



KELDA GROUP PLC

Preliminary Announcement of audited results for the year ended 31 March 2001

HIGHLIGHTS

- Profit before tax, as expected, down 30% to £156.4 million due to OFWAT price determination.
- Strategic focus on water and waste delivering well.
 - Disposal programme largely completed with £120 million realised to date.
 - Efficiency improvements in Yorkshire Water.
 - Savings in overheads.
 - Continued improvement in customer service standards
- Aquarion performance in line with expectations. Good prospects of early completion of land sale agreement in the State of Connecticut.
- Balance sheet gearing reduced to 44%
- Full year dividend up 0.65p to 24.8p – maintained in real terms.
- Continuing dialogue with government and regulator on industry future.

KEY FIGURES	2001	2000	Increase/ (decrease) %
FRS3 Profit before tax	£156.4m	£222.1m	(29.6)
Earnings per share	34.8p	54.4p	(36.0)
Adjusted earnings per share	34.7p	58.0p	(40.2)
Dividend for the year	24.80p	24.15p	2.7
Group net debt	£1,395m	£1,413m	
Gearing (debt: debt plus equity ratio)	44%	45%	
Interest cover	2.4	4.4	

Following the announcement of Kelda Group's results for the year ended March 31 2001, Executive Chairman John Napier said:

"The achievements indicate a year of important progress for Kelda in delivering our strategic aims. The strategic focus on water has delivered well for customers and shareholders".

"The board continues to keep under review all proposals which will assist the growth and development of services to customers whilst improving the attractiveness of the water sector to capital and equity markets generally.

It intends to maintain the dialogue with government and regulator about achieving an improved balance between capital providers, capital users and customers".

For further information contact

June 7

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Kelda Group**

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After June 7

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A copy of this preliminary results announcement will be available on the Kelda Group website from 8.00 am this morning at www.keldagroup.com

CHAIRMAN'S STATEMENT

The last twelve months have been a year of important progress for your company despite the impact of the Ofwat price determination on profits. This follows a strategic review which sought to improve the efficiency of the company in terms of service for our customers and deliver improved value for shareholders.

Progress has included:

- The continuing focus of Kelda on its water, waste water and waste management operations and service delivery to customers.
- Success in disposing of our non core operations: Alcontrol, White Rose Environmental and our joint venture property holdings.
- Continued improvements in costs, efficiency and service levels from Yorkshire Water.
- Reductions in central overheads and the successful relocation of the Kelda corporate office to Bradford.
- The negotiation of a provisional agreement to sell the majority of our land interests in Connecticut.
- Improvements in the value of our investment in waste management with the acquisition by Waste Recycling Group (WRG) of the Hanson Waste Management interests.
- The further strengthening of your board, with the appointment of additional executive and non executive directors.

Industry strategy

The debate continues with the government and the regulator concerning the appropriate structure for the water industry to enable it to fulfil more effectively its responsibilities to customers and shareholders. This debate has helped the increased general recognition of the contribution water companies make to the economy and communities they serve, and improved investor perception of the water sector.

During this debate the government has reaffirmed its preference for an equity based model for water companies. There has been an increased understanding that for this model to work effectively, a more dynamic element is necessary, which will allow successful companies to grow, and make the sector more attractive to private capital markets and equity investors. The absence of these features has prompted restructuring proposals and significant shifts in ownership with some 41% of the UK industry now owned by overseas companies.

The board continues to keep under review all proposals which will assist the growth and development of services to customers whilst improving the attractiveness of the water sector to capital and equity markets generally. It intends to maintain the dialogue with government and regulator about achieving an improved balance between capital providers, capital users and customers.

Financial results

The financial results for the year reflect the full year effect of the price determination which reduced prices by an average 14.5% and profits in the main operating subsidiary Yorkshire Water by more than 30% despite significant improvements in productivity and efficiency. Overall, group profit before tax at £156.4m was, as indicated in the interim report, some 30% down on the last year because of the impact of the Ofwat price review. It includes £15.9m profit on the disposal of non core activities, and an £11.8m impairment charge in respect of the group's renewable energy interests which are being sold this year.

The increase in interest costs reflects the full year effect of the purchase of Aquarion and the increase in regulatory driven capital expenditure in Yorkshire Water. The balance sheet of the company remains carefully managed and has been strengthened with the proceeds of disposals. The financing requirements for the capital investment in water services were met by a bond issue which was successfully achieved in April of last year. The company is therefore recommending a final dividend of 17.30p per share which is a full year dividend of 24.80p per share compared to 24.15p last year.

Operating performance

The performance of Yorkshire Water, the main operating subsidiary, improved on many important quality and service, as well as cost and efficiency parameters. We seek to be "best in class" in the UK and have gained greater external recognition by winning the contract with the North of Scotland Water Authority to provide waste water treatment facilities.

The US strategy continues to develop with Aquarion making some small acquisitions and a positive impact on returns. There was success in resolving concerns about land use and other environmental matters with a provisional agreement with the governor of Connecticut to acquire surplus land for a consideration of £60m over five years. This agreement will require the ratification of the Connecticut legislature. Prospects in the US remain encouraging.

There was an improved result from WRG, our waste management associate. WRG continues to grow with the acquisition of Hanson Waste Management. The performance of First Renewables was below expectations principally due to delays in commissioning associated with start-up activities in Eggborough and technical problems in Thetford. Our customer services activity Loop has been successful in winning external third party business. KeyLand had a successful year with a number of profitable sales concluded and new developments started.

Progress on strategy

It has been an active year in reprofiling Kelda. Excellent progress was made on disposals with the sale of Alcontrol, White Rose Environmental and our interests in the White Rose Centre at satisfactory prices. The proceeds of these sales was £119.9m with interest cost savings forecast to exceed profit foregone. The disposal process should be completed in the year with the sale of our First Renewables operations. Savings in overheads and management costs have also been achieved.

The strategic focus on water and waste operations has led to increased management emphasis on efficiency and service issues and also allowed a greater regional focus on the environment. The objective of the company is to increase environmental emphasis and deliver benefits to our customers on a regional basis.

The board has been strengthened and now has four executives and four non executive directors. An executive committee of the board has also been established.

The water industry has undergone significant change in a comparatively short time and has delivered on a number of key service and price improvements. We look forward to a greater recognition of these achievements as a background to our efforts to achieve a more equitable regulatory approach. It is important that a preference to retain a viable long term UK owned industry, which has essential links to the communities it serves, is given a higher priority by government and regulator.

The objective has to be to ensure sustainable service improvement and increased long term investment in both infrastructure growth, essential cost maintenance and the environment. Any equity model should encourage private finance and allow shareholders as well as customers to share in the success of the industry in which they invest, particularly as all future benefits for customers and the environment depend on continuing to raise significant capital sums for investment.

Finally, I would like to pay tribute to all employees and staff who have responded enthusiastically and positively to this year of change and who are delivering significant service improvements. I am particularly grateful to those staff who responded to a number of local emergencies particularly associated with the flood situation and for the support and contribution of my fellow directors.

John Napier
Executive Chairman

FINANCIAL REVIEW

Group operating profit

Group operating profit was £228.0m (2000: £271.7m), of which 47% accrued in the second half year. The reduction in group profitability was a direct consequence of the new price limits for Yorkshire Water. The group's share of associates' operating profit added £10.9m (2000: £12.8m). Operating profit (group and share of associates) is stated after a £11.8m exceptional operating charge in respect of the impairment of the group's renewable energy interests (2000: £18.2m exceptional restructuring costs). Corporate and business development costs reduced to £7.9m (2000: £11.0m).

The board's decision to exit non core businesses is expected to have a positive effect on the group's earnings in future. Prior to their disposal, discontinued businesses contributed £2.9m (2000: £0.2m) to group operating profit and associates £1.4m (2000: £1.6m).

Group profit before taxation

Interest charges continue to increase significantly as a consequence of the Yorkshire Water regulated investment programme. In 2000/01, the overall group interest charge was £98.8m (2000: £65.3m) which reduced interest cover (measured as the ratio between operating profit and interest costs) to 2.4 (2000: 4.4). The Yorkshire Water UK regulated business accounted for £56.9m (2000: £42.5m) of the group total. The rest of the group interest charge represents the residual cost of financing the windfall tax and the acquisition of Aquarion.

The disposal of the White Rose Environmental clinical waste and the Alcontrol analytical laboratory businesses, together with two associate property interests, was completed during the second half year. The disposals realised £119.9m and gave rise to an exceptional profit before taxation of £15.9m. Group profit before taxation was £156.4m (2000: £222.1m).

Taxation

The total group taxation charge increased to £23.6m (2000: £13.6m), including £3.6m in respect of the business disposals. This represents an increase in the underlying effective tax rate (calculated as the normal taxation charge as a percentage of profit before taxation and exceptional items) to 14.2% (2000: 5.7%). The increase is principally because of lower tax allowances available in Yorkshire Water due to reduced capital expenditure and the influence of higher US tax rates applying to Aquarion's results.

Within the group total, the share of associates' taxation was £6.2m (2000: £4.2m). This relates principally to WRG which has a higher effective tax rate because of the nature of its landfill business.

Earnings per share

Profit attributable to shareholders was £133.8m (2000: £208.4m) resulting in earnings per share of 34.8p (2000: 54.4p). However, the directors are of the view that excluding the exceptional profits from the business disposals and the exceptional operating charges provides a better indication of the group's underlying financial performance. Earnings per

share adjusted for these items was 34.7p (2000: 58.0p). The significant reduction reflects the impact of the Yorkshire Water price reduction to customers.

Dividends

An interim dividend of 7.50p per share was paid to shareholders on 1 March 2001. The board is recommending the payment of a final dividend of 17.30p per share. The total dividend for the year of 24.80p (2000: 24.15p) per share is an increase of 2.7%, broadly in line with inflation. The cost of the dividend payments will be £95.4m (2000: £92.8m), which has been financed by the regulated Yorkshire Water business.

Cash flow

Cash flow from operating activities, principally Yorkshire Water, was £369.9m (2000: £398.5m). The reduction reflects the adverse impact of the Ofwat price determination on the group's cash flow. Cash is required to finance capital investment, principally the Yorkshire Water regulated investment programme, which fell to £325.1m (2000: £465.5m) in this first year of the new regulatory period. Interest and taxation payments were £88.6m in aggregate (2000: £75.4m) and dividend payments of £93.6m (2000: £113.5m) were made during the financial year.

Capital structure

Shareholders' funds at 31 March 2001 were £1,777.0m (2000: £1,698.0m), the principal increase being the group's retained profit for the financial year after payment of dividends.

Group net debt at 31 March 2001 was £1,395.1m (2000: £1,412.8m) of which £961.2m (2000: £831.0m) was attributable to the regulated Yorkshire Water business. The resultant gearing ratio (expressed as the relationship between net debt and net debt plus shareholders' funds) was 44% (2000: 45%). The net debt of the group did not rise as had been expected due to the proceeds of the disposals amounting to £119.9m.

OPERATING REVIEW

Yorkshire Water

Operating results

A strong performance in cost reduction and improved efficiencies helped Yorkshire Water partly mitigate the full effects of the regulatory review. The 14.5% price cut in April 2000 led to a reduction in turnover to £542.1m (2000: £624.0m). The company reduced underlying operating costs by around 2% in real terms after the absorption of the additional operating costs on new capital schemes. This equates to a 5% outperformance of the operating costs target assumed by Ofwat in the 1999 determination. Operating profit reduced to £214.8m (2000: £271.5m after £18.2m exceptional restructuring costs).

Regulated capital investment during the year was £265.5m (2000: £452.4m).

Operating performance

At the same time, service levels were enhanced and there were continued improvements in water quality measures and environmental performance. The savings result from continuing efficiency initiatives and the consequent reduction in manpower numbers, for which exceptional restructuring costs were provided in the previous year. These cost savings and efficiencies were delivered early in the five year price review period to achieve the maximum possible value.

A new organisation design has been introduced to create an internal asset owner and two operating businesses providing clean and waste water services. This builds on the valuable lessons learnt from the mutualisation proposal and will provide the basis for future cost savings and income generation.

Levels of service

During the year, Yorkshire Water has either maintained or improved its performance on the majority of service indicators. In particular, the company's performance improved markedly on low pressure and planned interruptions to customers' supplies. Performance on the sewer flooding measures has continued to improve in spite of the exceptional flooding during the year. Leakage has continued to reduce and has now fallen by over 40% since 1994/5.

Customer service measures continue to show an improvement in performance on billing and telephone enquiries, and Ofwat results on assessed service scores show Yorkshire Water to be one of the best performers in the industry. It is our intention to publish an annual report to customers this year to outline our service performance.

Environmental performance

Yorkshire Water's exceptional record for waste water treatment works' compliance continued, with 100% compliance for the year ended December 31, 2000. This was achieved despite one of the wettest years on record and even tighter discharge consents. There was also a further reduction in the number of major pollution incidents in the region, from 26 to 18.

More proactive pollution prevention initiatives, along with ever improving operating practices and greater interaction with the Environment Agency are on course to deliver further reductions in 2001 and should enable us to reach a target of 12 incidents for the year ahead.

As a result of the CoastCare programme outlined below, Yorkshire Water now has no unsatisfactory sea outfalls. More details on Yorkshire Water's environmental performance can be found on the Kelda environment and community website www.keldagroup.com/environment

Extraordinary events

Yorkshire Water's commitment to operational excellence was demonstrated in its response to two major events to affect the county in the year, major flooding and the foot and mouth outbreak. Both events required an emergency response. Robust contingency plans ensured customers suffered only very minor disruption to their water and waste water services.

Yorkshire Water staff played a major part in ensuring that, despite the scale of the floods, water supply was maintained without interruption. This contribution was widely recognised outside the company and a number of our staff were amongst those invited to a special reception by the Prime Minister.

In March this year, the first confirmed outbreaks of foot and mouth disease were reported on farms in the Yorkshire region, prompting widespread changes to operating practices. This involved the suspension of capital works crossing farmland to assist containment. The company, the county's biggest landowner, also appealed to the public to stay off its landholdings.

Capital investment

Five years of intense activity on Yorkshire's East Coast culminated with the commissioning of four new waste water treatment plants at the popular holiday resorts of Filey, Scarborough, Bridlington and Whitby. Ultra-violet disinfection processes have been installed at each of the works to ensure discharges into the marine environment are treated to a standard beyond that required under current EU legislation. The national environmental pressure group Surfers Against Sewage has publicly applauded this forward looking approach to coastal waste water treatment which is already helping to improve the quality of local bathing waters.

September saw the part commissioning of a new £200m waste water treatment works in Hull, one of the biggest civil engineering schemes of modern times. Following discussions with the Environment Agency over delays caused by a tunnel collapse, the new works is on course to become fully operational by December 2001. The people of Hull and surrounding areas are also benefiting from the opening of Keldgate Water Treatment Works, one of the world's largest ultra-membrane filtration plants, which provides an exceptionally high level of protection against the harmful parasite cryptosporidium.

Commercial activity

In May 2000, Kelda Group, along with Balfour Beatty and Earth Tech Engineering, reached financial close on an £80m public private partnership deal with the North of Scotland Water Authority to provide new sewage treatment facilities to serve 450,000 customers in Aberdeen, Stonehaven, Peterhead and Fraserburgh. Construction work has progressed very well during the year, with full commissioning on course for completion in autumn 2001. Yorkshire Water, through its dedicated operating company Grampian Wastewater Services, has a 30 year contract to run the new plant.

Building on this success north of the border, Yorkshire Water is now bidding for a separate contract to provide sewage sludge disposal facilities to serve the Inverness, Perth and Dunfermline areas. Another joint venture is being progressed to bid for the contract to provide water and sewerage services to Ministry of Defence sites in Wales and South West England. A consortium called Brey Utilities has been formed, including Brown and Root and Earth Tech Engineering, which has been short listed as one of only four to go through to the detailed tendering phase.

Further afield, a separate bid is also being made for the contract to design, build and operate a new waste water treatment works in Delft, Holland, which would serve a population equivalent to some 1.7 million.

Business services

During the year Yorkshire Water signed its first national agreement with a major customer. In future the company will be responsible for providing water and sewerage services to many Princes Soft Drinks' sites across the UK. The company is also in final discussions with a number of other large manufacturers to provide similar services.

The company has also launched an innovative new product, Safe-Move, which provides detailed drainage, sewerage and flooding information to house purchasers and their solicitors.

Award winning Yorkshire Water

During the year Yorkshire Water won a variety of awards in recognition of the work carried out by its employees. The company won "Team of the Year" at the prestigious Utility Industry Achievement Awards in London for its exceptional response to a burst water main in Bradford. Our sensitive approach to the environment also led to accolades for engineering work carried out at Robin Hood's Bay on the East Coast, Lower Barden Reservoir in the Yorkshire Dales, the Seven Arches Aqueduct in Adel Woods, Leeds and Worsborough Waste Water Treatment Works in Barnsley.

Customer communications

A major new public information campaign was launched in the regional press and media to increase public awareness of the hard work, skill and technical expertise involved in providing water and sewerage services to the region's 4.5 million domestic and 136,000 business customers.

The initiative, which was welcomed by the Yorkshire Customer Services Committee of Ofwat, is designed to address customers' key areas of interest; water quality, the reliability of their supplies, value for money and the environment.

At the same time Yorkshire Water has announced a complete overhaul of its consultation processes so that in future customers and other stakeholders can have a greater say on company related issues.

Community involvement

During the year, we provided support to a range of community based initiatives through sponsorship, donations in kind and our highly successful and ever increasing employee volunteer scheme. One of the major success stories was our employees' growing involvement with Right to Read, a regional campaign aimed at improving the literacy skills of children aged between 7 and 11. Over 100 Yorkshire Water employees, more than any other company in the region, now spend an hour a week in local schools where they sit and read with children to ensure they achieve their maximum learning potential.

Yorkshire Water founded this highly successful initiative along with Yorkshire Post Newspapers and Yorkshire Television. Full details of the scheme are available at www.righttoread.com

Aquarion

Operating results

Aquarion, which was acquired in January 2000, is included in the group's results for a full year for the first time. The results of the group's US operations benefited from a strong dollar and were otherwise in line with expectations at the time of the acquisition. Turnover was £77.7m (2000: £17.0m) and operating profit £27.1m (2000: £6.1m). The company was able to achieve operating profit targets, despite a cold, wet summer, decreased lumber sales caused by weakened market conditions, and fewer land sales.

Operating performance

During Aquarion's first full year under Kelda's ownership, the company has worked to expand its core public water supply business, enhance earnings through land sales for open space preservation, control costs and take advantage of new contract management opportunities when economically attractive.

In May 2000, Aquarion purchased Village Water Company, a small water company in north eastern Connecticut, adding approximately 5,200 households to the some 500,000 people Aquarion's BHC water company subsidiary serves in the state. It also acquired EER, a New England environmental engineering firm, in January 2001. Both of these companies have produced positive financial results since being acquired.

In March 2001 Aquarion completed the sale of a 532 acre parcel of land to the State of Connecticut as open space. This sale is consistent with the company's philosophy of selling its surplus, off-watershed land as open space whenever possible.

In addition, Aquarion has maintained and enhanced water delivery and customer service. Employees have introduced several initiatives to increase revenue and water service efficiency, enhance customer communication and emergency response.

Going forward, Aquarion is working to finalise a £60m land sale to the State of Connecticut, and the international conservation organisation, The Nature Conservancy. When completed, it will be the largest land deal for open space preservation in Connecticut history.

Community involvement

BHC has a thriving community relations programme with a wide variety of environmental and educational initiatives ongoing in the areas served by the company. As well as employees' high profile involvement in the annual Earth Day clean up celebrations, there is an ongoing programme of volunteering which has won BHC numerous community based accolades in the past.

The company continues to provide support to higher education establishments and its highly-successful Adopt-A-School initiative is also enhancing children's quality of learning. During the year BHC was also awarded the prestigious Clean Sound Corporate Award for Environmental Stewardship.

Other operations

Loop

Loop was created from Yorkshire Water's customer service function and uses the company's strengths in customer relationship management to win external business. Loop now provides all Yorkshire Water's customer call handling, billing and collection and recovery services.

In addition, Loop has recently negotiated a four year contract to provide an outbound calling service for the National Blood Service and is also providing call handling services for Kirklees Council.

Loop has moved into purpose built premises in Thornbury, Bradford to facilitate delivery of a high quality service.

KeyLand Developments

Turnover from continuing activities was £8.3m (2000: £10.6m) and operating profit £2.3m (2000: £5.0m). The disposal of interests in associated companies, White Rose Development Enterprises (WRDE) and White Rose (Leeds), contributed £23.7m to group profit before taxation.

The stock of suitable development sites has been increased during the year with the completion of a significant programme of property transfers from Yorkshire Water.

First Renewables

The company has interests in a number of renewable energy development projects, the largest being in the Arbore Energy bio-mass generation plant at Eggborough. This was developed towards commissioning during the year. It is intended that the disposal of the group's interests in First Renewables should take place in the current financial year.

Waste Recycling Group

The group holds a 46% shareholding in Waste Recycling Group plc (WRG). The group's share of WRG's profit for the year to December 2000 has been incorporated into the results of the group for the period ended 31 March 2001. The group's share of turnover was £80.6m (2000: £62.9m) and the share of operating profit £15.0m (£10.5m) after goodwill amortisation of £3.3m.

At the end of January 2001, WRG announced the acquisition of Hanson Waste Management for £185m. This acquisition will significantly increase the scale of WRG and should bring significant benefits to WRG in the future. Nigel Sandy, previously Managing Director of Hanson Waste Management, was appointed Group Chief Executive of WRG in May 2001, in order to lead it into its next phase of development.

KELDA GROUP PLC
Group profit and loss account
Year ended 31 March 2001

Six months to 30 Sept 2000 £m		Note	2001 £m	2000 £m
396.3 (47.1)	Turnover: group and share of associates Share of associates' turnover	2	774.6 (93.4)	782.8 (66.6)
349.2	Group turnover		681.2	716.2
315.3	Continuing operations		632.4	654.6
33.9	Discontinued operations		48.8	61.6
(227.3)	Operating costs		(447.0)	(426.3)
-	Exceptional operating costs	3	(6.2)	(18.2)
121.9	Group operating profit		228.0	271.7
120.4	Continuing operations		225.1	271.5
1.5	Discontinued operations		2.9	0.2
8.5	Share of associates' operating profit		16.5	12.8
-	Exceptional impairment of investment in associated undertaking	3	(5.6)	-
130.4	Operating profit: group and share of associates	2	238.9	284.5
-	Net exceptional profit on disposal of operations	4	15.9	2.9
0.2	Income from investments		0.4	-
(47.7) (1.9)	Net interest payable - group - associates		(95.2) (3.6)	(64.5) (0.8)
81.0	Profit on ordinary activities before taxation		156.4	222.1
(8.8)	Taxation	5	(23.6)	(13.6)
72.2	Profit on ordinary activities after taxation		132.8	208.5
0.1	Equity minority interests		1.0	(0.1)
72.3	Profit attributable to shareholders		133.8	208.4
(28.8)	Dividends		(95.4)	(92.8)
43.5	Retained profit for the financial year		38.4	115.6
18.8p	BASIC EARNINGS PER SHARE	6	34.8p	54.4p
18.8p	ADJUSTED EARNINGS PER SHARE	6	34.7p	58.0p
18.8p	DILUTED EARNINGS PER SHARE	6	34.7p	54.1p
7.5p	DIVIDENDS PER SHARE	7	24.80p	24.15p

KELDA GROUP PLC

Statement of group total recognised gains and losses

Year ended 31 March 2001

Six months to 30 Sept 2000 £m		2001 £m	2000 £m
72.3	Profit attributable to shareholders	133.8	208.4
10.8	Exchange adjustments	16.1	4.5
83.1	Total recognised gains and losses relating to the period	149.9	212.9

KELDA GROUP PLC
Summarised group balance sheet
At 31 March 2001

30 Sept 2000 £m	2001 £m	2000 £m
Fixed assets		
203.5 Intangible assets	186.0	201.7
3,156.8 Tangible assets	3,192.5	3,082.2
126.9 Investments in associated undertakings	112.7	124.3
29.0 Other investments	26.4	28.9
3,516.2	3,517.6	3,437.1
Current assets		
7.7 Stocks	4.4	5.5
190.9 Debtors	194.7	195.9
152.3 Cash and short-term deposits	146.5	11.2
350.9	345.6	212.6
Creditors: amounts falling due within one year		
(27.8) Short-term borrowings	(24.9)	(46.9)
(358.4) Other creditors	(323.0)	(326.0)
(35.3) Net current (liabilities) assets	(2.3)	(160.3)
3,480.9 Total assets less current liabilities	3,515.3	3,276.8
Creditors: amounts falling due after more than one year		
(1,521.6) Long-term borrowings	(1,516.7)	(1,377.1)
(205.7) Other creditors	(219.7)	(199.5)
Provisions for liabilities and charges	(2.4)	(2.1)
1,753.6 Net assets	1,776.5	1,698.1
1,753.4 Equity shareholders' funds	1,777.0	1,698.0
0.2 Equity minority interests	(0.5)	0.1
1,753.6 Capital employed	1,776.5	1,698.1

KELDA GROUP PLC
Summarised group cash flow statement
Year ended 31 March 2001

Six months to 30 Sept 2000 £m		2001 £m	2000 £m
221.9	Net cash inflow from operating activities	369.9	398.5
0.9	Dividends received from associated undertakings	5.2	2.6
(40.2)	Returns on investments and servicing of finance	(81.3)	(56.9)
(5.7)	Taxation	(7.3)	(18.5)
	Capital expenditure and financial investment		
(165.3)	- purchase of tangible fixed assets	(325.1)	(465.5)
13.5	- other	55.7	33.7
(4.1)	Acquisitions and disposals	101.5	(238.3)
-	Equity dividends paid	(93.6)	(113.5)
(135.5)	Management of liquid resources	(134.7)	72.2
119.9	Financing	110.5	375.0
5.4	Increase (decrease) in cash in the period	0.8	(10.7)

KELDA GROUP PLC
Analysis of movement in net debt

Six months to 30 Sept 2000 £m		2001 £m	2000 £m
5.4	Increase (decrease) in cash in the period	0.8	(10.7)
19.3	Decrease in short-term debt	22.0	12.0
(137.7)	(Increase) in long-term debt	(129.4)	(384.2)
135.5	Increase (decrease) in liquid resources	134.7	(72.2)
-	Short-term debt acquired with subsidiary undertakings	(0.2)	(1.9)
(0.2)	Long-term debt acquired with subsidiary undertakings	-	(73.7)
(6.6)	Currency translation differences	(10.2)	0.7
15.7	Movement in net debt in the period	17.7	(530.0)
(1,412.8)	Net debt at the beginning of the period	(1,412.8)	(882.8)
(1,397.1)	Net debt at the end of the period	(1,395.1)	(1,412.8)

KELDA GROUP PLC

Notes to the preliminary results

1. The preliminary announcement has been prepared on the basis of the accounting policies disclosed in the group's Annual Report and Accounts for the year ended 31 March 2000.
2. The segmental analysis of group turnover and operating profit is as follows:

Turnover: group and share of associates						
	Group £m	Associate s £m	2001 Total £m	Group £m	Associates £m	2000 Total £m
Water services						
- UK regulated	542.1	-	542.1	624.0	-	624.0
- US operations	77.7	-	77.7	17.0	-	17.0
Waste Recycling Group	-	80.6	80.6	-	62.9	62.9
Other activities	12.6	9.8	22.4	13.6	0.6	14.2
Discontinued operations	48.8	3.0	51.8	61.6	3.1	64.7
	681.2	93.4	774.6	716.2	66.6	782.8

Operating profit: group and share of associates						
	Group £m	Associate s £m	2001 Total £m	Group £m	Associates £m	2000 Total £m
Water services						
- UK regulated	214.8	-	214.8	271.5	-	271.5
- US operations	27.1	-	27.1	6.1	-	6.1
Waste Recycling Group	-	15.0	15.0	-	10.5	10.5
Other activities	(3.1)	(5.5)	(8.6)	4.9	0.7	5.6
Discontinued operations	2.9	1.4	4.3	0.2	1.6	1.8
	241.7	10.9	252.6	282.7	12.8	295.5
Strategic review costs	(5.8)	-	(5.8)	-	-	-
Corporate and business development costs	(7.9)	-	(7.9)	(11.0)	-	(11.0)
	228.0	10.9	238.9	271.7	12.8	284.5

3. Operating profit (group and share of associates) is stated after a £11.8m exceptional operating charge in respect of the impairment of the group's renewable energy interests. The charge comprises £6.2m exceptional operating costs and £5.6m exceptional impairment of the investment in an associated undertaking. In the prior year, exceptional restructuring costs of £18.2m were incurred.

4. A net exceptional profit on disposal of operations of £15.9m, stated after taking account of £41.6m goodwill previously charged against group reserves, was realised from the business disposal programme during the year. The exceptional item in the prior year of £2.9m represents the profit on disposal of York Gas.

5. The taxation charge for the year comprises the following:

	2001	2000
	£m	£m
Corporation tax charge	15.4	7.2
Tax charge on exceptional profit on disposal of operations	3.6	1.2
Prior year refund	(0.2)	(0.2)
Double taxation relief	(4.5)	-
Overseas taxation	3.1	1.2
Share of associates' taxation	6.2	4.2
	<u>23.6</u>	<u>13.6</u>

6. The weighted average number of shares used in the calculation of basic earnings per share is 384.4m (2000: 383.0m) and of diluted earnings per share is 385.3m (2000: 385.4m).

Adjusted earnings per share is calculated excluding exceptional profit on the disposal of operations and in 2000/01 the exceptional operating charge of £11.8m (£11.8m net of tax) (2000: restructuring costs of £18.2m (£15.3m net of tax)).

Diluted earnings per share assumes conversion of all dilutive potential ordinary shares under the group's sharesave schemes.

7. The proposed final dividend of 17.30p per share, if approved by shareholders, will be paid on 1 October 2001 to shareholders on the register on 7 September 2001.
8. The reconciliation of operating profit to net cash inflow from operating activities is as follows:

	2001	2000
	£m	£m
Group operating profit	228.0	271.7
Depreciation	138.7	145.9
Goodwill amortisation	1.8	1.9
Release of grants and contributions	(3.4)	(3.3)
Other adjustments	(2.0)	1.0
Decrease (increase) in stocks	0.2	(0.7)
Decrease (increase) in debtors	2.7	(15.7)
Increase (decrease) in creditors	3.9	(2.3)
Net cash inflow from operating activities	369.9	398.5

9. The financial information set out in this preliminary announcement is an abridged version of the full accounts and does not constitute statutory accounts. This information is derived from the statutory accounts for the years ended 31 March 2000 and 31 March 2001 upon which unqualified audit reports have been given. No statement has been made by the auditors under Section 237(2) or (3) of the Companies Act 1985 in respect of either of these sets of accounts. The accounts for the year ended 31 March 2000 have been filed with the Registrar of Companies. The full statutory accounts for the year ended 31 March 2001 will be posted to shareholders at the end of June.
10. This announcement was approved by the board of directors on 7 June 2001.

ENDS