

# South Staffordshire Water PLC

## Interim Accounts For the Period Ended 31 January 2012

Company Registration No: 2662742



## PROFIT AND LOSS ACCOUNT

For the ten month period ended 31 January 2012

1 April 2011 to  
31 January 2012

	Note	£'000
Turnover		76,048
Operating costs (net)		(57,643)
<b>Operating profit</b>		<b>18,405</b>
Finance charges (net)	3	(7,948)
<b>Profit on ordinary activities before taxation</b>		<b>10,457</b>
Taxation on profit on ordinary activities	4	(2,058)
<b>Profit on ordinary activities after taxation</b>		<b>8,399</b>

The results above are derived from continuing operations

A statement of movement in reserves is given in note 10 to the financial statements

The accompanying notes are an integral part of these financial statements

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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For the ten month period ended 31 January 2012

	1 April 2011 to 31 January 2012 £'000
Profit on ordinary activities after taxation	8,399
Movement in hedging reserve (net of deferred tax)	122
Total recognised gains and losses relating to the period	8,521

# BALANCE SHEET

As at 31 January 2012

	Note	31 January 2012 £'000
<b>Fixed Assets</b>		
Tangible assets		196,436
<b>Current Assets</b>		
Stocks		1,654
Debtors - amounts recoverable within one year	6	21,095
Debtors - amounts recoverable in more than one year	6	44,296
Cash at bank and in hand		206
		67,251
<b>Creditors - amounts falling due within one year</b>	7	(34,344)
<b>Net current assets</b>		32,907
Total assets less current liabilities		229,343
<b>Creditors - amounts falling due after more than one year</b>	8	(203,844)
<b>Accruals and deferred income</b>		(7,121)
<b>Provisions for liabilities</b>		(10,166)
<b>Net Assets</b>		8,212
<b>Capital and Reserves</b>		
Called-up share capital	9	2,123
Share premium account	10	495
Capital redemption reserve	10	4,450
Hedging reserve	10	(4,957)
Profit and loss account	10	6,101
<b>Shareholders' Funds</b>	11	8,212

The accompanying notes are an integral part of these financial statements

The financial statements of South Staffordshire Water PLC, registered number 2662742, were approved by the Board of Directors and authorised for issue on 30 March 2012



A.P. Page

Director

# NOTES TO THE ACCOUNTS

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## 1. Statement of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

### a) Basis of Accounting

The accounts have been prepared under the historical cost convention, for the purposes of Section 838 of the Companies Act 2006. The accounts have been prepared for the period from 1 April 2011 to 31 January 2012.

### b) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes) of goods and services in the normal course of business and includes amounts billed for water together with an estimation of amounts unbilled at the period end.

### c) Tangible Fixed Assets and Depreciation

Tangible fixed assets comprise infrastructure assets (consisting of water mains, impounding and pumped raw water storage reservoirs and dams), operational structures (being pumping stations, treatment stations, boreholes and service reservoirs) and other assets.

#### Infrastructure Assets

Infrastructure assets comprise a network of systems that, as a whole, is intended to be maintained in perpetuity at a specified level of serviceability by the continuing replacement and refurbishment of its components. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the networks and on maintaining the operating capability of the network in accordance with defined standards of service is treated as additions which are capitalised at cost.

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

## NOTES TO THE ACCOUNTS

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### **Operational Structures and Other Assets**

Operational structures and other assets are stated at cost less accumulated depreciation and provisions for impairment. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value, over the estimated useful lives of the assets, with the exception of land, which is not depreciated. The estimated useful lives of the assets are as follows:

Buildings and Service Reservoirs	50-80 years
Boreholes	100 years
Fixed Plant	20-30 years
Meters	15 years
Mobile Plant	5 years
Motor Vehicles	3-7 years
Office Equipment	5-7 years

### **d) Capital Contributions**

Capital contributions are treated as deferred income and amortised over the useful lives of the assets concerned, except in the case of contributions towards the cost of infrastructure assets, which are not amortised. This departure from the requirements of the Companies Act 2006 is, in the opinion of the Directors, necessary for the financial statements to show a true and fair view, as it is not possible to amortise contributions to the profit and loss account over the lives of the fixed assets concerned, as infrastructure assets do not have determinable finite lives.

### **e) Leased Assets**

Assets financed by leasing agreements, which transfer substantially all of the risks and rewards of ownership to the Company, are included within fixed assets, and the net obligation to pay future rentals is included in creditors. Rentals are apportioned between finance charges and a reduction of the outstanding liability for future rentals so as to produce a constant charge to the profit and loss account based upon the capital outstanding.

## NOTES TO THE ACCOUNTS

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**f) Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes materials and an appropriate element of overheads. Provision is made for obsolete, slow-moving or defective items where appropriate.

**g) Pensions**

The Company is required to account for pension schemes in accordance with Financial Reporting Standard 17 'Retirement Benefits' (FRS 17). For the defined contribution scheme, the amount charged to the profit and loss account is the contributions payable in the period. The defined benefit scheme is a multi-employer scheme and the Company is not able to identify its share of the scheme's assets and liabilities on a reasonable and consistent basis. Therefore, in accordance with FRS 17, the scheme is accounted for as if it were a defined contribution scheme with the amount charged to the profit and loss account being the contributions payable in the period.

**h) Research and Development**

Research and Development is charged to the profit and loss account in the period in which it is incurred.

**i) Taxation**

Corporation tax is payable on taxable profits at the current rate. Deferred taxation is provided in respect of capital allowances in excess of depreciation and all other timing differences that have originated but not reversed at the balance sheet date using the current rate of tax. The liability is discounted, using the yield to maturity on government gilts, to reflect the time value of money over the period between the balance sheet date and the date on which the timing differences are expected to reverse.

## NOTES TO THE ACCOUNTS

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**j) Index-Linked Debt**

Index-linked debt is carried in the balance sheet at amortised cost. The premium/discount and costs of issue are amortised over the life of the instrument with the amortisation being included in the effective interest rate of the instrument which is included in finance charges (net) in the profit and loss account.

**k) Dividends**

Dividends are accrued in the profit and loss account if they have been approved by the Company's Board and shareholder before the period end.

**2. Staff Costs**

	1 April 2011 to 31 January 2012 £'000
Wages and salaries	10,832
Social security costs	939
Pension costs	2,748
	<b>14,519</b>

  

	Number
Average number of employees	<b>406</b>



## NOTES TO THE ACCOUNTS

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### 3. Finance Charges (net)

1 April 2011 to  
31 January 2012

£'000

Interest payable and similar charges	
Index-linked debt	9,672
Bank overdraft and other interest	259
Finance charges in respect of finance leases	123
Debenture interest	56
	<u>10,110</u>
Interest receivable	
Bank interest receivable	(193)
Loans to parent undertakings	(2,134)
	<u>7,783</u>
Other finance charges (net)	
Amounts recycled from hedging reserve	165
	<u>7,948</u>

### 4. Taxation on Profit on Ordinary Activities

1 April 2011 to  
31 January 2012

£'000

The tax charge for the period comprises	
Current tax - current year	2,774
Deferred tax credit - current year	(716)
	<u>2,058</u>

## NOTES TO THE ACCOUNTS

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### 5. Dividends

1 April 2011 to  
31 January 2012  
£'000

Interim ordinary dividends paid of 242 6p per share	5,150
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### 6. Debtors

31 January  
2012  
£'000

Amounts recoverable within one year	
Trade debtors	13,833
Other debtors	599
Amounts due from other Group undertakings	1,094
Amounts due from parent undertakings	364
Prepayments and accrued income	5,205
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	21,095
Amounts recoverable in more than one year	
Loans receivable from parent undertakings	40,000
Other amounts owed by parent undertakings	4,223
Other debtors	73
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	44,296
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	65,391

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## NOTES TO THE ACCOUNTS

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### 7. Creditors – amounts falling due within one year

	31 January 2012 £'000
Bank loans and overdraft	742
Obligations under finance leases	1,203
Payments received in advance	17,453
Trade creditors	6,655
Other creditors	2,811
Amounts owed to other Group undertakings	3,439
Corporation tax payable	1,629
Other taxation and social security	412
	<b>34,344</b>

Obligations under finance leases are secured on the assets to which they relate

### 8. Creditors – amounts falling due after more than one year

	31 January 2012 £'000
Irredeemable debenture stock (unsecured)	1,633
Obligations under finance leases	
payable between one and two years	398
payable between two and five years	608
Retail Price Index-linked debt (unsecured)	189,591
Other creditors	11,614
	<b>203,844</b>

## NOTES TO THE ACCOUNTS

### 9. Share Capital

	31 January 2012 £'000
Authorised 8,800,000 Ordinary shares of £1 each	<b>8,800</b>
Allotted, called-up and fully-paid 2,123,210 Ordinary shares of £1 each	<b>2,123</b>

### 10. Reserves

	Share Premium Account  £'000	Capital Redemption Reserve  £'000	Profit & Loss Account  £'000	Hedging Reserve  £'000
Balance at 1 April 2011	495	4,450	2,852	(5,079)
Profit for the financial period	-	-	8,399	-
Dividends (Note 5)	-	-	(5,150)	-
Amounts recycled to profit and loss (net of deferred tax)	-	-	-	122
Balance at 31 January 2012	<b>495</b>	<b>4,450</b>	<b>6,101</b>	<b>(4,957)</b>

### 11. Reconciliation of Movements in Shareholders' Funds

	1 April 2011 to 31 January 2012 £'000
Profit for the financial period	8,399
Dividends (Note 5)	(5,150)
Movement on hedging reserve (net of deferred tax)	122
Net addition to shareholders' funds	<b>3,371</b>
Opening shareholders' funds	<b>4,841</b>
Closing shareholders' funds	<b>8,212</b>

## NOTES TO THE ACCOUNTS

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### **12. Ultimate Controlling Party**

The immediate parent company is South Staffordshire Plc, which is registered in England and Wales. The ultimate parent company in the United Kingdom is Hydrades IV Limited which is registered in England and Wales. The ultimate controlling party is Alinda Capital Partners LLC a company registered in the United States.