

SAUR (UK) Limited

Annual Report and Accounts

For the year ended 31 December 2000



Registered number: 1990891

THE PRIVATE MANAGER OF PUBLIC UTILITIES

The SAUR UK group provides over four million people with services that are vital to everyday life – from water supply to facilities management, environmental services, engineering and professional consultancy services and contracting.

The group operates in the UK through its subsidiaries SAUR Water Services, Ecovert Group and Pipeway and employs over 2,100 people.

Through its subsidiary South East Water, SAUR Water Services provides water to 1.5 million people in Berkshire, Hampshire, Kent, Surrey and Sussex in the south of England as well as providing scientific services through its state of the art laboratory. It also carries out engineering consultancy through its subsidiary, Dynamco. The company is located in Haywards Heath, West Sussex.

Ecovert Group provides a range of facilities management, environmental and municipal services to local authorities, the public sector and industry. The group operates from over 20 locations throughout the UK in central London, Wales, central and southern England. Ecovert Group has its headquarters in Brighton, East Sussex.

SAUR UK provides business and functional support services to the group from its headquarters in Frimley Green, Surrey.

SAUR UK is part of the international operations of the SAUR Group, a world leader in the private management of public utilities. The group employs 22,200 people and serves 54 million people worldwide across Europe, the Americas, Asia and Africa. SAUR is part of the Bouygues Group.

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Chairman's statement

I am pleased to announce the financial results for the SAUR UK group for the 12 months ending December 2000. Turnover for the period was £155 million and pre-tax profits were £18 million.

SAUR Water Services continued to account for a significant part of the SAUR UK group's activities in 2000. Capital investment at £26 million was a major feature of South East Water's activities during the year and included schemes for mains and borehole renovation and source upgrading.

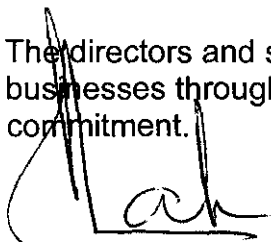
As part of Scotia Water Dalmuir, SAUR UK has been involved with the construction of a new sewage treatment works at Dalmuir, near Glasgow, Scotland. SAUR UK subsidiary SAUR Services (Glasgow) will operate the new plant from mid 2001.

Our facilities management activities within the Ecovert Group have had several successes during the year. A 35 year contract to provide FM services for West Middlesex Hospital worth £5 million per annum was signed early in 2001 and, in conjunction with our consortium partners, Ecovert was selected as the preferred bidder for a contract with the Home Office, with an annual value in excess of £8.5 million from 2004.

For Pipeway, innovative technological development of new lining materials has continued during the year and 2001 offers expansion opportunities as a result. With the value of relining contracts in the UK water industry reducing due to the regulatory price reviews and reduced capital programmes for the whole of the industry, Pipeway has recognised the need to seek opportunities in other markets.

Our commitment to quality, customer service, our communities and staff continued throughout 2000 with the development of new initiatives and training.

The directors and staff made an outstanding contribution to the success of our businesses throughout 2000 and I would like to thank them for their continued commitment.



Jean-François Talbot
Chairman

Financial highlights

The SAUR UK group's turnover increased by £4.8 million to reach £154.8 million during 2000, reflecting the group's continuing success and commitment to growth. The increase in turnover arose in both facilities management, up by £3.9 million, and in engineering contracting where the consolidation of Pipeway for a full year added £11.4million to group turnover. Water supply turnover reduced by £10 million as a result of the regulatory price review.

South East Water expanded their non-core activities, increasing their income from laboratory services and emergency plumbing insurance facilities.

For Ecovert, the focus continues to be on the more profitable facilities management business including contracts at King's College and Barnet Hospital. Other contracts won during 2000 included new building and grounds maintenance contracts at Crawley in West Sussex, High Wycombe and for the University of Sussex. Development costs are charged to the profit and loss account as they are incurred and include costs for successful contract tenders, such as West Middlesex Hospital and the Home Office, where income will be received in future years.

Capital expenditure by the group amounted to £28 million (1999: £33 million) of which £26 million related to the group's water activities, demonstrating our ongoing commitment to improving water quality and ensuring continuous supply.

The group has continued with its programme to dispose of excess land and buildings not required for current operations. Profit on sale of fixed assets was £6.6million, and the group repaid debt of £14.5 million during the year.

The 1999 balance sheet has been restated following the implementation of FRS 15. As at 31 December 1999 the cost of fixed assets has been increased by £69.4 million, being expenditure on maintaining the network previously charged to the infrastructure renewals provision. Accumulated depreciation as at 31 December 1999 has also been increased by £69.4 million previously included in the profit and loss account as an infrastructure renewals charge. This restatement has had no effect on the results of either 1999 or 2000.

Business review

2000 was a successful year and a year of change for the SAUR UK group.

In December, Jane Miller was appointed to the board as Executive Director, following the resignation of Francis Leborgne, who has returned to SAUR International. Denis Scherrer was appointed to the board in December 2000, and Philippe Denery and Yves Gabriel were appointed to the board in January 2001.

As part of a wider group reorganisation, the support activities of SAUR Services were combined with those operated from SAUR UK Ltd. SAUR UK is managing the new structure which has been established in order to meet the changing needs of its subsidiaries, providing pro-active co-ordination for development focused in the UK market. Overseas development activities and support have now been rationalised and consolidated throughout the SAUR International group.

WATER AND WASTEWATER SERVICES

South East Water has continued to improve its levels of service to customers. The internal organisation has been streamlined to enable it to provide a 16.1% price reduction to customers while improving efficiencies.

The beginning of the year saw a change in customer service delivery with the centralisation of service activities through a new call centre. A number of self-service options have also been introduced on the company's web site, which include account opening and meter reading facilities. The range of internet services will continue to increase during 2001.

In response to the new Competition Act which came into force in March 2000, the company has appointed key account managers to provide a dedicated resource for South East Water's largest accounts. This new service has been well received by the customers concerned.

2000 has seen an increasing focus on the growth of non-core business. The laboratory has won new cryptosporidium testing contracts worth approximately £1 million per annum. This, together with other analysis work, will continue to be a development focus for the future. The emergency plumbing insurance facility launched in 1999 has continued to attract new customers and a similar scheme for providing gas boiler servicing has been launched.

Investment continues to be directed towards improving the reliability of the systems providing water to customers. This year over £25 million has been invested in capital schemes which include borehole renovation and a major upgrading of the Tilford source. A five year water quality improvement programme, which has involved the

renovation of 1200km of mains, was completed during the first quarter of the year. The next phase has now been started, scraping and relining a further 800km. A high profile £1 million mains rehabilitation project on the A3 trunk road carried out by Pipeway used a new fast setting lining product which enabled work to be completed in record time.

Significant progress has been made, working with the Environment Agency, on long term resource planning. Lobbying continues however for a reallocation of licences in southern England, which would facilitate the provision of resources to areas where they are most needed.

Emphasis continues to be placed on leakage reduction. A combination of an increase in dedicated manpower, together with continued use of the very latest leak detection technology, has resulted in record levels of reduction being achieved during the year.

Promotion of water efficiency activities has continued, working in partnership with customers. Open days were held at operational sites during the year and the company participated in 'National Water Month', a Going for Green project. A new teachers pack was produced and distributed to all local junior schools, and staff gave talks to schools and community groups on water efficiency. South East Water continues to believe that metering is not only the fairest way to charge for water, but also a key component for encouraging the need to use water wisely.

Conservation activities continue to be important with the appointment in 2000 of an otter specialist at Arlington Reservoir as part of a joint three year project, working with the Sussex Wildlife Trust and the Environment Agency to encourage otters back into Sussex rivers. The company's two trout fisheries remain very popular, and five beginner's days for would be fly-fishers were arranged. More barn owl boxes were erected along the River Ouse as part of an on-going project.

SAUR UK has embarked on its first wastewater project as a partner in Scotia Water Dalmuir and will be responsible, through its subsidiary SAUR Services (Glasgow), for the operation of a new sewage treatment works on the banks of the River Clyde near Glasgow, due to commence in July 2001. SAUR UK has been closely involved throughout the construction period, to provide operational advice for this project.

During 2000, Dynamco provided technical assistance and project management services for a number of group projects including the development of a new biological iron and manganese removal plant at Tilford; rehabilitation of the pumping station at Greatham and provision of a pesticide removal plant at Beenhams Heath for South East Water. Dynamco is continuing its work to define the strategy for mains renewal to ensure that South East Water is able to supply high quality drinking water for many years to come. In Dalmuir, Dynamco have project managed the implementation of the sewage sludge treatment plant.

FACILITIES MANAGEMENT AND ENVIRONMENTAL SERVICES

The Ecovert Group development has concentrated on the facilities management (FM) business sector within which they are rapidly becoming a major player.

2000 was an exciting year with selection as preferred bidder for two prestigious FM contracts in London, as well as being shortlisted for a further two.

Ecovert Group, in partnership with Bouygues UK, was awarded the contract for the West Middlesex University Hospital NHS Trust Private Finance Initiative (PFI). The project involves the construction of hospital buildings, together with the provision of full FM activities for 35 years, worth £5 million per annum. The Anne's Gate Property consortium, in which Ecovert South is a shareholder, was selected as preferred bidder by the Home Office to build its new central London headquarters and to provide full FM services. Ecovert South will provide services for 26 years including maintenance of buildings, asset replacement, cleaning and catering for the Home Office and HMPS personnel with a value in excess of £8.5 million per annum.

Ecovert has been successfully shortlisted for the following FM contracts:

- To provide FM and project management services for the Cabinet Office estate, comprising 8 properties in central London.
- Havering Hospital NHS Trust PFI, in a joint venture with Bouygues UK, to build a new hospital with 800 beds in East London with Ecovert South providing FM services for 25 years. Until construction is complete, Ecovert South have been shortlisted for a contract to cover the intervening period.

Other highlights for the Ecovert Group included the building maintenance division being awarded a contract by Crawley Borough Council for over 4,200 properties throughout the borough. Further contract wins include a contract to refurbish and modernise properties in Brighton and a contract awarded by the University of Sussex for the maintenance of the campus grounds. This is the first university in the country to privatise part of its FM activities.

Ecovert Group continues its commitment to quality with the achievement of ISO 9001 accreditation of Barnet Hospital, and King's College on target for accreditation in early 2001.

CONTRACTING

Pipeway's core activity remains pipeline rehabilitation utilising a number of trenchless technologies. Contracts were undertaken throughout the UK, including the Channel Islands, during the year encompassing substantial civil engineering works and pipeline installations, together with repairs and maintenance and water meter installations. 2000 also saw the completion of a 3 year £40 million pipeline rehabilitation project for Thames Water.

Contracting activity declined during 2000 as a result of the reduced capital investment programme and price reductions to customers throughout the UK water industry. Pipeway have recognised the need to expand their markets in other areas and the directors believe that the company's strategy will lead to growth and further success in 2001.

Following the successful development of a unique rapid setting spray lining system for pipeline rehabilitation, the company introduced the system to the UK water industry during the year. The benefits over all other spraylining systems were quickly recognised and the company's share of the available market showed a significant upturn by the year end. As the benefits of same day return to service of cleaned and lined pipelines, together with increased contractor productivity, are fully perceived by water supply companies, Pipeway believes the system will be universally adopted, replacing existing epoxy resin systems, which require 36 hour shutdowns and cause inconvenience to customers.

Another major success for the company has been the development of its PipeSaver technology which it successfully field-trialed during the year. This structural pipeline rehabilitation system will go into production early in 2001. Initially the company will produce welded polyethylene tubes in a range of sizes up to 300mm diameter with larger sizes being developed later in the year.

PipeSaver is a remarkable process for pipeline rehabilitation overcoming pipe and joint leakage, internal corrosion and water quality problems. Importantly, PipeSaver is relatively easy to install requiring only simple and low cost equipment obtainable locally in most areas of the world.

Extensive research conducted during the year indicates new and growing markets for Pipeway's innovative trenchless pipeline rehabilitation systems in the drinking water industry overseas. Pipeway has already collaborated with other areas of the SAUR Group to provide water pipe cleaning services in Ha Long Bay, North Vietnam.

Inquiries and tendering opportunities at the end of the year have resulted in a buoyant order book for 2001 which, together with anticipated overseas development, present the company with an exciting future.

Directors, Secretary and Advisers

J-F Talbot, Chairman
J M Miller, Executive Director (appointed 19 December 2000)
P Denery, Director (appointed 29 January 2001)
Y Gabriel, Director (appointed 1 January 2001)
G M Hoskins, Director
L Peterschmitt, Director
D Scherrer, Director (appointed 19 December 2000)
F Leborgne, Managing Director (appointed 19 June 2000, resigned 8 December 2000)
P C Rancon, Director (resigned 1 December 2000)
J P Sennepin, Director (resigned 31 December 2000)

Jean-François Talbot (53) is a chemical engineer who began his career with the SAUR Group in 1973. In 1978 he was appointed deputy managing director of SODECI in Côte d'Ivoire before moving to SAUR Water Services in 1989 as managing director. He became managing director of SAUR UK in 1993, and chairman in 1998. He is also chairman and CEO of SAUR International.

Jane Miller (42) is a chartered accountant and joined the group in 1989, initially as finance manager for Eastbourne Water. She became finance director for Ecovert South in 1995 and managing director of SAUR Services in January 1997, moving to her current role of executive director of SAUR UK Group in December 2000.

Philippe Denery (43) joined the Bouygues Group in 1990 in the construction division, working on financial and legal aspects of major projects such as Prague airport, Hungary motorway M5 and more recently, PFI projects in the UK. In 1999 he was appointed chief financial officer and board member of SAUR International, and he was appointed to the board of SAUR UK on 29 January 2001.

Yves Gabriel (50) joined the Bouygues Group's roadworks subsidiary Screg in 1975 as a site engineer. In 1989 he was responsible for the Industrial Construction division at Bouygues Batiment and in 1992 he was appointed deputy managing director of Screg, becoming managing director in 1994. He joined SAUR as deputy managing director in 1996 and became managing director in 2000. He was appointed to the board of SAUR UK on 1 January 2001.

Geoffrey Hoskins (70) is a chartered accountant. He joined Eastbourne Water in 1973 as managing director and was subsequently elected executive chairman. He became deputy managing director of SAUR UK in 1993 until his retirement as an executive in 1995.

SAUR UK: A REPORT ON OUR ACTIVITIES

Louis Peterschmitt (62) has over 30 years service with the group, beginning his career in SAUR France. In 1983 he became deputy managing director of SAUR Africa and managing director in 1987. He was promoted to deputy managing director of SAUR International in July 1994, became managing director in 1996, and was made chairman in 1999. His current responsibilities include investment strategy for SAUR International.

Denis Scherrer (52) is an engineer who began his career with the group in 1991, becoming managing director of Stereau in 1997 and chief executive officer in 1999. He moved to his current role as managing director of the European division of SAUR International at the end of 2000.

Director of Finance

E A Snaith

Company Secretary

M Pedro (Solicitor)

Group Bankers

The Royal Bank of Scotland
HSBC Bank plc
Barclays Bank plc
De Nationale Investerings Bank NV

Group Auditors

Arthur Andersen

Solicitors

Manches & Co

Financial Advisors

European Capital

Registered Office

22 -30 Sturt Road
Frimley Green
Camberley
Surrey
GU16 6HZ
Registered No. 199089

Directors' Report

The directors of SAUR (UK) Limited have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the group are the supply and distribution of water, engineering and professional services consultancy, facilities management, environmental services, and contracting, together with the development of business in related areas.

Fixed Assets

Capital expenditure on tangible fixed assets during the year totalled £28.0 million (year ended 31 December 1999: £33.3 million). Details of changes in tangible fixed assets are summarised in note 11.

Business Review

Consolidated profit on ordinary activities after minority interests and taxation for the year was £17.3 million (year ended 31 December 1999: loss after impairment, minority interest and taxation £310.9 million). The financial position at 31 December 2000 is shown in the consolidated balance sheet on page 15 and in the company's balance sheet on page 16.

Dividends

No dividends have been paid or proposed for the year ended 31 December 2000. (1999: £nil)

Directors and interests in shares

The directors who served during the year and at the date of this report are set out on page 7. None of the directors held any beneficial interests in the company or in other companies required to be disclosed under the Companies Act 1995, during the period.

		Appointed	Resigned
H T Barnhoorn	Managing Director		19 June 2000
Francis Leborgne	Managing Director	19 June 2000	8 December 2000
Patrice Rancon	Director		1 December 2000
Jane Miller	Executive Director	19 December 2000	
Denis Scherrer	Director	19 December 2000	
Jacques Sennepin	Director		31 December 2000
Yves Gabriel	Director	1 January 2001	
Philippe Denery	Director	29 January 2001	

Treasury management and financial risk

The group's financial instruments comprise cash, borrowings and various items, such as trade debtors and creditors, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

Directors' Report (Continued)

The group's treasury operations are managed centrally, within parameters defined by the board and the company's parent undertaking. It is the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate and liquidity risk. It is the group's policy to minimise liquidity risk within an acceptable range of interest rates. The group in the UK does not use foreign currency financial instruments.

- **Interest rate risk**

The group finances its activities through a mixture of cash generated from operations, bank borrowings, debenture loans and finance leases. Debenture loans are long term fixed rate liabilities, while bank borrowings are mainly short term fixed rate drawings under long term committed facilities. As at 31 December 2000 drawings under bank facilities were nil, as the group was in receipt of a short term, fixed rate loan from its parent undertaking. Finance leases are primarily variable rate instruments. The group's policy is to manage short term interest rate risk by using short term fixed rate draw downs, while it is the view of the group that long term fluctuations in interest rates will be within the parameters that are considered acceptable by the group and its parent undertaking.

- **Liquidity risk**

The group aims to maintain a balance between continuity of funding and flexibility. Continuity of funding has been guaranteed throughout the year by the existence of long term syndicated funding facilities. Short term flexibility is achieved by varying the amounts drawn down under this facility. Further details are given in note 16.

Research and Development and WRc plc

The group contributes to the Foundation for Water Research and WRc plc which undertakes research in all aspects of water industry operations. The international research resources of SAUR are available to the SAUR UK group.

Employment policies

Great importance is attached to employee representation on consultative committees and there are regular liaison meetings and in-house journals. The group offers equal opportunities to all applicants for employment, and for career development which includes training.

The group's policy on training, career development and promotion of disabled people is, as far as possible, identical to that for other employees, and if employees become disabled every effort is made to ensure their continued employment, with appropriate training where necessary.

A high priority is given to safety regulations and other matters affecting health and safety at work with provision for meetings and training courses as appropriate.

Directors' Report (Continued)

Donations

Charitable donations during the year amounted to £3,000 (year ended 31 December 1999: £5,000). There were no political donations made by the group in either year.

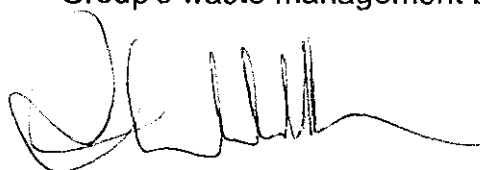
Auditors

During the year KPMG resigned as auditors of the company and Arthur Andersen were appointed to fill the casual vacancy arising.

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Arthur Andersen as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Post Balance Sheet Events

The directors consider that the most effective future strategy for the Ecovert Group will be to concentrate on their facilities management business. Consequently, negotiations are currently taking place to dispose of some of the contracts relating to the Ecovert Group's waste management business.



J M Miller
Executive Director
For and on behalf of the board
8th March 2001

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period.

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

In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

To the shareholders of SAUR (UK) Limited.

We have audited the accounts on pages 14 to 44 which have been prepared under the historical cost convention and the accounting policies set out on pages 18 to 20.

Respective responsibilities of directors and auditors

As described on page 12, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 2000 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street

London WC2R 2PS

9 March 2001

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Group turnover	2		154,812		149,978
Cost of sales		(135,064)		(126,847)	
Impairment	11	-		(328,000)	
Cost of sales including impairment			(135,064)		(454,847)
Other operating income	3		9,516		4,587
Group operating profit/(loss)			29,264		(300,282)
Share of operating profit in joint ventures			(69)		(39)
Interest receivable and similar income – group	4		29,195		(300,321)
Interest payable and similar charges - group	5		209		189
			(11,000)		(10,908)
Profit on ordinary activities before taxation and exceptional items			18,404		16,960
Profit/(loss) on ordinary activities before taxation	6		18,404		(311,040)
Tax on profit on ordinary activities	9		(1,467)		77
Profit/(loss) on ordinary activities after taxation			16,937		(310,963)
Minority interests	22		358		27
Profit/(loss) for the year			17,295		(310,936)
Retained profit/(loss)	20		17,295		(310,936)

The income and expenditure all relate to continuing operations, none of which were acquired in the year. The group has no material recognised gains or losses other than the profits shown above and, therefore, no separate consolidated statement of total recognised gains and losses has been presented. A statement of the movement on reserves is set out in note 21.

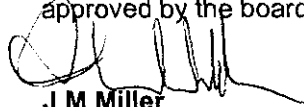
The accompanying notes are an integral part of the consolidated profit and loss account.

Consolidated Balance Sheet

as at 31 December 2000

	Note	2000 £000	2000 £000	Restated 1999 £000	1999 £000
Fixed assets					
Intangible assets:					
Goodwill		3,007		2,919	
Negative goodwill		(1,938)		(2,046)	
Net goodwill	10		1,069		873
Tangible assets	11		511,325		512,106
Investments:					
Investments in joint ventures:					
Share of gross liabilities		(108)		(39)	
Other investments		900		874	
Total investments	12		792		835
			513,186		513,814
Current assets					
Stocks	13	2,092		2,157	
Debtors	14	37,164		39,409	
Cash at bank and in hand		1,019		2,773	
		40,275		44,339	
Creditors: amounts falling due within one year	15	(132,523)		(151,303)	
Net current liabilities			(92,248)		(106,964)
Total assets less current liabilities			420,938		406,850
Creditors: amounts falling due after more than one year					
Provisions for liabilities and charges	16	(53,557)		(57,059)	
Deferred income	17	(1,948)		(477)	
	18	(11,251)		(12,000)	
Net assets			354,182		337,314
Capital and reserves					
Called up share capital	19	31,800		31,800	
Profit and loss account	20	319,757		302,504	
Equity shareholders' funds	21	351,557		334,304	
Minority interests	22	2,625		3,010	
			354,182		337,314

The accompanying notes are an integral part of this consolidated balance sheet. These accounts were approved by the board of directors on 8th March 2001 and were signed on its behalf by:

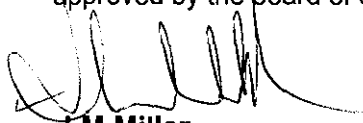

J M Miller
 Executive Director
 8th March 2001

Company Balance Sheet

as at 31 December 2000

	Note	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Tangible assets	11	427		76	
Investments	12	117,248		124,985	
			117,675		125,061
Current assets					
Debtors	14	7,977		6,928	
Cash at bank and in hand		9,369		7,694	
		17,346		14,622	
Creditors: amounts falling due within one year	15	(97,810)		(107,747)	
Net current liabilities			(80,464)		(93,125)
Total assets less current liabilities			37,211		31,936
Creditors: amounts falling due after more than one year	16		(8,011)		(8,000)
Provisions for liabilities and charges	17		(22)		(2)
Net assets			29,178		23,934
Capital and reserves					
Called up share capital	19		31,800		31,800
Profit and loss account	20		(2,622)		(7,866)
Equity shareholders' funds			29,178		23,934

The accompanying notes are an integral part of this company only balance sheet. These accounts were approved by the board of directors on 8th March 2001 and were signed on its behalf by:



J M Miller
Executive Director
8th March 2001

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Net cash inflow from operating activities	27	37,617	38,872
Returns on investments and servicing of finance	28	(10,464)	(10,748)
Taxation	28	(947)	(1,477)
Capital expenditure and financial investment	28	(11,396)	(21,188)
Acquisitions and disposals	28	(316)	(3,600)
Equity dividends paid		-	(1,000)
Net cash inflow before management of liquid resources and financing		14,494	859
Net cash (outflow)/inflow from financing	28	(17,236)	3,730
(Decrease)/ increase in cash in the year	29	(2,742)	4,589

The accompanying notes are an integral part of this consolidated cash flow statement

The impact on cashflows of the post acquisition trading of subsidiaries acquired in the year is not considered material to the group.

Notes to the Financial Statements

for the year ended 31 December 2000

1. Accounting policies

The principle accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of FRS 15 (see below).

Basis of accounting

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

Basis of consolidation

The consolidated financial statements comprise the accounts of the parent company and of all its material subsidiary undertakings up to the end of the financial year. The results of new subsidiary undertakings are included from their effective dates of acquisition. Acquisitions are accounted for under the acquisition method.

Intangible assets - goodwill

Goodwill represents the net excess of the cost of the shares in subsidiary companies over the fair value of their separable net assets at the date of acquisition and is capitalised in the balance sheet as an intangible fixed asset. Negative goodwill which arises in those cases where the fair value of the separable net assets at the date of acquisition exceeds the cost of shares in subsidiary companies is included as a credit balance within intangible fixed assets.

The assets of the water company subsidiaries principally comprise specialised operational assets for which there is no generally available open market value. Accordingly, the fair value of these assets as at the date of acquisition was determined by reference to their depreciated current replacement cost, as adjusted by an impairment review in December 1999. Deferred taxation has not been provided on the difference between the fair value and the book value of the assets as it is not anticipated that any significant portion of the assets will be disposed of in the foreseeable future.

Under the requirements of FRS 10 goodwill arising prior to 1 January 1998 remains eliminated against capital reserves. The balance on the capital reserve shown in the financial statements for the year ended 31 December 1997 was added to the profit and loss reserve under the transitional arrangements for FRS 10. On any subsequent disposal this goodwill will be written off to the profit and loss account.

Turnover

Turnover represents income from the supply of water and other chargeable services to external customers during the year. Turnover excludes VAT and is stated before any deduction for bad and doubtful debts.

Investment income and interest

Dividends from subsidiary companies are recognised in the accounts of the parent undertakings on an accruals basis.

Dividend income in respect of shares held in other companies is recognised when declared. Interest on loans and short term deposits is dealt with on an accruals basis. Income from investments includes income tax deducted, or where applicable, the imputed tax credits.

Research and development expenditure

Research and development expenditure and contributions to WRc plc are charged to the profit and loss account as incurred.

1. Accounting policies (Continued)

Taxation

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

Deferred taxation

Provision is made for deferred taxation in respect of liabilities which are anticipated to crystallise in the foreseeable future. No provision is made for the potential tax on capital gains which could arise in the event of disposal of investments or properties at their market values.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

Investments

Investments are stated at the historical cost to the group less provisions for diminution in value.

Infrastructure renewals accounting

Infrastructure assets comprise a network of systems relating to water distribution, such as water mains and surface reservoirs. Expenditure on infrastructure assets relating to enhancements of the network is treated as additions which are included at cost. Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost.

To comply with FRS15 the accounting policy for infrastructure assets has changed since the prior year. Accordingly, prior year figures have been restated to reflect the new treatment. The cost of infrastructure assets at 31 December 2000 has been increased by £74.2 million (1999: £69.4 million), being expenditure on maintaining the network previously charged to the infrastructure renewals provision. Accumulated depreciation at 31 December 2000 has been increased by £76.5 million (1999: £69.4 million) previously included in the profit and loss account as an infrastructure renewals charge. This prior year adjustment has not had any impact on the profit for 1999 or 2000, but has resulted in a reclassification of £7.1 million (1999: £6.4 million) from infrastructure renewals charge to depreciation.

The depreciation charge for infrastructure assets is the estimated level of average annual expenditure required to maintain the operating capability of the network, based upon the company's independently certified asset management plans. No other depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

Grants and contributions in respect of infrastructure assets

In certain circumstances third parties make non-returnable contributions towards the cost of specific infrastructure assets. Capital contributions towards infrastructure assets are deducted from the cost of these assets. This is not in accordance with Schedule 4 to the Companies Act 1985 under which infrastructure assets should be stated at their purchase price or production cost and capital contributions treated as deferred income and released to the profit and loss account over the useful life of the corresponding assets.

The directors are of the opinion that, as infrastructure assets have no finite economic lives for the reason set out above and the capital contributions would therefore remain in the balance sheet in perpetuity, the treatment otherwise required by the Companies Act 1985 would not present a true and fair view of the group's effective investment in infrastructure assets. Movements in capital contributions and the net book value of infrastructure assets before and after the contributions are set out in note 11 which therefore shows the effect of the group's policy.

1. Accounting policies (Continued)**Grants and contributions in respect of non-infrastructure assets**

Grants and contributions received in respect of non-infrastructure assets are treated as deferred income and released to the profit and loss account over the estimated useful lives of the relevant assets.

Depreciation

Freehold land is not depreciated. Infrastructure assets are depreciated as described above. Other fixed assets are depreciated on a straight line basis over their estimated useful lives which are principally as follows:

	Years
Freehold buildings	80
Operational structures	60-80
Plant and machinery including telemetry	10-35
Vehicles, mobile plant, office equipment and computers	3-7

Capitalisation of employee and overhead costs

Employee and overhead costs directly attributable to capital projects are capitalised in the accounts as part of the costs of the assets to which they relate.

Amortisation

Positive goodwill arising on consolidation in respect of acquisitions is capitalised and included within fixed assets on the balance sheet and is amortised by equal annual instalments over its estimated useful life.

Negative goodwill has also been capitalised in accordance with FRS 10. This is released to the profit and loss account over the estimated useful lives of the relevant assets.

Leased assets

Assets acquired under finance leases are included in tangible fixed assets and are depreciated over their estimated useful economic lives on a straight line basis or period of the lease if shorter. The related obligations, representing the capital element of future rentals, are included in creditors. The interest element of rentals is charged to the profit and loss account as incurred.

Payments in respect of assets held under operating leases are charged to the profit and loss account as incurred.

Stocks and work in progress

Stocks are valued at the lower of average cost or net realisable value. No value is placed upon stocks of treated water in accordance with usual practice in the water industry. Work in progress for chargeable services is valued at the lower of cost and net realisable value.

Pension costs

The assets of the principal pension schemes, which provide for membership on both a defined benefit and a defined contribution basis (note 25), are held separately from those of the group. The cost of contributions to the schemes is charged to the profit and loss account on a systematic basis over the average service lives of the employees concerned. All defined benefit contributions are determined by an independent qualified actuary at periodic intervals using the projected unit method.

Financial instruments

The group has not included short term debtors and creditors in the disclosures required under FRS13, Derivatives and Other Financial Instruments: Disclosures.

The group does not enter into derivative instrument transactions. Accounting for foreign exchange transactions is described in the foreign currencies accounting policy note above.

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2. Analysis of sales, profit before tax and operating net assets

	Water supply 2000 £000	Water supply 1999 £000	Other 2000 £000	Other 1999 £000	Total 2000 £000	Total 1999 £000
Turnover						
Measured water sales	33,972	35,982	-	-	33,972	35,982
Unmeasured water sales	53,100	61,814	-	-	53,100	61,814
Rechargeable sales	2,715	2,329	-	-	2,715	2,329
Other sales	1,250	863	83,839	55,651	85,089	56,514
Total sales	91,037	100,988	83,839	55,651	174,876	156,639
Intersegment sales	(737)	(632)	(19,327)	(6,029)	(20,064)	(6,661)
Sales to third parties	90,300	100,356	64,512	49,622	154,812	149,978
Attributable profit/(loss) before interest and exceptional items	43,931	40,260	(14,667)	(12,542)	29,264	27,718
Exceptional items: impairment of fixed assets	-	(328,000)	-	-	-	(328,000)
Share of operating loss and loss before tax in joint ventures	-	-	(69)	(39)	(69)	(39)
Net interest payable					(10,791)	(10,719)
Profit/(loss) before tax and minority interests					18,404	(311,040)
Non interest bearing net assets	477,766	472,735	20,250	27,378	498,016	500,113
Interest bearing net liabilities	(116,493)	(126,953)	(27,341)	(35,846)	(143,834)	(162,799)
Consolidated net assets/(net liabilities)	361,273	345,782	(7,091)	(8,468)	354,182	337,314

All material turnover arises within the UK.

3. Other operating income

	2000	1999
	£000	£000
Profit on sale of fixed assets	6,640	897
Rents receivable from land	525	545
Sundry income	2,351	3,145
	9,516	4,587

4. Interest receivable and similar income

	2000	1999
	£000	£000
Interest receivable on bank deposits	165	151
Income from fixed asset investment	28	23
Other income	16	15
	209	189

5. Interest payable and similar charges

	2000	1999
	£000	£000
Interest payable on bank loans and overdrafts	5,722	5,849
Interest on other borrowings	1,734	1,734
Interest payable on loans from immediate parent undertaking	1,042	657
Interest payable on finance leases	1,912	2,166
Other charges	590	502
	11,000	10,908

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6. Profit on ordinary activities before taxation

	2000 £000	2000 £000	Restated 1999 £000	1999 £000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation:				
Owned assets	17,277		20,563	
Leased assets	2,028		1,623	
		19,305		22,186
Rates and abstraction charges		6,841		6,512
Hire charges		4		5
Operating lease rentals:				
Plant and machinery	4,096		488	
Other assets	435		654	
		4,531		1,142
Profit on disposal of fixed assets		(6,640)		(897)
Auditors' remuneration :				
Statutory audit		221		186
Non audit work		28		61
Research and development		111		217
Amortisation of goodwill (net)		57		(108)
Goodwill written off on closure of businesses		-		979

7. Profit and loss account of the company

No profit and loss account is presented for the company as permitted under section 230 of the Companies Act 1985. The result for the year is set out in note 20.

8. Directors and employees

The average number of persons employed by the group (including executive directors) during the year was:

	2000	1999
Operations	1,357	1,394
Engineering	326	77
Management and administration	458	602
	2,141	2,073

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	40,111	37,010
Social security costs	3,872	3,361
Pension costs	2,057	1,793
	46,040	42,164

Remuneration of directors

	2000 £000	1999 £000
Aggregate emoluments	378	415
Compensation for loss of office	95	-

Retirement benefits are accruing to one director under a defined benefit scheme.

Emoluments of the highest paid director are as follows:

Aggregate emoluments	114	223
Accrued pension at end of year	-	73
Accrued lump sum at end of year	-	180
Compensation for loss of office	95	-

**9. Taxation
Group**

	2000 £000	1999 £000
UK Corporation tax on profits at 30% (1999: 30.25%)	2,670	2,212
Advance corporation tax reinstated	(1,873)	(1,609)
Under/(over) provisions in prior years	670	(680)
	1,467	(77)

There is no tax charge relating to joint venture undertakings (1999: £nil).

The effective tax rate applicable to the group is below the normal corporation tax rate of 30% because of the utilisation of advance corporation tax balances and accelerated capital allowances.

No provision is required for deferred tax as no material liabilities are anticipated to crystallise in the foreseeable future. The full potential tax liability, calculated on the liability method, is set out below:

	2000 £000	1999 £000
Corporation tax at 30% (1999: 30.25%) deferred by reason of:		
Capital allowances exceeding depreciation	20,549	25,091
Short term timing differences	(551)	6
Excess of fair value over book value of fixed assets on subsidiaries acquired	55,836	57,697
	75,834	82,794
Advance corporation tax available for set-off	(991)	(2,477)
	74,843	80,317

10. Intangible fixed assets

On 6 December 1999, SAUR UK acquired a 51% share in Pipeway Limited for £5,761,000 of which £2,919,000 was in respect of goodwill. The amount of consideration paid is provisional and may be revised

On 14 March 2000 Wastetech Brighton Limited acquired Wastetech 2000 Environmental Services Limited for £290,000 of which £253,000 was in respect of goodwill. The balance represents the net assets of the business acquired.

	Positive goodwill £000	Negative goodwill £000	Total £000
Cost			
At 1 January 2000	2,919	(2,154)	765
Additions	253	-	253
At 31 December 2000	3,172	(2,154)	1,018
Amortisation			
At 1 January 2000	-	(108)	(108)
Charge/(credit) for the year	165	(108)	57
At 31 December 2000	165	(216)	(51)
Net book value at 31 December 2000	3,007	(1,938)	1,069
Net book value at 1 January 2000	2,919	(2,046)	873

The positive goodwill is being amortised from the date of acquisition in equal instalments over its estimated useful life.

The negative goodwill is being amortised from 1 January 1999 in equal instalments over 20 years, in line with the estimated useful lives of the related assets.

11. Tangible fixed assets
Group

	Land, wells, reservoirs and buildings	Infrastructure assets (restated)	Plant, equipment and vehicles	Total
	£000	£000	£000	£000
Cost				
At 31 December 1999 (restated)	261,333	564,810	156,097	982,240
Additions	4,564	16,800	6,602	27,966
Translation differences	(558)	-	(20)	(578)
Reclassifications	2	-	(2)	-
Disposals	(8,806)	-	(10,284)	(19,090)
Grants and contributions	-	(948)	-	(948)
At 31 December 2000	256,535	580,662	152,393	989,590
Depreciation				
At 31 December 1999 (restated)	121,179	255,901	93,054	470,134
Charge for the year	3,742	7,071	8,492	19,305
Translation differences	(14)	-	(3)	(17)
Disposals	(2,003)	-	(9,154)	(11,157)
At 31 December 2000	122,904	262,972	92,389	478,265
Net book value at 31 December 2000	133,631	317,690	60,004	511,325
Including				
- leased assets	8,701	5,803	17,504	32,008
- assets under construction	2,627	9,193	8,208	20,028
Net book value at 1 January 2000 (restated)	140,154	308,909	63,043	512,106
Including				
- leased assets	8,131	5,803	19,402	33,336
- assets under construction	2,101	7,294	8,411	17,806

During the year a review of fixed assets identified the need to reclassify some assets.

11. Tangible fixed assets (continued)

The recorded cost of fixed assets reflects the fair values of the fixed assets of subsidiary companies at the effective date of acquisition plus subsequent additions at historical cost. The fair value of the fixed assets at acquisition exceeded the historical cost by £564 million. Tangible fixed assets were impaired by £328 million with effect from 31 December 1999 to reflect their estimated value in use at that date. The discount rate applied in calculating value in use was 7.5%. The impairment was reviewed at 31 December 2000 and no adjustment was required.

The net book value of land, wells, reservoirs and buildings includes:.

	2000 £000	1999 £000
Freehold	89,680	96,560
Long leaseholds	3,313	3,361
Short leaseholds	6,110	6,314

The net book value of infrastructure assets at 31 December 2000 is stated after the deduction of grants and contributions amounting to £30.1 million (1999: £29.2 million) in order to give a true and fair view.

Included in the cost of infrastructure assets is £74.2 million (1999: £69.4 million) of expenditure on maintaining the network previously charged to the infrastructure renewals provision and £76.5 million (1999: £69.4 million) of depreciation previously included in the profit and loss account as an infrastructure renewals charge. This change has had no impact on the profit of the group in either year.

Company
**Office equipment
and vehicles
£000**
Cost

At 1 January 2000	248
Additions	725
Disposals	(196)

At 31 December 2000**777****Depreciation**

At 1 January 2000	172
Charge for the year	349
Disposals	(171)

At 31 December 2000**350****Net book value at 31 December 2000****427****At 1 January 2000****76**

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**12. Investments
Group**

	Listed investments shares £000	Other Investments shares £000	Share of net liabilities in joint venture £000	Total £000
At 1 January 2000	874	-	(39)	835
Additions	-	26	(69)	(43)
At 31 December 2000	874	26	(108)	792

The market value of listed investments at 31 December 2000 was £995,000 (1999: £996,000).

Company

	Listed investments shares £000	Investment in subsidiary undertakings:		Total £000
		Shares £000	Loans £000	
Cost				
At 1 January 2000	874	64,532	87,091	152,497
Additions	-	500	18,730	19,230
Disposals	-	-	(21,169)	(21,169)
At 31 December 2000	874	65,032	84,652	150,558
Provisions				
At 1 January 2000	-	24,925	2,587	27,512
(Credited)/charged to the profit and loss account during year	-	(9,000)	14,798	5,798
At 31 December 2000	-	15,925	17,385	33,310
Net book value				
At 31 December 2000	874	49,107	67,267	117,248
At 1 January 2000	874	39,607	84,504	124,985

12. Investments (continued)**Principal subsidiary undertakings**

Company name	Type of shares	Proportion of shares held	Nature of business
SAUR Water Services plc*	Ordinary	100.00%	Investment company
South East Water plc**	Ordinary	100.00%	Supply and distribution of water
SAUR Services Limited*	Ordinary	100.00%	Facilities management
Dynamco Limited**	Ordinary	100.00%	Engineering consultancy
Ecovert Group Limited*	Ordinary	100.00%	Facilities management and environmental services
ECOVERT Limited**	Ordinary	100.00%	Waste collection & disposal
ECOVERT South Limited**	Ordinary	100.00%	Facilities management
Pipeway Limited*	Ordinary	51.00%	Engineering contracting

Principal joint venture undertakings

Company name	Type of shares	Proportion of shares held	Nature of business
Scotia Water Dalmuir (Holdings) Limited *	Ordinary	14.9%	Investment company
Scotia Water Dalmuir Limited **	Ordinary	14.9%	Construction and operation of sewerage treatment works.

All principal subsidiary companies and joint venture undertakings are incorporated in Great Britain and registered in England and Wales.

*Held directly by SAUR (UK) Limited.

**Held via a subsidiary or joint venture undertaking.

13. Stocks

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Raw materials and consumables	1,997	1,472	-	-
Work in progress	95	685	-	-
	2,092	2,157	-	-

14. Debtors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Trade debtors	23,707	29,480	27	18
Other debtors	2,351	3,052	49	298
Prepayments	8,894	4,868	122	16
Amounts due from group undertakings	2,212	2,009	7,779	6,596
	37,164	39,409	7,977	6,928

15. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans and overdrafts	1,145	157	-	-
Trade creditors	2,279	6,300	178	217
Redeemable loan notes	288	346	-	-
Obligations under finance leases	2,863	3,010	2	-
Corporation tax	3,107	2,587	1,950	1,500
Other taxes and social security	1,646	3,158	72	-
Other creditors	856	641	146	174
Accruals and deferred income	31,647	29,260	1,367	296
Water guarantee deposits	41	40	-	-
Amounts owed to parent and fellow subsidiary undertakings	88,651	105,804	87,129	105,391
Amounts owed to subsidiary undertakings	-	-	6,966	169
	132,523	151,303	97,810	107,747

Redeemable loan notes

All loan notes are redeemable at par at the option of the loan note holder. Interest on loan notes is payable six monthly at LIBOR less one half per cent as determined at the commencement of the interest period.

Amounts owed to parent and fellow subsidiary undertakings

The group repaid its drawings under its £125 million revolving loan agreement on 20 December 2000 and on the same date established a short term loan of £87 million from its ultimate parent company Bouygues SA. This loan was repaid on 22 January 2001 by an equivalent drawing under the £125 million facility.

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Irredeemable debenture stock	714	714	-	-
Redeemable debenture stock	14,900	14,900	-	-
Other term loans and creditors repayable:			-	-
Between one and two years	1,742	1,783	-	-
Between two and five years	-	-	-	-
After five years	8,000	8,000	8,000	8,000
Obligations under finance leases:				
Between one and two years	2,670	3,031	3	-
Between two and five years	7,205	7,654	8	-
After five years	18,326	20,977	-	-
	53,557	57,059	8,011	8,000

	2000	1999
	£000	£000
Irredeemable debenture stock		
3.5% perpetual stock	360	360
4% perpetual stock	87	87
5% perpetual stock	202	202
5.5% perpetual stock	4	4
6% perpetual stock	61	61
	714	714

	2000	1999
	£000	£000
Redeemable debenture stock		
Between two and five years:		
12.5% debenture stock 2004	3,800	3,800
11.5% debenture stock 2005/2009	1,600	1,600
After five years:		
12% debenture stock 2010	3,500	3,500
11% debenture stock 2012/2016	3,000	3,000
10% debenture stock 2013/2017	3,000	3,000
	14,900	14,900

All debenture stocks apart from the irredeemable stocks are redeemable at par in the year stated. Where more than one redemption year is quoted it is at the group's option to redeem the stock at any time between the dates stated. Interest on debenture stock is payable six monthly at the rates stated.

16. Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Other term loans and creditors				
Mains deposits	1,694	1,651	-	-
Term loans	8,048	8,048	8,000	8,000
Other	-	84	-	-
	9,742	9,783	8,000	8,000

Term loans include the following facilities:

A £32.5 million variable rate syndicated revolving loan facility expiring in April 2001. Drawings at 31 December 2000 were £nil: (31 December 1999: £nil).

A £92.5 million variable rate syndicated revolving loan facility expiring in April 2004. Drawings at 31 December 2000 were £nil (31 December 1999: £nil).

A £8 million term loan facility expiring in October 2008. Drawings at 31 December 2000 were £8 million (31 December 1999: £8 million).

Financial instruments

Short term debtors and creditors have been excluded from the disclosure requirements of FRS 13.

Interest rate risk profile of financial liabilities

The interest rate profile of the group's sterling financial liabilities at 31 December was :

	Total	Floating rate	Fixed rate	Financial liabilities on
	£000	£000	£000	which no interest is
				paid
				£000
2000:	54,269	30,242	24,027	-
1999:	60,612	34,602	25,878	132

Fixed rate financial liabilities		Financial liabilities on which no interest is paid	
Weighted average interest rate	Weighted average period	Weighted average period	
%	for which rate is fixed	until maturity	
	Years	Years	
2000:	10.26	7.88	-
1999:	10.01	8.25	2.45

Irredeemable debenture stocks are excluded from the above calculation of the weighted average period for which the rate is fixed because they have an infinite life.

16. Creditors: amounts falling due after more than one year (continued)

The floating rate financial liabilities comprise:

Redeemable loan notes, overdraft balances, mains deposits, finance leases and borrowing facility.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 31 December was as follows:

	2000 £000	1999 £000
In one year or less, or on demand	3,972	5,289
Between one and two years	2,353	3,031
Between two and five years	10,051	11,454
In more than five years	37,893	40,838
Total	54,269	60,612

Borrowing facilities

The group has various undrawn committed borrowing facilities. The facilities available at 31 December 2000 were as follows:

	£000
Expiring in one year or less	36,927
Expiring between one and two years	-
Expiring in more than two years	92,500
Total	129,427

Fair values of financial liabilities

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

	Book value £000	Fair value £000
Short term financial liabilities	3,972	3,972
Redeemable debentures	14,900	18,544
Irredeemable debentures	714	417
Long term borrowings and other long term financial liabilities	34,683	34,683
	54,269	57,616

16. Creditors: amounts falling due after more than one year (continued)

The fair value of long term fixed rate debentures has been calculated using discounted cash flow methods at prevailing interest rates. For all other financial liabilities, the book value is considered to equate to the fair value.

17. Provisions for liabilities and charges

Group	Provision for losses on long term contracts £000	Provision for landfill reinstatement £000	Total £000
At 1 January 2000	30	447	477
Expended during the year	(30)	-	(30)
Charge to profit and loss account during year	688	-	688
Fixed asset addition (net)	-	813	813
At 31 December 2000	688	1,260	1,948

Company

The company has a provision for deferred taxation of £22,000 (31 December 1999: £2,000).

18. Deferred income

Group	Non- infrastructure asset grants and contributions £000
At 1 January 2000	12,000
Amortised during the year	(749)
At 31 December 2000	11,251

19. Called up share capital	2000	1999
	£000	£000
Authorised, called up, allotted and fully paid		
Ordinary shares of £1 each	31,800	31,800
20. Profit and loss account	Group	Company
	£000	£000
At 1 January 2000	302,504	(7,866)
Retained profit for the year	17,295	5,244
Translation differences	(42)	-
At 31 December 2000	319,757	(2,622)
21. Reconciliation of movements in shareholders' funds		
Group	2000	1999
	£000	£000
Profit/(loss) for the year	17,295	(310,936)
Goodwill written back	-	979
Translation differences	(42)	(53)
Net addition/(reduction) to equity shareholders' funds	17,253	(310,010)
Opening shareholders' funds	334,304	644,314
Closing shareholders' funds	351,557	334,304
22. Equity minority interests		£000
At 1 January 2000		3,010
Share of loss before dividends		(358)
Translation differences		(27)
At 31 December 2000		2,625

23. Commitments**Capital Commitments**

At 31 December 2000 the group had the following authorised commitments:

£000

Contracted	2,194
Non-contracted	94
	2,288

The company had capital commitments of £11,540 (at 31 December 1999: £2,000).

24. Operating leases

The group's commitments in respect of operating leases are as follows:

	2000 Land and buildings £000	1999 Land and buildings £000	2000 Other £000	1999 Other £000	2000 Total £000	1999 Total £000
Amounts due in the following year on leases expiring:						
Within one year	258	13	148	120	406	133
Between one and five years	243	422	1,914	1,108	2,157	1,530
After five years	392	245	-	-	392	245
	893	680	2,062	1,228	2,955	1,908

25. Pensions

The total pensions cost of the group for the year was £2,057,000 (1999: £1,793,000), being the sum of the costs of the two pension schemes available for group employees, namely the SAUR Water Services plc Pension Scheme for water services employees and the ECOVERT Pension Scheme for employees of the Ecovert Group. The pension cost of the defined benefit arrangements is determined using the same methods and bases that are used for funding purposes and both schemes are funded in advance. In respect of both types of arrangement the pension cost is charged to the profit and loss account and in the case of defined benefit arrangements is such as to spread the cost of pensions over employees' working lives with the company as a constant percentage of pensionable payroll. In the case of the defined contribution arrangements the pension cost charge represents the contributions payable by the company under the rules of the Scheme.

25. Pensions (continued)**The SAUR Water Services plc Pension Scheme**

The SAUR Water Services plc Pension Scheme (SWSPS) provides benefits on either a defined benefits basis or a defined contributions basis depending on the category of membership. The Scheme was originally contracted-out under the Guaranteed Minimum Pension Test. However, after taking independent actuarial advice, at 6 April 1997 the companies chose to contract-out the Scheme under the Protected Rights Test.

The latest actuarial valuation of the defined benefit arrangement was carried out as at 31 March 2000. This showed that the companies' contribution rate of 10.8% p.a. of pensionable remuneration set following the previous formal valuation as at 1 April 1999 remained appropriate. The companies contributed at this rate for the calendar year ended 31 December 2000.

Date of latest actuarial valuation	31 March 2000
Actuarial method	Projected unit credit
Rate of return on investment	8% p.a. compound
Dividend growth	4% p.a. compound
Rate of general increase in salaries	6% p.a. compound
Rate of increase in pensions	4% p.a. compound
Market value of assets at 31 March 2000	£108 million
Level of funding at 31 March 2000	101%

The market value of assets at 31 December 2000 was £104 million.

Members leaving are assumed to be replaced by new entrants so that the average age of the membership remains constant.

The ECOVERT Pension Scheme

The ECOVERT Pension Scheme (EPS) provides benefits on a defined contributions basis to employees of the Ecovert Group companies and on a defined benefits basis (the Final Salary Plan) for certain employees transferred from Stalwart Environmental Services Limited. Employees may switch from defined contribution to defined benefit after 10 years of company service. A new defined benefit section of the Final Salary (LGSS) Plan was established in 1995 for individuals whose contract of employment was transferred from a public sector organisation to ECOVERT companies including ECOVERT South Limited. Pension benefits accrued with the previous employer were left frozen in the previous pension arrangements.

A further section, the Pipeway section of the Final Salary Plan, was established with effect from 1 July 1997 to provide benefits for employees of Pipeway Limited. The existing Pipeway Scheme is closed to new members and the accrued benefits of existing members will be transferred to the Ecovert Scheme.

The latest actuarial valuation of the Scheme was carried out as at 6 April 1999 by independent actuaries and contribution rates were set inclusive of scheme expenses. The company has contributed at the rate of 13.2% p.a. of Pensionable Pay for the defined benefit sections of the EPS for the calendar year ending 31 December 2000. This contribution rate includes an additional 0.91% p.a. of Pensionable Pay which is expected to remove the deficit revealed in the valuation over members' working lives with the company.

In respect of the defined contribution section, the companies contribute at rates to match the members' permitted contributions plus 1.7% of Pensionable Pay for Life Assurance and Scheme expenses.

25. Pensions (continued)**Money Purchase Plan and Final Salary Plan**

Date of latest actuarial valuation	6 April 1999
Actuarial method	Projected unit credit
Rate of return on investment	8% p.a. compound
Dividend growth	4% p.a. compound
Rate of general increase in salaries	6% p.a. compound
Rate of increase in pensions increasing in line with Pensions Increase Orders	4% p.a. compound
Market value of assets at 6 April 1999	£5 million
Level of funding at 6 April 1999	85%
Comments on material surplus or deficit	The deficit of assets over accrued liabilities has arisen largely because the ill-health experience has been worse than originally assumed.

The market value of assets at 31 December 2000 was £7.3 million.

Members leaving are assumed to be replaced by new entrants so that the average age of the membership remains constant.

26. Contingent liabilities**Group**

There are contingent liabilities arising from performance bonds in respect of group undertakings' contracts and other claims amounting to £3,840,000 (at 31 December 1999: £1,829,000).

Company

The company has entered into cross guarantees with subsidiaries in relation to a composite bank facility. There were borrowings of £994,000 from this facility at 31 December 2000 (at 31 December 1999: £755,000).

In addition, the company has guaranteed commitments in relation to subsidiary undertakings as follows:

	2000 £000	1999 £000
Performance bonds	3,590	1,711
Lease commitments	2,960	4,490
	6,550	6,201

In respect of SAUR (UK) Limited's obligations arising from its banking facility with The Royal Bank of Scotland, there exists a charge over certain items including the issued share capital of SAUR Water Services plc.

In addition, there exists a second charge over the shares of SAUR Water Services plc in respect of the facility between SAUR (UK) Limited and De Nationale Investeringsbank N.V.

27. Reconciliation of operating profit to net cash inflow from operating activities

	2000 £000	1999 £000
Operating profit/(loss)	29,264	(300,282)
Impairment adjustment	-	328,000
Profit on disposal of fixed assets	(6,640)	(897)
Cost of goodwill written off	-	979
Depreciation	19,305	15,798
Amortisation of negative goodwill	(108)	(108)
Amortisation of positive goodwill	165	-
Other non-cash movement	(69)	(53)
Movement in provision for losses on contracts	1,471	68
Amortisation of deferred income	(749)	(748)
(Decrease) in trade creditors	(7,332)	(3,577)
Decrease/(increase) in trade debtors	2,245	(111)
Decrease/(increase) in stocks	65	(197)
Net cash inflow from operating activities	37,617	38,872

28 Analysis of cash flows

	2000 £000	1999 £000
Returns on investments and servicing of finance		
Interest paid	(8,765)	(8,681)
Interest received	181	160
Dividends received	28	29
Interest element of finance leases	(1,908)	(2,256)
Net cash outflow	(10,464)	(10,748)
Taxation		
UK corporation tax paid	(947)	(1,477)
Net cash outflow	(947)	(1,477)

28 Analysis of cash flows (continued)

	2000	1999
	£000	£000
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(26,859)	(25,858)
Capital contributions received	948	1,691
Sale of tangible fixed assets	14,573	3,447
Redemption of loan notes	(58)	(468)
Net cash outflow	(11,396)	(21,188)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(316)	(5,761)
Cash acquired with subsidiary undertaking	-	2,161
Net cash outflow	(316)	(3,600)
Financing		
Increase in loan from parent company	(13,500)	85,853
Refund of deposits	-	1,735
Capital element of finance lease repayments	(3,695)	(2,631)
Repayment of short term loans	(41)	-
Repayment under syndicated loan facility	-	(81,500)
Redemption of debentures	-	(2)
Share issue to minorities	-	275
Net cash outflow /inflow	(17,236)	3,730

29. Analysis and reconciliation of net debt

	At 1 January 2000 £000	Cashflow £000	Non cash changes £000	At 31 December 2000 £000
Cash at bank and in hand	2,773	(1,754)	-	1,019
Overdrafts	(157)	(988)	-	(1,145)
	2,616	(2,742)	-	(126)
Loans	(126,397)	13,541	-	(112,856)
Finance leases	(34,672)	3,695	(87)	(31,064)
Foreign exchanges	53	-	42	95
Share issue to minorities	(275)	-	35	(240)
Net group debt	(158,675)	14,494	(10)	(144,191)
	2000 £000	2000 £000	1999 £000	1999 £000
Increase/(decrease) in cash in the year	(2,742)		4,589	
Cash inflow from decrease in debt and lease financing	17,236		(3,730)	
Change in net debt resulting from cash flows		14,494		859
New finance leases		(87)		(4,862)
Translation differences		77		53
Movement in net debt in the year		14,484		(3,950)
Net debt at 1 January		(158,675)		(154,725)
Net debt at 31 December		(144,191)		(158,675)

30. Related party transactions

The related parties outside the SAUR UK group, as defined by FRS 8, nature of relationship and extent of transactions with those parties during the year are summarised below:

	2000 £000	1999 £000
Sale of services to SAUR International SA	86	44
Management charges from SAUR International SA	4,651	4,836
Recharge of expenses from SAUR International SA	538	666
Interest charges from SAUR International SA	-	412
Recharge of expenses from SAUR SA	-	1
Management charges to Stereau (UK) Limited		30
Purchase of services from Stereau (UK) Limited	1	-
Sale of services to Stereau (UK) Limited	44	6
Interest charges from Stereau (UK) Limited	19	-
Interest charges from Bouygues SA	988	146
Interest charges from Uniservice SA	-	95
Sale of services to Quille SA	-	88
Sale of services to Bouygues UK	304	421
Purchase of services from Bouygues UK		7
Sale of services to Europland	3,100	2,224
Purchase of services from Barnet Hospital Project		1
Sale of services to Barnet Hospital Project	2,036	-
Sale of services to Scotia Water Dalmuir Limited	47	-
Recharge of expenses to Redelfor SA	415	-
Sale of services to Aquatech	-	3
Purchase of services from SODECI	-	5

Amounts owed to related parties were as follows:

	2000 £000	1999 £000
SAUR SA	129	16
SAUR International SA	131	114
Stereau (UK) Limited	-	3,903
Bouygues SA	88,175	101,405
SODECI	5	5

30. Related party transactions (continued)

Amounts owed by related parties were as follows:

	2000 £000	1999 £000
Euroland Limited	368	1,112
Bouygues UK	368	180
Quille SA	9	100
SAUR (Ireland) Limited	21	32
SAUR International SA	988	-
Barnet Hospital Project Limited	204	221
Aquatech	-	3
Bouygues Telecom	1	-
Stereau (UK) Limited	8	-

SAUR (UK) Limited is controlled by SAUR International SA, and ultimately controlled by Bouygues SA. SAUR International SA owns 100% of the issued share capital of SAUR (UK) Limited.

SAUR SA owns 100% of the issued share capital of SAUR International SA.

AQUATECH, Water Management Services Inc and SODECI are fellow subsidiaries, controlled by SAUR International SA and ultimately controlled by Bouygues SA.

Stereau (UK) Limited is a fellow subsidiary, controlled by SAUR SA and ultimately controlled by Bouygues SA.

Euroland Limited and Barnet Hospital Project Limited are controlled by Bouygues UK and are ultimately controlled by Bouygues SA.

Quille SA, Intrafor SA and Uniservice SA are subsidiaries of Bouygues SA.

SAUR International SA owns 55% of the issued share capital of Redelfor SA

31. Ultimate parent company

The smallest group of companies into which the results of the company are consolidated is that headed by SAUR International SA. The largest group of companies into which the results of the company are consolidated is that headed by Bouygues SA, which is also the company's ultimate parent undertaking. Both parent undertakings are incorporated in France. The financial statements of Bouygues SA may be obtained from 1 avenue Eugene Freyssinet, 78064 St Quentin en Yvelines, Cedex, France.