

**UK Water Industry Research
Limited**

REPORT AND ACCOUNTS

31 MARCH 1995

Registered office

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Registered number

2862807



UK WATER INDUSTRY RESEARCH LIMITED
(A company limited by guarantee not having a share capital)

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UK WATER INDUSTRY RESEARCH LIMITED

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CHAIRMAN'S STATEMENT

I have pleasure in presenting the annual report of UKWIR after the completion of its first year of operation.

UKWIR was established to form an 'operators' club' to carry out collaborative research on one voice issues. UKWIR's participating members are drawn from the water service companies (who are members of the Water Services Association), the Water Companies' Association, regional councils in Scotland and the Department of the Environment (Northern Ireland). Together the members represent the UK water industry and, through their various organisations, have been responsible both for identifying research needs as well as managing research projects. A tendering process has enabled UKWIR to run a tight ship with a minimum of overheads delivering more quality research for less money.

In order to maintain continuity, a three-year rolling programme is approved and funded by participating members coordinated centrally at the Water Services Association.

I am grateful for the positive support given by my fellow directors and all those who have enabled UKWIR to outturn successfully within budget at the end of its first year. Establishing clear objectives and dynamic management, after carefully identifying the required research, are responsible for this excellent start. Particular thanks go to project managers who are drawn from the industry and who have demonstrated a high level of pragmatism.

UKWIR appreciates the good relations established with collaborators and I would also like to take this opportunity of thanking the coordinating team whose dedication to delivering the programme has been exemplary. With everyone's cooperation, UKWIR has succeeded in keeping things 'lean and mean'.

Without collaboration from the participating members of UKWIR, it would not be possible to provide this framework for a common research programme. The whole concept gives members added value. My appreciation, therefore, goes to UKWIR's members for responding to the challenges presented by this new venture.

28 July 1995



JON HARGREAVES

UK WATER INDUSTRY RESEARCH LIMITED

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DIRECTORS' REPORT

The company provides a framework for the procurement of a common research programme for UK water operators on 'one voice issues'. Its members are the Water Services Association of England and Wales (WSA), the Water Companies' Association (WCA), the Convention of Scottish Local Authorities (COSLA) and the Department of the Environment (Northern Ireland) (DoE(NI)). This is the company's first annual report and audited accounts covering the period from incorporation to 31 March 1995.

Establishment

Having been incorporated on 12 October 1993 and registered in England with number 2862807, the company commenced operations on 1 April 1994.

Framework

UKWIR's members and, in the case of WSA and COSLA, its constituent parties signed a collateral agreement binding the parties to procuring, funding and managing a three-year rolling programme of collaborative research. The collateral agreement set out the structure within which the programme would function, the method of funding, which would be divided between research and development on potable water and that on waste water and sewage.

Principal activities

The research programme falls within the following main subject areas: water quality and health; water resources; waste water treatment; sewage sludge; and water mains & services and sewerage. The programme also includes work on the coordination of water industry standards and environmental issues both in the UK and Europe.

Work is being carried out in collaboration with government departments, including the Department of the Environment, the Drinking Water Inspectorate, Her Majesty's Inspectorate of Pollution, the Ministry of Agriculture, Fisheries and Food and the National Rivers Authority. Such collaboration can assist in achieving a common basis for defining problems and legislative solutions and for securing credibility of research results.

Where it is decided that research results should be available in the public domain, reports are sold.

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Operation of the company

For the first three-year rolling programme, the board agreed to aim to maintain total expenditure below £4million per annum.

Proposals for research and development projects are initiated by the water industry committees, consisting of representatives from the companies and public bodies, who are the members of UKWIR. The majority of the work contained in the programme is put out to open tender with tenders being sought from a wide range of companies, academic institutions and other organisations both in the UK and overseas. Individual projects are managed by project managers drawn from among the industry's research and development managers with central coordination effected at WSA.

During its first year of operation, 54 research contracts were let and management fees at less than 10% of the contract value were paid to those organisations providing project managers. At the year end, eight reports had been published.

Finance

Calls for funds have been made at intervals throughout the year to finance the company's operations.

The accounts for the first period of operation ended 31 March 1995 show a turnover of £3,434,037, which produced an operating deficit of £43,976. After interest earnings of £47,240 and taxation, a surplus of £403 was carried forward to reserves.

Business review and future developments

In order to define the direction of research, many projects start with a scoping study. When ranking research proposals for priority, many factors are taken into consideration including risk analysis.

Contacts within the UK and outside show that it is crucial to keep abreast of current research activities generally in order to avoid duplication and to ensure value for money by benefitting from the latest available information.

As a result of links made with the American Water Works Association Research Foundation (AWWARF), through a technology transfer workshop on factors affecting water quality in distribution, some joint projects are being proposed for 1995/96.

In response to a suggestion by the European Commission that they would welcome an approach for research funds from an industry-based body in collaboration with European partners, UKWIR is discussing research proposals on drinking water which would be submitted by EUREAU (European Union of National Associations of Water Suppliers).

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Directors and officers

The directors and officers at 31 March 1995 are shown on pages 11 and 12.

Insurance is maintained to cover directors and officers against liabilities relating to the company.

Auditors

The board appointed BDO Stoy Hayward to be the company's auditors.

Directors' responsibilities

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the result for that period. In preparing those financial statements, the directors are required to:

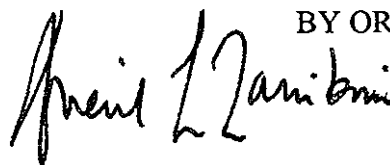
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed or explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual general meetings

Elective resolutions are currently in force to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the obligation to re-appoint auditors annually.

BY ORDER OF THE BOARD



AVERIL ZANIBONI

28 July 1995

Company Secretary

UK WATER INDUSTRY RESEARCH LIMITED

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AUDITORS' REPORT

To the members of UK Water Industry Research Limited

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered 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 the company's affairs as at 31 March 1995 and of its surplus for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD

Chartered Accountants
and Registered Auditors
Sheffield

7 August 1995

UK WATER INDUSTRY RESEARCH LIMITED

(A company limited by guarantee not having a share capital)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 1995

	<u>Note</u>	<u>£</u>
Income		
Contributions	2	3,434,037
Expenditure		
General	3	<u>3,478,013</u>
Operating deficit		(43,976)
Bank interest receivable		<u>47,240</u>
Surplus on ordinary activities before taxation		3,264
Taxation	6	<u>(2,861)</u>
Surplus for the period transferred to revenue reserves	9	<u><u>403</u></u>

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account.

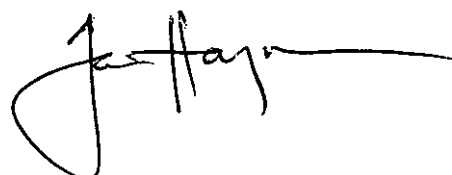
The notes on pages 9 and 10 form part of these financial statements.

UK WATER INDUSTRY RESEARCH LIMITED
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BALANCE SHEET AT 31 MARCH 1995

	<u>Note</u>	<u>£</u>
Current Assets		
Debtors	7	687,929
Cash at bank and in hand		<u>102,886</u>
		790,815
Creditors		
(Amounts falling due within one year)	8	<u>(790,412)</u>
Net current assets and total assets		<u>403</u>
Revenue Reserves - equity	9	<u>403</u>

These accounts were approved by written resolution of the board on 26 July 1995.



JON HARGREAVES

Chairman

The notes on pages 9 and 10 form part of these financial statements.

UK WATER INDUSTRY RESEARCH LIMITED
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CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 1995

	£
Net cash inflow from operating activities	56,868
Returns on investments and servicing of finance	
Interest received	<u>46,018</u>
Net cash inflow from returns on investments and servicing of finance	<u>102,886</u>
Increase in cash and cash equivalents	<u>102,886</u>

Notes to the cash flow statement

1	Reconciliation of operating surplus to net cash inflow from operating activities	£
	Operating deficit	(43,976)
	Increase in debtors	(686,707)
	Increase in creditors	<u>787,551</u>
		<u>56,868</u>
2	Analysis of changes in cash and cash equivalents during the period	£
	Net cash inflow	<u>102,886</u>
	Balance at 31 March 1995	<u>102,886</u>
3	Analysis of the balances of cash and cash equivalents as shown in the balance sheet	£
	Cash at bank	<u>102,886</u>

UK WATER INDUSTRY RESEARCH LIMITED

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NOTES TO THE ACCOUNTS

1 Accounting policies

Accounting convention

The accounts for the period are prepared on the historical cost basis and in accordance with applicable accounting standards.

The company has taken advantage of paragraph 3(3) of Schedule 4 of the Companies Act 1985 to adapt the headings otherwise required by paragraph 1 of Schedule 4 as the special nature of the company's business requires such adaptation.

2 Contributions £

Contributions receivable from members	3,378,437
DWI contribution	<u>55,600</u>
	<u>3,434,037</u>

All contributions relate to activities within the UK.

3 Operating deficit £

This is stated after charging auditors' remuneration	<u>1,250</u>
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4 Staff

There are no staff directly employed, coordination at the centre being provided by WSA under a contract for administrative services.

5 Directors

The directors did not receive any remuneration for their services to the company.

6 Taxation £

The charge to income and expenditure account is based upon the result for the period and represents UK corporation tax at the rate of 33%.

2,861

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NOTES TO THE ACCOUNTS

(Continued)

7 Debtors

	£
Trade debtors	553,887
Other debtors	107,800
Prepayments and accrued income	<u>26,242</u>
	<u>687,929</u>

8 Creditors (Amounts falling due within one year)

	£
Trade creditors	680,265
Accruals	35,723
Corporation tax	2,861
Loans from members	<u>71,563</u>
	<u>790,412</u>

9 Revenue reserves

	£
Surplus for the period	<u>403</u>
Balance at 31 March 1995	<u>403</u>

10 Status of the company

The company is incorporated as a company limited by guarantee not having a share capital. The liability is guaranteed and limited to £1 to each member of the company.

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BOARD OF DIRECTORS

The Water Services Association of England and Wales

Dr Jon Hargreaves
Managing Director
Northumbrian Water Limited
(from 12 October 1993)

David Badcock
Legal Director and Company
Secretary
Thames Water Utilities Limited
(from 12 October 1993)

Victor Cocker
Chief Executive
Severn Trent plc
*(from 12 October 1993 to
10 July 1995)*

William Cutting
Managing Director
Southern Water Services Limited
*(from 12 October 1993 to
22 June 1995)*

William Fraser
Managing Director
South West Water
(from 16 March 1994)

John Simpson
Managing Director
Anglian Water Services Limited
*(from 12 October 1993 to
31 January 1994)*

The Water Companies' Association

John Browning
Executive Chairman
Bristol Water plc
(from 12 October 1993)

Tony Harding
Managing Director
Essex and Suffolk Water plc
(from 12 October 1993)

Department of the Environment (Northern Ireland) Water Executive

Graham Sutton
Director of Development
Department of the Environment
(NI) Water Executive
(from 12 October 1993)

The Convention of Scottish Local Authorities

James Johnstone
Director of Water and Sewerage
Highland Regional Council
(from 2 February 1994)

UK WATER INDUSTRY RESEARCH LIMITED

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OFFICERS AND PROFESSIONAL ADVISORS

<i>Chairman</i>	Dr Jon Hargreaves
<i>Company Secretary</i>	Averil Zaniboni
<i>Coordinator</i>	John West
<i>Administrative Assistant</i>	Jennifer Mills
<i>Accountant</i>	Gavin Mason Hartshead Solway Limited
<i>Auditors</i>	BDO Stoy Hayward
<i>Bankers</i>	National Westminster Bank plc