

Hyder Limited
(formerly Hyder plc)

Directors' report and financial statements
for the year ended 31 March 2001

Registered no: 2366776



A40 #A27UP6EM# 0390
COMPANIES HOUSE 07/12/01

A25 #A27UP6EM# 0678
COMPANIES HOUSE 29/11/01

Registered office
Avonbank
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Hyder Limited

Financial statements for year ended 31 March 2001

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Hyder Limited

Directors and advisors

Directors

R A Symons	appointed 15 September 2000
D C Oosthuizen	appointed 15 September 2000
M E Fletcher	appointed 15 September 2000
R F Owen	appointed 15 September 2000
R L Klingensmith	appointed 15 September 2000
J V H Robins	resigned 15 September 2000
G A Hawker	resigned 15 September 2000
M P Brooker	resigned 15 September 2000
J M James	resigned 15 September 2000
P J Twamley	resigned 15 September 2000
D G Hawkins	resigned 15 September 2000
R B Salmon	resigned 15 September 2000
R H Sellier	resigned 15 September 2000

Company Secretary

S Jones	appointed 30 March 2001
G W Williams	resigned 30 March 2001
	appointed 5 February 2001
R G Curtis	resigned 5 February 2001

Auditors

PricewaterhouseCoopers

Solicitors

Allen & Overy
Edwards Geldard

Principal bankers

National Westminster Bank plc

Hyder Limited

Director's report

The Directors present their report and the audited financial statements for the year ended 31 March 2001.

Change of name

The company changed its name from Hyder plc to Hyder Limited on 13 March 2001. On 13 March 2001 Hyder plc ceased to be a public limited company and as from that date became a private limited company.

Principal activity and business review

The principal activity of the company is that of an investment company.

On 15 September 2000 WPD Limited acquired the share capital of the company. The company's preference shares have since been redeemed at par as disclosed on page 41. Subsequent to the acquisition by WPD Limited the group commenced a programme of disposals of its subsidiaries and fixed asset investments and by 31 March 2001 it had completed these disposals with the exception of Dwr Cymru Cyfyngedig and certain minor subsidiaries.

As part of this disposal programme the electricity distribution business, Western Power Distribution (South Wales) plc (formerly South Wales Electricity plc), together with certain investments and properties, was indirectly sold to WPD Holdings UK on 16 March 2001.

Subsequent to the financial year end on 11 May 2001 Dwr Cymru Cyfyngedig was subject of a financial restructuring and was sold by Hyder Utilities (Holdings) Limited to Glas Cymru (Securities) Cyfyngedig for £1. Glas Cymru (Securities) Cyfyngedig is an external company and has no relationship with Hyder Limited.

Trading results

The loss on ordinary activities before taxation amounted to £554.7m (2000: profit of £76.7m). The loss on ordinary activities before taxation included a loss on disposal of group operations of £447.1m (2000: profit of £47.0m) and exceptional items of £80.1m (2000: £128.6m). Exceptional items include professional fees of £46.6m (2000: £nil) paid to advisers during the potential acquisition of the company by St David Capital plc and the eventual acquisition of the company by WPD Limited, and bank fees relating to the refinancing of the water and sewerage business. The remaining £33.5m principally related to restructuring costs and computer system development costs written off. A full explanation of the exceptional items is provided on pages 22 and 23.

All comparative figures relating to the year ended 31 March 2000 have been restated as discontinued businesses throughout the financial statements. In addition the business segments for the years ended 31 March 2001 and 2000 have been recategorised into three segments namely regulated water and sewerage, regulated electricity distribution and other activities.

Hyder Limited

Director's report (continued)

Dividend on ordinary shares

The directors do not recommend any dividend (2000: 6.7p (net) per ordinary share) for the year ended 31 March 2001.

Dividend on preference shares

A preference dividend of 3.9735p (2000: 3.9735p) (net) per preference share in respect of the six month period ending 31 July 2001 was paid on that date making a total preference dividend of 7.875p (2000: 7.875p) for the year ending 31 July 2001.

Fixed assets

Freehold land and buildings are carried in the financial statements at historical cost at a net book value of £28.4m (2000: £52.9m). In the opinion of the directors there was no significant difference between book values and market values at 31 March 2001.

Directors and their interests

The names of the current directors are shown on page 1. The company was acquired by WPD Limited on 15 September 2000 when all of the then executive and non executive directors resigned.

Following the acquisition of the company by WPD Limited (i) all share options held by the previous directors lapsed; (ii) all conditional awards under the long term incentive scheme, which were not capable of vesting to the previous directors, lapsed, (iii) all ordinary shares held by the previous directors were sold to WPD Limited at the offer price of 365p, and (iv) all preference shares held by the previous directors were redeemed on 31 January 2001.

There were no significant contracts subsisting during or after the end of the year with the company in which any director is or was materially interested (other than service contracts).

The current directors have no beneficial interest in the ordinary shares of the company's ultimate UK parent company, WPD Investment Holdings Limited, at 31 March 2001.

Policy on payment of creditors

It is company policy to comply with terms of payment negotiated with suppliers. Where payment terms are not negotiated the company endeavours to adhere to the supplier's standard terms. During the year the company disposed of the majority of its subsidiaries. Consequently it does not have the information required to accurately calculate the group's average payment period in the year. The average payment period for its regulated water and sewerage business was 116 days (2000: 92 days) and the average payment period for its regulated electricity distribution business was 25 days (2000: 30 days).

Hyder Limited

Director's report (continued)

Contribution to charitable and political purposes

During the year, there have been no political donations, and charitable donations amounted to £129,000 (2000: £200,000).

Auditors

PricewaterhouseCoopers will not be seeking re-appointment as auditors for the forthcoming year. A resolution to appoint a successor will be proposed at the annual general meeting.

By order of the Board

Sally A Jones

**S Jones
Company Secretary**

20 November 2001

Hyder Limited

Director's responsibilities for the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the year. In preparing the financial statements, the directors ensure that appropriate accounting policies have been adopted and applied consistently, and that reasonable and prudent judgements have been made. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

It is the directors responsibility to maintain adequate accounting records and to institute and maintain systems and controls designed to safeguard the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

By order of the Board

Sally A Jones

**S Jones
Company Secretary**

20 November 2001

Hyder Limited

Auditor's report to the members of Hyder Limited

We have audited the financial statements on pages 7 to 49, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations required for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

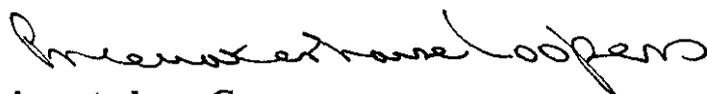
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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 the group at 31 March 2001 and of the loss and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cardiff

20 November 2001

Hyder Limited

Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, except for the treatment of investment properties and certain grants and customer contributions, comply with the Companies Act 1985. An explanation of these departures from the requirements of the Companies Act 1985 are given in the "Grants, customer contributions and infrastructure charges" and "investment properties" sections below and notes 12(c) and 13 respectively.

These accounting policies relate both to subsidiaries held at 31 March 2001 and subsidiaries sold during the year ended 31 March 2001.

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention, as modified by the inclusion of an external professional valuation of the group's interest in certain investment properties.

Basis of consolidation

The group financial statements comprise a consolidation of the financial statements of Hyder Limited and all its subsidiary undertakings and include the group's share of the profits or losses and net assets of joint venture and associated undertakings. The financial statements of the holding company and each subsidiary company are prepared to 31 March. Uniform accounting policies are adopted throughout the group.

Acquisitions and disposals

The results of companies and businesses acquired or disposed of during the year are dealt with in the consolidated financial statements from the date of acquisition or until the date of disposal. Where appropriate, adjustments are made to bring different accounting policies of newly acquired companies into line with the existing group accounting policies.

Goodwill arising from the purchase of subsidiary undertakings and investments in associated undertakings prior to the introduction of FRS 10 - Goodwill and intangible fixed assets, representing the excess of the fair value of the purchase consideration (including costs of acquisition) over the fair value of net assets acquired, was written off against consolidated reserves in the year of the acquisition. Goodwill, positive and negative, arising on acquisitions after 1 April 1997 is treated in accordance with FRS 10 and, where appropriate, is capitalised and amortised over its expected useful economic life.

The profit or loss on the disposal of a previously acquired business is derived after adjusting for the attributable amount of purchased goodwill relating to that business not already charged to the profit and loss account.

Turnover

Turnover represents the income receivable in the ordinary course of business for services provided and excludes where appropriate value added tax.

Hyder Limited

Principal accounting policies (continued)

Joint ventures and associated undertakings

The company's share of results of joint ventures and associated undertakings is included in the financial statements based on the latest audited accounts for each joint venture or associated undertakings and the management accounts up to 30 September 2000 as these assets were held for resale from that date.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size and incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the company or profits or losses on disposal of fixed assets. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

Intangible fixed assets

Intangible fixed assets are included at cost and are amortised over their estimated useful economic lives.

Tangible fixed assets and depreciation

Tangible fixed assets comprise:

- (i) water and sewerage infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls); and
- (ii) other assets (including properties, overground water and sewerage operational structures, electricity distribution networks, equipment and fixtures and fittings).

Water and sewerage infrastructure assets

Infrastructure assets comprise a network of 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 which are included at cost after deducting grants and contributions.

The depreciation charge on infrastructure assets is the level of annual expenditure required to maintain the operating capability of the network which is based on the independently certified asset management plan.

Other assets

Other assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Other assets are depreciated over their estimated useful economic lives, which are principally as follows:

Freehold buildings	30-60 years
Leasehold properties	over the period of the lease
Water and sewerage operational structures	40-80 years
Fixed plant	20-40 years
Vehicles, mobile plant, equipment, computer hardware & capitalised software	3-10 years

Hyder Limited

Principal accounting policies (continued)

Other assets (continued)

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

Electricity distribution network assets are depreciated at 3% per year for the first 20 years and 2% per year thereafter. All other assets are depreciated evenly over their estimated economic life.

Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charges being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the written down amount. The assets are depreciated over the shorter of their estimated useful life and the lease period. All other leases are regarded as operating leases. Rental costs arising under operating leases are charged to the profit and loss account in the year to which they relate.

Operating lease income receivable as lessor is recognised over the period of the lease as it falls due.

Grants, customer contributions and infrastructure charges

Grants and customer contributions receivable relating to water and sewerage infrastructure assets have been deducted from the cost of fixed assets. This is not in accordance with the Companies Act 1985 which requires tangible fixed assets to be shown at cost and hence grants and contributions as deferred income. This departure from the requirements of the Companies Act 1985 is, in the opinion of the directors, necessary for the financial statements to show a true and fair view as while a provision is made for depreciation of infrastructure assets, these assets do not have determinable finite lives and therefore no basis exists on which to recognise grants and customer contributions as deferred income. The effect of this treatment on the value of tangible fixed assets is disclosed in note 12(c).

Grants and customer contributions in respect of expenditure on other fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets.

Certain contributions noted above are wholly or partially refundable to electricity customers if an agreed volume of electricity is disturbed to them. Such contributions are included in creditors until there is no further liability to make refunds.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19 "Accounting for Investment Properties", investment properties are included in the balance sheet at open market value. Depreciation is not applied, except where properties are held by the group on leasehold with an unexpired term of 20 years or less. The treatment departs from the general requirement of the Companies Act 1985 to provide depreciation on any asset which has a limited useful economic life. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view and thus it is necessary to adopt SSAP 19 in order to give a true and fair view (note 13).

Hyder Limited

Principal accounting policies (continued)

Investment properties (continued)

Profits and losses on the disposal of investment properties are calculated as the difference between the net sale proceeds and the net carrying value in the accounts (ie the value at the latest valuation). Any revaluation surplus or deficiency held within a revaluation reserve relating to the asset disposed of is released to profit and loss as a movement on reserves, and therefore does not impact on the statement of recognised gains and losses.

Investments

Long term investments held as fixed assets are stated at cost or valuation less amounts written off or provided to reflect impairments in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value which takes account of any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower end of cost and net realisable value. Cost includes labour, materials, transport and directly attributable overheads.

Amounts recoverable on long term contracts

Amounts recoverable on long term contracts represent work undertaken but not yet invoiced to customers. These amounts, which are included in debtors, are stated at cost plus attributable profit, to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts, less payments on account. For this purpose, cost comprises the direct costs of providing the service, together with directly attributable overheads.

Pension costs

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contribution rates are based on the advice of a professionally qualified actuary. Any difference between the charge to the profit and loss account and contributions paid is shown as an asset or liability in the balance sheet.

Foreign currencies

On consolidation, balance sheets and profit and loss accounts of subsidiary undertakings are translated into sterling at closing rates of exchange. Exchange differences resulting from the translation at closing rates of net investments in subsidiary and associated undertakings are dealt with in the statement of total recognised gains and losses.

Fixed asset investments denominated in foreign currencies which are hedged by related currency borrowings are translated into sterling at the rate of exchange ruling at the end of the financial year. The gains or losses arising from the retranslation of these investments at each year end are offset against those gains and losses arising on the retranslation of the related foreign exchange borrowings. Those fixed asset investments which are not hedged by related foreign exchange borrowings. Those fixed asset investments which are not hedged by related foreign currency borrowings are translated into sterling at the rate of exchange ruling at the date of acquisition.

Hyder Limited

Principal accounting policies (continued)

Foreign currencies (continued)

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

Financial instruments

Derivative instruments utilised by the group are currency swaps, currency forward exchange contracts, and interest rate swaps. Derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the group. Currency swap agreements and currency forward exchange contracts are translated at the rates ruling in the agreements and contracts.

Interest differentials, under swap arrangements used to manage interest rate exposure of borrowings and current asset investments, are recognised by adjusting interest payable or receivable as appropriate.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. FRS 19 – Deferred tax has not been adopted this year and will be adopted for the year ended 31 March 2002 in accordance with the deadline contained within FRS19.

Hyder Limited

Consolidated profit and loss account for the year ended 31 March 2001

	Note	2001 £m	2000 £m
Turnover:			
Group and share of joint ventures	2	898.1	1,316.8
Less: share of joint ventures		(18.7)	(30.9)
Group turnover	2	<u>879.4</u>	<u>1,285.9</u>
Net operating costs	3	<u>(765.4)</u>	<u>(1,125.5)</u>
Operating profit		114.0	160.4
Operating profit before exceptional items:		194.1	289.0
Exceptional items	4	<u>(80.1)</u>	<u>(128.6)</u>
Operating profit after exceptional items		114.0	160.4
Share of operating profit in:			
Joint ventures		0.6	6.0
Associates		-	0.8
Total operating profit – Group and share of joint ventures and associates		114.6	167.2
Group income from investments	6	5.0	3.5
Profit on disposal of investments	7	23.3	5.7
Profit on disposal of freehold properties	7	1.2	-
Loss on disposal of business activities	7	(3.9)	-
(Loss)/profit on disposal of group operations	35	<u>(447.1)</u>	<u>47.0</u>
(Loss)/profit on ordinary activities before interest		(306.9)	223.4
Interest receivable		23.8	24.2
Interest payable and similar charges:			
Group	8	(266.3)	(166.3)
Joint ventures		<u>(5.3)</u>	<u>(4.6)</u>
(Loss)/profit on ordinary activities before taxation		(554.7)	76.7
Taxation	9	16.1	(1.9)
(Loss)/profit on ordinary activities after taxation		(538.6)	74.8
Equity minority interests		-	(0.2)
Dividends payable on preference shares	10	(13.8)	(16.4)
(Loss)/profit attributable to ordinary shareholders		(552.4)	58.2
Dividends on ordinary shares	10	<u>-</u>	<u>(10.1)</u>
Retained (loss)/profit for the year	29	<u>(552.4)</u>	<u>48.1</u>

All operations became discontinued activities on 31 March 2001

Hyder Limited

Balance sheets at 31 March 2001

	Note	Group 2001 £m	2000 Restated £m	Company 2001 £m	2000 Restated £m
Fixed assets					
Intangible assets	11	-	3.5	-	-
Tangible assets	12	2,256.3	2,951.1	-	2.2
Investment properties	13	-	10.9	-	-
Investments in:	14				
Joint ventures					
Share of gross assets		-	217.2	-	-
Share of gross liabilities		-	(179.4)	-	-
		-	37.8	-	2.2
Associates		-	10.4	-	-
Others		0.1	52.2	1,399.5	1,536.5
Own shares		-	10.3	-	10.3
		<u>2,256.4</u>	<u>3,076.2</u>	<u>1,399.5</u>	<u>1,549.0</u>
Current assets					
Stocks and work in progress	15	2.0	16.9	-	-
Debtors	16	135.4	238.0	41.2	364.5
Current asset investments	17	183.8	433.3	108.1	354.7
Cash at bank and in hand		-	34.0	-	0.3
		<u>321.2</u>	<u>722.2</u>	<u>149.3</u>	<u>719.5</u>
Current liabilities					
Creditors: amounts falling due within one year	18a	<u>(1,478.1)</u>	<u>(363.6)</u>	<u>(41.0)</u>	<u>(113.3)</u>
Net current (liabilities)/assets		<u>(1,156.9)</u>	<u>358.6</u>	<u>108.3</u>	<u>606.2</u>
Total assets less current liabilities		<u>1,099.5</u>	<u>3,434.8</u>	<u>1,507.8</u>	<u>2,155.2</u>
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	25	(28.4)	(79.9)	(6.6)	(2.4)
Accruals and deferred income	26	(39.4)	(159.8)	-	-
Net assets		<u>853.0</u>	<u>1,051.6</u>	<u>538.9</u>	<u>847.9</u>
Capital and reserves					
Called up share capital	27	202.7	392.8	202.7	392.8
Share premium account	28	134.6	132.5	134.6	132.5
Capital redemption reserve	29	190.1	-	190.1	-
Reserves	29	325.6	525.6	11.5	322.6
Equity shareholders' funds		<u>835.9</u>	<u>844.3</u>	<u>521.8</u>	<u>641.3</u>
Non equity shareholders' funds		<u>17.1</u>	<u>206.6</u>	<u>17.1</u>	<u>206.6</u>
Total shareholders' funds		<u>853.0</u>	<u>1,050.9</u>	<u>538.9</u>	<u>847.9</u>
Equity minority interests	30	-	0.7	-	-
		<u>853.0</u>	<u>1,051.6</u>	<u>538.9</u>	<u>847.9</u>

Hyder Limited

Balance sheets at 31 March 2001 (continued)

The financial statements on pages 7 to 49 were approved by the board of directors on 20 November 2001 and were signed on its behalf by:



D C Oosthuizen
Director

Hyder Limited

Consolidated cashflow statement for the year ended 31 March 2001	Note	2001	2000
		£m	£m
Cashflow from discontinued operating activities	31	<u>266.4</u>	<u>376.6</u>
Dividends recovered from joint ventures and associated undertakings		<u>0.3</u>	<u>0.7</u>
Returns on investments and servicing of finance			
Interest received		48.2	22.9
Loan redemption costs	8	(105.5)	-
Interest paid		(215.2)	(144.8)
Preference dividend paid		(16.3)	(16.4)
Interest element of finance lease rental payments		(12.4)	(16.2)
Dividends received and other investment income		<u>4.6</u>	<u>3.5</u>
		<u>(296.6)</u>	<u>(151.0)</u>
Taxation			
UK corporation tax		(3.0)	(0.9)
Overseas tax		<u>(0.3)</u>	<u>(1.1)</u>
		<u>(3.3)</u>	<u>(2.0)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(273.5)	(353.1)
Sale of tangible fixed assets		22.6	4.7
Purchase of fixed asset investments		(0.5)	(1.7)
Sale of fixed asset investments		30.9	12.5
Grants and contributions received		16.3	14.3
Sale of intangible fixed assets		<u>2.1</u>	<u>0.4</u>
		<u>(202.1)</u>	<u>(322.9)</u>
Acquisitions and disposals			
Purchase of subsidiary	35	(4.6)	-
Investments in joint ventures and associated undertakings		(2.6)	(3.9)
Purchase of additional interest in subsidiary undertakings		-	(1.5)
Sale of group operations	35	<u>(113.8)</u>	<u>103.9</u>
		<u>(121.0)</u>	<u>98.5</u>
Equity dividends paid		<u>-</u>	<u>(98.4)</u>
Cash outflow before use of liquid resources and financing		<u>(356.3)</u>	<u>(98.5)</u>
Management of liquid resources			
Purchase of commercial paper		(250.2)	(323.0)
Sale of commercial paper		266.9	412.0
Net decrease in deposits		<u>264.6</u>	<u>73.0</u>
		<u>281.3</u>	<u>162.0</u>
Financing			
Preference shares redeemed	33	(190.1)	-
Sale of ordinary shares (own shares)		8.2	-
New loans	33	1,304.5	2.0
Loan repayments	33	(1,076.5)	(57.5)
Capital element of finance lease rental payments		<u>-</u>	<u>(0.2)</u>
		<u>46.1</u>	<u>(55.7)</u>
(Decrease)/increase in cash in the year	34	<u>(28.9)</u>	<u>7.8</u>

Hyder Limited

Statement of total recognised gains and losses for the year ended 31 March 2001

	2001 £m	2000 £m
(Loss)/profit for the financial year attributable to ordinary shareholders	(552.4)	58.2
Currency translation differences	0.3	(1.3)
Surplus on revaluation of investment properties	-	1.5
Total recognised (losses)/gains for the year	<u>(552.1)</u>	<u>58.4</u>

Reconciliation of movements in shareholders' funds for the year ended 31 March 2001

	2001 £m	2000 £m
Total recognised (losses)/gains for the year	(552.1)	58.4
Ordinary dividends	-	(10.1)
Scrip dividend issued in lieu of cash dividends	-	21.5
Utilisation of share premium account for the nominal value of ordinary shares issued under the scrip dividend	-	(4.4)
New ordinary share capital issued	-	4.4
Goodwill written back on disposal of group operations	544.3	84.0
Adjustment to reserves on increased shareholding in subsidiary	-	(0.7)
Preference shares redeemed	(190.1)	-
Net (decrease)/increase in shareholders' funds	<u>(197.9)</u>	<u>153.1</u>
At 1 April	1,050.9	897.8
At 31 March	<u>853.0</u>	<u>1,050.9</u>

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

1 Company profit and loss account

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company has not been included in these financial statements. The loss after taxation for the year dealt with in the financial statements of the company was £105.1m (2000: loss of £125.8m).

2 Segmental analysis by class of business/destination

(a) Turnover by class of business

	2001 £m	2000 £m
Total turnover:		
Regulated water and sewerage business activities	437.5	472.7
Regulated electricity distribution activities	162.8	199.1
Other activities	396.6	965.8
	<u>996.9</u>	<u>1,637.6</u>
Intra segment turnover:		
Other activities	<u>97.3</u>	<u>8.1</u>
Inter segment turnover:		
Regulated water and sewerage business activities	1.5	1.5
Regulated electricity distribution activities	-	124.2
Other activities	-	187.0
	<u>1.5</u>	<u>312.7</u>
External turnover:		
Regulated water and sewerage business activities	436.0	471.2
Regulated electricity distribution activities	162.8	74.9
Other activities	299.3	770.7
	<u>898.1</u>	<u>1,316.8</u>
Group	879.4	1,285.9
Joint ventures	<u>18.7</u>	<u>30.9</u>
Total	<u>898.1</u>	<u>1,316.8</u>

Turnover is derived from the following sources :

- External: transactions between group companies and external customers
- Intra segment: transactions between group companies trading with the same segment
- Inter segment: transactions between group companies trading in different segments

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

(b) Turnover by destination

	2001 £m	2000 £m
United Kingdom and Europe		
- group	840.1	1,223.6
- joint ventures	18.7	30.9
Rest of the world	39.3	62.3
Total	<u>898.1</u>	<u>1,316.8</u>
- Group	879.4	1,285.9
- Joint ventures	18.7	30.9
	<u>898.1</u>	<u>1,316.8</u>

Turnover by origin is not materially different from that by destination.

(c) Profit on ordinary activities before taxation by class of business

	2001 Before exceptional items £m	2001 Exceptional items (note 4) £m	2001 Total £m
Regulated water and sewerage business activities	149.6	(15.5)	134.1
Regulated electricity distribution activities	66.1	(15.5)	50.6
Other activities including corporate overheads	4.0	(49.1)	(45.1)
Loss on disposal of group operations	(451.8)	-	(451.8)
Loss before interest	<u>(232.1)</u>	<u>(80.1)</u>	<u>(312.2)</u>
Net interest payable			(242.5)
Loss before taxation			<u>(554.7)</u>
	2000	2000	2000
	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Regulated water and sewerage business activities	186.0	(34.1)	151.9
Regulated electricity distribution activities	87.5	(60.7)	26.8
Other activities including corporate overheads	31.5	(33.8)	(2.3)
Profit on disposal of group operations	47.0	-	47.0
Profit before interest	<u>352.0</u>	<u>(128.6)</u>	<u>223.4</u>
Net interest payable			(146.7)
Profit before taxation			<u>76.7</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

(d) Net assets by class of business

	2001 £m	2000 £m
Regulated water and sewerage business activities	2,068.3	1,991.3
Regulated electricity distribution activities	-	505.2
Other activities	87.9	229.2
	<u>2,156.2</u>	<u>2,725.7</u>
Net debt (note 32)	<u>(1,303.2)</u>	<u>(1,674.1)</u>
	<u>853.0</u>	<u>1,051.6</u>

(e) Net assets by destination

	2001 £m	2000 £m
United Kingdom and Europe	2,145.3	2,691.6
Rest of the world	10.9	34.1
	<u>2,156.2</u>	<u>2,725.7</u>
Net debt (note 32)	<u>(1,303.2)</u>	<u>(1,674.1)</u>
	<u>853.0</u>	<u>1,051.6</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

3 Net operating costs

	Note	2001 Before exceptional items £m	2001 Exceptional items (note 4) £m	2001 Total £m
Change in stocks and work in progress		14.9	-	14.9
Staff costs	5d	231.5	-	231.5
Severance and redundancy costs		-	10.9	10.9
Amounts written off fixed asset investments	14	17.8	-	17.8
Amounts written off fixed assets	12	6.8	3.5	10.3
Loss on sale of own shares		-	3.4	3.4
Depreciation				
Own assets		124.4	-	124.4
Assets held under finance leases		10.8	-	10.8
Research and development		0.8	-	0.8
Rentals under operating leases:				
Hire of plant and equipment		8.3	-	8.3
Other		0.5	-	0.5
Fees paid to auditors:				
Audit services		0.3	-	0.3
Consultancy services		-	5.9	5.9
Other services		0.4	-	0.4
Professional fees		-	46.6	46.6
Sponsorship written off		4.3	-	4.3
Loans written off		8.3	-	8.3
Leasehold property provision		-	3.2	3.2
Other provisions released		(7.6)	-	(7.6)
Loss on disposal of fixed assets		0.8	-	0.8
Net rents received		(2.1)	-	(2.1)
Amortisation of grants and contributions	26	(6.2)	-	(6.2)
Own work capitalised		(33.2)	-	(33.2)
Other operating charges		304.5	6.6	311.1
		<u>685.3</u>	<u>80.1</u>	<u>765.4</u>

Other fees paid to the auditors and capitalised were £nil (2000: £91,500). Included in audit services is £12,000 (2000: £9,250) in respect of audit fees incurred by the company. Fees of £5.9m were paid to the auditors in respect of the computer development work charged against profits as an exceptional item.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

3 Net Operating Costs (continued)

	Note	2000 Before exceptional items £m	2000 Exceptional items (note 4) £m	2000 Total £m
Change in stocks and work in progress		(0.9)	-	(0.9)
Staff costs	5d	262.7	-	262.7
Severance and redundancy costs		-	22.4	22.4
Amounts written off fixed asset investments		1.1	-	1.1
Amounts written off fixed assets		-	67.3	67.3
Amount written off own shares		-	10.0	10.0
Depreciation				
Own assets		130.1	-	130.1
Assets held under finance leases		10.3	-	10.3
Research and development		0.9	-	0.9
Rentals under operating leases:				
Hire of plant and equipment		9.0	-	9.0
Other		5.0	-	5.0
Fees paid to auditors:				
Audit services		0.7	-	0.7
Taxation services		0.1	-	0.1
Consultancy services		-	1.5	1.5
Other services		0.4	-	0.4
Loss on disposal of fixed assets		0.5	-	0.5
Net rents received		(2.3)	-	(2.3)
Amortisation of grants and contributions	26	(6.0)	-	(6.0)
Own work capitalised		(74.7)	-	(74.7)
Other operating charges		376.4	27.4	403.8
Energy purchases		287.1	-	287.1
Power purchase provision		(6.4)	-	(6.4)
Year 2000 costs		2.9	-	2.9
		<u>996.9</u>	<u>128.6</u>	<u>1,125.5</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

4 Exceptional items

	2001 £m	2000 £m
Restructuring costs:		
Regulated water and sewerage activities	5.4	14.1
Regulated electricity distribution activities	(0.5)	12.7
Other activities	6.0	(1.9)
	<u>10.9</u>	<u>24.9</u>
Loss on sale of own shares:		
Other activities	3.4	-
Professional fees:		
Regulated water and sewerage activities	10.1	-
Other activities	36.5	-
Computer system development costs:		
Regulated electricity distribution activities	16.0	54.7
Other activities	-	17.4
Leasehold property provisions:		
Other activities	3.2	1.6
Amounts written off own shares:		
Other activities	-	10.0
Bad and doubtful debt provisions:		
Regulated water and sewerage activities	-	20.0
	<u>80.1</u>	<u>128.6</u>

The tax credit attributable to these exceptional items is £nil (2000: £9.7m). The tax credit would have been £9.4m, if the group did not have surplus tax losses in the year (note 9).

Exceptional items in 2001 related to the following:

Restructuring costs of £14.3m were incurred in relation to the reduction of some 200 jobs in central support services following the acquisition of the group by WPD Limited. Surplus provisions of £3.4m relating to prior year manpower reduction programmes were released during the year after reappraisal of future obligations and were offset against the £14.3m charge in the year.

Following the acquisition of the group it was agreed that the remaining shares held in the qualifying employee share option scheme could be purchased at 245p per share by Hyder employees and that WPD Limited would purchase these shares from the employees at the offer price of 365p. As a result of this action the group incurred a tax liability of £1.7m and a loss on disposal of own shares amounting to £1.7m.

Professional fees of £46.6m principally relate to costs incurred during the potential acquisition of the group by St David Capital plc and the eventual acquisition of the company by WPD Limited. The advisors fees also include costs relating to the consideration of various strategic alternatives undertaken by the Board prior to and during the eventual acquisition of the group by WPD Limited, costs relating to the subsidiary and fixed asset investment disposal programme and bank fees relating to the refinancing of the water and sewerage business.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

4 Exceptional items (continued)

Following the acquisition of the company by WPD Limited, the new management of the regulated electricity distribution business determined that certain existing computer systems were obsolete and consequently these systems, with a net book value of £3.5m, were written off and charged against profits as an exceptional item. Computer development costs of £12.5m relating to meeting regulatory criteria within the regulated electricity distribution business have been charged as an exceptional item.

Leasehold property provisions of £3.2m related a reappraisal of the future costs of unoccupied leasehold properties following the acquisition of Hyder Limited by WPD Limited.

Exceptional items in 2000 related to the following:

Restructuring costs of £24.9m principally related to a reduction of 1,000 jobs in the regulated water and electricity distribution businesses. Surplus provisions of £10.2m relating to prior year manpower reduction programmes were released during the year after reappraisal of obligations and were offset against the £35.1m charge in the year.

Computer system development costs written off amounting to £43.5m related to the cancellation of a new utility billing system which did not meet the needs of the rapidly developing and sophisticated multi purpose product offerings.

Computer system development costs of £24.2m were also written off following the electricity distribution price review whereby the cost of systems developed before the opening of the electricity competitive market were not remunerated by the regulator. The carrying value of these computer systems was written down to £8.8m. Costs of £4.5m relating to new electricity metering obligations, effective from April 2000, were also charged as an exceptional item.

The bad and doubtful debt provision of £20m arose from a reassessment of the group's ability to collect domestic water and sewerage debt following the Government's decision to ban disconnection of domestic water supplies, combined with the ruling on the watercard and the High Court decision that the "Two in One" budget scheme was not authorized under the Electricity Act.

The write down of own shares of £10.0m reflected the reduction of in value of Hyder shares held by the company under the qualifying employee share option schemes and the directors' long term incentive scheme.

Leasehold property provisions of £1.6m related to the directors' assessment of the future cost of unoccupied leasehold properties.

5 Directors and employees

(a) Directors remuneration

The combined emoluments of the directors for other services as directors of the company are set out below:

	2001 £'000	2000 £'000
Fees	99	218
Salary payments (including benefits in kind)	416	929
Performance related bonuses	238	-
Compensation for loss of office	931	-
	<u>1,684</u>	<u>1,147</u>

The current directors, as detailed on page 1, receive no emoluments for their services and have no service contracts with the company. The previous directors resigned on 15 September 2000 and the details noted above for fees, salary payments and performance related bonuses relate to the

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

5 Directors and employees (continued)

period 1 April 2000 to 15 September 2000.

No future retirement benefits are accruing to the current or previous directors.

(b) Highest paid director

	G A Hawker 2001 £'000	G A Hawker 2000 £'000
Aggregate emoluments and benefits	259	281
Compensation for loss of office	435	-
	<u>694</u>	<u>281</u>
Accrued pension at the end of the year under deferred pension benefit scheme	<u>162</u>	<u>153</u>

(c) Compensation for loss of office

Compensation packages were agreed for the directors who resigned on 15 September 2000 as detailed below:

	Termination of service contracts £'000
G A Hawker	435
P J Twamley	329
D G Hawkins	14
R B Salmon	14
R H Sellier	14
J V H Robins	125
	<u>931</u>

Under the service contracts of the previous directors' the company was obliged to compensate the directors for the unexpired portion of their contracts. In addition the previous executive directors were entitled to receive unreduced pensions payable from their resignation date as well as their pensionable service being extended to take account of the unexpired portion of their service contract.

(d) Staff costs (including directors)

	2001 £m	2000 £m
Wages and salaries	197.2	231.5
Social security costs	14.4	16.5
Pension costs (including unfunded pension costs)	11.7	14.7
Prepaid pension costs at 1 April 2000 charged to profit and loss account	8.2	-
	<u>231.5</u>	<u>262.7</u>

Of the above £18.6m (2000: £38.4m) has been charged to capital.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

5 Directors and employees (continued)

(d) Average monthly number of employees during the year (including executive directors)

	2001 Number	2000 Number
Regulated water and sewerage activities	1,476	1,737
Regulated electricity distribution activities	771	994
Other activities	5,423	6,815
	<u>7,670</u>	<u>9,546</u>

The reduction in the average number of employees reflects the disposal of business operations between 15 September 2000 and 31 March 2001.

6 Group income from investments

	2001 £m	2000 £m
Fixed asset investment income:		
Other activities	<u>5.0</u>	<u>3.5</u>

7 Profit/(loss) on disposal of investments and business activities

	2001 £m	2000 £m
Profit on disposal of investments:		
Other activities	23.3	5.7
Profit on disposal of freehold properties:		
Other activities	1.2	-
Loss on disposal of business activities:		
Other activities	<u>(3.9)</u>	<u>-</u>
	<u>20.6</u>	<u>5.7</u>

The profit on disposal of £20.6m relates to business assets which were not included in the disposal of group subsidiaries (note 35).

8 Interest payable and similar charges

	2001 £m	2000 Restated £m
On bank loans and overdrafts	1.4	1.7
On other loans	147.6	151.9
On finance leases	12.1	12.2
Loan redemption costs (a)	105.5	-
Sterling bond issue costs written (back)/off (a)	(1.9)	0.5
Net currency gain on transfer of US \$ Loan notes transferred to WPD Holdings UK (b)	(4.7)	-
US \$ Loan notes issue costs written off (b)	1.6	-
Interest rates swap redemption costs (c)	4.7	-
	<u>266.3</u>	<u>166.3</u>

8 Interest payable and similar charges (continued)

- (a) In January and February 2001 the group redeemed the £875m Sterling Eurobonds and incurred costs of £94.2m due to the early redemption of the bonds.

As a consequence of the early redemption of these bonds, issue costs of £2.0m, which were being amortised over the future term of the bonds, were credited to the profit and loss account.

On 7 March 2001 the group redeemed loans from the European Investment Bank amounting to £199.5m and incurred costs of £11.3m due to the early redemption of the loans.

- (b) On 16 March 2001 the US \$ Loan notes were cancelled and exchanged for similar replacement loans notes issued by WPD Holdings UK. This exchange of the Loan notes was undertaken at the dollar/sterling exchange rate on 16 March 2001 which resulted in a net currency gain of £4.7m which has been credited to the profit and loss account.

As a consequence of this transfer of these Loan notes, issue costs of £1.6m, which were being amortised over the term of the Loan notes, were charged to the profit and loss account.

- (c) During the year the group terminated interest rate swaps, with a notional principal value of £50m, and incurred costs of £4.7m due to the early termination of these interest rate swaps.

9 Taxation

	2001 £m	2000 £m
Based on the results for the year:		
UK corporation tax at 30% (2000 30%)	(0.2)	-
Deferred taxation	-	15.0
Overseas taxation	0.2	1.0
Share of joint ventures taxation	-	0.3
	<u>-</u>	<u>16.3</u>
Prior year adjustments:		
Corporation tax	(20.8)	(14.4)
Deferred taxation	4.7	-
	<u>(16.1)</u>	<u>1.9</u>

No UK tax has been provided as the group has surplus tax losses. Due to the ongoing break-up of the group, these losses may not be utilised against future profits and therefore have not been treated as reducing the unprovided amount of deferred taxation as disclosed in note 25(a).

The cumulative amount of advance corporation tax written off of £76.4m (2000: £51.2m) is available for relief against future tax liabilities in very limited circumstances and therefore has not been treated as reducing the unprovided amount of deferred taxation as disclosed in note 25(a).

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

10 Dividends

	2001 £m	2000 £m
Dividends on equity shares:		
Interim of nil per ordinary share (2000: 6.7p)	<u>-</u>	<u>10.1</u>
	2001 £m	2000 £m
Dividends paid and proposed each of 7.875p (net) per preference share (2000: 7.875p) non-equity shares	<u>13.8</u>	<u>16.4</u>

11 Intangible fixed assets

Group	Note	Goodwill (positive) £m	Goodwill (negative) £m	Total £m
Cost				
At 1 April 2000		5.5	(1.7)	3.8
Acquisition of subsidiary	35	4.1	-	4.1
Disposal of group operations	35	(9.6)	1.7	(7.9)
At 31 March 2001		<u>-</u>	<u>-</u>	<u>-</u>
Amounts provided				
At 1 April 2000		0.3	-	0.3
Disposal of group operations	35	(0.3)	-	(0.3)
At 31 March 2001		<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 March 2001		<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2000		<u>5.2</u>	<u>(1.7)</u>	<u>3.5</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

12 Tangible fixed assets

Group	Freehold land and buildings	Leasehold properties and improvements	Water & sewerage infrastructure assets	Operational structures	Electricity distribution network assets	Vehicles plant and equipment and computer hardware and capitalised software	Total
Cost of valuation	£m	£m	£m	£m	£m	£m	£m
At 1 April 2000	74.7	2.9	1,190.2	1,543.7	963.1	357.5	4,132.1
Additions	1.2	-	108.0	105.2	47.8	28.7	290.9
Grants & contributions	-	-	(6.8)	-	(4.8)	-	(11.6)
Amounts written off	-	-	-	-	-	(22.7)	(22.7)
Disposals	(8.8)	-	(1.0)	-	(0.9)	(93.8)	(104.5)
Sale of group operations	(9.0)	(2.9)	-	(67.5)	(1,005.2)	(82.1)	(1,166.7)
Reclassification	(10.5)	-	-	-	-	-	(10.5)
At 31 March 2001	47.6	-	1,290.4	1,581.4	-	187.6	3,107.0
Accumulated depreciation							
At 1 April 2000	21.8	1.5	274.1	354.1	299.4	230.1	1181.0
Charge for the year	3.7	0.2	35.9	43.6	25.7	26.1	135.2
Amounts written off	-	-	-	-	-	(12.4)	(12.4)
Disposals	(4.5)	-	(1.0)	-	(1.4)	(61.8)	(68.7)
Sale of group operations	(1.8)	(1.7)	-	(9.2)	(323.7)	(48.0)	(384.4)
At 31 March 2001	19.2	-	309.0	388.5	-	134.0	850.7
Net book value							
At 31 March 2001	28.4	-	981.4	1,192.9	-	53.6	2,256.3
At 31 March 2000	52.9	1.4	916.1	1,189.6	663.7	127.4	2,951.1
Analysis of net book value at 31 March 2001							
Owned	28.4	-	981.4	845.2	-	53.6	1908.6
Held under finance leases	-	-	-	347.7	-	-	347.7
	28.4	-	981.4	1192.9	-	53.6	2,256.3

(a) Tangible fixed assets at 31 March 2001 include £316.7m (2000: £428.1m) of assets in the course of construction, which are not depreciated until commissioned.

(b) The net book value of leasehold properties and improvements comprise:

	2001 £m	2000 £m
Long leasehold	-	1.4

(c) The accounting treatment for grants and customer contributions in respect of infrastructure assets is set out in the principal accounting policies on page 9. This treatment is not in accordance with schedule 4 to the Companies Act 1985. As a consequence the net book value of fixed assets and deferred income is £161.7m (2000: £156.3m) lower than it would have been had this treatment not been adopted.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

12 Tangible fixed assets (continued)

Company	Freehold land and buildings	Vehicles plant and equipment and computer hardware and capitalised software	Total
	£m	£m	£m
Cost			
At 1 April 2000	0.8	2.5	3.3
Additions	27.0	0.2	27.2
Disposals	(0.4)	-	(0.4)
Reclassification	(27.4)	-	(27.4)
Amounts written off	-	(2.7)	(2.7)
At 31 March 2001	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation			
At 1 April 2000	-	1.1	1.1
Charge for the year	-	0.2	0.2
Amounts written off	-	(1.3)	(1.3)
At 31 March 2001	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 March 2001	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2000	<u>0.8</u>	<u>1.4</u>	<u>2.2</u>

Freehold land and buildings have been reclassified as current asset investments (note 17) as they are held for resale.

13 Investment properties

Group	2001 £m	2000 £m
At 1 April	10.9	9.4
Adjustment to open market value	-	1.5
Reclassification to assets held for resale (note 17)	<u>(10.9)</u>	<u>-</u>
At 31 March	<u>-</u>	<u>10.9</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

14 Fixed asset investments

Group	Own shares	Interests in joint ventures	Interests in associates	Listed investments	Unlisted investments	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2000	20.3	37.8	10.5	37.4	19.1	125.1
Additions	-	22.3	0.3	0.4	0.1	23.1
Exchange differences	-	-	0.7	0.4	(0.1)	1.0
Share of retained losses	-	(4.7)	-	-	-	(4.7)
Reclassification	-	(12.8)	-	(32.2)	-	(45.0)
Disposals	(20.3)	(4.4)	-	(6.0)	(0.8)	(31.5)
Sale of group operations	-	(38.2)	(11.5)	-	(18.2)	(67.9)
At 31 March 2001	-	-	-	-	0.1	0.1
Amounts written off						
At 1 April 2000	(10.0)	-	(0.1)	(3.5)	(0.8)	(14.4)
Provided in the year	-	-	-	(17.8)	-	(17.8)
Reclassification	-	-	-	21.3	-	21.3
Disposals	10.0	-	0.1	-	0.8	10.9
At 31 March 2001	-	-	-	-	-	-
Net book value						
At 31 March 2001	-	-	-	-	0.1	0.1
At 31 March 2000	10.3	37.8	10.4	33.9	18.3	110.7

During the year the company disposed of its interests in the majority of its subsidiary companies following the company's acquisition by WPD Limited on 15 September 2000. The company commenced a fixed asset investment disposal programme on that date and interests in listed investments and joint ventures and associates amounting to £23.7m have been reclassified as current asset investments (note 17) as these investments were held for resale.

Company	Own shares	Subsidiary undertakings	Interests in joint ventures & associates	Listed investments	Unlisted investments	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2000	20.3	1,613.9	-	-	0.4	1,634.6
Acquired from subsidiaries	-	294.8	29.8	23.5	-	348.1
Exchange differences	-	-	-	0.3	-	0.3
Reclassification	-	-	(24.9)	(23.8)	-	(48.7)
Disposals	(20.3)	(509.0)	(4.9)	-	(0.4)	(534.6)
At 31 March 2001	-	1,399.7	-	-	-	1,399.7
Amounts written off						
At 1 April 2000	(10.0)	(77.5)	-	-	(0.3)	(87.8)
Acquired from subsidiaries	-	-	-	(3.5)	-	(3.5)
Provided in the year	-	(0.2)	-	(9.4)	-	(9.6)
Reclassification	-	-	-	12.9	-	12.9
Disposals	10.0	77.5	-	-	0.3	87.8
At 31 March 2001	-	(0.2)	-	-	-	(0.2)
Net book value						
At 31 March 2001	-	1,399.5	-	-	-	1,399.5
At 31 March 2000	10.3	1,536.4	-	-	0.1	1,546.8

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

14 Fixed asset investments (continued)

During the year the company disposed of its interests in the majority of its subsidiary companies following the company's acquisition by WPD Limited on 15 September 2000. The company commenced a fixed asset investment disposal programme on that date and by 31 March 2001 had received proceeds of £453.5m, and after deducting transaction costs of £3.6m, realised a profit on disposal of £18.4m.

As part of this disposal programme several subsidiaries were moved into the direct ownership of the company. Interests in listed investments and joint ventures and associates amounting to £31.1m have been reclassified as current asset investments (note 17) as these investments are held for resale.

15 Stocks and work in progress

Group	2001	2000
	£m	£m
Raw materials and consumables	1.6	7.8
Work in progress	0.2	9.0
Finished goods and goods for resale	0.2	0.1
	<u>2.0</u>	<u>16.9</u>

The replacement cost of stocks is not materially different from their carrying value.

16 Debtors

	Group		Company	
	2001 £m	2000 £m	2001 £m	2000 £m
Amounts falling due within one year:				
Trade debtors	52.4	101.6	-	-
Amounts recoverable on contracts	-	29.2	-	-
Amounts owed by subsidiary undertakings	-	-	21.8	353.8
Amounts owed by associated undertakings	-	0.7	-	-
Net investment in finance leases	-	0.2	-	-
Other debtors	44.7	29.6	16.9	0.6
Prepayments and accrued income	38.0	62.1	2.5	10.1
Amounts due on sale of group operations	0.2	11.2	-	-
	<u>135.3</u>	<u>234.6</u>	<u>41.2</u>	<u>364.5</u>
Amounts falling due after one year:				
Net investment on finance leases	-	1.6	-	-
Other debtors	0.1	1.8	-	-
	<u>135.4</u>	<u>238.0</u>	<u>41.2</u>	<u>364.5</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

17 Current asset investments

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
Management of liquid resources				
Investments in:				
Sterling fixed term and call deposits	118.6	397.2	49.6	339.8
Sterling commercial paper	14.9	31.8	-	14.9
	133.5	429.0	49.6	354.7
Held for resale:				
Listed investments	10.9	4.3	10.9	-
Interests in joint ventures and associates	8.1	-	20.2	-
Motor vehicles and equipment	9.9	-	-	-
Freehold land and buildings	21.4	-	27.4	-
	183.8	433.3	108.1	354.7
Amounts becoming due:				
Within one year	183.8	433.3	108.1	354.7

The assets reclassified as being held for resale are shown at the lower of the original purchase price or the value subsequently realised by the disposal of the assets after the financial year end.

Listed investments are stated after deducting amounts written off during the year (note 14).

The interests in joint ventures are stated after deducting future capital commitments of £4.7m.

Motor vehicles and equipment are stated at their subsequent disposal value.

Freehold land and buildings held for resale were reclassified following the acquisition of the group by WPD Limited and have been transferred from fixed assets (note 12) and investments properties (note 13).

All the assets held for resale, other than the freehold land and buildings, were sold after the year end and yielded a profit on disposal of £14.6m.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

18 Creditors

	Note	Group 2001 £m	2000 £m	Company 2001 £m	2000 £m
a) Amounts falling due within one year:					
Bank overdraft		0.5	5.8	9.5	-
Loan notes	19a	2.3	4.2	2.3	3.4
Other loans	19f	1,163.3	8.1	13.3	-
Obligations under finance leases	20	92.4	0.3	-	-
Payments received on account on contracts		-	19.9	-	-
Trade creditors		114.2	115.6	-	-
Loans from subsidiary undertakings		-	-	-	50.0
Amounts owed to subsidiary undertakings		-	-	0.3	0.2
Dividends payable		0.2	2.7	0.2	2.7
Corporation tax		-	12.8	-	-
Other taxation and social security		4.6	13.0	-	-
Other creditors		78.2	89.1	-	-
Accruals and deferred income		22.4	86.4	15.4	57.0
Capital commitments due to joint ventures and associates		-	5.7	-	-
		<u>1,478.1</u>	<u>363.6</u>	<u>41.0</u>	<u>113.3</u>
b) Amounts falling due after more than one year:					
10.75% Sterling bonds 2002	19b	-	74.8	-	74.8
8.75% Sterling bonds 2006	19b	-	200.8	-	200.8
9.5% Sterling bonds 2016	19b	-	204.6	-	204.6
7.0% Sterling bonds 2020	19b	-	198.5	-	198.5
7.125% Sterling bonds 2004	19c	-	99.6	-	-
7.625% Sterling bonds 2014	19c	-	98.7	-	-
9.250% Sterling bonds 2020	19d	-	147.9	-	-
6.75% US\$ loan notes 2004	19e	-	119.6	-	119.6
6.875% US\$ loan notes 2007	19e	-	119.5	-	119.5
7.25% US\$ loan notes 2017	19e	-	59.7	-	59.7
6.5% US\$ loan notes 2008	19e	-	135.8	-	135.8
7.375% US\$ loan notes 2028	19e	-	180.8	-	180.8
Other loans	19f	5.2	212.9	-	10.8
Obligations under finance leases	20	173.0	265.5	-	-
Creditors between one and five years:					
Capital commitments due to joint ventures and associates		-	17.7	-	-
Refundable customer contributions		-	4.0	-	-
Other		0.5	3.1	-	-
Amounts due to subsidiary undertakings		-	-	962.3	-
		<u>178.7</u>	<u>2,143.5</u>	<u>962.3</u>	<u>1,304.9</u>

19 Loans

(a) Loan notes

Hyder loan notes were issued in lieu of all or part of the cash consideration due under the offer for South Wales Electricity plc to those of its shareholders who elected as such. The notes are unsecured and bear interest, payable half yearly in arrears, at the rate of one per cent below six months LIBOR. The loan notes were redeemed on 30 September 2001.

(b) Sterling bonds

In January and February 2001 the group redeemed the Sterling bonds and incurred early redemption costs of £81.9m (note 8a). Unamortised issue costs of £3.7m were credited to the profit and loss account (note 8a).

(c) Sterling bonds

The 7.125% sterling bonds 2004 and 7.625% Sterling bonds 2014 were redeemed in January and February 2001 and carried early redemption costs of £12.3m (note 8a). Unamortised issue costs of £1.7m were debited to the profit and loss account (note 8a).

(d) Sterling bonds

In March 2001 the 9.25% Sterling bonds 2020 were transferred to WPD Holdings UK as part of the sale of South Wales Electricity plc to WPD Holdings UK. Unamortised issue costs of £0.1m were debited to the profit and loss account (note 8a).

(e) US \$ loan notes

On 16 March 2001 the Hyder US loan notes were exchanged for WPD Holdings UK loan notes. The exchange of the Loan notes to WPD Holdings UK was undertaken at the dollar/sterling exchange rate on 16 March 2001 which resulted in a net currency gain of £4.7m which has been credited to the profit and loss account (note 8b). Unamortised issue costs of £1.6m were charged to the profit and loss account (note 8b). As part of this exchange a payment of £306.1m was made to WPD Holdings UK.

19 Loans (continued)

(f) Other loans

During the year the group's regulated water and sewerage business entered into a short term bridging loan with RBS and Citibank which at 31 March 2001 amounted to £1,149.4m. A further £75m was drawn down under this facility after the financial year end as part of the funding for the Capital Bank lease repayment on 30 April 2001 (note 20 below).

On 7 March 2001 loans from the European Investment Bank, amounting to £199.5m were repaid. Early redemption costs of £11.3m (note 8a) were incurred and charged to the profit and loss account.

At 31 March 2001 the amount outstanding on the group's bilateral banking facilities was £13.3m (2000: £10.8m) being the sterling equivalent of US Dollar and Euro borrowings made under the agreement. This committed facility loan was repaid in full on 17 May 2001.

20 Finance Leases

Group	2001 £m	2000 £m
Amounts due under finance leases are payable as follows:		
Within one year	92.4	0.3
Between one and two years	-	0.1
After more than five years	<u>173.0</u>	<u>265.4</u>
	<u>265.4</u>	<u>265.8</u>

A long dated interest rate swap was arranged on 1 April 1994 which has the effect of fixing the rate of interest at 7.8% on floating rate sterling finance lease obligations of £56.6m (2000: £57.9m). The obligations under the swap and the finance lease reduce over a remaining period of 13 years. The Capital Bank finance leases amounting to £92.4m were repaid on 30 April 2001.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

21 Maturity of financial liabilities

The maturity profile of the group gross borrowings, preference shares and other financial liabilities, excluding bank overdraft, was as follows:

	2001 £m	2000 £m
Gross borrowings:		
In one year or less, or on demand	1,258.0	12.6
In more than one year but not more than two years	0.6	94.8
In more than two years but not more than five years	1.6	249.8
In more than five years	176.0	1,774.1
	<u>1,436.2</u>	<u>2,131.3</u>
Preference shares:		
In one year or less	17.1	-
In more than five years	-	206.6
	<u>1,453.3</u>	<u>2,337.9</u>
Other financial liabilities:		
In more than one year but not more than two years	-	3.0
In more than two years but not more than five years	-	17.5
In more than five years	-	4.3
	<u>1,453.3</u>	<u>2,362.7</u>

22 Interest rate swaps and borrowing facilities

(a) Interest rate swaps

The group has entered into interest rate swap arrangements in order to manage interest rate exposure and not for trading or speculative purposes.

At 31 March 2001 the group's outstanding interest rate swap arrangements had a notional principal balance of £240.8m (2000: £617.0m) with termination dates between December 2004 and December 2028 (2000: December 2004 and December 2028) and interest rates ranging between 7.3% and 8.1% (2000: 6.8% and 8.1%).

With effect from 16 March 2001 these interest rate swaps have been offset by back to back interest swaps, with a notional balance of £240.8m, with WPD Holdings UK.

(b) Borrowing facilities

Undrawn committed borrowing facilities were:

	2001 £m	2000 £m
Committed borrowing facilities available	45.0	450.0
Drawn down as at 31 March	(13.3)	(10.8)
Expiring after more than one year	<u>31.7</u>	<u>439.2</u>

The loans drawn down at 31 March 2001 were repaid on 17 May 2001 and the borrowing facility of £45m was cancelled on the same date.

23 Capital commitments

Group	2001 £m	2000 £m
Contracted for but not provided in the financial statements	<u>72.4</u>	<u>155.4</u>

In order to meet additional quality and service standards, together with growth and new demands, the group has capital investment obligations over the next four years amounting to approximately £940.2m at current prices in the regulated water and sewerage business. These capital commitments were extinguished on 11 May 2001 when the share capital of Dwr Cymru (Holdings) Limited was sold to Glas Cymru (Securities) Cyfyngedig.

The company had no capital commitments at 31 March 2001 or at 31 March 2000.

24 Leasing commitments

At 31 March 2001 there were revenue commitments, in the ordinary course of business in the next year to the payment of rentals on non- cancellable operating leases expiring:

Group	Land and buildings		Others	
	2001 £m	2000 £m	2001 £m	2000 £m
Within one year	-	0.5	1.3	2.9
Between two and five years	-	1.4	3.0	4.2
After five years	<u>0.6</u>	<u>3.5</u>	<u>0.2</u>	<u>0.3</u>
	<u>0.6</u>	<u>5.4</u>	<u>4.5</u>	<u>7.4</u>

Company	Land and buildings		Others	
	2001 £m	2000 £m	2001 £m	2000 £m
Within one year	-	0.2	-	-
After five years	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>0.3</u>	<u>-</u>	<u>-</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

25 Provisions for liabilities and charges

	Note	Group		Company	
		2001 £m	2000 £m	2001 £m	2000 £m
Deferred taxation	(a)	-	15.0	-	-
Group insurance funds	(b)	12.4	15.1	-	-
Reorganisation provision	(c)	10.9	26.9	4.6	0.4
Unfunded pension provision	(d)	2.0	2.8	2.0	1.5
Other provisions	(e)	3.1	20.1	-	0.5
		<u>28.4</u>	<u>79.9</u>	<u>6.6</u>	<u>2.4</u>

**a) Deferred taxation
Group**

	Amount provided		Amounts unprovided	
	2001 £m	2000 £m	2001 £m	2000 £m
At 1 April	15.0	-	-	-
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	-	325.7	371.3
Other timing differences	-	-	(3.9)	(8.7)
	<u>15.0</u>	-	<u>321.8</u>	<u>362.6</u>
Trading losses	-	-	-	(0.3)
Capital gains rolled over	-	15.0	-	10.4
Earnings retained overseas	-	-	4.1	4.3
Charged to profit and loss account	4.7	-	-	-
Released on disposal of group operations	(19.7)	-	-	-
At 31 March	<u>-</u>	<u>15.0</u>	<u>325.9</u>	<u>377.0</u>

Company

	Amounts unprovided	
	2001 £m	2000 £m
Tax effect of timing differences:		
Excess of tax allowances over depreciation	-	0.2
Other timing differences	(0.7)	(0.6)
	<u>(0.7)</u>	<u>(0.4)</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

25 Provisions for liabilities and charges (continued)

b) Group insurance funds

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
At 1 April	15.1	12.9	-	-
Premium	3.4	5.7	-	-
Claims	(5.4)	(3.1)	-	-
Released to profit and loss account	-	(0.4)	-	-
Released on disposal of group operations	(0.7)	-	-	-
At 31 March	<u>12.4</u>	<u>15.1</u>	<u>-</u>	<u>-</u>

The provision at 31 March 2001 relates to claims arising from risks covered by Brecon Insurance Company Limited, a wholly owned subsidiary undertaking of the group.

c) Reorganisation provision

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
At 1 April	26.9	47.9	0.4	0.7
Charged to profit and loss account	14.3	35.1	7.3	0.5
Released to profit and loss account	(3.4)	(10.2)	-	-
Utilised in the year	(21.8)	(45.9)	(3.1)	(0.8)
Released on disposal of group operations	(5.1)	-	-	-
At 31 March 2001	<u>10.9</u>	<u>26.9</u>	<u>4.6</u>	<u>0.4</u>

The reorganisation provision includes severance costs for the restructuring exercises which will be completed within the next twelve months.

d) Unfunded pension provision

	Group		Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
At 1 April	2.8	2.8	1.5	1.2
Charged to profit and loss account	0.5	0.4	0.5	0.3
Utilised	-	(0.4)	-	-
Released to profit and loss account	(0.5)	-	-	-
Released on disposal of group operations	(0.8)	-	-	-
At 31 March	<u>2.0</u>	<u>2.8</u>	<u>2.0</u>	<u>1.5</u>

This provision covers that part of employees pension entitlements which exceeds the Inland Revenue limits imposed by the Finance Act 1989.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

25 Provisions for liabilities and charges (continued)

e) Other provisions	Group 2001 £m	2000 £m	Company 2001 £m	2000 £m
At 1 April	20.1	13.8	0.5	0.5
Charged to profit and loss account	1.8	10.1	-	-
Utilised	(2.8)	(3.8)	-	-
Released to profit and loss account	(7.1)	-	(0.5)	-
Released on disposal of group operations	(8.9)	-	-	-
At 31 March	<u>3.1</u>	<u>20.1</u>	<u>-</u>	<u>0.5</u>

The provision at 31 March 2001 relates to sewerage management contract termination costs which will be utilised within the next twelve months, and uninsured losses for which the utilisation period is uncertain due to the nature of the insurance claims.

26 Accruals and deferred income

	2001 £m	2000 £m
At 1 April	159.8	155.3
Receivable during year	9.0	10.5
Released to profit and loss account	(6.2)	(6.0)
Released on disposal of group operations	(123.2)	-
At 31 March	<u>39.4</u>	<u>159.8</u>

27 Called up share capital

	2001 £m	2000 £m
Authorised:		
166,666,667 ordinary shares of 120p each	200.0	200.0
209,000,000 cumulative redeemable preference shares of £1 (redeemable 31 July 2013)	209.0	209.0
	<u>409.0</u>	<u>409.0</u>
Allotted, called up and fully paid:		
154,710,591 ordinary shares of 120p each	185.6	185.6
17,077,078 cumulative redeemable preference shares of £1 each (redeemable 31 July 2001) (2000: 207,181,776)	17.1	207.2
	<u>202.7</u>	<u>392.8</u>

On 15 September 2000 WPD Limited acquired control of the ordinary share capital of the company at 365p per ordinary share. On 31 October 2000 acceptances of the 365p offer exceeded 90% of shares in issue and WPD Limited exercised its statutory right to acquire all of the remaining ordinary shares in issue.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

27 Called up share capital (continued)

Between 31 March 2000 and 15 September 2000 the company received several takeover offers.

The takeover offers received by the company during the year and the eventual acquisition by WPD Limited resulted in the following:

- (a) No new ordinary shares were issued during the year.
- (b) Preference shareholders were entitled to elect to redeem their preference shares on 31 January 2001. The preference shares redeemed on that date amounted to 190,104,698 leaving 17,077,078 shares in issue at 31 March 2001. Following an extraordinary general meeting on 2 July 2001 a resolution was passed which changed the final redemption date to 31 July 2001. The remaining 17,077,078 shares were redeemed on that date.
- (c) At 31 March 2000 employees held 3,009,305 share options under share save schemes at prices between 354p and 841p. Of these share options 2,986,284 were incapable of being exercised and duly lapsed, and 23,021 share options held by employees at 354p were cancelled by the company. Compensation payments were made to the employees instead of issuing shares to the employees.
- (d) At 31 March 2000 152,891 shares were held by trustees under the company's profit sharing schemes. In July 2000 a further 214,828 shares were acquired by the trustees from a Hyder subsidiary (see (f) below). The trustees subsequently sold 367,662 shares to WPD Limited at the offer price of 365p and the proceeds were distributed to the employees.
- (e) At 31 March 2000 137,850 shares were held by trustees under the directors' long term incentive plan. Following the acquisition of the company by WPD Limited 11,297 shares vested to the previous executive directors. The remaining 126,553 shares were incapable of vesting to the directors under the scheme rules and were sold to WPD Limited at the offer price of 365p.
- (f) At 31 March 2000 a subsidiary company held 3,261,565 ordinary shares in order to meet the company's future obligations with regard to the employee sharesave schemes. In July 2000 214,828 shares were sold to the trustees of the company's profit sharing schemes. Following the acquisition of the company the remaining 3,046,737 shares were incapable of being exercised (see (c) above). It was subsequently decided that these shares could be distributed to eligible Hyder employees at 245p per share and that WPD Limited would purchase the shares from the employees at the offer price of 365p. 3,040,488 shares were distributed to employees and the remaining 6,249 shares being the share fractions which could not be distributed were sold to WPD Limited at the offer price of 365p.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

27 Called up share capital (continued)

As a result of this action the company incurred a tax liability of £1.7m and a loss on disposal of own shares amounting to £1.7m (see note 4).

28 Share premium account

Group and company		2001	2000
	Note	£m	Restated £m
At 1 April		132.5	137.4
Bond issue costs written back/(off) in the year	29	2.1	(0.5)
Nominal value of ordinary shares issued under scrip dividend in lieu of cash dividend		-	(4.4)
At 31 March		<u>134.6</u>	<u>132.5</u>

The comparative figures for 2000 have been restated to reflect bond issue costs written back in the year ended 31 March 2000.

29 Reserves

Group	Profit and loss account Restated £m	Revaluation reserve £m	Capital redemption reserve £m	Total Restated £m
At 1 April 2000	522.9	2.7	-	525.6
Loss in the year	(552.4)	-	-	(552.4)
Goodwill written back on disposal of group operations	544.3	-	-	544.3
Transfer from share premium account – bond issue costs written back in the year	(2.1)	-	-	(2.1)
Transfers	(187.4)	(2.7)	190.1	-
Currency translation differences	0.3	-	-	0.3
At 31 March 2001	<u>325.6</u>	<u>-</u>	<u>190.1</u>	<u>515.7</u>

The cumulative goodwill written directly to reserves is nil (2000: £544.3m).

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

29 Reserves (continued)

Company	Profit and loss account Restated £m	Capital reserve £m	Capital redemption reserve £m	Total Restated £m
At 1 April 2000	313.0	9.6	-	322.6
Loss in the year	(118.9)	-	-	(118.9)
Transfer from share premium account – bond issue costs written back in the year	(2.1)	-	-	(2.1)
Transfer on disposal of subsidiary	9.6	(9.6)	-	-
Transfer	(190.1)	-	190.1	-
At 31 March 2001	<u>11.5</u>	<u>-</u>	<u>190.1</u>	<u>201.6</u>

The figures at 1 April 2000 have been restated to reflect bond issue costs written back in the year ended 31 March 2000.

Capital redemption reserve

On 31 January 2001 the company redeemed at par 190,104,698 Cumulative Redeemable Preference Shares of £1 (see note 27).

On 30 December 1994 the company created a capital redemption reserve of £1 following the redemption at par of the Special Rights Redeemable Preference share of £1.

30 Equity minority interest

Group	£m
At 1 April 2000	0.7
Released on disposal of group operations	<u>(0.7)</u>
At 31 March 2001	<u>-</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

31 Net cash outflow from operating activities

	2001 £m	2000 £m
Operating profit	114.0	160.4
Non cash element of exceptional items (excluding reorganisational costs)	10.1	86.1
Depreciation of tangible fixed assets	135.2	140.4
Amounts written off fixed assets	6.8	-
Amounts provided on intangible fixed assets and fixed asset investments	17.8	1.1
Amortisation of grants and contributions	(6.2)	(6.0)
Loss on sale of fixed assets	0.8	0.5
Net increase in stocks	(3.3)	(2.0)
Net decrease/(increase) in debtors	6.5	(32.9)
Net increase in creditors	12.2	48.4
Contribution(to)/from insurance fund	(3.3)	2.2
Reorganisation provisions	(10.9)	(21.0)
Other provisions	(13.3)	5.8
Power purchase provision release	-	(6.4)
	<u>266.4</u>	<u>376.6</u>
Net cash inflow from discontinued operating activities	<u>266.4</u>	<u>376.6</u>

32 Analysis of net (debt)/cash excluding preference shares

a) Movements in the year

	Cash less bank overdrafts £m	Current asset Investments £m	Long term debt and finance leases £m	Total £m
At 1 April 2000	28.2	429.0	(2,131.3)	(1,674.1)
Consolidated cashflow statement	(28.9)	(281.3)	(228.0)	(538.2)
US \$ Loan notes transferred to WPD Holdings UK	-	-	612.3	612.3
Bond issue costs written back in the year	-	-	0.3	0.3
Currency translation differences	0.2	-	3.4	3.6
Released on disposal of group operations	-	(14.2)	307.1	292.9
At 31 March 2001	<u>(0.5)</u>	<u>133.5</u>	<u>(1,436.2)</u>	<u>(1,303.2)</u>

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

32 Analysis of net (debt)/cash excluding preference shares

b) Year end reconciliation

	Note	2001 £m	2000 £m
Long term loans and finance lease obligations:			
Amounts falling due within one year	18a	(1,258.0)	(12.6)
Amounts falling due after more than one year	18b	(178.2)	(2,118.7)
		<u>(1,436.2)</u>	<u>(2,131.5)</u>
Current asset investments			
Cash at bank and in hand	17	133.5	429.0
Bank overdraft	18a	(0.5)	34.0
		<u>(0.5)</u>	<u>(5.8)</u>
		<u>(1,303.2)</u>	<u>(1,674.1)</u>

33 Analysis of changes in financing in the year

	Share capital (including premium)		Debt and finance leases	
	Restated			
	2001 £m	2000 £m	2001 £m	2000 £m
At 1 April	525.3	525.8	2,131.3	2,185.8
Preference shares redeemed	(190.1)	-	-	-
US \$ Loan notes transferred to WPD Holdings UK	-	-	(612.3)	-
Loan repayments	-	-	(1,076.5)	(57.5)
New loans	-	-	1,304.5	2.0
Finance lease repayments	-	-	-	(0.2)
Bond issue costs written (off)/ back in the year	2.1	(0.5)	(0.3)	0.6
Currency translation differences	-	-	(3.4)	0.6
Net debt released on disposal of group operations	-	-	(307.1)	-
	<u>337.3</u>	<u>525.3</u>	<u>1,436.2</u>	<u>2,131.3</u>
At 31 March				

34 Reconciliation of net cash flow to decrease in net debt

	Note	2001 £m	2000 £m
(Decrease)/increase in cash as per cashflow statement		(28.9)	7.8
(Increase)/decrease in long term loans and finance lease obligation	32a	(228.0)	55.7
Decrease in liquid resources held as current asset investments	32a	(281.3)	(162.0)
Decrease in net debt resulting from cash flows		(538.2)	(98.5)
Net debt released on disposal of group operations	32a	292.9	-
US \$ Loan notes transferred to WPD Holdings UK	32a	612.3	-
Bond issue costs written off/(back) in the year	32a	0.3	(0.6)
Currency translation differences	32a	3.6	(0.9)
Decrease/(increase) in net debt		370.9	(100.0)
At 1 April		<u>(1,674.1)</u>	<u>(1,574.1)</u>
At 31 March		<u>(1,303.2)</u>	<u>(1,674.1)</u>

35 Disposals of group operations

Between 15 September 2000 and 31 March 2001 the group disposed of business activities resulting in total cash consideration of £249.6m and realised a loss on disposal of £447.1 after taking into account the goodwill on acquisition of these activities of £544.3m and transaction costs of £5.9m. The business disposals included Western Power Distribution (South Wales) plc, Hyder Business Services Group Limited, Hyder Consulting Group Limited, Hyder Investments Limited, Hyder Industrial Limited and Hyder Infrastructure Management Limited. The values of the assets disposed of were as follows:

	£m
Intangible fixed assets	7.6
Tangible fixed assets	782.3
Investments	67.9
Stock and work in progress	24.6
Debtors	149.2
Current asset investments	14.2
Cash at bank	374.8
Creditors falling due within one year	(156.5)
Creditors falling due after more than one year	(958.5)
Provisions for liabilities and charges	(35.2)
Accruals and deferred income	(123.2)
Minority interests	(0.7)
Transaction costs	5.9
Goodwill previously written off to reserves	544.3
	<u>696.7</u>
Loss on disposal	<u>(447.1)</u>
	<u>249.6</u>
Consideration:	
Cash received in the year	249.4
Cash received since 31 March 2001	0.2
	<u>249.6</u>

The net outflow of cash arising from the above disposals was as follows:

	£m
Cash received	249.4
Cash released	(374.8)
Transaction costs	(2.4)
	<u>(127.8)</u>

In June 2000 the group acquired Norwich Systems and Accounting Limited for £4.6m. The acquisition price included £0.5m of assets (net of liabilities) and goodwill of £4.1m (see note 11). This subsidiary was subsequently disposed of as part of the disposal of Hyder Business Services Group Limited.

During the year the group received cash of £14.0m in relation to the sale of the electricity and gas supply business and the environmental laboratories which were completed during the year ended 31 March 2000.

36 Directors' and officers' loans and transactions

No loans or credit transactions with any directors, officers or connected persons subsisted during the year or were outstanding at the end of the year.

37 Pension schemes

The group operates a number of pension schemes both in the UK and overseas. The assets of each pension scheme are held separately from the assets of the group and are administered by trustees. The principal schemes are defined benefit schemes in the UK - the Hyder Water Pension Scheme (HWPS), the Water Mirror Image Pension Scheme (WMIS), the Electricity Supply Pension Scheme (ESPS) and the Acer Group Pension Scheme (AGPS).

The employer's contributions and pension cost under the accounting standard Statement of Standard Accounting Practice No 24 "Accounting for Pension Costs" (SSAP24) for the HWPS and WMIS has been assessed in accordance with the advice of William M. Mercer Limited, consulting actuaries, using the projected unit method for HWPS and the attained age method for WMIS. For this purpose the actuarial assumptions adopted are based upon investment growth of 6.5% per annum, pay growth of 4.5% per annum and increases to pensions in payment and deferred pensions of 3% per annum.

The last actuarial valuations for HWPS and WMIS were carried out as at 31 March 1998 with the market values being £324.6m and £99.9m respectively. Using the assumptions adopted for the SSAP 24, the actuarial value of assets represented 113% for WPS and 118% for WMIS of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP24 the surpluses in HWPS and WMIS are spread over the future working lifetime of employees.

The employer's contributions and pension cost for the South Wales section of the ESPS has been assessed in accordance with advice from Bacon & Woodrow, consulting actuary, at 31 March 1998, using the attained age actuarial method. For this purpose the principal actuarial assumptions adopted were an investment growth of 8.5% per annum, pay growth of 6% per annum and increases to pensions in payment of 4.5% per annum.

The latest actuarial valuation was carried out at 31 March 1998, with the market value of the assets being £526.3m. Using the assumptions adopted for SSAP24 the actuarial value of the assets represented 110% of the value of the accrued benefits after allowing for expected future earnings increases. In deriving the pension cost under SSAP24 the surplus in the scheme is being recognised as a reduction to pension costs over the future working lifetime of the employees and to cover short term early retirement costs.

The employer's contributions and pension cost for AGPS, being the principal UK scheme for Hyder Consulting Group Limited, has been assessed in accordance with the advice of Buck Consultants Limited using the projected unit method. For this purpose the main actuarial assumptions used are based upon investment growth of 7.5% per annum, pay growth of 4.5% per annum, and increases to pensions in payment of 3.5% per annum.

The latest actuarial valuation was carried out as at 1 May 1999 with the market value of the assets being £55.0m. Using the assumptions adopted for SSAP24 the actuarial value of the assets

37 Pension schemes (continued)

represented 94% of the value of the accrued benefits after following for expected future earnings increases. In deriving the pension cost under SSAP24 the deficit in the scheme is being spread over the future working lifetime of employees by way of increased employer's contribution rates.

The total group pension cost for the period was £19.9m (2000: £14.7m). A prepayment of pension costs of £nil (2000: £8.5m) is included in note 16 within prepayments and accrued income. As a consequence of changes made by the Finance Act 1989 the company is unable to provide fully for approved pension for some employees who joined the company since 1989. The group has therefore made alternative arrangements in these cases. Provision for the cost of unfunded pension is included in the charge for the period and the arrangements will not result in any individual employee receiving any greater benefit than would have applied if the full approved provision had been possible.

38 Contingent liabilities

Group

The company has provided third party guarantees of £9.3m (2000: £35.5m) as at 31 March 2001 in relation to investment obligations entered into by subsidiary companies. These guarantees were released in April 2001. The company has provided third party guarantees of £4.2m in relation to contractual obligations entered into by subsidiary companies which were sold in the year ended 31 March 2001.

Company

At 31 March 2001 the company had provided guarantees in respect of lease and loan facilities granted to its subsidiary Dwr Cymru Cyfyngedig amounting to £265.4m (2000: £464.8m). The guarantee in respect of the European Investment Bank £192.1m loan ceased on 7 March 2001 when the loan was repaid, and the guarantee of £92.4m in respect of the Capital Bank Leasing Limited ceased on 30 April 2001 when the lease was fully repaid. The remaining guarantees of £172.9m ceased on 11 May 2001 when Dwr Cymru (Holdings) Limited was sold to Glas Cymru (Securities) Cyfyngedig (see note 40).

The company is a participant in a cash pooling arrangement operated by National Westminster Bank plc in the United Kingdom. The company has guaranteed the bank overdraft balances of the participating companies, all of which are subsidiaries of the company, subject to a maximum amount equal to the company's own cash balance with the bank. At 31 March 2001 the overdrafts in subsidiary companies in the cash pooling arrangement amounted to £9.5m (2000: £29.9m).

The company has provided third party guarantees of £9.3m (2000: £35.5m) as at 31 March 2001 in relation to investment obligations entered into by subsidiary companies. These guarantees were released in April 2001. The company has provided third party guarantees of £4.2m in relation to contractual obligations entered into by subsidiary companies which were sold in the year ended 31 March 2001.

Hyder Limited

Notes to the financial statements for the year ended 31 March 2001

39 Related party transactions

In accordance with the exemption afforded by Financial Reporting Standard 8 there is no disclosure in the Financial Statements of transactions with entities that are part of the WPD Investment Holdings Limited group.

40 Elan aqueduct

In 1984 Welsh Water Authority entered into a conditional sale and purchase agreement with Severn Trent Water Authority for the sale of the aqueduct and associated works by which the bulk supply to Severn Trent reservoirs is conveyed.

The sum of £31.7m, representing the consideration for the conditional sale, has been invested in a trust fund. The principal function of the fund was to provide an income to Welsh Water Authority, whilst preserving the capital value of the fund in real terms. Welsh Water Authority's interest in this fund was vested in Dwr Cymru Cyfyngedig under the provisions of the Water Act 1989. The assets of the fund are not included in these financial statements.

41 Post balance sheet events

At 31 March 2001 the entire share capital of the regulated water and sewerage business, Dwr Cymru Cyfyngedig, was held by Dwr Cymru (Holdings) Limited.

On 11 May 2001 the share capital of Dwr Cymru (Holdings) Limited was sold for £1 to Glas Cymru (Securities) Cyfyngedig which was an external company and had no relationship with Hyder Limited. The sale price of £1 was subject to certain price adjustments which could only be determined after 11 May 2001. These adjustments were agreed on 16 October 2001 and resulted in the group making a payment of £22.9m to Glas Cymru (Securities) Cyfyngedig.

The sale of Dwr Cymru (Holdings) Limited and Dwr Cymru Cyfyngedig on 11 May 2001 resulted in a loss on disposal of group operations which will be recognised in the financial statements for the year ending 31 March 2002.

42 Immediate and ultimate holding company

The immediate UK parent company is WPD Limited. The ultimate UK parent company and controlling party is WPD Investment Holdings Limited which is registered in England and Wales.

Copies of the WPD Investment Holdings' report and financial statements are available from the Company Secretary, WPD Limited, Avonbank, Feeder Road, Bristol, BS2 0TB.

The ultimate controlling parties are Mirant Corporation and PPL Corporation, both registered in the United States, who have equal control of WPD Investment Holdings Limited.