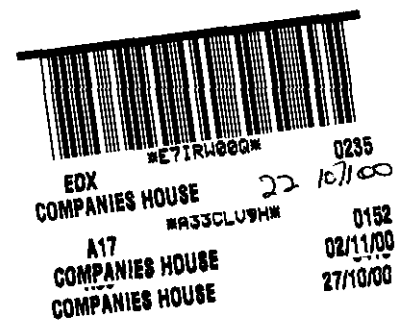


Albion Water (Shotton) Limited

Directors' report and accounts

For the year ended 31st March 2000



Albion Water (Shotton) Limited

Directors' report and accounts

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Albion Water (Shotton) Limited

Directors' report for the year ended 31st March 2000

The Directors present their report together with the audited accounts of the Company for the year ended 31st March 2000.

Principal activity and review of the business

The principal activity of the Company throughout the year was that of a regulated water Company. The trading results for the year are considered satisfactory, and the Company is well placed to improve its performance in the future.

Results and dividends

The Directors do not recommend the payment of a dividend. The Company made neither a profit or a loss.

Directors

The Directors who served during the year were as follows:

Dr J R Bryan
A D Jones

No Director held any beneficial interest in shares of the Company during the year. Dr Bryan and Mr Jones are both Directors of Enviro-Logic Limited and their interests in the shares of that company are disclosed in the financial statements of Enviro-Logic Limited.

Charitable contributions

During the year the Company made no charitable donations.

Directors' responsibilities statement

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 ensure that the accounts 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.

Albion Water (Shotton) Limited

Directors' report for the year ended 31st March 2000 (continued)

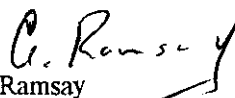
Auditors

In accordance with Section 250 of the Companies Act 1985, the Company as a dormant company was entitled to certain exemptions conferred by the Companies Act 1985 on a dormant company, and had passed a special resolution making itself exempt from the obligations to appoint auditors. On ceasing to qualify for these exemptions, PricewaterhouseCoopers were appointed auditors by the Directors to fill the casual vacancy. Shareholder's resolutions will be proposed recommending that PricewaterhouseCoopers be re-appointed auditors of the Company and recommending the Company dispense with the requirements to appoint auditors annually. PricewaterhouseCoopers have indicated their willingness to continue as auditors.

Annual General Meeting

In accordance with Sections 252 and 366A of the Companies Act 1985, the Company has passed elective resolutions whereby it elected to dispense with the laying of accounts and reports before the Company in general meeting, and to dispense with the holding of annual general meetings.

By order of the Board


A Ramsay
Secretary

26 September 2000

Albion Water (Shotton) Limited

Auditors' report to the members of Albion Water (Shotton) Limited

We have audited the accounts on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the annual report. As described on page 1 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 accounts 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 accounts, 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.

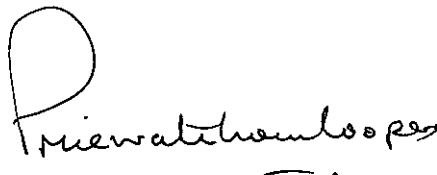
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st March 2000 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

31 Great George Street
Bristol BS1 5QD

26 September 2000

Albion Water (Shotton) Limited

Profit and loss account

For the year ended 31st March 2000

	Notes	2000 £	1999 £
Turnover	2	1,685,730	0
Cost of sales		<u>(1,662,215)</u>	<u>0</u>
Gross profit		23,515	0
Administrative expenses		<u>(23,515)</u>	<u>0</u>
Profit on ordinary activities before tax		0	0
Tax on profit on ordinary activities		<u>0</u>	<u>0</u>
Profit on ordinary activities after taxation being profit for the financial year		<u>0</u>	<u>0</u>

There are no recognised gains or losses each financial year. All operations are continuing.

The notes on pages 6 and 7 form part of these accounts.

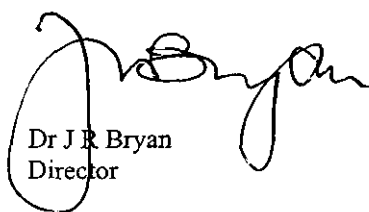
Albion Water (Shotton) Limited

Balance Sheet

As at 31st March 2000

	Notes	2000 £	1999 £
Current Assets			
Debtors	6	354,262	0
Cash at bank and in hand		<u>2,182</u>	<u>1</u>
		356,444	0
Creditors: Amounts falling due within one year	7	<u>356,443</u>	<u>0</u>
Net current assets		<u>1</u>	<u>1</u>
 Total assets less current liabilities		<u>1</u>	<u>1</u>
 Capital and reserves			
Called up share capital	8	1	1
Profit and loss account		<u>0</u>	<u>0</u>
Equity shareholders' funds		<u>1</u>	<u>1</u>

These financial statements were approved by the Board on 26 September 2000 and signed on its behalf by:



Dr J R Bryan
Director

The notes on pages 6 and 7 form part of these accounts

Albion Water (Shotton) Limited

Notes to the accounts

For the year ended 31st March 2000

1 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Under the provisions of Financial Reporting Standard 1 (Revised 1996): Cash Flow Statements, the Company is exempt from the requirement to prepare a cash flow statement.

(b) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the period.

2 Turnover

Turnover and profit before taxation are attributable to the principal activity carried on wholly within the United Kingdom.

3 Administrative Expenses

The auditors remuneration is borne by the immediate parent Company.

4 Staff costs

The Company did not directly employ any staff.

5 Directors' remuneration

The Directors did not receive any emoluments during the year.

6 Debtors

	2000 £	1999 £
Trade debtors	354,262	0
	<hr/>	<hr/>
	354,262	0

Albion Water (Shotton) Limited

Notes to the accounts (continued)

For the year ended 31st March 2000

7 Creditors: Amounts falling due within one year

	2000 £	1999 £
Trade creditors	350,153	0
Other creditors including taxation & social security	6,290	0
	<hr/>	<hr/>
	356,443	0

8 Called up share capital

	2000 £	1999 £
Authorised:		
- 1000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>
Issued, allotted and fully paid:		
- 1 ordinary share of £1	1	1
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>

9 Parent Company

The Parent Company is Enviro-Logic Limited which is registered in England. Enviro-Logic Limited produces group accounts. Enviro-Logic Limited is owned jointly by individuals and Pennon Group Plc. Group financial statements for the Pennon Group are included in the Annual Report of Pennon Group Plc which is available from Peninsula House, Rydon Lane, Exeter, EX2 7HR.

The accounts of Enviro-Logic Limited are available upon request in writing to the Company Secretary, Enviro-Logic Limited, Peninsula House, Rydon Lane, Exeter, EX2 7HR.

10 Related party transactions

The Company has not disclosed transactions with any group members on the grounds that 100% of the voting rights are controlled within the group, and that the consolidated accounts in which the Company is included are publicly available.