Ondeo Services UK plc

Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

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ONDEO SERVICES UK PLC ANNUAL REPORT

2001

ONDEO SERVICES UK PLC AND ITS SUBSIDIARIES (TOGETHER “THE GROUP”) WORK IN THREE RELATED AREAS: THE SUPPLY OF WATER AND WASTE WATER SERVICES WITHIN THE UK; INTERNATIONAL WATER MANAGEMENT; AND A RANGE OF SUPPORTING TECHNICAL AND CONSULTANCY SERVICES.

WE STARTED OUR BUSINESS LIFE AS ONE OF THE UK’S TEN PRIVATISED WATER AND SEWERAGE COMPANIES.
WE ARE PART OF THE SUEZ GROUP, AN INTERNATIONAL INFRASTRUCTURE SERVICES GROUP AND ONE OF THE LARGEST COMPANIES IN EUROPE. OUR GROUP BUSINESSES DURING THE PERIOD WERE:

NORTHUMBRIAN WATER LIMITED
WATER AND WASTE WATER SERVICES IN NORTH EAST ENGLAND AND WATER SERVICES IN SOUTH EAST ENGLAND

ONDEO SERVICES UK INTERNATIONAL DIVISION
INTERNATIONAL WATER AND WASTE WATER MANAGEMENT

ENTEC UK
ENVIRONMENTAL AND ENGINEERING CONSULTANCY

IMASS
IT CONSULTANCY

ANALYTICAL AND ENVIRONMENTAL SERVICES
ANALYTICAL AND ENVIRONMENTAL SERVICES

FASTFLOW PIPELINE SERVICES
PIPELINE REHABILITATION TECHNOLOGY

AGRER AND ULG NORTHUMBRIAN
AID-FUNDED PROJECT WORK IN DEVELOPING COUNTRIES

COQUETDALE PROPERTY INVESTMENT
PROPERTY MANAGEMENT

NORTHUMBRIAN LYONNAISE TECHNOLOGY & RESEARCH CENTRE
RESEARCH INTO UNDERGROUND ASSET MANAGEMENT

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CHAIRMAN'S STATEMENT

OUR POSITION WITHIN THE WORLD'S LEADING PROVIDER OF WATER AND WASTE WATER SERVICES IS BENEFICIAL BOTH FOR OUR BUSINESS AND FOR OUR CUSTOMERS, WORLDWIDE AND LOCAL.

THE PAST SEVERAL YEARS HAVE BEEN A PERIOD OF MAJOR AND UNPRECEDENTED CHANGE, BOTH FOR THE UK WATER INDUSTRY IN GENERAL AND, SPECIFICALLY, FOR OUR GROUP. THIS YEAR HAS BEEN NO EXCEPTION. IT HAS SEEN US MAKE FUNDAMENTAL IMPROVEMENTS IN MANY ASPECTS OF OUR BUSINESS – CHANGES THAT WILL FURTHER STRENGTHEN OUR POSITION AS A LEADING PLAYER IN THE BRITISH WATER INDUSTRY AND WILL CONTRIBUTE TO OUR PARENT COMPANY'S SUCCESS IN THE GLOBAL WATER INDUSTRY OF THE FUTURE.

Most visible for our Group during 2001 was the change of name to Ondeo Services UK plc. This reflects the rationalisation of all water businesses within our parent company, Suez, under the banner of Ondeo, and the consequent re-naming of the Lyonnaise des Eaux division as Ondeo Services.

We are proud to be a significant part of the Ondeo business and are convinced that our position within the world's leading provider of water and waste water services is beneficial both for our business and for our customers, worldwide and local.

Ondeo's extensive and detailed experience of all aspects of water services has brought a great deal of technical and operational expertise to our business. We anticipate further benefits from the collective experiences of colleagues throughout the world, as lines of communication and information-exchange are further developed and enhanced.

As part of Ondeo Services, we also benefit from the opportunity to contribute to the global water industry. Water businesses such as ours are in the privileged position of managing and safeguarding a particularly valuable natural resource and accepting responsibility for all the associated social, environmental and political issues. These are responsibilities that Ondeo Services takes seriously and which are embodied within its ethics charter.

Fundamental within the Ondeo Services philosophy is the belief and commitment that the business is capable of delivering high quality affordable water, wherever required. Suez has recently launched 'Bridging the Water Divide' an open letter calling for the effective management of global water resources to provide 'water for all, quickly!' We look forward to playing our part in helping provide a dependable, convenient and safe water supply to those people in the world for whom, so far, this has been an unattainable luxury.

There is much, then, that being part of the Ondeo family can bring to our business in the UK, but for any relationship to fulfil its maximum potential, it must be established on the basis of reciprocity; so what can we contribute to the Ondeo international family?

The financial strength and respected position within the UK water industry that we enjoy have long been recognised by our parent company. However, we believe that we can also make a significant operational contribution to the fulfilment of the Ondeo mission 'to be the premier provider of sustainable water related solutions and services worldwide, through long term partnerships that benefit our customers, communities, employees and the environment'.

In the UK, we have unparalleled experience of operating within one of the most highly regulated water industries in the world. Over the years, we have become intimately familiar with the intricacies of the processes of regulation and have developed productive relationships with each of our three regulatory authorities – Ofwat, the Environment Agency and the Drinking Water Inspectorate.

As water industry regulation increases in countries around the world, our expertise and experience in this field are proving valuable to Ondeo Services in entering new markets and winning new contracts.

Ondeo has recognised the importance of the growing industrial water services market with the formation of Ondeo Industrial Solutions. Significant opportunities exist in the provision of water and waste water services for high-volume industrial clients in a number of countries around the world. I am pleased to report that our pioneering work in winning a number of such contracts in the UK has been recognised

left Professor Sir Frederick Holliday.

above NWL is constructing a water recycling plant at Langford in Essex - the driest county in the UK.

IN ALL OUR ENDEAVOURS, WE SEEK TO ACHIEVE A HARMONIOUS BALANCE BETWEEN COMMERCIAL EFFICIENCY AND OUR ROLES AS ENVIRONMENTAL STEWARDS AND SERVICE PROVIDERS TO THE COMMUNITY.

with many of the senior appointments in the newly created UK business, Ondeo Industrial Solutions Limited, coming from Northumbrian Water Limited's Commercial Department.

This move aptly illustrates another of the key strengths that we bring to the Ondeo family. The depth of experience and expertise of our personnel is such that we are able to provide Ondeo Services with excellent people, on a short or long-term basis, whilst still maintaining the skills mix required to efficiently run our own business. This key 'strength in depth' is evident at many levels in our Group. It was highlighted by the promotion of Tony Harding, the Group's former Managing Director, to head Ondeo Services' activities in the Asia/Pacific Rim region. He is succeeded, as Group Managing Director and Managing Director of Northumbrian Water Limited (NWL), by John Cuthbert, formerly NWL's Deputy Managing Director and Operations Director.

It is appropriate, at this point, that I extend thanks and best wishes, on behalf of everyone in the Group, to Antony Haynes, who retired as a Non-Executive Director of Ondeo Services UK plc and NWL in March 2002. Our thanks go, too, to Sir Derek Bradbeer, a former Non-Executive Director of the Group, who recently retired from the Board of NWL, but continues to serve as Chairman of our Pension Trustee Board. Both have worked tirelessly on behalf of the Group throughout a period of immense change and have made a valuable contribution to our success during their time as members of this Board and the Board of NWL.

Our Group has developed a strong reputation within Ondeo Services for technical capability and innovation. Our research centre at Horsley, Northumberland, plays a pivotal role in Ondeo's Directorate of Technical Resources (DTR). Recognising the strength of our Group's record in the management of both above and below ground assets; we also provide the chair of the Ondeo Asset Management Committee. This key international team will identify and disseminate best practice in the field of asset management, with particular reference to 'whole life costing', an innovative approach for our industry.

The twin issues of environment and ethics are treated as critical priorities in the conduct of our everyday business. Our record of environmental management received public recognition in 2001 when NWL won a gold award in The Green Organisation's 'Green Apple Awards'. The award was made in recognition of the Company's biodiversity strategies, which are designed to ensure that conservation is built into all aspects of the business's activities and sphere of influence.

We also seek to participate as fully as possible within the communities we serve. Over the years we have become involved in a huge number of educational, social and commercial programmes. This year, amongst the many initiatives we assisted, we were delighted to be able to provide significant financial support to Young Sinfonia, the youth orchestra that will be based at the new Gateshead Music Centre, currently under construction in North East England.

In all our endeavours, we seek to achieve a harmonious balance between commercial efficiency and our roles as environmental stewards and service providers to the community. I am confident that we are successful in achieving this balance and that, together with the quality inherent in all aspects of our business, we have a great deal to give to our parent company. We look forward to contributing to the development of Ondeo strategy and rising to the new challenges posed by the global water services market.

F. G. T. Holliday

PROFESSOR SIR FREDERICK HOLLIDAY
CHAIRMAN
24 APRIL 2002

top right
The annual Northumbrian Water University Boat Race between Newcastle and Durham.

right
Sir Frederick Holliday with Jon Leech from Wedeco and Peter Byrne from Byzak, the two companies involved in the provision of ultra-violet light disinfection at NWL's six largest coastal and estuarial sewage treatment works.

WE ARE MAKING A SIGNIFICANT CONTRIBUTION TO THE FULFILMENT OF THE ONDEO CORPORATE MISSION AND WE ARE CONFIDENT THAT WE CAN CONTINUE TO GROW THAT CONTRIBUTION, AS REQUIRED, IN THE FUTURE.

THE CHAIRMAN TALKED IN HIS STATEMENT OF THE MANY BENEFITS WE GAIN FROM BEING PART OF THE INTERNATIONAL ONDEO FAMILY AND THE SCOPE OF THE CONTRIBUTION THAT WE MAKE TO THE WIDER ONDEO BUSINESS. THERE IS NO QUESTION THAT BEING PART OF THE WORLD'S LARGEST WATER SERVICES BUSINESS BESTOWS MANY ADVANTAGES. HOWEVER, FOR OUR CUSTOMERS, WE MUST BE VERY MUCH A LOCAL BUSINESS.

We can be justifiably proud of the effective balance we have achieved between global business and local provider of essential services. This is due to the efforts of all of our people, but particularly those directly involved in service delivery, customer service and billing, who together provide our customers with an excellent service.

Quality, of both service and product, is a high priority throughout the Group. Our water and sewerage business NWL was recognised as providing very high standards of customer service in the annual Office of Water Services (Ofwat) levels of service report. For the second year running it was the only company to achieve seven stars out of a possible seven in its northern water and sewerage operation (Northumbrian Water), and five stars out of a possible five for its southern water operation (Essex & Suffolk Water). Drinking water quality compliance, too, was very high – 99.88% of the tests carried out in the north passed the strict British and European standards and 99.83% in the south.

In NWL's southern area, typically one of the most arid regions in the UK, water conservation is a key issue and several initiatives have been implemented with both domestic and commercial customers to encourage prudent water consumption. The efforts were recognised in 2001 with the award to Essex & Suffolk Water of one of the UK industry's leading accolades. The Water UK and Environment Agency Water Efficiency Award, presented by the Director General of Ofwat, was won for the Sustainable New Homes Initiative, which involved installing and monitoring a range of water efficient appliances in a new housing development.

As the Chairman mentioned in his statement, we are proud of our record of environmental stewardship. Unlike other extraction industries, the water and waste water business is not a one-way process; we are charged with responsibility for both the extraction and appropriate reinstatement of water to the natural environment. It's a responsibility that we take very seriously.

For the first time ever, in 2001 North East England achieved 100% compliance with the mandatory European Bathing Water Directive along its coastline. This is the standard against which legal compliance is measured. In addition, the region also achieved 73% compliance against the much stricter European guideline standards. This was the highest level of compliance throughout the UK.

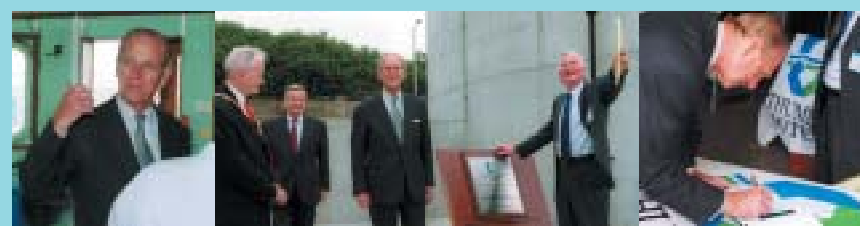
This excellent result is largely due to the impact of NWL's many new coastal sewage treatment works, the final stages of which were commissioned during 2001. This has been the single largest capital project in our Group's history, achieved on time and on budget, due to the efficiency of NWL's project management and the skills of a range of specialist companies including Entec and Ondeo Degremont.

We were delighted to welcome HRH The Duke of Edinburgh to perform the opening ceremony at the new coastal works at Hendon, Sunderland. During his visit to the North East, the Duke also officially opened phase two of NWL's award-winning industrial effluent and domestic sewage treatment works and regional sludge drying centre at Bran Sands on Teesside.

The Bran Sands treatment works has had an extremely beneficial effect on the water quality in the River Tees, formerly one of the most industrially polluted rivers in the country. North East England's record of river water quality is generally excellent and is continuing to improve, thanks in no small fact to NWL's investment in better sewage treatment and sewer overflows. In addition to our capital investment, we are doing much to encourage conservation, promote biodiversity and ensure long-term sustainable development.

In common with our parent company, we also place great store in research and in the sharing of knowledge throughout the business. NWL's annual technical days, organised with the support of the Northumbrian Lyonnaise Technology & Research Centre (NLTRC), this year had the themes of

above John Cuthbert.
below HRH The Duke of Edinburgh at the opening ceremonies at Hendon and Bran Sands.



below The homes in Creasen Butt Close, Heybridge, Essex that helped Essex & Suffolk Water to win the Water Efficiency Award.

WE ALSO PLACE GREAT STORE IN RESEARCH AND IN THE SHARING OF KNOWLEDGE THROUGHOUT THE BUSINESS.

competitors and customers. Senior representatives from all three regulators gave presentations during the two-day event.

In pursuit of continuous improvement in customer service, NWL implemented a major re-structuring of its billing and collection operations during 2001. The new system provides increased flexibility of payment terms for those in genuine difficulty and enables more forceful procedures to deal with those who simply refuse to pay.

In September, NWL launched its 'Conserva' programme for domestic customers. Conserva has been developed in response to consumer research and provides a range of products and services at competitive prices. As the name of the programme suggests, there is a strong environmental element - highlighted by research as being a major issue for customers.

In its Northumbrian Water and Essex & Suffolk Water areas, NWL continues to support local communities, providing assistance for activities and initiatives under the broad banners of art and culture, social inclusion, sport, community, environment, regeneration and economic development. Increasingly, the Company seeks to be involved through its employees, rather than simply through financial support. This is illustrated by NWL's recognition as a charter member of the Duke of Edinburgh Award Scheme. Employees throughout the Company are encouraged to donate a little of their time to the community, complementing their own individual sponsorship and fundraising activities for a plethora of worthy causes.

In 2001 the Group has become more firmly wedded to our parent company, both through our re-naming as Ondeo Services UK plc and with the acquisition by Suez of most of our remaining minority shareholdings, taking its effective shareholding in Ondeo Services UK plc to 97.5%. 2001 has also seen us rationalise our business to focus on core water and environmental services activities. Consequently, we sold our shareholding in sister waste management business, SITA Holdings UK Limited, to SITA SA during the year. The £130 million raised from this disposal was used to repay short term borrowings and redeem the Group's first Eurobond issue.

We also made significant progress in securing our future funding requirement at extremely favourable rates in 2001, raising £150 million as an extension to our 2023 Eurobond issue and a further £300 million Eurobond in November, through the newly established 'Northumbrian Water Finance plc'.

We invested some £200 million in infrastructure maintenance and minor capital projects during the year, but the success of our bond issues ensures that we do not anticipate the requirement for further market funding for some time. Our credit rating remains strong, as a result of the Group's excellent performance history and the confidence of international investors in Suez as a leader in the global utility services market.

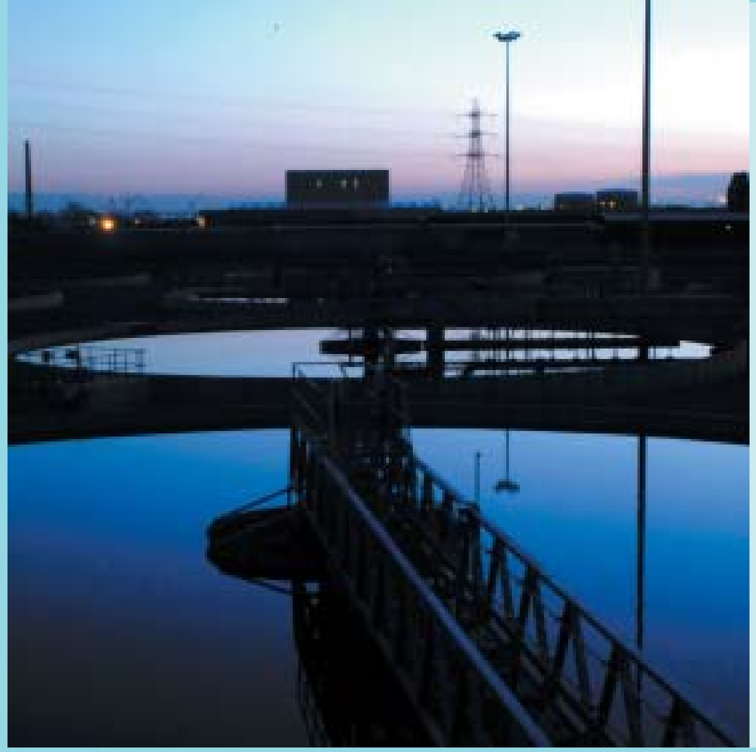
Our drive for still greater efficiencies in our business led to our participation in a Suez group-wide purchasing programme. The initiative utilises the global scale of Suez and Ondeo to leverage cost benefits for all group businesses, through combined purchasing of key products and services, such as process chemicals and telecommunications. The global procurement team is now moving on to identify other areas offering cost efficiency and to examine the potential of new technology-based purchasing, such as e-procurement and on-line auctions. We have also embarked on a strategy to optimise energy consumption throughout our business. In addition to the obvious cost benefits accruing from such policy, prudent energy consumption is wholly in line with our ethics and environment charter and our position as a leading environmental business.

Our commercial business development activities, which have been very successful in recent years, have been incorporated into the new Ondeo structure, with the formation on 1 January 2002 of Ondeo Industrial Solutions Limited, a wholly-owned subsidiary of Ondeo. NWL's Commercial Director has been appointed Managing Director of this new business. He has been joined in Ondeo Industrial Solutions by those members of his former NWL team that worked on national sales; the regional sales and marketing teams remain within NWL. Ondeo Industrial Solutions has already embarked on its strategy of providing a complete service to industrial customers with the acquisition of Purite, a business specialising in the manufacture and supply of high-quality water purification systems.

NWL's commitment to the large industrial water users in its northern and southern operating areas was further emphasised this year with the implementation of its super large user tariff. The Company also launched a new tankered waste service in the North East, primarily geared towards the industrial effluent market, using the excellent treatment capabilities of its Bran Sands treatment plant.

The Company embarked on major human resources initiatives in 2001. One of these was the establishment of employee forums to replace the former Company Council structure. They will create the channels of communication necessary to enable management and employees to work in partnership as the business enters a more commercially focused,

left Industrial effluent is now tankered into NWL's Bran Sands treatment works for treatment.



left Howdon sewage treatment works serving Tyneside.

WE REMAIN COMMITTED TO DELIVERING AN EXCELLENT QUALITY OF SERVICE AND VALUE FOR MONEY IN ALL THAT WE DO.

competitive environment. The forums are structured on a constituency basis across NWL and each has a balance between union nominated employees and employee elected representatives.

A second initiative was the launch of a Management Development Programme, with almost fifty senior managers being trained in leadership, coaching, strategic thinking and proactive change. The programme has proved very successful and will be repeated for the next tranche of managers this year.

Attention is now being focused on succession planning, to identify and develop employees throughout the business. They are needed to support our own Group development and also Ondeo's requirement for high calibre people to fill international positions. Already, our people are contributing to Ondeo's activities in Macao, South Africa, USA, Norway and the Philippines, to name but a few and several are part of the Ondeo headquarters team in Paris. We are making a significant contribution to the fulfilment of the Ondeo corporate mission and we are confident we can continue to grow that contribution, as required, in the future.

Many of our people have participated in training programmes run by the Suez University. Several who intend to develop their careers with Ondeo internationally have taken the opportunity to learn international management skills through the Ondeo Global Players programme.

NWL's Accelerated Development Programme involved 15 people in 2001 – ten newly recruited graduate trainees and five existing employees. The programme has been developed to offer training and development to the next generation of managers; at the same time a number of young technical apprentices have been taken on, bringing additional vigour and enthusiasm to operational teams.

Our international division, Northumbrian Lyonnaise International (now re-named Ondeo Services UK International Division) and our environmental and engineering consultancy, Entec, both delivered strong performances in 2001.

The international division has rationalised its business during the year to focus particularly on major contract opportunities and has also secured the first contract for any Suez company in the Republic of Ireland. Construction on the Cork waste water treatment project began in September 2001. The design, build and commissioning of the plant is being undertaken by a consortium that involves Ondeo Degremont. Contracts have now been secured in Scotland, Gibraltar, Norway and the Republic of South Africa; several other major opportunities are at the pre-qualification stage.

Entec continued its strategy of diversification in 2001, broadening its client base and service offerings. The company has formed close partnerships with other Ondeo businesses, notably Ondeo Industrial Solutions, in pursuit of its business growth objectives.

Our specialist analytical business, AES, also continues to be successful. It has been commissioned by the National Health Service to provide a monitoring service across a number of healthcare estates to ensure the safety and integrity of the water within their systems.

Operationally, 2001 provided many challenges. Most notably NWL's people strove, on a day-to-day basis, to overcome problems caused by the constantly evolving foot and mouth disease epidemic. Access to works and facilities, particularly in the North, was severely restricted for a considerable period of time, owing to movement restrictions across agricultural and common land. NWL reviewed its capital investment and maintenance plans, undertaking only those works that were deemed to be critical. Access procedures were totally reviewed and the resultant operating policy was adopted widely as best practice. Sludge disposal operations and leisure facilities were also severely affected. It is testament to the efforts by operational teams, over a prolonged period of time, that NWL's service to customers continued as normal.

Ondeo Services UK plc	**Year to 31.12.2001 £million**	Year to 31.12.2000 £million
Turnover	**489.4**	497.5
Operating Profit	**155.9**	183.6
Profit before Taxation	**109.9**	105.9
Profit after Taxation	**106.3**	103.9

2002 sees the start of the process that will culminate in the next Ofwat periodic review, to set water and sewerage bills for the 2005 to 2010 period. Key to our thinking in this process are the principles of sustainability and effective long-term management, both of our assets and our customer relationships. Adherence to these principles will ensure an appropriate commercial return from the provision of our services in the UK.

While our position within Ondeo and the wider Suez group are important to the future of our business, our success is founded on meeting the localised needs of our domestic and commercial customers. We remain committed to delivering an excellent quality of service and value for money in all that we do. We are confident that this will allow us to build upon our successful track record and maintain our position as one of the leading companies in the sector.

Results

Group turnover was £489.4 million, operating profit was £155.9 million and profit before tax was £109.9 million. The results continue to be affected by the significant reductions in income imposed from 1 April 2000 as a result of the Ofwat periodic review of prices. This has been offset with the disposal of the Group's 35% holding in SITA Holdings UK Limited at an exceptional profit before tax of £29.4m.

JOHN CUTHBERT
GROUP MANAGING DIRECTOR
24 APRIL 2002

left Hendon sewage treatment works serving Sunderland.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

THE DIRECTORS ARE PLEASED TO PRESENT THEIR REPORT ON THE AFFAIRS OF THE COMPANY AND ITS SUBSIDIARIES, TOGETHER CALLED THE GROUP, ALONG WITH THE AUDITED FINANCIAL STATEMENTS AND THE AUDITORS' REPORT FOR THE YEAR.

ACTIVITIES

The principal activities of the Group during the year were the provision of water, waste water management, waste management and related services. A review of the Group's business is contained in the Chairman's Statement (page 2) and the Group Managing Director's Review (page 6).

FINANCIAL RESULTS AND DIVIDENDS

The Group's results and dividends are as follows:

	Year to 31.12.2001 £million	Year to 31.12.2000 £million
Profit for the financial year	**105.7**	103.8
Dividends	**(59.6)**	(57.0)
Transferred to reserves	**46.1**	46.8

The Directors declare a second interim dividend of 6.39p (31 December 2000: 6.115p) and recommend a final dividend of 0p (31 December 2000: 0p) per ordinary share.
The second interim dividend will be payable on 25 April 2002 to shareholders whose names appeared on the Company's Register of Members at the close of business on 12 April 2002. Together with the interim dividend of 6.39p (31 December 2000: 6.115p) per ordinary share, paid on 12 October 2001, the total dividend for the year will be 12.78p (31 December 2000: 12.23p) per ordinary share.

SHARE CAPITAL

There have been no changes to the issued share capital of the Company during the financial year.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2001, the Company's register of substantial shareholdings showed the following interests in 3% or more of the Company's ordinary shares:

Lyonnaise Europe plc	65%
Northumbrian Partnership	20%
Ondeo Services SA	12.5%

On 7 January 2002, Ondeo Services SA increased its shareholding in Lyonnaise Europe plc from 80% to 100%. Lyonnaise Europe is a 50:50 partner in the Northumbrian Partnership.

DIRECTORS

The following served as directors during the year and, unless stated otherwise, were directors of the Company as at 31 December 2001:

Professor Sir Frederick Holliday CBE (66)
Non-Executive Chairman

Patrick Babin (44)
Non-Executive Director

Alain Chaigneau (50)
Non-Executive Director

Jean-François Thierry Chambolle (62) – appointed 26 April 2001
Non-Executive Director

Kam-Ling Chan (61) – resigned 7 January 2002
Non-Executive Director

Peter Cheng (49) – resigned 7 January 2002
Non-Executive Director

John Arthur Cuthbert (49) – appointed 1 November 2001
Group Managing Director

Anthony John Harding (53) – appointed 20 April 2001
Group Managing Director until 1 November 2001, now Non-Executive Director

Antony Haynes (71) – resigned 31 March 2002
Non-Executive Director

Patrick Marcel Verschelde (51) – appointed 26 April 2001
Non-Executive Director

Donald Correll was a director of the Company at the beginning of the year and resigned on 17 January 2001. Martin Nègre ceased to be a director on 20 April 2001.

DONATIONS

The Group made charitable donations totalling £63,089 (31 December 2000: £108,913) during the year. No political donations were made (31 December 2000: £nil).

RESEARCH AND DEVELOPMENT

Northumbrian Lyonnaise Technology & Research Centre Limited, a specialist subsidiary wholly owned by the Company, undertakes all research and development activities relating to underground assets. This company has very close links with other Ondeo group research organisations worldwide (the Global Technology Network).

The Group, through Northumbrian Water Limited, maintains a limited programme of research and development activities which are linked to UK business operations.

During the year, the Group incurred research and development costs of £5.3m (31 December 2000: £5.6m).

EMPLOYEES AND EMPLOYMENT POLICIES

Equal Opportunities

The Group operates an equal opportunity policy and promotes the equality of opportunity in recruitment, employment continuity, training and career development. The policy is designed to ensure that no applicant or employee receives less favourable treatment on the grounds of age, gender, marital status, nationality, ethnic or national origin, religion, disability or sexual orientation.

Training and Development

Training and development of employees is a priority of the Group. Individual training needs are assessed regularly and corporate initiatives include an Accelerated Development Programme for graduates and a new Management Development Programme. This year employees from the Group have again participated in the Global Player Programme which was created to ensure that highly skilled and experienced staff are ready and available to meet the ongoing worldwide business needs of the Group and its parent company.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001 CONTINUED

Communication
Employees receive 'WaterMark', the Group employee newspaper ten times a year. 'WaterMark' covers the Group's activities and news from the parent company. When necessary, information is communicated via a group-wide 'news flash' facility ensuring employees are kept abreast of news.

Individual Group companies utilise a range of communication mechanisms including team briefing, newsletters, intranet, noticeboards and regular team meetings. In addition, the Suez group operates a worldwide intranet, SW@N, and publishes a quarterly employee magazine, 'Terre Bleue', available in English for Group employees.

Health and Safety
Health and safety policies are maintained and implemented through the Group's safety team. Employee health services are provided by the Group's Medical Advisor. Most employees are members of a group-wide corporate health care plan managed by CIGNA Healthcare.

EMPLOYEE INVESTMENT SCHEMES
The Group has invited employees to join an employee investment scheme which is offered by the parent company, Suez SA.

The present scheme, called SPRING, consists of two elements giving employees a choice of two different types of investment, or a combination of both. They can invest in a fund, SPRING Classic, which holds Suez SA shares which have been purchased at a discount, and/or, they can invest in a company, SPRING Multiple, which also holds Suez SA shares. Employees investing in SPRING Multiple are guaranteed the return of their initial investment at the end of the five year investment period. It also gives them an opportunity to increase that investment by participating in the growth in value of Suez SA shares through the existence of a matched investment by Credit Agricole Indosuez, the scheme manager.

The Directors believe that employee investment is a valuable method of strengthening the ties between Group employees and Suez SA by providing the opportunity for employees to participate more closely in the parent company's economic performance and results.

PENSIONS
Information about the pension schemes operated by the Group is contained in note 26 to the financial statements.

AUDITORS
Arthur Andersen have expressed their willingness to be re-appointed as auditors of the Company at the Annual General Meeting.

CREDITORS
The Company's policy is to make payment not more than thirty days after receipt of a valid invoice. The number of credit days for the Company at 31 December 2001 and 2000 was nil.

CORPORATE GOVERNANCE
The Company's shares are not listed on the Stock Exchange. Therefore, the Company is not required to comply with rule 12.43A of the UKLA Listing Rules or with the Combined Code on Corporate Governance prepared by the Hampel Committee. However, the Company is committed to high standards of corporate governance throughout the Group and the Directors have taken account of the recommendations of the Combined Code in determining the format and content of their report. They have endeavoured to maintain a proper level of disclosure in keeping with the Combined Code provisions which they considered applicable to the Company's particular circumstances.

On 31 December 2001, the Board of Directors of the Company comprised ten directors, nine of whom were Non-Executive Directors.

The following Board Committees operated during the year within defined terms of reference. Their meetings and decisions were reported to the Company's Board of Directors.

AUDIT COMMITTEE
The Audit Committee comprised exclusively Non-Executive Directors. It met several times during the year with internal and external auditors. The Audit Committee considered the appointment of external auditors, provided an independent perspective on all financial reporting matters, internal control procedures and the consistency of accounting policies. It co-ordinated the activities of the Group's internal audit team.

REMUNERATION COMMITTEE
The Remuneration Committee is a joint committee held on behalf of the Company and Northumbrian Water Limited (NWL) and comprised exclusively Non-Executive Directors. It determined, and agreed with the Boards, the policy for remuneration and other terms of service of the Executive Directors and some other members of the executive management in the Group. The objective of such policy is to ensure that members of the executive management are provided with appropriate performance incentives and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company and NWL. In addition, the Director General of the Office of Water Services keeps the Chairman of the Remuneration Committee informed of performance in respect of the water companies' levels of service, including leakage.

Further details of the Group's remuneration policy are disclosed in note 6 to the financial statements.

STANDING COMMITTEE
This comprised the Chairman, the Group Managing Director and one Non-Executive Director of the Company and dealt with the day to day business between Board meetings.

NOMINATION COMMITTEE
This comprised all directors of the Company and its function was to review regularly the Board structure, composition and size and make all necessary adjustments, including proposing candidates for executive and non-executive appointments as directors of the Company.

ETHICS AND ENVIRONMENT COMMITTEE
This comprised at least two directors of the Company with other members co-opted from the Group. Its function was to establish best practice and compliance across the Group on ethical and environmental matters and to evaluate future trends. The Committee requires, and reviews annually, a compliance letter from the Group Managing Director.

left Sludge is transported by ship from Hendon sewage treatment works to Bran Sands.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001 CONTINUED

SECRETARY TO COMMITTEES
The Company Secretary acted as Secretary for the Committees detailed on page 15, except for the Remuneration Committee and the Ethics and Environment Committee. Appropriate notice was given for each meeting and minutes of each meeting were prepared and reported to the Board of Directors of the Company.

INTERNAL CONTROLS
The Board of Directors has overall responsibility for the Group's system of internal control. There are inherent limitations in any system of internal control and even the most effective system can only provide a reasonable, and not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the Group's system of internal control, the major elements of which are detailed below.

Organisational Structure
Local Boards of Directors in the Group trading subsidiaries, the 'subsidiary boards', are responsible for the operational and financial control of their own businesses. Subsidiary boards report to the Group Managing Director or the Standing Committee (as required) and to the Company's Board of Directors on matters including major strategic, financial, organisational, compliance and regulatory issues. Following the publication of the Turnbull Report, the local Boards of Directors have performed a business risk analysis using a risk methodology developed by one of the Group's subsidiaries, Entec UK Limited. The results of the risk reviews have been reported to the Group's Directors.

On a monthly basis, the Group Managing Director and the Group Finance Director compare the actual operational and financial performance of each business with plan and budget. Targets are set to measure performance and regular forecasts are made.

Information and Reporting System
The Company's subsidiaries are grouped into operating business units. Each of these business units holds a copy of the Group's financial control manual.

The Company's Board receives monthly management reports for each business unit; the Board also monitors treasury and funding activities.

Budgets and Business Planning
The Group prepares detailed five year business plans and annual budgets which are reviewed by the Group Managing Director and Group Finance Director and submitted to the Company's Board for approval. Business plans and budgets include an assessment of the key risks and success factors facing each business unit.

A framework exists which requires the approval of the Board of Directors of the Company for major investments, including those in new and foreign market places and large capital expenditure programmes. The treasury strategy, which is approved by the Board, requires that investments are limited to certain money market and treasury instruments and that the Group's exposure to any single bank, building society or market is controlled, with maximum deposits allowed with any single counterparty. The Group's investment strategy aims to fix interest rates for part of the Group's borrowings and investments for periods determined by the forecast cash flow of the individual businesses, thus effectively managing the exposure to the risk of changes in short term interest rates. Foreign currency exposure is also managed as part of the treasury strategy approved by the Board of Directors of the Company.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS
Company law requires the Directors to prepare financial statements which give a true and fair view of the state of the Group's affairs as at the end of each accounting period and of the profit and loss for the accounting period.

In preparing the financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- state whether applicable United Kingdom law and accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless they consider it to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Group and 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' RESPONSIBILITIES
The Auditors are responsible for forming an independent opinion on the financial statements presented by the Directors, based on their audit, and reporting their opinion to shareholders. Company law also requires the Auditors to report to the shareholders if the following requirements are not met:

- that the Company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with the Directors are properly disclosed in the financial statements; and
- that they have obtained all information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit.

The Auditors' opinion does not encompass the Directors' Report. However, the Companies Act requires the Auditors to report to the shareholders if the matters contained in the Directors' Report are inconsistent with the financial statements.

FINANCIAL STATEMENTS PREPARATION AND GOING CONCERN
The Directors consider that it is appropriate to prepare the financial statements for the financial year on a going concern basis. The Directors have arrived at their decision based on consideration of the Group's detailed budget for 2002 and the five year business plans for the period from 2001 to 2005. Their analysis included a review of the capital expenditure and investment plans, the anticipated funding requirements and facilities available, and the reasonableness of the underlying assumptions of both the budget and business plans.

By Order of the Board

CHRIS GREEN
COMPANY SECRETARY
24 APRIL 2002

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ONDEO SERVICES UK PLC

WE HAVE AUDITED THE FINANCIAL STATEMENTS OF ONDEO SERVICES UK PLC FOR THE YEAR ENDED 31 DECEMBER 2001 WHICH COMPRISE THE PROFIT AND LOSS ACCOUNT, BALANCE SHEET, CASH FLOW STATEMENT, STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND THE RELATED NOTES NUMBERED 1 TO 30. THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED UNDER THE ACCOUNTING POLICIES SET OUT THEREIN.

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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Group Managing Director's review and the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 circumstances of the Company, 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 affairs of the Company and of the Group at 31 December 2001 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

PEARL ASSURANCE HOUSE
7 NEW BRIDGE STREET
NEWCASTLE UPON TYNE
NE1 8BQ

24 APRIL 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Notes	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Turnover: group and share of joint ventures		**494.1**	501.9
Less share of joint ventures' turnover		**(4.7)**	(4.4)
Group turnover	2	**489.4**	497.5
Operating costs	3	**(333.5)**	(313.9)
Operating profit	2	**155.9**	183.6
Share of associated undertakings' operating profit		**3.3**	2.8
Share of joint ventures' operating profit		**1.0**	1.0
Investment income		**-**	0.3
Net interest payable	4	**(79.7)**	(81.8)
Exceptional profit on disposal of associate	5	**29.4**	-
Profit on ordinary activities before taxation	2	**109.9**	105.9
Tax on profit on ordinary activities	9	**(3.6)**	(2.0)
Profit on ordinary activities after taxation		**106.3**	103.9
Minority interests		**(0.6)**	(0.1)
Profit for the financial year		**105.7**	103.8
Dividends paid and proposed	10	**(59.6)**	(57.0)
Retained profit for the financial year	24	**46.1**	46.8

There is no difference between the operating profit and profit for the financial year as stated above and their historical cost equivalents.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2001

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Profit for the financial year		
Group	**104.2**	105.0
Associates	**1.0**	(1.7)
Joint ventures	**0.5**	0.5
Total gains and losses recognised since last annual report and financial statements	**105.7**	103.8

The information on pages 23 to 48 forms part of these financial statements.

BALANCE SHEETS
As at 31 December 2001

		Notes	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Fixed assets						
Tangible assets		11	**2,435.9**	2,315.2	**-**	0.1
Investments		12	**2.6**	2.6	**1,090.6**	1,113.1
Investments in joint ventures :	share of gross assets	12	**11.2**	9.0	**-**	-
	share of gross liabilities	12	**(9.2)**	(7.3)	**-**	-
			2,440.5	2,319.5	**1,090.6**	1,113.2
Current assets						
Stocks		13	**6.4**	6.7	**-**	-
Debtors: receivable within one year		14	**127.1**	122.4	**236.7**	504.8
Debtors: receivable after more than one year		14	**19.8**	21.5	**-**	-
Investments			**0.2**	0.2	**-**	-
Cash at bank and short term deposits		15	**399.5**	84.2	**380.9**	44.1
			553.0	235.0	**617.6**	548.9
Creditors: amounts falling due within one year		16	**(382.5)**	(423.2)	**(214.4)**	(362.1)
Net current assets/(liabilities)			**170.5**	(188.2)	**403.2**	186.8
Total assets less current liabilities			**2,611.0**	2,131.3	**1,493.8**	1,300.0
Creditors: amounts falling due after more than one year		17	**(1,292.8)**	(967.7)	**(684.2)**	(494.8)
Provisions for liabilities and charges		21	**(28.0)**	(40.0)	**-**	-
Accruals and deferred income		22	**(119.6)**	(115.9)	**-**	-
			(1,440.4)	(1,123.6)	**(684.2)**	(494.8)
Net assets			**1,170.6**	1,007.7	**809.6**	805.2
Capital and reserves						
Called up share capital		23	**466.2**	466.2	**466.2**	466.2
Share premium account		24	**217.9**	217.9	**217.9**	217.9
Group reconstruction relief reserve		24	**107.6**	-	**-**	-
Profit and loss account		24	**375.9**	321.0	**125.5**	121.1
Equity shareholders' funds		25	**1,167.6**	1,005.1	**809.6**	805.2
Minority equity interest			**3.0**	2.6	**-**	-
Total capital and reserves			**1,170.6**	1,007.7	**809.6**	805.2

Approved by the Board of Directors on 24 April 2002 and signed on its behalf by:

PROFESSOR SIR FREDERICK HOLLIDAY, Chairman

F. G. T. Holliday

JOHN CUTHBERT, Group Managing Director

The information on pages 23 to 48 forms part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2001

	Notes	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Net cash inflow from operating activities	a	**243.6**	244.9
Returns on investments and servicing of finance			
Interest received		**4.8**	3.9
Interest paid		**(69.8)**	(73.6)
Interest paid on hire purchase contracts and finance leases		**(2.8)**	(3.6)
Dividends received from other fixed asset investments		**0.3**	0.3
Dividends paid to minority interests		**-**	(0.3)
Net cash outflow from returns on investments and servicing of finance		**(67.5)**	(73.3)
Taxation			
Taxation paid on ordinary activities		**(3.1)**	(20.2)
Net cash outflow from taxation		**(3.1)**	(20.2)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		**(206.4)**	(300.4)
Purchase of associate companies		**-**	(1.0)
Proceeds on disposal of associate (see note 5)		**132.3**	-
Proceeds on disposal of tangible fixed assets		**1.1**	2.1
Capital grants received		**7.3**	10.0
Net cash outflow from capital expenditure and financial investments		**(65.7)**	(289.3)
Equity dividends paid		**(58.3)**	(55.9)
Cash inflow/(outflow) before management of liquid resources		**49.0**	(193.8)
Management of liquid resources			
Purchase of short term deposits		**(1,610.0)**	(636.2)
Disposal of short term deposits		**1,444.1**	679.0
Net cash (outflow)/inflow from management of liquid resources		**(165.9)**	42.8
Financing			
New long term borrowings received	b	**458.0**	154.2
Borrowings repaid	b	**(164.6)**	(6.3)
Movement of loans to associates and parent company	b	**(12.4)**	14.2
Payment of principal under hire purchase contracts and finance leases	b	**(3.8)**	(4.7)
Net cash inflow from financing		**277.2**	157.4
Increase in cash in the year		**160.3**	6.4

Reconciliation of net borrowings

	Notes	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Increase in cash in the year		**160.3**	6.4
Cash inflow from increase in net borrowings		**(277.2)**	(157.4)
Cash outflow/(inflow) from management of liquid resources		**165.9**	(42.8)
Decrease/(increase) in net borrowings resulting from cash flows	b	**49.0**	(193.8)
Inception of new finance lease contracts	b	**(3.2)**	(3.1)
Decrease/(increase) in net borrowings in the year		**45.8**	(196.9)
Net borrowings at start of the year		**(1,054.4)**	(857.5)
Net borrowings at end of the year	b	**(1,008.6)**	(1,054.4)

Net borrowings is the sum of all borrowings net of cash and short term deposits.

The information on pages 23 to 48 forms part of these financial statements.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2001

(a) Net cash inflow from operating activities

	Notes	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Operating profit	2	**155.9**	183.6
Depreciation of tangible fixed assets	11	**81.2**	70.5
Profit on disposal of tangible fixed assets	3	**(0.6)**	(0.4)
Loss on disposal of fixed asset investments		**-**	0.2
Amortisation of capital grants	22	**(3.6)**	(3.4)
Movement in other provisions		**3.0**	(7.5)
Decrease in stocks		**0.3**	1.7
Decrease in debtors		**9.4**	14.9
Decrease in creditors		**(2.0)**	(14.7)
Net cash inflow from operating activities		**243.6**	244.9

(b) Analysis of net borrowings

	At start of year £m	Cash flow £m	Other non-cash changes £m	As at 31.12.2001 £m
Cash at bank	39.4	149.4	-	**188.8**
Bank overdrafts	(32.4)	10.9	-	**(21.5)**
	7.0	160.3	-	**167.3**
Loans granted to associates and parent company	13.3	12.4	-	**25.7**
Borrowings due after one year	(899.5)	(458.0)	132.8	**(1,224.7)**
Borrowings due within one year	(162.5)	164.6	(132.8)	**(130.7)**
Finance leases	(57.5)	3.8	(3.2)	**(56.9)**
	(1,099.2)	(116.9)	(3.2)	**(1,219.3)**
Short term deposits	44.8	165.9	-	**210.7**
Net borrowings	(1,054.4)	49.0	(3.2)	**(1,008.6)**

(c) Analysis of cash balances

	At start of year £m	Trading for the year £m	As at 31.12.2001 £m
Cash at bank and short term deposits	84.2	315.3	**399.5**
Less short term deposits with maturity dates greater than one day	(44.8)	(165.9)	**(210.7)**
	39.4	149.4	**188.8**
Bank overdrafts	(32.4)	10.9	**(21.5)**
	7.0	160.3	**167.3**

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. A summary of the more important Group accounting policies, which have been applied consistently, are set out below:

(a) Basis of accounting. The financial statements have been prepared under the historical cost convention. As discussed in the Directors' Report on page 17, the financial statements have been prepared on the going concern basis.

(b) Basis of consolidation. The consolidated financial statements include the Company and its subsidiary undertakings. Where, for commercial reasons, the accounting reference date of a subsidiary is a date other than that of the Company, financial statements made up to the Company's accounting reference date have been used. The results of subsidiaries acquired during the year are included from the date of their acquisition. The results of subsidiaries disposed of during the year are included to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

(c) Associated undertakings and joint ventures. The Group's share of profits less losses of associated undertakings and joint ventures is included in the consolidated profit and loss account and the Group's share of their net assets/(liabilities) is included in the consolidated balance sheet. Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the accounting policy set out below.

(d) Goodwill. Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between seven and a maximum of twenty years. Provision is made for any impairment. Goodwill arising on acquisitions in the period ended 22 December 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

(e) Turnover. Turnover, which excludes value added tax, represents the income receivable in the ordinary course of business for goods and services provided.

(f) Tangible fixed assets and depreciation. Tangible fixed assets, including assets in the course of construction, comprise infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) and other assets (including properties, overground plant and equipment):

i) Infrastructure assets. Infrastructure assets comprise a network of physical overground and underground systems. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network and on maintaining the operating capability of the network, in accordance with defined standards of service, is treated as additions. The depreciation charge for infrastructure assets is the estimated average amount of expenditure required to maintain the operating capability of the network, which is based on independently certified asset management plans, adjusted to reflect differences between estimated and actual expenditure over each five year regulatory period.

ii) Other assets. Other assets are included at cost less accumulated depreciation and any provision for impairment. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows: freehold buildings, 30-60 years; short leasehold land and buildings, 25 years or lease term if shorter; operational structures, plant and machinery, 4-80 years; fixtures, fittings, tools and equipment, 4-10 years.

iii) Assets in the course of construction. Assets in the course of construction are not depreciated until commissioned.

(g) Government grants and contributions. Revenue grants are credited to the profit and loss account when received.

Capital grants and contributions relating to tangible fixed assets are treated as deferred income and amortised in the profit and loss account over the expected useful economic lives of the qualifying assets. Specifically, in the case of infrastructure assets, the expected useful economic lives have been determined by reference to the physical replacement cycle of those assets.

(h) Fixed asset investments. Fixed asset investments are stated at their purchase cost, less any provision for impairment.

(i) Hire purchase and leasing. Where assets are financed by hire purchase or leasing arrangements which transfer substantially all the risks and rewards of ownership to the Group, the assets are treated as if they had been purchased and the corresponding capital cost is treated as a liability. Rentals or leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the outstanding liability and the finance costs being written off to the profit and loss account over the period of the hire purchase contract or lease in proportion to the reducing outstanding liability. Rental costs arising under operating leases are expensed in the period they are incurred.

(j) Stocks. Stores are stated at cost less any provisions necessary to recognise damage and obsolescence. Work in progress and finished goods are valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and an element of overheads.

(k) Pension costs. The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as pre-payments or provisions in the balance sheet. On acquisition, the pension surplus has been recognised as an asset on the balance sheet.

(l) Taxation. The charge for current taxation at the current rate is based on the profit for the period as adjusted for taxation purposes. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, except that the deferred tax effects of timing differences arising from pension and other post retirement benefit revaluations are recognised in full. Provision is made at the rate which is expected to apply when the liability or asset crystallises.

(m) Research and development. Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

(n) Foreign currencies. Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and the results of foreign subsidiaries are translated at the average rate of exchange for the period. Differences on exchange arising from the re-translation of the opening net investment in subsidiary and associate companies, and from the translation of the results of those companies at average rate, are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the period in which they arise.

(o) Derivative financial instruments. The Group utilises interest rate swaps, forward rate agreements and forward exchange contracts as derivative financial instruments. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. Interest rate swap agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised over the period of the contracts as adjustments to net interest payable in the profit and loss account. Forward exchange contracts are valued at the period end rates of exchange. Resultant gains and losses are offset against foreign exchange gains or losses on the related borrowings or, where the instrument is used to hedge a committed future transaction, are deferred until the transaction occurs.

2 Segmental Analysis

(a) Analysis by class of business and by geographical origin

	UK Water 31.12.2001 £m	UK Water 31.12.2000 £m	International Water 31.12.2001 £m	International Water 31.12.2000 £m	Related Services 31.12.2001 £m	Related Services 31.12.2000 £m	Total Year to 31.12.2001 £m	Total Year to 31.12.2000 £m
Turnover:								
UK	**436.1**	446.6	**0.3**	0.5	**70.2**	73.1	**506.6**	520.2
Rest of Europe, Middle East and Far East	**-**	-	**7.4**	7.2	**6.0**	2.7	**13.4**	9.9
Rest of World	**-**	-	**-**	-	**2.3**	2.5	**2.3**	2.5
Total turnover	**436.1**	446.6	**7.7**	7.7	**78.5**	78.3	**522.3**	532.6
Inter segment	**(0.8)**	(0.5)	**-**	-	**(32.1)**	(34.6)	**(32.9)**	(35.1)
External turnover	**435.3**	446.1	**7.7**	7.7	**46.4**	43.7	**489.4**	497.5
Operating profit:								
UK	**160.5**	194.2	**(2.6)**	(1.2)	**0.2**	(2.6)	**158.1**	190.4
Rest of Europe, Middle East and Far East	**-**	-	**0.8**	0.2	**0.6**	0.7	**1.4**	0.9
Rest of World	**-**	-	**(0.3)**	(0.2)	**0.2**	0.1	**(0.1)**	(0.1)
	160.5	194.2	**(2.1)**	(1.2)	**1.0**	(1.8)	**159.4**	191.2
Central unallocated costs and provisions							**(3.5)**	(7.6)
Group operating profit							**155.9**	183.6
Share of associates' operating profit							**4.3**	3.8
Exceptional profit on disposal of associate (see note 5)							**29.4**	-
Net common costs							**(79.7)**	(81.5)
Profit on ordinary activities before taxation							**109.9**	105.9

The Corporate centre comprises those costs that relate to the performance of the Holding Company's functions.

Net common costs, comprising investment income and net interest payable, are analysed on the face of the profit and loss account.

(b) Analysis of external turnover by geographical destination

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
UK	**467.9**	474.8
Rest of Europe, Middle East and Far East	**19.8**	17.9
Rest of World	**1.7**	4.8
External turnover	**489.4**	497.5

(c) Net assets

	UK Water 31.12.2001 £m	UK Water 31.12.2000 £m	International Water 31.12.2001 £m	International Water 31.12.2000 £m	Waste Management 31.12.2001 £m	Waste Management 31.12.2000 £m	Related Services 31.12.2001 £m	Related Services 31.12.2000 £m	Total Year to 31.12.2001 £m	Total Year to 31.12.2000 £m
Subsidiary undertakings	**2,184.1**	2,083.7	**54.2**	39.4	**-**	-	**(29.4)**	(18.6)	**2,208.9**	2,104.5
Share of associated undertakings' net (liabilities)/assets	**-**	-	**-**	-	**-**	(14.5)	**4.0**	3.7	**4.0**	(10.8)
Net operating assets									**2,212.9**	2,093.7
Unallocated net liabilities									**(1,042.3)**	(1,086.0)
Net assets									**1,170.6**	1,007.7

Net operating assets comprise tangible fixed assets, stocks, debtors and creditors which relate to segmental operating activities. Unallocated net liabilities comprise other fixed asset investments, current investments, cash and short term deposits, borrowings, current taxation balances, dividends and other common assets and liabilities.

The net assets of the Group are almost entirely situated in the United Kingdom.

3 Operating Costs

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Operating profit is stated after charging/(crediting):		
Materials and consumables	**27.6**	23.4
Manpower costs (see note 8)	**101.3**	100.0
Own work capitalised	**(26.2)**	(26.2)
Depreciation of tangible fixed assets: (see note 12)		
owned	**77.2**	62.9
under hire purchase contracts and finance leases	**4.0**	7.6
Amortisation of capital grants (see note 22)	**(3.6)**	(3.4)
Other operating charges	**146.3**	141.4
Other operating income	**-**	(1.3)
Profit on disposal of tangible fixed assets	**(0.6)**	(0.4)
Operating leases:		
plant and machinery	**0.6**	0.8
other	**1.3**	3.2
Costs of research and development	**5.3**	5.6
Auditors' remuneration:		
audit	**0.2**	0.2
non-audit services	**0.1**	0.1
Total operating costs	**333.5**	313.9

Own work capitalised includes both employment and other costs charged to capital schemes.

4 Net Interest Payable

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Interest payable on debentures, bank and other loans and overdrafts	**82.3**	73.9
On hire purchase contracts and finance leases	**2.8**	3.6
Group interest payable	**85.1**	77.5
Share of associates' interest payable	**0.7**	7.6
Share of joint ventures' interest payable	**0.3**	0.3
Total interest payable	**86.1**	85.4
Interest receivable	**(6.4)**	(3.6)
Net interest payable	**79.7**	81.8
Disclosed as:		
Net interest payable: Group	**78.7**	73.9
Associates	**0.7**	7.6
Joint ventures	**0.3**	0.3
	79.7	81.8

5 Exceptional Profit on Disposal of Associate

The Company disposed of its 35% holding in SITA Holdings UK Limited on 29 June 2001 and the profit before tax of £29.4m is stated after charging £116.4m of goodwill previously written off to reserves.

	Year to 31.12.2001 £m
Sale proceeds	**132.3**
Goodwill previously written off to the group reconstruction relief reserve	**(107.6)**
Goodwill previously written off to the profit and loss reserve	**(8.8)**
Investment in associate (see note 21)	**13.5**
Exceptional profit before tax	**29.4**
Tax arising on disposal	**(9.0)**
Exceptional profit after tax	**20.4**

The Group reconstruction relief reserve was fully utilised on 22 December 1998. This reserve has been reinstated (see note 24).

6 Directors' Remuneration and Interests

(a) Directors' remuneration

The remuneration of the Directors of the Company was:

	Fixed remuneration £000	Performance related bonus £000	Benefits in kind £000	Pension contributions £000	Total Year to 31.12.2001 £000	Total Year to 31.12.2000 £000
Serving Directors						
Professor Sir Frederick Holliday	80	-	31	-	**111**	106
Sir Derek Bradbeer (resigned 31 March 2000)	-	-	-	-	**-**	11
Patrick Babin	-	-	-	-	**-**	75
Kam-Ling Chan (resigned 7 January 2002)	21	-	-	-	**21**	21
Peter Cheng (resigned 7 January 2002)	21	-	-	-	**21**	21
Donald Correll (resigned 17 January 2001)	1	-	-	-	**1**	21
John Cuthbert* (appointed 1 November 2001)	29	8	1	-	**38**	39
Jean-François Didion (resigned 4 April 2000)	-	-	-	-	**-**	5
Anthony Harding (appointed 20 April 2001)	106	35	5	7	**153**	47
Antony Haynes (resigned 31 March 2002)	61	-	-	-	**61**	51
Anne Minto (resigned 31 March 2000)	-	-	-	-	**-**	26
Martin Nègre (resigned 20 April 2001)	29	-	38	-	**67**	172
Gérard Payen (resigned 31 March 2000)	-	-	-	-	**-**	5
Hugh Speed (resigned 31 March 2000)	-	-	-	-	**-**	18
Total remuneration	**348**	**43**	**75**	**7**	**473**	**618**

*Executive Director as at 31 December 2001.

The aggregate remuneration of the highest paid director, excluding pension contributions, was £146,000 (31 December 2000: £172,000).

Alain Chaigneau, Jean-François Thierry Chambolle and Patrick Verschelde received no remuneration for the year to 31 December 2001 (31 December 2000: nil).

Executive Directors

The emoluments of the Executive Directors, including the annual bonus, are determined by the Remuneration Committee which receives independent external advice. In addition to this market information, account will be taken of changes in job size, the individual's assessed experience, competency and performance and the Remuneration Committee will also have regard to budgetary constraints and public perceptions. The Remuneration Committee is comprised solely of Non-Executive Directors.

The bonus scheme for senior executives was approved by the Remuneration Committee. The scheme is based upon the principle of rewarding achievement on agreed objectives relating as far as possible to quantifiable criteria. Performance appraisals are conducted annually by the Group Managing Director, who makes recommendations for bonus payments to the Remuneration Committee. The scheme can reward both collective and individual performance and is variable from 0% to a maximum of 40% of base salary. There are no other performance linked incentive schemes for executives. The performance related bonuses shown above are for the period from 1 January 2001 to 31 December 2001, pro rata for the period in office, which will be subject to review by the Remuneration Committee following appraisal of the performance of the respective directors.

Benefits in kind include work related accommodation, if appropriate, and provision of company cars and fuel.

Non-Executive Directors
The emoluments of the Non-Executive Directors are determined by reference to independent advice. The Chairman is contracted for an average of two days each week and his level of salary is commensurate with this and the duties and responsibilities he performs. The other Non-Executive Directors are expected to be available to the Company for an average of two days each month, which includes membership of certain Board Committees. All notice periods comply with the recommendation of the Combined Code on Corporate Governance. Each Non-Executive Director is appointed for a twelve month period.

Other than the Chairman, the Non-Executive Directors do not receive benefits from the Company, but expenses are reimbursed for attending meetings. The Chairman is provided with work related accommodation and transport, both of which are available to the Company when not used by the Chairman.

The Non-Executive Directors, including the Chairman, do not participate in any of the bonus arrangements or pension schemes.

Service contracts
The service contracts for all Executive Directors have been set at two years, on a rolling basis. The contracts do not include actions which would be taken in the event of an Executive or Non-Executive being removed from office. In such circumstances, the Board aims to seek an amicable settlement within the terms of the individual's contract of employment.

The Executive Director does not have paid appointments or directorships outside the Group.

(b) Directors' interests

The Directors who held office on 31 December 2001 had no interests in the shares of the Company.

The Directors who held office on 31 December 2001 had the following beneficial interests in the ordinary shares, other than share options, and debentures of the Company's ultimate parent company, Suez SA:

Name of Director	Description of shares or debentures	31 December 2001	Start of year or subsequent date of appointment
Patrick Babin	Ordinary Shares of €2	2,633	3,067
Alain Chaigneau	Ordinary Shares of €2	7,742	9,042
Jean-François Thierry Chambolle	Ordinary Shares of €2	19,034	11,284
John Arthur Cuthbert	Ordinary Shares of €2	3,561	3,561
Anthony John Harding	Ordinary Shares of €2	4,520	4,520
Professor Sir Frederick Holliday	Ordinary Shares of €2	-	2,000
Patrick Marcel Verschelde	Ordinary Shares of €2	26,055	26,055

The Directors who held office on 31 December 2001 held the following options over ordinary shares of €2 each in Suez SA:

Name of Director	Start of year or subsequent date of appointment	Granted/(exercised) during year	31 December 2001	Exercise price
Patrick Babin	17,500	-	17,500	€17.47
	20,000	-	20,000	€29.82
	22,500	-	22,500	€30.22
	32,500	-	32,500	€36.41
	-	40,000	40,000	€34.51
	92,500	40,000	132,500	
Alain Chaigneau	5,000	(5,000)	-	€13.90
	17,500	-	17,500	€17.47
	20,000	-	20,000	€29.82
	25,000	-	25,000	€30.22
	30,000	-	30,000	€36.41
	-	35,000	35,000	€34.51
	97,500	30,000	127,500	
Jean-François Thierry Chambolle	15,000	(15,000)	-	€13.90
	30,000	-	30,000	€17.47
	30,000	-	30,000	€29.82
	30,000	-	30,000	€30.22
	35,000	-	35,000	€36.41
	-	55,000	55,000	€34.51
	140,000	40,000	180,000	
John Arthur Cuthbert	6,000	(6,000)	-	€13.90
	11,000	-	11,000	€17.47
	11,500	-	11,500	€29.82
	12,500	-	12,500	€30.22
	13,000	-	13,000	€36.41
	-	14,000	14,000	€34.51
	54,000	8,000	62,000	
Anthony John Harding	12,500	-	12,500	€17.47
	13,000	-	13,000	€29.82
	14,000	-	14,000	€30.22
	14,500	-	14,500	€36.41
	-	17,500	17,500	€34.51
	54,000	17,500	71,500	
Professor Sir Frederick Holliday	15,000	-	15,000	€17.47
	15,000	-	15,000	€29.82
	15,000	-	15,000	€30.22
	15,000	-	15,000	€36.41
	-	15,000	15,000	€34.51
	60,000	15,000	75,000	
Patrick Marcel Verschelde	75,000	-	75,000	€36.41
	-	75,000	75,000	€34.51
	75,000	75,000	150,000	

No options have lapsed during the year.

On 4 May 2001 Suez SA shareholders resolved to restructure that company's ordinary share capital by splitting each Seuz SA Ordinary Share with a nominal value of €10 into five new shares with a nominal value of €2 each. The restructure took effect on 15 May 2001 and the Company's Register of Directors Interests in shares has been adjusted to reflect the change.

All options with an exercise price of €13.90 were granted on 24 July 1996 and are exercisable between 24 July 1998 and 24 July 2004.

All options with an exercise price of €17.47 were granted on 17 November 1997 and are exercisable between 17 November 2002 and 17 November 2005.

All options with an exercise price of €29.82 were granted on 16 November 1998 and are exercisable between 16 November 2003 and 16 November 2006.

All options with an exercise price of €30.22 were granted on 15 November 1999 and are exercisable between 15 November 2004 and 15 November 2007.

All options with an exercise price of €36.41 were granted on 28 November 2000 and are exercisable between 28 November 2004 and 28 November 2010.

All options with an exercise price of €34.51 were granted on 28 November 2001 and are exercisable between 28 November 2005 and 28 November 2011.

The highest and lowest prices of the Suez SA ordinary shares during the year were €38.75 and €30.70 respectively.

No other director holds any interest required to be disclosed in accordance with Schedule 7 of the Companies Act 1985.

(c) Directors' pension entitlements

As explained in note 26, the Group operates two defined benefit final salary schemes, the Northumbrian Lyonnaise Pension Scheme (NLPS) and the Water Mirror Image Pension Scheme (MIS).

Patrick Babin, Alain Chaigneau, Jean-François Thierry Chambolle and Patrick Marcel Verschelde participate in pension schemes administered by Suez SA and not any of the Group's UK pension schemes.

7 Transactions with Directors and Officers

There are no transactions or arrangements which would require disclosure under the provisions of the Companies Act 1985.

8 Employee Information

The total employment costs of all employees (including directors) of the Group were:

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Wages and salaries	**85.7**	84.4
Social security costs	**7.3**	7.5
Other pension costs	**8.3**	8.1
Total employment costs	**101.3**	100.0
Total employment costs were charged as follows:		
Capital schemes and infrastructure renewals	**24.3**	25.7
Manpower costs	**77.0**	74.3
	101.3	100.0

The average monthly number of employees of the Group during the year was:

	Year to 31.12.2001 Number	Year to 31.12.2000 Number
UK Water	**2,185**	2,155
International Water	**113**	118
Related Services	**1,141**	1,207
	3,439	3,480

9 Tax on Profit on Ordinary Activities

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
UK corporation tax at 30% (31 December 2000: 30%):		
Current	**(0.5)**	5.3
(Over)/under provision in respect of previous periods	**(6.2)**	0.1
Exceptional taxation on disposal of associate	**9.0**	-
Share of associates' tax charge/(credit)	**1.6**	(3.1)
Share of joint ventures' tax charge	**0.2**	0.2
	4.1	2.5
Deferred taxation (see note 21)	**(0.5)**	(0.5)
	3.6	2.0

The current tax charge for the year has been reduced by £25.4m (31 December 2000: £26.9m) primarily due to the availability of capital allowances for which no deferred taxation was provided (see note 28(a)).

10 Dividends

	Year to 31.12.2001 £m	Year to 31.12.2000 £m
Interim paid of 6.39 pence (December 2000: 6.115 pence) per £1 ordinary share	**29.8**	28.5
Second interim proposed of 6.39 pence (December 2000: 6.115 pence) per £1 ordinary share	**29.8**	28.5
Final proposed of nil pence (December 2000: nil pence) per £1 ordinary share	**-**	-
	59.6	57.0

11 Tangible Fixed Assets

(a) Group:

	Freehold land and buildings £m	Short leasehold land and buildings £m	Infra-structure assets £m	Operational structures, plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets in the course of construction £m	**Total £m**
Cost:							
At 31 December 2000	81.8	5.2	1,123.6	1,052.8	103.6	403.1	**2,770.1**
Additions	0.2	-	-	3.0	1.2	198.0	**202.4**
Schemes commissioned	46.7	-	64.1	266.7	52.4	(429.9)	**-**
Disposals	(0.3)	-	(15.6)	(1.1)	(1.1)	-	**(18.1)**
At 31 December 2001	128.4	5.2	1,172.1	1,321.4	156.1	171.2	**2,954.4**
Depreciation:							
At 31 December 2000	23.3	1.2	76.4	271.1	82.9	-	**454.9**
Charge for the year	3.9	0.2	28.9	39.5	8.7	-	**81.2**
Disposals	(0.1)	-	(15.6)	(1.1)	(0.8)	-	**(17.6)**
At 31 December 2001	27.1	1.4	89.7	309.5	90.8	-	**518.5**
Net book value at 31 December 2001	101.3	3.8	1,082.4	1,011.9	65.3	171.2	**2,435.9**
Net book value at 31 December 2000	58.5	4.0	1,047.2	781.7	20.7	403.1	**2,315.2**

Operational structures, plant and machinery include an element of land and buildings dedicated to those assets.

The net book value of tangible fixed assets held under hire purchase contracts and finance leases was as follows:

	31.12.2001 £m	31.12.2000 £m
Infrastructure assets	**2.2**	-
Operational structures, plant and machinery	**27.9**	31.7
Fixtures, fittings, tools and equipment	**1.9**	4.2
	32.0	35.9

(b) Company:

The Company had tangible fixed assets of £nil (31 December 2000: £0.1m), comprising mainly fixtures and fittings.

12 Fixed Asset Investments

(a) Group:

	Joint ventures £m	Associated undertakings £m	Other investments £m	**Total £m**
At 31 December 2000	1.7	(12.5)	0.6	**(10.2)**
Disposals	-	13.5	-	**13.5**
Share of profits	0.5	1.0	-	**1.5**
Dividends received	(0.2)	-	-	**(0.2)**
At 31 December 2001	2.0	2.0	0.6	**4.6**

All fixed asset investments are unlisted.

(b) Company:

	Associated undertakings £m	Interests in subsidiaries £m	Other investments £m	**Total £m**
At 31 December 2000	123.4	989.1	0.6	**1,113.1**
Additions	-	100.0	-	**100.0**
Disposals	(120.9)	(1.6)	-	**(122.5)**
At 31 December 2001	2.5	1,087.5	0.6	**1,090.6**

(c) The Group's interests in principal trading associates at 31 December 2001 are as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group and Company %	Business activity
Water and Sanitation Services South Africa (PTY) Limited	South Africa	Ordinary shares of 1 Rand	50	Water and sewerage services
Baerum Vann AS	Norway	Ordinary shares of 1,000 Norwegian Krone	24	Water services
Ayr Environmental Services Limited	Scotland	Ordinary shares of £1	50	Water and sewerage services

(d) The Group has a 50% share in Vehicle Lease and Service Limited (VLS), the Group's only joint venture arrangement. VLS was incorporated in England and Wales and undertakes the business of hiring, leasing and servicing of vehicles and plant.

(e) The Group's interests in principal trading subsidiaries at 31 December 2001 are as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group and Company %	Business activity
Northumbrian Water Limited	England and Wales	Ordinary shares of £1	100	Water and sewerage services
Lyonnaise des Eaux (Gibraltar) Limited	Gibraltar	Ordinary shares of £1	67	Water and sewerage services
Entec UK Limited	England and Wales	Ordinary shares of £1	100	Environmental and engineering consultancy
Northumbrian Lyonnaise Technology & Research Centre Limited	England and Wales	Ordinary shares of £1	100	Research and development
Imass Limited	England and Wales	Ordinary shares of £1	100	IT consultancy
Analytical & Environmental Services Limited	England and Wales	Ordinary shares of £1	100	Analytical laboratory and scientific services
Fastflow Pipeline Services Limited	England and Wales	Ordinary shares of £1	100	Infrastructure replacement and rehabilitation
Caledonian Environmental Services Limited	Scotland	Ordinary shares of £1	75	Water and sewerage services
Northumbrian Water Finance plc	England and Wales	Ordinary shares of £1	100	Holding of finance instruments

The Directors consider that to give full particulars of all subsidiary and associated undertakings would lead to a statement of excessive length. The above information relates to those subsidiary and associated undertakings or groups of undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group.

13 Stocks

	Group 31.12.2001 £m	Group 31.12.2000 £m
Stores	**3.1**	2.7
Work in progress	**3.3**	4.0
	6.4	6.7

14 Debtors

	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Amounts receivable within one year:				
Trade debtors	**59.6**	65.5	**0.1**	0.1
Amounts owed by subsidiary undertakings	**-**	-	**206.5**	483.5
Amounts owed by parent company and fellow subsidiaries	**30.7**	15.1	**25.7**	13.3
Other debtors	**9.2**	12.5	**2.1**	6.9
Prepayments and accrued income	**27.6**	29.3	**2.3**	1.0
	127.1	122.4	**236.7**	504.8
Amounts receivable after more than one year:				
Pension surplus on acquisition	**19.8**	21.5	**-**	-

In the Company, the debtor for amounts owed by subsidiary undertakings includes £1.1m (31 December 2000: £8m) in respect of amounts receivable for the provisional surrender of tax losses by the Company.

15 Cash at Bank and Short Term Deposits

	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Short term cash deposits	**210.7**	44.8	**203.3**	16.7
Cash at bank	**188.8**	39.4	**177.6**	27.4
	399.5	84.2	**380.9**	44.1

16 Creditors: Amounts falling due within one year

	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Bank loans and overdrafts (see note 18)	**44.1**	104.3	**15.9**	187.6
Eurobond - due 1 February 2002 bearing interest rate of 9.25% (see note 18)	**100.0**	-	**100.0**	-
Debentures (see note 18)	**8.0**	-	**-**	-
Commercial paper (see note 18)	**-**	90.5	**-**	90.5
Obligations under hire purchase contracts and finance leases (see note 19)	**3.7**	4.7	**-**	-
Trade creditors	**10.1**	12.0	**-**	0.1
Amounts owed to subsidiary undertakings	**-**	-	**2.9**	2.7
Amounts owed to parent company and fellow subsidiaries	**5.6**	4.0	**14.8**	16.8
Other creditors	**24.7**	30.9	**1.5**	1.6
Taxation and social security	**22.0**	20.5	**1.0**	-
Dividends payable:				
non-equity shareholders	**0.2**	-	**-**	-
equity shareholders	**29.8**	28.5	**29.8**	28.5
Accruals and deferred income	**134.3**	127.8	**48.5**	34.3
	382.5	423.2	**214.4**	362.1

The creditor for taxation and social security in the Group includes corporation tax amounting to £18.7m (31 December 2000: £19.3m).

17 Creditors: Amounts falling due after more than one year

	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Loans (see note 18)	**295.5**	318.1	**-**	-
Debentures (see note 18)	**14.3**	22.3	**-**	-
Eurobond – due 1 February 2002 bearing interest rate of 9.25%	**-**	100.0	**-**	100.0
Eurobond – due 28 June 2006 bearing interest rate of 8.625%	**200.0**	200.0	**200.0**	200.0
Eurobond – due 11 October 2017 bearing interest rate of 6.0%	**301.0**	-	**-**	-
Eurobond – due 6 February 2023 bearing interest rate of 6.875%	**351.7**	194.8	**351.7**	194.8
Eurobond – due 31 March 2037 bearing interest rate of 6.627%	**61.7**	63.7	**-**	-
Amounts owed to parent company and fellow subsidiaries (see note 18)	**0.5**	0.6	**132.5**	-
Obligations under hire purchase contracts and finance leases (see note 19)	**53.2**	52.8	**-**	-
Other creditors	**14.9**	15.4	**-**	-
	1,292.8	967.7	**684.2**	494.8

At 31 December 2001, the Group had the following interest swap arrangements: £15.0m over a ten year period commencing on 10 May 1994 under which the Group is required to pay interest at a rate linked to LIBOR and will receive interest at 9.00%; £10.0m over a seven year period commencing on 16 December 1996 under which the Group is required to pay interest at a rate linked to LIBOR and will receive interest at 7.45%; £25.0m over a five year period commencing on 23 May 1997 under which the Group is required to pay at a rate linked to LIBOR and will receive interest at 7.48%; £10.0m over a three year period commencing on 5 August 1999 under which the Group is required to pay interest at a rate linked to LIBOR and will receive interest at 6.74%; £10.0m over a three year period commencing 31 January 2000 under which the Group is required to pay interest at a rate linked to LIBOR and will receive interest at 7.165%; and £25.0m over a three year period commencing on 7 December 2000 under which the Group is required to pay interest at 5.61% and will receive interest at a rate linked to LIBOR.

18 Loans

	Group 31.12.2001 £m	Group 31.12.2000 £m	Company 31.12.2001 £m	Company 31.12.2000 £m
Loans are repayable as follows:				
Less than one year	**130.7**	162.5	**114.8**	280.9
Between one and two years	**23.1**	130.7	**-**	100.0
Between two and five years	**305.6**	92.7	**332.5**	-
In more than five years	**896.0**	676.1	**351.7**	394.8
	1,355.4	1,062.0	**799.0**	775.7
Disclosed as due:				
Within one year:				
Bank loans and overdrafts	**44.1**	104.3	**15.9**	187.6
Eurobonds	**100.0**	-	**100.0**	-
Debentures	**8.0**	-	**-**	-
Commercial paper	**-**	90.5	**-**	90.5
Amounts owed to parent company and fellow subsidiaries	**0.1**	0.1	**14.8**	16.8
Less: Bank overdrafts	**(21.5)**	(32.4)	**(15.9)**	(14.0)
After one year:				
Loans	**295.5**	318.1	**-**	-
Eurobonds	**914.4**	558.5	**551.7**	494.8
Debentures	**14.3**	22.3	**-**	-
Amounts owed to parent company and fellow subsidiaries	**0.5**	0.6	**132.5**	-
	1,355.4	1,062.0	**799.0**	775.7

Loans to the Group from third parties, any part of which falls due for repayment in five years or more and which are repayable by instalments, amount to £181.4m (31 December 2000: £207.5m) and bear rates of interest in the range of 7.16% to 8.55% (31 December 2000: 6.05% to 8.55%) and £0.6m (31 December 2000: £0.7m) of these loans bear interest rates linked to LIBOR.

Loans to the Group from third parties repayable otherwise than by instalments which fall due for repayment after more than five years amount to £996.7m (31 December 2000: £555.7m) and bear rates of interest in the range of 3.5% to 11.75% (31 December 2000: 3.5% to 11.75%). Of these loans, £75.0m (31 December 2000: £90.0m) bears interest rates linked to LIBOR.

The aggregate amount of Group loans, any part of which falls due for repayment in five years or more, is £1,178.1m (31 December 2000: £763.2m).

Loans to the Company from third parties repayable otherwise than by instalments which fall due for repayment after more than five years amount to £351.7m (31 December 2000: £394.8m).

Included in the loans are debenture stocks as follows:

(a) £8.7m issued by North East Water plc and secured by a floating charge on the assets of Northumbrian Water Limited.

(b) £13.6m issued by Essex and Suffolk Water plc and secured by a floating charge on the assets of Northumbrian Water Limited.

19 Obligations under Hire Purchase Contracts and Finance Leases

	Group 31.12.2001 £m	Group 31.12.2000 £m
Amounts due:		
In less than one year	**3.7**	4.7
Between one and two years	**2.9**	3.9
Between two and five years	**9.2**	7.8
In more than five years	**75.4**	78.2
Gross obligations	**91.2**	94.6
Less: finance charges allocated to future periods	**(34.3)**	(37.1)
	56.9	57.5
Disclosed as due:		
Within one year	**3.7**	4.7
After more than one year	**53.2**	52.8
	56.9	57.5

The aggregate gross amount of obligations under hire purchase contracts and finance leases, any part of which falls due for repayment in five years or more, is £89.6m (31 December 2000: £87.6m).

20 Derivatives and Financial Instruments

The Group's policy in respect of derivative financial instruments is disclosed in note 1(o).

(a) Group strategy

The level of capital expenditure which the Group is obliged to incur is such that it cannot be wholly financed by internally generated sources. As a result, the Group must rely upon raising additional finance on a regular basis, to be principally used to fund the long term assets required in its regulated business. The Group's strategy is to finance such investment by raising medium to long term debt, to provide a balance sheet match with long term assets and to fix a major proportion of interest rates.

(b) Treasury operations

The main purpose of the Group's treasury function is to assess the Group's ongoing capital requirement and to raise funding on a timely basis, taking advantage of any favourable market opportunities. It also invests any surplus funds the Group may have based upon its forecast requirements and in accordance with the Group's treasury policy. On occasion, derivatives are used as part of this process, but the Group's policies prohibit their use for speculation.

(c) Risks arising from Group's financial instruments

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. All treasury activities are conducted in accordance with these policies.

(d) Liquidity risk

As regards day to day liquidity, the Group's policy is to have available standby committed bank borrowing facilities with a value of no less than £50.0m and with a bank agreement availability period of no less than 3 months.

(e) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. It borrows at both fixed and floating rates of interest and accordingly then uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep a minimum 50% of its borrowings at fixed rates of interest.

(f) Foreign currency risk

The Group's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature or £3.0m sterling equivalent of a translation nature, should be covered immediately on recognition.

(g) Market price risk

The Group's exposure to market price risk principally comprises interest rate exposures. The Group's policy is to accept a degree of interest rate risk. On the basis of the Group's analysis, it is estimated that a rise in interest rates would not have a material affect on the Group's pre-tax profits.

(h) Interest rate risk profile of financial assets and financial liabilities

The interest rates and currency profile of the Group's net borrowings at 31 December 2001 were:

			Fixed rate net borrowings		
	Total net borrowings £m	Variable rate net borrowings £m	Borrowings £m	Weighted average interest rate %	Weighted average period until maturity Years
Currency					
Sterling borrowings:					
Bank loans	318.1	90.8	227.3	7.56%	9.4
Eurobonds	1,014.4	-	1,014.4	7.13%	15.0
Debentures	22.3	-	22.3	10.53%	4.5
Finance leases	56.9	51.0	5.9	8.64%	6.0
	1,411.7	141.8	1,269.9	7.47%	14.2
Euro borrowings:					
Amount owed to parent company	0.6	0.6	-		
Cash including overdrafts	(378.0)	(378.0)	-		
Sterling loans receivable	(25.7)	(25.7)	-		
Net borrowings at 31 December 2001	**1,008.6**	**(261.3)**	**1,269.9**		

The interest rates and currency profile of the Group's net borrowings at 31 December 2000 were:

			Fixed rate net borrowings		
	Total net borrowings £m	Variable rate net borrowings £m	Borrowings £m	Weighted average interest rate %	Weighted average period until maturity Years
Currency					
Sterling borrowings:					
Bank loans	390.0	92.4	297.6	7.51%	8.3
Eurobonds	558.5	-	558.5	7.90%	14.1
Commercial paper	90.5	90.5	-	-	-
Debentures	22.3	-	22.3	10.47%	4.0
Finance leases	57.5	50.4	7.1	9.25%	1.9
	1,118.8	233.3	885.5	7.84%	11.8
French Franc borrowings:					
Amount owed to parent company	0.7	0.7	-		
Cash including overdrafts	(51.8)	(51.8)	-		
Sterling loans receivable	(13.3)	(13.3)	-		
Net borrowings at 31 December 2000	**1,054.4**	**168.9**	**885.5**		

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

The variable rate net borrowings comprise sterling denominated bank borrowings and deposits that bear interest at rates based upon up to twelve months LIBOR.

Included within the external sterling borrowings of the Group above are loans amounting to £108.8m whose rates are fixed for a period of 5 to 7 years from their inception and which, under the terms of the respective loan agreements, can then either be repaid or rolled over for a similar period at a new fixed rate, based upon prevailing market rates at that date. The weighted average period for which the rates on such loans are fixed has been taken as the same average period until maturity.

Included in the debentures above are £2.1m of irredeemable debentures, which have been excluded from the calculation of the weighted average maturity and fixed periods.

(i) Currency exposures

At 31 December 2001, after taking into account the effects of forward foreign exchange contracts, the Group had no currency exposures (31 December 2000: nil).

(j) Borrowing facilities

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December 2001, in respect of which all conditions precedent have been met are as follows:

	£m
Expiring in one year or less	50.0
Expiring in more than one year but not more than three years	75.0
At 31 December 2001	**125.0**

(k) Fair values of financial assets and financial liabilities

A comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2001 is set out below:

	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:		
Short term financial liabilities and current portion of long term borrowings	155.9	161.7
Long term borrowings	1,277.9	1,325.7
Financial assets	(425.2)	(425.2)
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swaps	-	(2.2)
At 31 December 2001	**1,008.6**	**1,060.0**

A comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2000 is set out below:

	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group's operations:		
Short term financial liabilities and current portion of long term borrowings	199.5	202.0
Long term borrowings	952.4	1,000.7
Financial assets	(97.5)	(97.5)
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swaps	-	(2.8)
At 31 December 2000	**1,054.4**	**1,102.4**

The fair values of the interest rate swaps, forward foreign currency contracts and sterling denominated long term fixed rate debt with a book value of £1,036.7m (31 December 2000: £517.0m) have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

(l) Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales denominated in foreign currencies immediately those sales are transacted. It also uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

An analysis of these unrecognised gains and losses as at 31 December 2001 is as follows:

	Gains £m	Losses £m	Total net gains/(losses) £m
Unrecognised gains and losses on hedges at 31 December 2000	2.8	-	2.8
Gains and losses arising in previous years that were recognised in 2001	1.3	0.1	1.2
Gains and losses arising before 1 January 2001 that were not recognised in 2001	1.5	0.1	1.4
Gains and losses arising in 2001 that were not recognised in 2001	1.1	0.3	0.8
Unrecognised gains and losses on hedges at 31 December 2001	**2.6**	**0.4**	**2.2**
Of which:			
Gains and losses expected to be recognised in 2002	1.4	0.3	1.1
Gains and losses expected to be recognised in 2003 or later	1.2	0.1	1.1

An analysis of these unrecognised gains and losses as at 31 December 2000 is as follows:

	Gains £m	Losses £m	Total net gains/(losses) £m
Unrecognised gains and losses on hedges at 31 December 1999	2.2	0.1	2.1
Gains and losses arising in previous years that were recognised in 2000	1.0	0.1	0.9
Gains and losses arising before 1 January 2000 that were not recognised in 2000	1.2	-	1.2
Gains and losses arising in 2000 that were not recognised in 2000	1.6	-	1.6
Unrecognised gains and losses on hedges at 31 December 2000	**2.8**	**-**	**2.8**
Of which:			
Gains and losses expected to be recognised in 2001	1.0	-	1.0
Gains and losses expected to be recognised in 2002 or later	1.8	-	1.8

21 Provisions for Liabilities and Charges

	Group					
	Investment in associate £m	Reorganisation & restructuring provision £m	Pension provision £m	Deferred taxation £m	Other £m	**Total £m**
At 31 December 2000	14.5	6.9	8.9	6.5	3.2	**40.0**
Transferred from/(to) the profit and loss account	-	0.7	(0.7)	(0.5)	4.4	**3.9**
Other movements	(13.5)	-	-	-	-	**(13.5)**
Share of profits in associate	(1.0)	-	-	-	-	**(1.0)**
Utilised during the year	-	(1.3)	-	-	(0.1)	**(1.4)**
At 31 December 2001	-	6.3	8.2	6.0	7.5	**28.0**

The investment in associate relates to the Group's 35% share in SITA Holdings UK Limited, which was disposed of on 29 June 2001, for a profit after taxation of £20.4m (see note 5).

The reorganisation and restructuring provision represents amounts payable in respect of costs of restructuring programmes within the Group. The redundancy component of the provision will be paid within 12 months of the balance sheet date and the pension provision will be paid or amortised following the recommendations of the actuaries of the respective pension schemes to which the individuals concerned belong.

The deferred taxation provision relates to the pension revaluation surplus in respect of the Northumbrian Lyonnaise Pension Scheme (South).

Other provisions comprise contract issues representing the best estimate of amounts payable principally in the next 24 months and a provision held in respect of a loan of £5.9m.

22 Accruals and Deferred Income

	Group £m
Capital grants and contributions:	
At 31 December 2000	115.9
Additions	7.3
Amortisation in the year	(3.6)
At 31 December 2001	**119.6**

23 Called up Share Capital

The share capital of the Company and Group is shown below:

	31.12.2001 £m	31.12.2000 £m
Authorised:		
1,000m ordinary shares of £1 each	**1,000.0**	1,000.0
Allotted, called up and fully paid:		
466.2m ordinary shares of £1 each	**466.2**	466.2

24 Reserves

	Share premium account £m	Group reconstruction relief reserve £m	Profit and loss account £m
Group:			
At 31 December 2000	217.9	-	321.0
Retained profit for the financial year	-	-	46.1
Goodwill previously written off (see note 5)	-	107.6	8.8
At 31 December 2001	**217.9**	**107.6**	**375.9**
Company:			
At 31 December 2000	-	-	121.1
Retained profit for the financial year	-	-	4.4
At 31 December 2001	**-**	**-**	**125.5**

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. Its profit for the financial year was £64.0m (31 December 2000: £67.6m).

25 Reconciliation of Movement in Equity Shareholders' Funds

	Group		Company	
	Year to 31.12.2001 £m	Year to 31.12.2000 £m	**Year to 31.12.2001 £m**	Year to 31.12.2000 £m
Profit for the financial year	**105.7**	103.8	**64.0**	67.6
Dividends	**(59.6)**	(57.0)	**(59.6)**	(57.0)
Retained profit for the financial year	**46.1**	46.8	**4.4**	10.6
Goodwill previously written off (see note 5)	**116.4**	-	**-**	-
Increase in equity shareholders' funds	**162.5**	46.8	**4.4**	10.6
Opening equity shareholders' funds	**1,005.1**	958.3	**805.2**	794.6
Closing equity shareholders' funds	**1,167.6**	1,005.1	**809.6**	805.2

26 Pensions

The Group operates a funded defined benefit pension scheme, providing benefits based on final pensionable remuneration to 2,304 employees. The Scheme, named the Northumbrian Lyonnaise Pension Scheme, comprises three unitised sections - the WPS section, LUKPS (North) section and LUKPS (South) section.

The assets of the Scheme are held separately from those of the Group in independently administered funds.

The most recent actuarial valuation of the Scheme was at 31 December 1998. At that date the market value of assets amounted to £416.2m in aggregate. The 1998 valuation disclosed that the combined value of the assets represented 114% of the value of the accrued liabilities.

The following table sets out the contributions agreed based on the 31 December 1998 valuations:

	Section		
	WPS	North	South
Members' contributions	6%	5%	5%
Employer's contributions	17.2%	6.3%	-

The company contribution rate was assessed using the Projected Unit Method and the following actuarial assumptions:

Investment return:	
Pre retirement	6.2%
Post retirement	5.7%
Pay increases:	
For 5 years after valuation date	3.8%
Thereafter	4.3%
Pension increases	2.8%
Price inflation	2.8%

The actuaries are currently undertaking the next valuation, which was due at 31 December 2001.

Additional disclosures regarding the Group's defined benefit scheme are required under the transitional provisions of FRS 17 'Retirement benefits' and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information that will be necessary for full implementation of FRS 17 in the year ending 31 December 2003.

A qualified actuary using revised assumptions that are consistent with the requirements of FRS 17 has updated the actuarial valuation described above at 31 December 2001. Investments have been valued for this purpose at fair value.

The fair value of the assets in the Scheme, the present value of the liabilities in the Scheme and the long-term expected rate of return at 31 December 2001 were:

	Long-term expected rate of return 31.12.2001 %	31.12.2001 £m
Equities	7.5	**288.0**
Bonds	5.4	**82.0**
Property	6.5	**47.0**
Cash	4.0	**23.0**
Total fair value of assets		**440.0**
Present value of Scheme liabilities		**(377.0)**
Surplus in the Scheme		**63.0**
Related deferred tax liability		**(18.9)**
Net pension asset		**44.1**

The Group also participates in the Water Mirror Image Pension Scheme and the employer's contribution has been assessed and paid in accordance with the advice of an independent actuary. This Scheme provides a defined benefit pension arrangement for 56 employees. The last actuarial valuation was carried out as at 31 March 2001. At that date the Scheme assets amounted to £21.8m and the assets represented 103% of the value of the accrued liabilities.

The Northumbrian Water Group Personal Pension Plan provides defined contribution benefits to 651 employees.

27 Financial Commitments

(a) Capital expenditure:

	Group	
	31.12.2001 £m	31.12.2000 £m
Expenditure contracted for	**95.0**	82.5

In addition to these commitments, the Group has longer term expenditure plans, which include investment to meet shortfalls in performance and condition and to provide for new demand and growth within the water and sewerage business.

(b) Lease commitments:
The Group has entered into non-cancellable operating leases in respect of land and buildings, plant, machinery and motor vehicles. The total amount payable under these leases in the next year is as follows:

	Land and buildings £m	Other £m	31.12.2001 £m	31.12.2000 £m
Leases which expire:				
Within one year	0.9	0.7	**1.6**	0.8
Within two to five years	0.1	0.6	**0.7**	1.9
After five years	0.5	-	**0.5**	0.6
	1.5	1.3	**2.8**	3.3

28 Contingent Liabilities

(a) No deferred taxation provision has been made in the Group or Company, except relating to pension surpluses (see note 21), as it is not expected that any other liabilities will crystallise in the foreseeable future. The full potential amount of deferred taxation not provided, calculated at 30% (31 December 2000: 30%), on all timing differences is as follows:

	Group		Company	
	31.12.2001 £m	31.12.2000 £m	31.12.2001 £m	31.12.2000 £m
Accelerated capital allowances	**392.2**	363.2	**-**	-
Other timing differences	**(23.1)**	(24.1)	**(0.9)**	(1.6)
	369.1	339.1	**(0.9)**	(1.6)

In addition, there are tax losses of approximately £9.8m (31 December 2000: £10.0m) available to be carried forward and set against future profits arising in territories outside the United Kingdom.

(b) The Company is party to a cross guarantee arrangement with certain subsidiary undertakings in respect of their bank overdrafts. The potential liability outstanding at 31 December 2001 amounted to £21.3m (31 December 2000: £25.9m).

(c) The Company has guaranteed loan and bank facilities of subsidiary undertakings which in aggregate amount to £271.8m at 31 December 2001 (31 December 2000: £281.0m) and interest rate swap agreements of subsidiary undertakings, the contingent liability of which cannot be determined since it is dependent on future variable interest rates.

(d) The Company has issued letters of continuing support to subsidiary companies with net current liabilities or net liabilities.

29 Related Party Transactions

Transactions with other members of the group headed by Suez SA, outside of the Group, comprised purchases of £24.5m (31 December 2000: £25.9m) and sales of £3.3m (31 December 2000: £5.7m). As at 31 December 2001, the amount due to these companies was £6.1m (31 December 2000: £4.6m) and due from these companies was £30.7m (31 December 2000: £15.1m).

The companies with which members of the Group have had transactions during the year, included in the above balances, were as follows:

Lyonnaise des Eaux Khatib and Alami
Lyonnaise des Eaux Management & Services
Lyonnaise Europe plc
Ondeo Degrémont
Ondeo Nalco
Ondeo SA
Ondeo Services SA
Safege
SITA Holdings UK Limited
Suez SA

30 Ultimate Parent Company

The ultimate parent company and the controlling party of the Company is Suez SA, incorporated in France. Suez SA consolidates the results of the Company and Group and copies of the consolidated financial statements are available to the public from Suez SA, 16 rue de la Ville l'Evêque, 75383 Paris, France.