

South Staffordshire Water PLC

Interim Accounts
For the Period Ended 28 February 2013

Company Registration No: 2662742

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PROFIT AND LOSS ACCOUNT

For the eleven month period ended 28 February 2013

1 April 2012 to
28 February 2013

	Note	£'000
Turnover		86,549
Operating costs (net)		(64,060)
Operating profit		22,489
Finance charges (net)	3	(9,064)
Profit on ordinary activities before taxation		13,425
Taxation on profit on ordinary activities	4	(1,915)
Profit on ordinary activities after taxation		11,510

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

For the eleven month period ended 28 February 2013

	1 April 2012 to 28 February 2013 £'000
Profit on ordinary activities after taxation	11,510
Movement in hedging reserve (net of deferred tax)	137
Total recognised gains and losses relating to the period	11,647

BALANCE SHEET

As at 28 February 2013

	Note	28 February 2013 £'000
Fixed Assets		
Tangible assets		206,365
Current Assets		
Stocks		1,527
Debtors - amounts recoverable within one year	6	16,484
Debtors - amounts recoverable in more than one year	6	44,170
Cash at bank and in hand		393
		62,574
Creditors - amounts falling due within one year	7	(32,999)
Net current assets		29,575
Total assets less current liabilities		235,940
Creditors - amounts falling due after more than one year	8	(208,008)
Accruals and deferred income		(7,612)
Provisions for liabilities		(11,324)
Net Assets		8,996
Capital and Reserves		
Called-up share capital	9	2,123
Share premium account	10	495
Capital redemption reserve	10	4,450
Hedging reserve	10	(5,078)
Profit and loss account	10	7,006
Shareholders' Funds	11	8,996

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 27 March 2013


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Director





NOTES TO THE ACCOUNTS

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 2012 to 28 February 2013.

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

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

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

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 2012 to 28 February 2013 £'000
Wages and salaries	12,144
Social security costs	1,075
Pension costs	3,099
	16,318
	Number
Average number of employees	398

NOTES TO THE ACCOUNTS

3. Finance Charges (net)

1 April 2012 to
28 February 2013

	£'000
Interest payable and similar charges	
Index-linked debt	11,018
Bank overdraft and other interest	12
Finance charges in respect of finance leases	123
Debenture interest	62
	<u>11,215</u>
Interest receivable	
Loans to parent undertakings	(2,329)
	<u>8,886</u>
Other finance charges (net)	
Amounts recycled from hedging reserve	178
	<u>9,064</u>

4. Taxation on Profit on Ordinary Activities

1 April 2012 to
28 February 2013

	£'000
The tax charge for the period comprises	
Current tax - current year	3,222
Deferred tax credit - current year	(803)
Deferred tax - change in future tax rates	(504)
	<u>1,915</u>

5. Dividends

1 April 2012 to
28 February 2013
£'000

Interim ordinary dividends paid of 306 1p per share	<u>6,500</u>
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NOTES TO THE ACCOUNTS

6. Debtors

	28 February 2013 £'000
Amounts recoverable within one year	
Trade debtors	8,940
Other debtors	746
Amounts due from other Group undertakings	752
Amounts due from parent undertakings	364
Prepayments and accrued income	5,682
	16,484
Amounts recoverable in more than one year	
Loans receivable from parent undertakings	40,000
Other amounts owed by parent undertakings	4,124
Other debtors	46
	44,170
	60,654

7. Creditors – amounts falling due within one year

	28 February 2013 £'000
Bank loans and overdraft	2,445
Obligations under finance leases	664
Payments received in advance	10,536
Trade creditors	7,702
Other creditors	5,970
Amounts owed to other Group undertakings	2,816
Corporation tax payable	2,419
Other taxation and social security	447
	32,999

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

NOTES TO THE ACCOUNTS

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

	28 February 2013 £'000
Irredeemable debenture stock (unsecured)	1,633
Obligations under finance leases	
payable between one and two years	728
payable between two and five years	355
Retail Price Index-linked debt (unsecured)	193,949
Other creditors	11,343
	<u>208,008</u>

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

9. Share Capital

	28 February 2013 £'000
Authorised	
8,800,000 Ordinary shares of £1 each	<u>8,800</u>
Allotted, called-up and fully-paid	
2,123,210 Ordinary shares of £1 each	<u>2,123</u>

NOTES TO THE ACCOUNTS

10. Reserves

	Share Premium Account	Capital Redemption Reserve	Profit & Loss Account	Hedging Reserve
	£'000	£'000	£'000	£'000
Balance at 1 April 2012	495	4,450	1,996	(5,215)
Profit for the financial period	-	-	11,510	-
Dividends (Note 5)	-	-	(6,500)	-
Amounts recycled to profit and loss (net of deferred tax)	-	-	-	137
Balance at 28 February 2013	495	4,450	7,006	(5,078)

11. Reconciliation of Movements in Shareholders' Fund

	1 April 2012 to 28 February 2013 £'000
Profit for the financial period	11,510
Dividends (Note 5)	(6,500)
Movement on hedging reserve (net of deferred tax)	137
Net addition to shareholders' funds	5,147
Opening shareholders' funds	3,849
Closing shareholders' funds	8,996

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 Hydriades 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.