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Water UK

Report and Financial Statements

Year Ended

31 March 2002



BDO

BDO Stoy Hayward
Chartered Accountants

Water UK

Annual report and financial statements for the year ended 31 March 2002

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Directors

The directors of the company are listed on page 2 of the accounts.

Secretary and registered office

Peter Marsden, 1 Queen Anne's Gate, London, SW1H 9BT

Company number

3539600

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

Water UK

Report of the directors for the year ended 31 March 2002

The directors present their report together with the audited financial statements for the year ended 31 March 2002.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

Principal activities, review of business and future developments

Water UK was incorporated on 27 March 1998, to form a single voice for the water industry. It speaks for the water operators in England and Wales and also represents the three Scottish water authorities, plus the Northern Ireland Water Service. Water UK addresses issues of common interest across the industry, including water quality, regulation, leakage and competition.

Water UK continued to promote and communicate agreed industry policies in the UK and Europe. Issues dealt with include progress towards sustainability, biosolids use, water framework directive, the Water Bill and competition. Water UK will continue to focus on policy initiation, development and delivery as well as high level networking. Water UK continues to work with members and regulators in the run up to the periodoc review. In the new financial year, Water UK will strengthen its presence in Europe by having a premanent representative based in Brussels.

Finance

The company is a non profit making enterprise, which was financed by subscriptions from members. Future subscriptions will be set with consideration to cash funding requirements. The accounts show a profit of £88,000 (2001: Deficit of £488,000) for the year before tax.

The company's offices occupy a building at 1 Queen Anne's Gate, London SW1, some of which is surplus to the company's requirements and is rented out as offices. However, responsibility for repairs remains with the company.

Water UK

Report of the directors for the year ended 31 March 2002 (*Continued*)

Directors

The directors of the company during the year were:

Anglian Water Services Limited	Roy Pointer	
Bournemouth & West Hampshire Water Plc	Tony Cooke	
Bristol Water Plc	Alan Parsons	
Cambridge Water Plc	Stephen Kay	
Dee Valley Water Plc	Stuart Howarth	
Dwr Cymru Cyfyngedig	Mike Brooker	
East of Scotland Water Authority*	Jon Hargreaves	
Folkstone & Dover Water Services Limited	Peter Darby	
Mid Kent Water Plc	Mike Clark	
North of Scotland Water Authority*	Katharine Bryan	
North West Water Limited	Bob Armstrong	
Northern Ireland Water Services	Robert Martin	
Northumbrian Water Limited	John Cuthbert	
Portsmouth Water Plc	Nick Roadnight	
Severn Trent Water Limited	Brian Duckworth	
South East Water Plc	Margaret Devlin	
	Stuart Derwent	
South Staffordshire Water	David Penna	
South West Water Services Limited	Bob Baty	
Southern Water Services Limited	Ronnie Mercer	(resigned 16 May 2001)
	Stuart Derwent	(appointed 16 May 2001)
Sutton & East Surrey Water Plc	Phil Holder	
Tendring Hundred Water Services Limited	Andrew Smith	
Thames Water Utilities Limited	Jim Bouldier	
Three Valleys Water Plc	David Alexander	
Water UK	Pamela Taylor	
Wessex Water Services Limited	Gareth Jones	
West of Scotland Water Authority*	Ernie Chambers	(resigned 1 July 2001)
Yorkshire Water Services Limited	Kevin Whiteman	

* On 1 April 2002 these three water companies merged and became Scottish Water. From this date Scottish Water has been represented by Jon Hargreaves.

No director has any direct interest in the equity of the company.

Report of the directors for the year ended 31 March 2002 (*Continued*)

Officers

Chairman	John Cathbert Operations Director and Deputy Managing Director Northumbrian Water Limited
Vice Chairman	Bob Armstrong Deputy Managing Director North West Water Limited
Chief Executive	Pamela Taylor
Company Secretary	Richard Venters (resigned 15 May 2001) Peter Marsden (appointed 16 May 2001)

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:

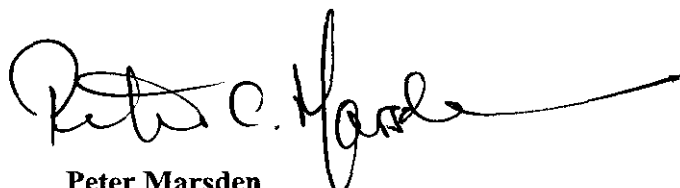
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



Peter Marsden
Company Secretary

19 November 2002

To the shareholders of Water UK

We have audited the financial statements of Water UK for the year ended 31 March 2002 on pages 6 to 19 which have been prepared under the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Report of the independent auditors (*Continued*)

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.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', is written over the printed name.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

Date: 19 November 2002

Water UK

Income and expenditure statement for the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Turnover	2	3,365	3,315
Administrative expenses		3,301	3,867
		<hr/>	<hr/>
Operating profit/(loss)	3	64	(552)
Income from other fixed asset investments		-	11
Other interest receivable and similar income	7	29	53
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		93	(488)
Taxation on profit/(loss) on ordinary activities	8	(5)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		88	(488)
(Accumulated loss)/retained profit brought forward		(359)	129
		<hr/>	<hr/>
Accumulated loss carried forward		(271)	(359)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the profit/loss for the year.

The notes on pages 9 to 19 form part of these financial statements.

Water UK

Balance sheet at 31 March 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible assets	9		253		321
Current assets					
Stocks	10	21		4	
Debtors	11	777		1,506	
Cash at bank and in hand		559		125	
		<u>1,357</u>		<u>1,635</u>	
Creditors: amounts falling due within one year	12	455		774	
		<u></u>		<u></u>	
Net current assets			902		861
			<u></u>		<u></u>
Total assets less current liabilities			1,155		1,182
Creditors: amounts falling due after more than one year	13		230		345
			<u></u>		<u></u>
			925		837
			<u></u>		<u></u>
Capital and reserves					
Other reserves	15		1,196		1,196
Profit and loss account	15		(271)		(359)
			<u></u>		<u></u>
Equity shareholders' funds			925		837
			<u></u>		<u></u>

The financial statements were approved by the Board on 19 NOVEMBER 2002

Pamela Taylor
Director



The notes on pages 9 to 19 form part of these financial statements.

Water UK

Cash flow statement for the year ended 31 March 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Net cash inflow/(outflow) from operating activities	19		427		(87)
Returns on investments and servicing of finance					
Interest received		29		53	
Dividends received		-		11	
		<u>29</u>		<u>53</u>	
Net cash inflow from returns on investments and servicing of finance			29		64
Taxation					
Corporation tax reimbursed			62		20
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(96)		(192)	
Receipts from sale of investments		-		9	
Receipts from sale of fixed assets		12		-	
		<u>12</u>		<u>9</u>	
Net cash outflow from capital expenditure and financial investment			(84)		(183)
			<u>(84)</u>		<u>(183)</u>
Increase/(decrease) in cash	20		434		(186)
			<u>434</u>		<u>(186)</u>

The notes on pages 9 to 19 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Income

Income excludes value added tax and represents subscriptions and reimbursements receivable from the members, fees for accommodation and consultancy services together with income from magazine subscriptions and sales of publications and materials.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	- 4-10 years
Motor vehicles	- 4 years
Fixtures & fittings	- 4-7 years
Office equipment	- 4 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Operating lease rentals are charged in the period as they are incurred.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Water UK

Notes forming part of the financial statements for the year ended 31 March 2002 (*Continued*)

1 Accounting policies (*continued*)

Pension costs

Water UK participated as an Associated Employer in the Water Mirror Image Pension Scheme (WMIS), and contributes under the arrangements contained within the Water Companies Pension Scheme (WCPS), which covers the majority of its employees.

WMIS and WCPS are managed by corporate trustees, respectively the Water Mirror Image Pension Trustees Limited and the Water Companies (Pension Fund) Trustee Company, and are accounted for separately from the company's finances.

The company's contributions are paid in accordance with actuarial advice and are charged so as to spread the cost of liabilities over the expected remaining service lives of current employees.

Constitution

Water UK is a company limited by guarantee and has no share capital. Membership is open, subject to Council's approval, to organisations engaged in the supply and treatment of water in the UK. Members are currently required to meet the expenditure arising from ordinary activities of the company by subscriptions.

2 Turnover

	2002 £'000	2001 £'000
Analysis by class of business:		
Subscriptions receivable from members	2,375	2,499
Accommodation services	417	447
Publications (subscriptions and sales)	14	11
Catering and other services	559	358
	<hr/>	<hr/>
	3,365	3,315
	<hr/>	<hr/>

Turnover arises solely within the United Kingdom.

3 Operating profit/(loss)

	2002 £'000	2001 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	156	134
Profit on disposal of tangible fixed assets	(4)	-
Audit services	10	8
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2002 £'000	2001 £'000
Wages and salaries	824	919
Social security costs	79	78
Other pension costs	63	156
	<u> </u>	<u> </u>
	966	1,153
	<u> </u>	<u> </u>

The average number of employees (including directors) during the year was 17 (2001 - 19).

5 Directors' remuneration

	2002 £'000	2001 £'000
Directors' emoluments	157	147
Company contributions to money purchase pension schemes	14	13
	<u> </u>	<u> </u>

The non-executive directors, who are all Council members, did not receive any remuneration for their services to the company. Contributions were made on behalf of one director (2001 - one) to a personal pension plan.

6 Income from other fixed asset investments

	2002 £'000	2001 £'000
Dividend received	-	11
	<u> </u>	<u> </u>

7 Other interest receivable and similar income

	2002 £'000	2001 £'000
Bank deposits	29	53
	<u> </u>	<u> </u>

8 Taxation on profit/(loss) on ordinary activities

	2002 £'000	2001 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	5	-
	<u> </u>	<u> </u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	93	(488)
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2001 - 20%)	19	(98)
Effect of:		
Expenses not deductible for tax purposes	2	1
Capital allowances for period in excess of depreciation	5	-
Utilisation of tax losses	(21)	-
Losses not utilised	-	99
Dividend income not taxable	-	(2)
	<u> </u>	<u> </u>
Current tax charge for period	5	-
	<u> </u>	<u> </u>

Subject to agreement with the Inland Revenue the company has losses to carry forward to offset against future taxable trading profits of approximately £432,000 (2001 - £537,000).

9 Tangible fixed assets

	Leasehold land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
<i>Cost</i>					
At 1 April 2001	258	30	221	148	657
Additions	31	33	5	27	96
Disposals	-	(30)	-	-	(30)
	—	—	—	—	—
At 31 March 2002	289	33	226	175	723
	—	—	—	—	—
<i>Depreciation</i>					
At 1 April 2001	99	22	148	67	336
Provided for the year	56	1	56	43	156
Disposals	-	(22)	-	-	(22)
	—	—	—	—	—
At 31 March 2002	155	1	204	110	470
	—	—	—	—	—
<i>Net book value</i>					
At 31 March 2002	134	32	22	65	253
	==	==	==	==	==
At 31 March 2001	159	8	73	81	321
	==	==	==	==	==

10 Stocks

	2002 £'000	2001 £'000
Finished goods and goods for resale	21	4
	==	==

Water UK

Notes forming part of the financial statements for the year ended 31 March 2002 (Continued)

11 Debtors

	2002 £'000	2001 £'000
Amounts receivable within one year		
Trade debtors	433	337
Corporation tax recoverable	-	62
Other debtors	118	223
Prepayments and accrued income	196	184
Amounts due from founder members	-	650
	<u>747</u>	<u>1,456</u>
Amounts receivable after more than one year		
Other debtors	30	50
	<u>777</u>	<u>1,506</u>

12 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	131	174
Corporation tax	5	-
Other taxation and social security	28	30
Other creditors	57	117
Accruals and deferred income	234	453
	<u>455</u>	<u>774</u>

13 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Other creditors	230	345
	<u> </u>	<u> </u>

14 Provision for liabilities and charges*Deferred taxation*

	2002 £'000	Unprovided 2001 £'000
Accelerated capital allowances	(30)	(31)
	<u> </u>	<u> </u>

15 Reserves

	Other reserves £'000	Profit and loss account £'000
At 1 April 2001	1,196	(359)
Profit for the year	-	88
	<u> </u>	<u> </u>
At 31 March 2002	1,196	(271)
	<u> </u>	<u> </u>

16 Pensions

The company participated, with several other employers, in two defined benefit salary schemes, the Water Mirror Image Scheme (WMIS) and the Water Companies Pension Scheme (WCPS). With effect from 1st April 2002 the assets & liabilities of the Water UK section of WMIS were transferred to the Water UK section of the WCPS, following the decision to wind up the WMIS.

The employer's contributions and the pension costs under the pension the Statement of Standard Accounting Practice (SSAP) number 24 "Accounting for Pensions Costs", are assessed every three years in accordance with the advice of the consulting actuaries, using the projected unit method for WCPS, and the attained age method for WMIS.

An actuarial valuation of WCPS was carried out as at 1 April 2002. The total market value of Water UK's utilised assets, following the transfer of the Water UK section of WMIS, at that date was £8,116,000. The review indicated that, on the basis of services to date and current salaries, the scheme's assets were sufficient to meet its liabilities. It was assumed that the rate of investment return net of pension increases would be 2.4% to 4.4% per annum, and that salary increases net of pension

16 Pensions (continued)

increases would be 2% per annum. Contributions to the Scheme by the company were increased from 13.1% to 13.8% of pensionable salaries from 1 April 2001.

Total pension costs for the period in respect of WCPS and WMIS were £63,000 (2001-£156,000 including a special contribution of 80,000).

The disclosures required by FRS 17 have been based on the most recent actuarial valuation as at 31 March 2002 and use the following financial assumptions as at 31 March 2002.

	Per annum %
Price inflation	2.8
General salary and wage inflation	4.8
Pension increase rate	2.8
Discount rate	6.1

The assets in the scheme, including the WMIS transfer, and the expected rate of return as at 31st March 2002 were:

	Long term rate of return expected %	Value £'000s
Assets		
Equities	8.3	6,458
Bonds/Gilts	5.2	938
Corporate Bonds	6.1	372
Property	6.7	243
Cash	5.2	105
		<hr/>
Total market value of assets		8,116
Present value of scheme liabilities		7,619
		<hr/>
Surplus in scheme		497
Related deferred tax		(99)
		<hr/>
Net pension asset		398
		<hr/>
Net Assets		
Net assets excluding pension asset		925
Pension asset		398
		<hr/>
Net assets including pension asset		1,323
		<hr/>

16 Pensions (*continued*)

	Value £'000s
Reserves	
Profit and loss reserve excluding pension asset	(271)
Pension asset	398
	<hr/>
Profit and loss reserve including pension asset	127
	<hr/>

17 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £'000	2001 Land and buildings £'000
Operating leases which expire:		
After five years	575	575
	<hr/>	<hr/>

18 Related party disclosures

Related party transactions and balances

Technically under the Companies Act 1985, the Board of Education and Training in the Water Industry (BETWI), CABWI Awarding Body, UK Water Industry Research Limited (UKWIR) and WTI could be deemed to be subsidiaries of Water UK because Water UK is a member of BETWI, CABWI Awarding Body and WTI and has the right to appoint half or the majority of their directors. In addition, UKWIR's membership consists of the members of Water UK, and those members can appoint the directors of UKWIR. Notwithstanding this, the company operate in practice through a consensus of the whole of the UK water industry. For this reason, it is not considered appropriate to prepare consolidated accounts.

BETWI, CABWI Awarding Body and UKWIR are companies limited by guarantee and WTI is a limited charitable company, all registered in England. Each member of BETWI, CABWI Awarding Body has given a £1 guarantee to the respective company.

The main function of the BETWI is to act as lead body for the non-statutory training and education in the water industry. The main function of the CABWI Awarding Body is to manage and award National Vocational Qualification prepared for the workforce in the water services and associated industries.

19 Reconciliation of operating profit/(loss) before exceptional items to net cash inflow/(outflow) from operating activities

	2002 £'000	2001 £'000
Operating profit/(loss) before exceptional items	64	(552)
Depreciation of tangible fixed assets	156	150
Profit on sale of tangible fixed assets	(4)	-
(Increase)/decrease in stocks	(17)	4
Decrease/(increase) in debtors	667	(255)
Decrease/(increase) in creditors	(439)	566
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities	427	(87)
	<u> </u>	<u> </u>

20 Reconciliation of net cash flow to movement in net funds

	2002 £'000	2001 £'000
Increase/(decrease) in cash	434	(184)
	<u> </u>	<u> </u>
Movement in net funds	434	(184)
Opening net funds	125	309
	<u> </u>	<u> </u>
Closing net funds	559	125
	<u> </u>	<u> </u>

21 Analysis of net funds

	At 1 April 2001 £'000	Cash flow £'000	At 31 March 2002 £'000
Cash at bank and in hand	125	434	559
	<u> </u>	<u> </u>	<u> </u>

22 Constitution and member's liability

Water UK is a company limited by guarantee and has no share capital. Membership is open, subject to the Council's approval, to organisations engaged in the supply and treatment of water in the UK. Members are currently required to meet the expenditure arising from ordinary activities of the company by subscriptions. At the balance sheet date there were 28 members of the company having a maximum liability of £28.