 31 March 2003	2

The deferred tax provision is analysed in note 12.

The amounts stated above have not been discounted.

12. Deferred taxation

	£000
At 31 March 2002	-
Charge for the year	2
At 31 March 2003	2

	2003 £000	2002 £000
Accelerated capital allowances	2	-
Short term timing differences	-	-
Undiscounted provision for deferred tax	2	-
Discount	-	-
Discounted provision for deferred tax	2	-

13. Commitments under operating leases

At 31 March 2003 the company had no commitments to make payments during the next 12 months under non-cancellable operating leases.

Hartlepool Water Limited

Notes to the accounts (continued)

14. Share capital

	2003 £000	2002 £000
Authorised		
10,000,000 ordinary shares of 10 pence each	1,000	1,000
Allotted, issued and fully paid		
7,320,000 ordinary shares of 10 pence each	732	732

15. Reserves

	Share premium account £000	Profit and loss reserve £000	Total £000
At 31 March 2002	8	1,364	1,372
Total recognised gains and losses relating to the year	-	66	66
At 31 March 2003	8	1,430	1,438

16. Contingent liabilities

During the year the company entered into a cross guarantee arrangement relating to certain group companies' accounts at Barclays Bank Plc. Net indebtedness under this arrangement at 31 March 2003 was £nil

17. Related party transactions

The company has taken advantage of the exemption relating to 90% subsidiary undertakings under Financial Reporting Standard 8 (FRS 8) not to disclose transactions with entities that are part of AWG Plc.

18. Ultimate parent undertaking

AWG Group Limited is the immediate parent company of Hartlepool Water Limited. In the opinion of the directors the ultimate parent undertaking and controlling party is AWG Plc, a company registered in England. Copies of the group accounts may be obtained from the company secretary by writing to AWG Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE29 3NZ.