

How we're performing:

Yorkshire Water.

Financial performance

Regulated turnover increased by 6.6% to £604.4m (2003: £567.0m) following the interim price determination which took effect on 1 April 2003. The revenue increase is principally being used to fund additional investments and to recover the additional cost of bad debts.

Operating profit increased by 8% to £252.5m (2003: £233.7m) of which 49% (2003: 49%) accrued in the second half year. The operating cost outperformance target has been increased to £115m from £100m in the current price determination period.

Regulated capital investment for the year was £302.3m (2003: £319.5m). The investment continues to be primarily directed at the upgrading of the region's clean and waste water infrastructure. 2004/05 is the final year of the current asset management programme (AMP3), during which it is estimated that £1.5bn will have been invested in the region's infrastructure, and that Yorkshire Water will achieve capital cost outperformance of 12%.

Operational performance

Yorkshire Water was ranked third by the Office of Water Services (Ofwat) in its Overall Performance Assessment, which compares the levels of service provided by the UK's ten major water and waste water companies. The report benchmarks companies' performance against a wide range of measures including water quality, water pressure, sewer flooding, leakage, treatment works' compliance and the speed at which customer queries are dealt with.

In addition, Ofwat's annual report on water and waste water unit costs and relative efficiency showed Yorkshire Water to be the most efficient company in terms of operating and capital maintenance. This was confirmed by a separate Ofwat report on financial performance and expenditure, which showed that the company had reduced overall operating costs by 12% since 1998/99 – the largest reduction of all the UK's water and waste water companies.

Yorkshire Water remains committed to improving its operational and customer service while at the same time keeping costs firmly under control.

DELIVERING SAFE AND RELIABLE WATER SUPPLIES

2003 was one of the driest and hottest years on record. While water shortages in parts of the UK prompted some companies to apply for drought permits, recent investment in Yorkshire's water supply system and leakage reduction, coupled with prudent resource management, ensured that customers could continue to use their supplies without cause for concern.

In particular, the integrated water grid system enabled water to be pumped between areas to ensure that the supply and demand balance was managed effectively across the region as a whole.

In December 2003, Yorkshire's long term water resource situation was secured further when the Environment Agency (EA) announced its decision to allow water abstraction from the rivers Ure, Wharfe and Ouse until 2017. In the past the EA had only granted short term abstraction licences.

The agreement that these abstractions were not only necessary but sustainable in the long term, significantly enhances the security of supplies to a population of more than 4.7m across Yorkshire.

The quality of the water provided to local homes and businesses also continued to be exceptionally high, with 99.89% of all the tests taken meeting the Drinking Water Inspectorate's (DWI) rigorous standards.

Work is continuing to upgrade the extensive network of underground water mains and in November 2003 a two year programme of work to renew 1,202km of pipes was successfully completed one month ahead of schedule. A further 1,081km of mains will be renewed by 2006.

50,000

50,000 CUSTOMERS were presented with water jugs to keep in their fridges as part of our 'Best Served Chilled' promotional campaign during the summer of 2003.

1.3bn

1.3 BILLION LITRES of water were used in homes and businesses in Yorkshire every day last year.



DEVELOPING THE RIVER AIRE

YORKSHIRE WATER HAS RECENTLY BEEN INSTRUMENTAL IN THE LAUNCH OF A NEW MULTI-AGENCY PARTNERSHIP AIMED AT DEVELOPING THE RIVER AIRE IN LEEDS.

THE STATE OF THE RIVER MANAGEMENT PARTNERSHIP (SORM) WILL COORDINATE THE DEVELOPMENT OF THE AIRE, ITS BECKS AND WATERWAYS FOR THE BENEFIT OF THE CITY'S ENVIRONMENT AND COMMUNITIES AND WILL ENCOURAGE THE PEOPLE OF LEEDS TO BECOME ACTIVELY INVOLVED IN MAKING DECISIONS ABOUT HOW THIS CAN BE ACHIEVED.

THE PARTNERSHIP INCLUDES YORKSHIRE WATER, THE ENVIRONMENT AGENCY, LEEDS CITY COUNCIL, THE LEEDS INITIATIVE, THE ENVIRONMENTAL ACTION GROUP EYE ON THE AIRE, BRITISH WATERWAYS AND THE CONSUMER WATCHDOG, WATERVOICE YORKSHIRE.

OVER RECENT YEARS, INVESTMENT IN THE RIVER AND ITS ENVIRONMENT HAS LED TO A CONSIDERABLE IMPROVEMENT IN WATER QUALITY, WITH 10% OF THE RIVER NOW CLASSIFIED AS 'VERY GOOD' BY THE ENVIRONMENT AGENCY.

THE IMPROVEMENTS YORKSHIRE WATER HAS MADE TO LOCAL WASTE WATER TREATMENT WORKS AND OVERFLOWS HAVE ALSO CONTRIBUTED TO THE RETURN OF OTTERS, WATER VOLES, CRAYFISH AND EVEN SALMON.

PROTECTING OUR HERITAGE

ROMAN ARTEFACTS DATING BACK TO 200AD WERE DISCOVERED DURING WORK TO LAY NEW WATER MAINS NEAR NORTHALLERTON.

THE OBJECTS – INCLUDING ROOF TILES, CERAMICS, METAL AND SOME BONES – WERE UNEARTHED NEAR THE MARKET TOWN AT AINDERBY STEEPLE AS YORKSHIRE WATER ENGINEERS CARRIED OUT WORK ON A £2.6M PROJECT TO LAY TWO NEW WATER MAINS FROM AINDERBY PUMPING STATION TO BULLAMOOR SERVICE RESERVOIR.

THE FIND, DESCRIBED AS 'SIGNIFICANT' BY ARCHAEOLOGISTS, PROVIDED THE FIRST INDICATION EVER THAT ROMANS HAD INHABITED THIS PART OF THE COUNTRY.

ARCHAEOLOGIST SIMON TOMSON, OF NORTHERN ARCHAEOLOGICAL ASSOCIATES, SAID THE FIND INDICATED THAT A ROMAN FARMSTEAD HAD ONCE STOOD ON THE SITE.

"WE FOUND WHAT WAS LEFT OF AN AGRICULTURAL BUILDING, PROBABLY A BARN. DISCOVERED DURING THE COURSE OF THE DIG WERE ROOF TILES, CERAMICS, SOME BONES AND A METAL BEAM USED TO WEIGH GRAIN. IN TERMS OF HISTORICAL IMPORTANCE THIS FIND WAS SIGNIFICANT AS IT WAS THE FIRST INDICATION THAT ROMANS HAD LIVED AND SETTLED HERE. IT ADDS ANOTHER DOT TO THE MAP."

YORKSHIRE WATER'S ENGINEERS WORKED AROUND THE ARCHAEOLOGISTS TO ENSURE THE SCHEME TO IMPROVE CUSTOMERS' WATER SUPPLIES WAS NOT DELAYED.



99.89%

99.89% OF THE 264,444 TESTS carried out last year on drinking water supplies in the Yorkshire region complied fully with the government's stringent quality standards.

How we're performing: Yorkshire Water continued...

DELIVERING BETTER CUSTOMER SERVICE

The company's new Integrated Customer and Operational Management (ICOM) system continued to deliver significant benefits. The implementation of this system has significantly improved the quality and speed of service provided to our customers. Employees now have access to more comprehensive information about planned work, unexpected bursts and other operational activities, and the impact on customers. This, in turn, means customer enquiries can be dealt with more quickly.

In addition, modern ways of working have been introduced, involving extended working hours for our customer-facing people, and customer appointments specified within two hour time slots. This enables service to be delivered more conveniently and efficiently to the customer. In March 2004 the company launched a scheme called 'Close the Loop' which involves call centre staff ringing customers back to ensure that the company has delivered what it said it would and has resolved their issues to their satisfaction.

Yorkshire Water is pleased that its improvements in customer service have received external recognition. The ICOM system won the 'Best Use of Technology in Customer Service' category at the National Customer Services awards, the international 'Gartner Customer Relationship Management (CRM) Excellence Award 2003' and the Customer Care category at the Utility Industry Achievement Awards. For the third year running, Yorkshire Water was voted top for customer service in a national survey carried out by the independent Energy Information Centre. The report concluded: "...compared to other suppliers, Yorkshire Water leads the pack for ease of contact, listening to needs, solving problems, explaining the industry and knowing the company."

95% of Yorkshire Water's business customers rank the company's service as good as or better than that provided by energy suppliers.

DELIVERING IMPROVEMENTS TO THE ENVIRONMENT

In March 2004 Kelda was once again awarded 'Premier League' status in Business in the Environment's Index of Corporate Environmental Engagement. The index measures the extent to which companies understand and manage their impact on the environment. The company remains committed to improving environmental performance and has recently introduced a new Environmental Management System (EMS) designed to help achieve ISO14001 certification and improve business process. To support the launch, an environmental awareness campaign was implemented and every employee was asked to take part in an IT based training programme.

During 2003 Yorkshire Water started to work with the Carbon Trust, a government backed organisation that works with businesses to reduce carbon dioxide emissions. The Trust is now conducting a one year feasibility study into the performance of Yorkshire's water supply system with the aim of reducing its carbon dioxide emissions by up to 15%. The company is also looking at expanding its use of hydro and wind power to help reduce energy costs in the future.

The EA's annual 'Spotlight on Business' report published in September 2003 showed that Yorkshire Water had achieved 100% compliance with discharge consents during the previous year at its 612 waste water treatment works and 1,614 pumping stations. In 2003/04 the rate has fallen slightly to 99.9% but the aim is to restore 100% compliance in 2004/05.

There were no prosecutions for pollution incidents during 2003, although regrettably a small number of pollution incidents occurred during the year, some of which have already been the subject of legal proceedings in 2004. The company regrets any incidents of pollution and will continue to make every effort to prevent them occurring in the future.

Despite these incidents, investment is continuing to improve the quality of the region's rivers and bathing waters. The EA has reported a 9% increase since 1990 in the number of Yorkshire rivers classified as 'good' or 'fair' and the number of East Coast bathing waters achieving the EU's higher 'guideline' quality standard has again risen to a record high of 15.

In December 2003, the company signed a partnership agreement with English Nature to protect and improve more than 50 of Yorkshire's 363 designated Sites of Special Scientific Interest (SSSIs). The new partnership agreement is designed to help English Nature fulfil its role in supporting the government to achieve its target of 95% of SSSIs being in favourable or recovery status by 2010.

In Yorkshire, many upland moorlands have unintentionally suffered the effects of over-grazing and environmentally damaging farming practices. A joint steering group has now been set up by the company and English Nature, to share information about the status and management of SSSIs and to ensure they are maintained in the best possible condition.



15

15 BATHING WATERS off Yorkshire's East Coast achieved the highest European quality standards during 2003 as a result of our investment in new waste water treatment technology – a record for the region.