

Company Registration No 2862807 (England and Wales)

UK WATER INDUSTRY RESEARCH LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

**REGISTRAR
OF COMPANIES**

Registered Office

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London SW1H 9BT

Telephone Number

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mail@ukwir.org.uk

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A47 30/01/2008 474

COMPANIES HOUSE

UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

COMPANY INFORMATION

Board of Directors

Water service companies

John Barnes
Environment and Sustainability Director
United Utilities Water plc

Dr Stephen Bird
Operations Director
South West Water Limited

Dr Julian Dennis
Director of Environment, Science and Sustainability
Wessex Water Services Limited

Robert Harrison
PR09 Director
Thames Water Utilities Limited

Martin Kane
Director of Customer Relations
Severn Trent Water plc
(from 1 June 2007)

Adrian Kennedy
Head of Investment Planning
Yorkshire Water plc

Gren Messham
Director of Asset Management & Technology
Severn Trent Water Limited
(until 31 May 2007)

Chris Newsome
Director - Asset Management
Anglian Water Services Limited

Dr Colin Price
Technical Director
Northumbrian Water Limited

Water supply companies

Dr Arnold Bates
Quality Director
Bristol Water plc

Paul Butler
Managing Director
Mid Kent Water plc

UK WATER INDUSTRY RESEARCH LIMITED

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COMPANY INFORMATION

Scotland

John Rae
General Manager, Operations
Scottish Water

Northern Ireland

George Butler
Asset Management Director
Northern Ireland Water Service

Chairman

Paul Butler

**Director
Secretary**

Dr Michael Farrimond
Averil Zaniboni (until 3 January 2007)
Dr Michael Farrimond (from 4 January 2007)

**Programme Coordinator
Programme Manager
Office Manager**

Pauline Avery
Gordon Wheale
Carol Ham

Company number

2862807

Registered office

1 Queen Anne's Gate
London
SW1H 9BT

Auditors

goodband viner taylor
The Manor House
260 Ecclesall Road South
Sheffield
S11 9AT

Bankers

Yorkshire Bank
81 Carlton Street
Castleford
West Yorkshire
WF10 1BW

Accountants

Haigh & Co
Grange Cottage
Womersley
Doncaster
DN6 9BW

UK WATER INDUSTRY RESEARCH LIMITED
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UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The company directs and procures a three-year rolling programme of research for UK water operators on "one voice" issues. This is the company's eleventh annual report and audited accounts covering the year to 31 March 2007.

Constitutional framework

Since 1999, the Board of UK Water Industry Research Limited (UKWIR) has played a strategic role on behalf of the water industry and sets the direction for research on behalf of the industry, in addition to being responsible for the development and delivery of the programme. That role also requires it to agree business needs driving research and to determine overall priorities. Part of the Board's remit is to enhance the value for members by increasing collaboration with other bodies. Directors continue to be appointed to the Board from amongst senior industry representatives whose experience covers a wide range of disciplines and interests. Since it had been some five years since the last review of UKWIR, the Board agreed to obtain a report on current strategy and UKWIR's options for the future. The Board's Task Force on strategy has reported and their recommendations were accepted and are being implemented.

UK WATER INDUSTRY RESEARCH LIMITED

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DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Principal activities

Dr Mike Farrimond has continued to concentrate on encouraging increased collaboration both nationally and internationally. His role includes development of UKWIR's R & D and business strategies, development of international collaboration and raising the profile of UKWIR in the UK and the international water community. The research programme continues to cover the following main subject areas: drinking water quality and health, toxicology, water resources, climate change, waste water treatment, biosolids, water mains and services, sewerage, as well as regulatory and customer issues. Having consulted the industry in depth as well as collaborators and stakeholders, the Board has developed a long-term strategy as part of the remit of the Task Force.

During the year, UKWIR has continued to drive the process for the identification and specification of new research projects by holding two UKWIR Advisory Group meetings where the industry has been widely represented to formulate proposals for research as well as prioritise them to meet business needs. In 2006 the proposals were again posted on UKWIR's website and voted on during August. Only the highest scoring proposals were presented to the Advisory Group in September, allowing time for a full description and discussion, the highest 20 scores not requiring presentation or discussion.

During 2006/07, collaborative work continued with government departments. These included the Environment Agency, OFWAT and Scottish Executive.

UKWIR has successfully established collaboration outside the UK in order to enhance the value of the programme and to promote the transfer of knowledge. Several projects of mutual interest have been identified for joint funding with the Awwa Research Foundation (AwwaRF) and the Water Environment Research Foundation (WERF) in the USA. UKWIR is one of the participating organisations in the Global Water Research Coalition (GWRC) that has founding partners drawn from Australia, France, the Netherlands, South Africa and the USA. Dr Farrimond was elected Chairman for three years from April 2005. Discussions continue with GWRC members about collaboration and in particular UKWIR has successfully sold access to its Toxicity and Microsheet databases to GWRC members and others, thereby generating a new source of research income. Agreements have been reached with four organisations to contribute to the funding of these projects over a three-year period and others are still being approached.

In addition, relationships have been sought for closer collaboration in Europe, both with the European Commission and colleague organisations in other member states. This has been facilitated by representation and input into EUREAU (European Union of National Associations of Water Suppliers and Waste Water Services). UKWIR has worked with a number of other research organisations and utilities in Europe to form the European Streetworks Research Advisory Council (ESWRAC) which aims to encourage a European research programme to support this difficult topic. UKWIR has also represented UK research interests on the Board of the Water Supply and Sanitation Technology Platform (WSSTP), which is developing a thirty-year research agenda for the European water sector. UKWIR has continued to work with the Research Councils in taking forward activities initiated by the industry and is closely involved in implementing some of the deliverables from the Flood Risk Management Research Programme at three sites in the UK.

UK WATER INDUSTRY RESEARCH LIMITED

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DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Operating of the company

The results for the year are set out on page 6. The members of UKWIR set a price cap for subscription income from members of £3,135,000 for the 2006/07 programme.

Project management continues to be performed by a mixture of companies/authorities within the water industry and consultants employed specifically. In order to facilitate the process for letting work, much effort has been achieved by improving model tender documents for use by all project managers with enhanced requirements of contractors, such as milestones against stage payments together with model contractual terms for use both within the UK and internationally.

UKWIR continues to publish reports from research projects. From January to December 2006 41 reports were produced and circulated. The full text and contents of all reports in the public domain are produced on a DVD, which is updated and re-issued to members at appropriate intervals. The UKWIR website (www.ukwir.org) is used to publicise the UKWIR programme and news. Reports are listed on the web site and public domain reports can be purchased on-line. Technology is currently being tested to allow UKWIR members to download reports directly from secure areas of the web site.

Project dissemination through seminars and workshops continues, these continue to be viewed as beneficial and are well attended by companies' representatives.

Funding

Funding is based on population served by the parties to UKWIR and the amount is adjusted to reflect the split between research on potable and wastewater projects. In 2006/07 two calls for funds were made to finance the company's operations. Where funding is shared with collaborators, funds are called in from parties other than the water industry. In 2006/07, a number of contracts had collaborators as sponsors, who made funds of £872,652 (2005/6 £517,363) available through UKWIR.

The accounts for the year ended 31 March 2007 show income of £4,284,205 which produced an operating deficit of £41,654. After interest of £42,227 and taxation, the result was a surplus of £573. Expenditure will continue to be reconciled between research and development on potable water and that on wastewater and sewerage.

Business review and future developments

UKWIR views the dissemination and implementation of technical results as crucial and has asked contractors to plan for and arrange technology transfer workshops at the conclusion of projects. UKWIR will seek to utilise all opportunities to disseminate information arising from its research programme into the industry.

Water UK council members continue to be provided on a bi-monthly basis with an UKWIR briefing sheet that summarises the value and benefits to members achieved from a particular project area.

'UKWIR News' is published on a quarterly basis both separately and as an insert. Since March 2005 it is inserted by CIWEM (The Chartered Institute of Water and Environment Management) in their Water and Environment magazine. It is circulated to many industry professionals around the world. The News is now being distributed electronically as well as in hard copy with the circulation list kept under review.

The improved web site has updated UKWIR's image and allowed a number of activities, such as gathering research ideas and prioritising research options, to be undertaken on-line. Plans for further developments are continually under review.

Directors

The directors and officers at 31 March 2007 are shown on the company information pages.

Annual General Meetings

Since 10 April 1995, elective resolutions have been 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.

UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

Directors' responsibilities

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 profit or loss of the company 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,
- 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.

In determining how amounts are presented within items in the income and expenditure account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved

- There is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s 234ZA (2)).

By order of the Board



J A BARNES, DIRECTOR

~~Dr M S Farrmond~~

~~Secretary~~

16 JAN 2008

UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

INDEPENDENT AUDITORS' REPORT

To the members of UK Water Industry Research Limited

We have audited the financial statements of UK Water Industry Research Limited for the year ended 31 March 2007 which comprise the income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with International Auditing Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes 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 as to whether the financial statements are free from material misstatement, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its surplus for the year then ended, have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.


goodband viner taylor
Chartered Accountants
Registered Auditor

The Manor House
260 Ecclesall Road South
Sheffield
S11 9AT

29 JAN 2008

UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Income	2	4,284,205	3,706,297
Expenditure		(4,325,859)	(3,747,426)
Operating deficit	3	(41,654)	(41,129)
Other interest receivable and similar income		42,227	42,243
Surplus on ordinary activities before taxation		573	1,114
Tax on surplus on ordinary activities	4	-	-
Surplus on ordinary activities after taxation	8	573	1,114

The income and expenditure account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the income and expenditure account

UK WATER INDUSTRY RESEARCH LIMITED

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BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 £	£	2006 £	£
Current assets					
Debtors	5	357,038		357,770	
Cash at bank and in hand		818,725		1,113,867	
		<u>1,175,763</u>		<u>1,471,637</u>	
Creditors amounts falling due within one year	6	<u>(1,183,634)</u>		<u>(1,480,081)</u>	
Total assets less current liabilities			<u>(7,871)</u>		<u>(8,444)</u>
Revenue Reserves					
Accumulated revenue deficit	8		<u>(7,871)</u>		<u>(8,444)</u>

The financial statements were approved by the Board on 16-01-08


Paul Butler
Chairman

UK WATER INDUSTRY RESEARCH LIMITED

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	£	2007 £	£	2006 £
Net cash (outflow)/inflow from operating activities		(337,369)		70,527
Interest received		42,227		42,243
Net cash (outflow)/inflow before management of liquid resources and financing		(295,142)		112,770
(Decrease)/increase in cash in the year		(295,142)		112,770

UK WATER INDUSTRY RESEARCH LIMITED

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NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

1	Reconciliation of operating deficit to net cash inflow from operating activities		2006	2005
			£	£
	Operating deficit		(41,654)	(41,129)
	Decrease in debtors		732	47,373
	(Decrease)/Increase in creditors within one year		(296,447)	64,284
	Net cash (outflow)/inflow from operating activities		(337,369)	70,528

2	Analysis of net funds	1 April 2006	Cash flow	Other non- 31 March 2007 cash changes
		£	£	£
	Net cash			
	Cash at bank and in hand	1,113,867	(295,142)	- 818,725
	Net funds	1,113,867	(295,142)	- 818,725

3	Reconciliation of net cash flow to movement in net funds	2007	2006
		£	£
	(Decrease)/increase in cash in the year	(295,142)	112,770
	Movement in net funds in the year	(295,142)	112,770
	Opening net funds	1,113,867	1,001,097
	Closing net funds	818,725	1,113,867

UK WATER INDUSTRY RESEARCH LIMITED

(A COMPANY LIMITED BY GUARANTEE NOT HAVING A SHARE CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

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

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

A summary of the more important accounting policies which have been applied consistently is set out below

1.3 Income

Income represents contributions from members of the company and collaborators, shared income from the sale of toxicity datasheets and sales of reports, excluding Value Added Tax

1.4 Leasing

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred

1.5 Pensions

The company participates in the Water Companies' Pension Scheme (WCPS), a defined benefit scheme for staff employed by UKWIR prior to 1 May 2000. WCPS is managed by corporate trustees, the Water Companies (Pension Fund) Trustee Company, and is accounted for separately from the company's finances. The company's contributions are paid in accordance with actuarial advice and are charged so as to spread the cost of liabilities over the expected remaining service lives of current employees. From 1 April 2003 the UKWIR sub-fund of WCPS was merged with that of Water UK and thereafter will pay company contributions as requested by Water UK on the basis of actuarial advice

From 1 May 2000, new employees have been offered a personal pension arranged by UKWIR. The amount charged to the profit and loss account represents the amounts contributed during the period

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to income and expenditure account

UK WATER INDUSTRY RESEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

2 Income

	2007 £	2006 £
Class of business		
Contributions receivable from members	3,380,879	3,149,552
Contributions receivable from collaborators	872,652	517,363
Publications	28,842	38,672
Other	1,832	710
	<u>4,284,205</u>	<u>3,706,297</u>

During 2006/07, all contributions funded activities predominantly within the United Kingdom

3 Operating deficit	2007 £	2006 £
Operating deficit is stated after charging		
Operating lease rentals	38,646	37,174
Auditors' remuneration	5249	2,200
Remuneration of auditors for non-audit work	410	550
	<u></u>	<u></u>

4 Taxation

Current tax charge	-	-
	<u></u>	<u></u>
Factors affecting the tax charge for the year		
Surplus on ordinary activities before taxation	573	1,114
	<u></u>	<u></u>
Surplus on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2006 10.00%)	115	111
	<u></u>	<u></u>
Effects of		
Capital allowances in excess of depreciation	-	(47)
Tax losses utilised	(115)	-
Marginal relief	-	(64)
	<u>(115)</u>	<u>(111)</u>
Current tax charge	-	-
	<u></u>	<u></u>

There were no factors that affected the tax charge of the period. Subject to agreement with the Inland Revenue there are tax losses of approximately £12,000 available to offset against profits of future periods.

UK WATER INDUSTRY RESEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

5 Debtors	2007 £	2006 £
Trade debtors	211,073	159,382
Other debtors	115,650	133,416
Prepayments and accrued income	30,315	64,972
	<u>357,038</u>	<u>357,770</u>

6 Creditors amounts falling due within one year	2007 £	2006 £
Trade creditors	402,649	527,301
Accruals and deferred income	780,985	952,780
	<u>1,183,634</u>	<u>1,480,081</u>

7 Pension costs

The company operates a defined benefit scheme. However, the scheme is a multiple employer scheme, the Water Companies Pension Scheme, and the company is unable to identify its share of the underlying assets and liabilities of the scheme. It must, therefore, account for the contributions to the scheme as if it were a defined contribution scheme.

The deficit of the scheme at 31 March 2007 was £1,455,000 (2006 £2,349,000). The company will pay company contributions as requested by Water UK on the basis of actuarial advice.

The company also contributes to the personal pension schemes of some employees and the amounts paid are charged to the profit and loss account during the period.

The total pension charge for the year was £105,989 (2006 £38,095).

8 Revenue reserves deficit

	£
Accumulated deficit at 1 April 2006	(8,444)
Surplus for the year	<u>573</u>
Accumulated deficit at 31 March 2007	<u>(7,871)</u>

UK WATER INDUSTRY RESEARCH LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

9 Movements of funds statements

A separate movement of funds statement is not provided as there are no changes for the current or previous year other than the retained surplus in the income and expenditure account

10 Status

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

11 Financial commitments

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as follows

	Office Accommodation	
	2007	2006
	£	£
Expiry date		
Within one year	38,166	38,166

12 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

2007	2006
Number	Number
5	5

Employment costs

	2007	2006
	£	£
Wages and salaries	229,560	239,707
Social security costs	24,959	26,411
Other pension costs	105,989	38,095
	360,508	304,213