United Utilities Facilities and Property Services Limited

(Formerly: United Utilities Properti Limited)

Directors' Report and Financial Statements

For the year ended 31 March 2002

Registered number 2380021

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United Utilities Facilities and Property Services Limited
(Formerly: United Utilities Properti Limited)

Directors' report and financial statements

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United Utilities Facilities and Property Services Limited
(Formerly: United Utilities Properti Limited)

Directors' report

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

Principal activities and results

The principal activities of the Company are property trading, property investment and the provision of facilities management services.

The Company commenced trading on 1 April 2001 following the acquisition of property for re-sale and rights to aerial and communication income from other United Utilities PLC group companies on 30 March 2001. Further development and residential portfolios were acquired from group companies on 28 March 2002.

The profit for the year after taxation amounted to £2,719,000 (2001 - £nil). The Directors recommend the payment of a dividend of £2,719,000 (2001 - £nil) and consequently there is a nil transfer to reserves.

Directors and their interests

The directors who served during the year were as follows:

Mr S G Batey *	
Mr P G Deehan	appointed 18 January 2002
Mr S Knight	
Mr P E McCloskey	
UU (C.D.) Limited	resigned 19 February 2002

None of the directors had any interest in the share capital of the Company.

* Director of United Utilities PLC.

The directors of the Company at 31 March 2002 had the following beneficial interests in the shares of United Utilities PLC, the Company's ultimate parent undertaking.

			Share options			
Number of shares	**Ordinary Shares**		**Executive Option Scheme**		**Employee Sharesave Scheme**	
	2002	**2001***	**2002**	**2001***	**2002**	**2001***
Mr P G Deehan	1,703	1,703	13,034	13,034	2,069	2,069
Mr S Knight	7,261	6,489	18,846	13,402	3,579	3,579
Mr P E McCloskey	-	-	46,612	46,612	3,579	3,579

* or at date of appointment.

Details of the interest of directors of United Utilities PLC are dealt with in that company's accounts.

Directors' report (continued)

Directors and their interests (continued)

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

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

Auditors

In accordance with Section 386 of the Companies Act 1985 a resolution to dispense with the obligation to appoint auditors annually has been passed. KPMG Audit Plc has notified the Company that it will not be continuing as the Company's auditors. As a consequence of this casual vacancy a resolution of the directors will be proposed to appoint Deloitte & Touche as the Company's auditors following receipt of the formal notice of resignation from KPMG Audit Plc.

By Order of the Board

P E McCloskey
Director
29 January 2003

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.

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of United Utilities Facilities and Property Services Limited (formerly United Utilities Properti Limited)

We have audited the financial statements on pages 5 to 12.

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 auditor's 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

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 March 2003

United Utilities Facilities and Property Services Limited
(Formerly: United Utilities Properti Limited)

Profit and loss account

for the year ended 31 March 2002

	Note	2002 £000	2001 £000
Turnover		38,202	-
Cost of Sales		(6,547)	-
Gross profit		31,655	-
Administrative expenses		(26,366)	-
Operating Profit	2	5,289	-
Net interest payable and similar charges	4	(1,250)	-
Profit on ordinary activities before taxation		4,039	-
Tax on profit on ordinary activities	5	(1,320)	-
Profit on ordinary activities after taxation		2,719	-
Dividends	6	(2,719)	-
Retained profit for the year		-	-

The notes on pages 7 to 11 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2002

	2002 £000	2001 £000
Profit for the year	2,719	-
Dividends	(2,719)	-
Retained profit for the year	-	-
Issue of share capital	10,000	-
Opening shareholders' funds	-	-
Closing shareholders' funds	**10,000**	-

United Utilities Facilities and Property Services Limited
(Formerly: United Utilities Properti Limited)

Balance sheet
As at 31 March 2002

	Note	2002 £000		2001 £000	
Fixed assets					
Intangible assets	7		**5,011**		5,275
Current assets					
Stocks – properties held for re-sale		**24,690**		13,594	
Debtors	8	**12,023**		800	
Cash at bank and in hand		**260**		-	
		36,973		14,394	
Creditors: amounts falling due within one year	9	**(31,984)**		(19,669)	
Net current assets / (liabilities)			**4,989**		(5,275)
Net Assets			**10,000**		-
Capital and reserves					
Called up share capital	10		**10,000**		-
Shareholders' funds: equity			**10,000**		-

The financial statements on pages 5 to 12 were approved by the Board of Directors on 29 January 2003 and signed on its behalf by:

P G Deehan
Director

Notes to the Financial Statements

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.

Turnover

Turnover comprises gross income net of VAT including property sales, rents receivable, service charges and miscellaneous fees. Sales of properties are recognised on contract completion.

Cost of Sales

Cost of sales comprises the book value of properties sold and any associated disposal costs.

Intangible fixed assets

Intangible fixed assets comprise rights to receive aerial and communication income from sites owned by other group companies. Rights are recorded at cost on acquisition and are amortised in equal annual amounts over their estimated useful economic life of 20 years.

Properties held for re-sale

Properties held for re-sale are properties that are not presently intended to be retained in the Company's investment portfolio. They are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees and any construction or other enhancement costs.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from gains and losses in tax assessments in periods different to those in which they are recognised in the financial statements. It is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantially enacted by the balance sheet date. The deferred tax balance is not measured on a discounted basis.

Notes to the accounts (continued)

Cash flow statement

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.

Related party transactions

Following exemption under FRS 8, 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 Operating profit

Operating profit is stated after charging:

	2002 £000	2001 £000
Amortisation of intangible fixed assets	264	-
Audit fee	-	-

3 Employee information

(a) Employee Numbers

	2002 No	2001 No
Average number of persons employed by the company in the year:	130	-

(b) Employee costs

	2002 £000	2001 £000
Staff costs incurred during the year in respect of these employees:		
Wages and salaries	3,090	-
Social security costs	222	-
Other pension costs	190	-
	3,502	-

Notes to the accounts (continued)

3 Employee information (continued)

(c) Pensions

The company participates in a number of pension schemes principally in the UK. The major schemes are United Utilities PLC's two funded defined benefit schemes – the United Utilities Pension Scheme (UUPS) and the Electricity Supply Pension Scheme (ESPS), of which the ESPS is closed to new employees. UUPS also includes a defined contribution section which constitutes less than 0.5 per cent of the total asset value. The assets of these schemes are held in trust funds independent of United Utilities PLC's finances.

For UUPS and ESPS, the pension costs under the accounting standard SSAP 24 have been assessed in accordance with the advice of a firm of actuaries, Mercer Human Resource consulting, using the projected unit method. For this purpose, the actuarial assumptions adopted are based on investment growth of 6.0 per cent per annum, pay growth of 4.0 per cent per annum and increases to pension in payment and deferred pension of 2.5 per cent per annum. The actuarial value of the assets was taken as the market value of the assets.

The last actuarial valuations of the two schemes were carried out as at 31 March 2001. The combined market value of United Utilities' share of the assets of the two schemes at the valuation date was £1,833 million. Using the assumptions adopted for SSAP 24 the combined actuarial value of the assets represented 133 per cent of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP 24, the surplus in the schemes is being spread over the future working lifetime of the existing members.

For UUPS, the employer's contributions have been assessed in accordance with the advice of Mercer Human Resource Consulting using different assumptions to those described above. For ESPS, the employer's contributions have been assessed in accordance with the advice of a firm of actuaries, Bacon and Woodrow, using different assumptions and methods to those described above.

The company also operates a series of unfunded, unapproved retirement benefit schemes. The cost of the unfunded, unapproved retirement benefit schemes is included in the total pension cost, on a basis consistent with SSAP 24 and the assumptions set out above.

The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. As permitted by FRS 17 'Retirement Benefits', these schemes will be accounted for by the company when the accounting standard is fully adopted, as if the scheme were a defined contribution scheme. The latest full actuarial valuations were carried out at 31 March 2001 and were updated for FRS 17 purposes by qualified independent actuaries. These valuations showed a net surplus of £21.6 million. This information is disclosed in the United Utilities PLC accounts

Notes to the accounts (continued)

4 Net interest payable and similar charges

	2002 £000	2001 £000
Interest payable		
- to parent company	893	-
- to other group undertakings	357	-
Net interest payable and similar charges	**1,250**	**-**

5 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2002 £000	2001 £000
UK corporation tax at 30%	**1,320**	**-**

(b) Factors affecting tax charge for period

The table below reconciles the notional tax charge at the UK corporation tax rate to the actual charge for taxation:

	2002 £000	2001 £000
Profit on ordinary activities before tax	4,039	-
Tax on profit on ordinary activities at 30%	1,212	-
Net costs not deductible for tax purposes	108	-
Tax charge for period	**1,320**	**-**

(c) Deferred taxation

There is no provision in respect of deferred taxation (2001 - £nil).

Notes to the accounts (continued)

6 Dividends

	2002 £000	2001 £000
Proposed – 27.19 pence per ordinary share (2001 – nil)	**2,719**	-

7 Intangible fixed assets

	£000
Cost	
At 1 April 2001 and 31 March 2002	5,275

	£000
Amortisation	
At 1 April 2001	-
Charge for the period	264
At 31 March 2002	264

	£000
Net book value	
At 31 March 2002	**5,011**
At 31 March 2001	**5,275**

8 Debtors

	2002 £000	2001 £000
Amounts falling due within one year:		
Trade debtors	656	-
Amounts owed by parent company	263	800
Amounts owed by group undertakings	9,640	-
Prepayments and accrued income	1,464	-
	12,023	**800**

Notes to the accounts (continued)

9 Creditors

	2002 £000	2001 £000
Amounts falling due within one year:		
Trade creditors	344	-
Amounts owed to parent company	13,338	19,654
Amounts owed to group undertakings	8,688	-
Dividends	2,719	-
Taxation and social security	1,897	-
Other creditors	58	-
Accruals and deferred income	4,940	15
	31,984	**19,669**

10 Called up share capital

The authorised share capital consists of 10,000,000 £1 ordinary shares (2001: 100 £1 ordinary shares).

	2002	2001
Ordinary shares of £1 each:		
Allotted, called up and fully paid	10,000,000	2

On 21 March 2002, United Utilities PLC subscribed to a further 9,999,998 £1 ordinary shares at par to provide additional working capital.

11 Ultimate parent company

At 31st March 2002 the Company was a subsidiary of United Utilities PLC, the ultimate parent company, 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
United Utilities PLC
Dawson House
Great Sankey
Warrington, WA5 3LW