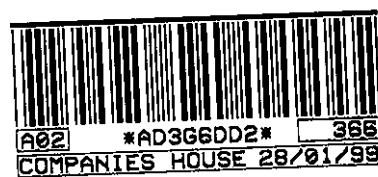


Lyonnaise UK Water Services Limited

Registered number: 1937162

Report and Accounts

31 March 1998



Directors' report

For the year ended 31 March 1998

The Directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 March 1998.

Principal activity and business review

The Company has not traded during the year.

Directors and their interests

The Directors who served during the year were:

John Cuthbert
Mel de Vogue

At the 31st March 1998 John Cuthbert had 390 Ordinary shares of 60FF and Mel de Vogue had 193 Ordinary shares of 60FF in the ultimate parent company, Suez Lyonnaise des Eaux S.A.

200 Aldersgate Street
London
EC1A 4JJ

December 1998

By Order of the Board
For and on behalf of
CLIFFORD CHANCE SECRETARIES LTD

C. E. Braithwaite
Authorised Signatory

Secretary

Profit and Loss Account

For the year ended 31 March 1998

	1998 £	1997 £
Loss for the year before tax	----	----
Tax on loss for the year after tax	----	----
Accumulated deficit, brought forward	<u>(185,017)</u>	<u>(185,017)</u>
Accumulated deficit, carried forward	<u>(185,017)</u>	<u>(185,017)</u>

There are no recognised gains and losses for the year and therefore a statement of total recognised gains and losses has not been included in these financial statements.

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

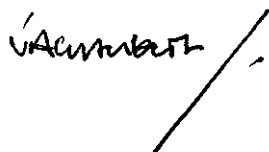
Balance Sheet
31 March 1998

	Notes	1998 £	1997 £
Fixed Assets			
Investments	3	1	1
		<hr/>	<hr/>
Current Assets			
Amounts due from related Company after more than one year	4	482	482
Cash at Bank		---	---
		<hr/>	<hr/>
		482	482
Creditors:			
Amounts falling due within one year			
Amounts due to parent Company	4	(185,000)	(185,000)
Net current liabilities		(184,518)	(184,518)
Net liabilities		(184,517)	(184,517)
Capital and Reserves			
Called-up share capital	5	500	500
Profit and Loss account		(185,017)	(185,017)
		(184,517)	(184,517)

The Company has been dormant (within the meaning of Section 250 of the Companies Act 1985) throughout the period covered by these accounts.

Signed on behalf of the Board

John Cuthbert



Directors

Mel de Vogue



The accompanying notes form an integral part of this balance sheet.

The accompanying notes form an integral part of this balance sheet.

Notes to financial statements

31 March 1998

1. Accounting Policies

The principal accounting policies are:

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Investments

Investments are stated at cost less amounts written off.

2. Trading

The Company did not trade in the year to 31 March 1998. The Company has no employees and neither of the Directors receives remuneration.

3. Investments

The Company owns 10,000 Ordinary £1 Shares in Water Services Limited (Registered Number 1923718) which is the entire issued Share Capital of Water Services Limited. Water Services Limited is registered in England.

4. Amounts due from related Company and due to Parent Company

On 28 January 1988 the Parent Company assigned to Lyonnaise UK Water Services Limited loans of £175,000 advanced to Water Services Limited. On 9th June 1989 the Company provided an additional £10,000 loan capital to Water Services Limited. This was financed by Suez Lyonnaise des Eaux, the ultimate holding Company. These are interest free and repayable on demand.

The sum of £482 relates to a loan to its Parent Company.

5. Called-up share capital

	1998 £	1997 £
Authorised Ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted, called-up and fully paid 500 ordinary shares of £1 each	<u>500</u>	<u>500</u>

6. **Reconciliation of movement in the shareholders' fund for the year ended 31 March 1998.**

	1998 £	1997 £
Loss for the financial year	---	---
Opening deficit in shareholders' funds	(184,517)	(184,517)
Closing deficit in shareholders' funds	(184,517)	(184,517)

7. **Cash flow statement**

Under the provisions of Financial Reporting Standard No 1, the Company is not required to prepare a statement of cash flows.

8. **Ultimate holding Company**

The Company is a wholly-owned subsidiary of Lyonnaise Europe plc, which is incorporated in England.

The largest group in which the results of Lyonnaise UK Water Services Limited is consolidated is that headed by Suez Lyonnaise des Eaux who is the ultimate holding Company. The consolidated accounts are available to the public and may be obtained from Suez Lyonnaise des Eaux, 72 Avenue de la Liberte, 92022 Nanterre Cedex, France.