

UUGM Limited

Report and Financial Statements

31 March 2011

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Registered No 4696850

Directors, advisers and other information

Directors

JD Bevan
MR Saunders
N Paterson
G Sloss
IJ Sutherland
R Wilson

Secretary

Nicholas Charles Craig

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
United Kingdom

Registered office

5th Floor Kings Place
London
United Kingdom
N1 9AG

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2011

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly, no enhanced business review has been prepared

Results and dividends

The company recorded a profit for the year of £nil (2010: £nil). The directors do not recommend the payment of an ordinary dividend (2010: £nil)

Principal activities and review of business

UUGM Limited was set up as part of a unique business model to help Scottish Water complete its Quality and Standards II (Q&S II) Capital Investment Programme. Scottish Water is also using UUGM to help complete its Quality and Standards III (Q&S III) Capital Investment Programme.

The company is owned 60% by Veolia Water Capital Delivery Limited, 20% by Morgan Sindall plc and 20% by Galliford Try Construction Limited. The company owns 24.5% of Scottish Water Solutions Limited, which is the company responsible for the delivery of Scottish Water's Q&S II programme and part of the Q&S III capital programme.

As part of this business model UUGM Limited provides management services to Scottish Water Solutions Limited. At the end of the year the Q&S II programme was complete (2010: 100%). At the end of the year the Q&S III programme was approximately 97.89% complete compared to approximately 91% complete in the prior year. As both Q&SII and Q&SIII were in the later programme stages the turnover in UUGM Limited was reduced compared to the prior year.

The main key performance indicator of the company is turnover, which is regularly monitored by management.

The directors are not aware of any likely major changes in the company's activities in the next year. However, as described in note 1, the directors cannot anticipate the intentions of future shareholders and directors.

Going concern

The directors' considerations in preparing these financial statements on a going concern basis are set out in note 1.

Directors

The directors who held office during the year and to date are given below:

JD Bevan	
A Cowan	(resigned 9 November 2010)
MJ Edwards	(resigned 9 November 2010)
N Paterson	(appointed 9 November 2010)
MR Saunders	(appointed 9 November 2010)
G Sloss	
IJ Sutherland	
IC Washer	(resigned 9 November 2010)
R Wilson	(resigned 9 November 2010)
NJ Earnshaw	(resigned 30 September 2011)
GR Keegan	(resigned 31 August 2010)
IJ McAulay	(resigned 5 August 2010)

During the year, directors' and officers' liability insurance was in force.

Directors' report (continued)

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information

This confirmation is given, and should be interpreted, in accordance with the provisions of section 417(1) of the Companies Act 2006

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

By order of the board



M Saunders
Director

2011

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditor's report

to the members of UUGM Limited

We have audited the financial statements of UUGM Limited for the year ended 31 March 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' report and for no other purpose. 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 our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report, or
- we have not received all the information and explanations we require for our audit.



Jane Boardman (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester

19 December 2011

Profit and loss account

For the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	1	5,666,034	5,605,350
Administrative expenses	2	(5,666,034)	(5,605,274)
Operating profit	3	-	76
Interest payable	4	-	(76)
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities		-	-
Profit for the financial year		-	-

All of the results shown above relate to continuing operations


The company had no recognised gains or losses, in either year, other than those contained in the profit and loss account. Accordingly, a separate statement of total recognised gains and losses has not been prepared

Balance sheet

At 31 March 2011

	Note	2011 £	2010 £
Fixed assets			
Investments	5	34,176	34,176
Current assets			
Debtors			
- due within one year	6	2,398,777	1,558,604
- due after one year	6	7,440,844	4,127,815
Cash at bank and in hand		496,804	386,855
		10,336,425	6,073,274
Creditors: amounts falling due within one year	7	(2,895,581)	(1,945,459)
Net current assets		7,440,844	4,127,815
Total assets less current liabilities		7,475,020	4,161,991
Creditors: amounts falling due after more than one year	8	(7,440,844)	(4,127,815)
Net assets		34,176	34,176
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	34,076	34,076
Shareholders' funds		34,176	34,176

The financial statements of UUGM Limited, registered number 4696850, were approved by the Board of Directors on December 2011 and were signed on its behalf by


M Saunders
Director

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2011

	Note	2011 £	2010 £
Capital contribution	5	-	25,324
Net addition to shareholders' funds		-	25,324
Opening shareholders' funds		34,176	8,852
Closing shareholders' funds		34,176	34,176

Notes to the financial statements

At 31 March 2011

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and accounting standards in the United Kingdom

The company has net assets that are considered to be fully recoverable. The directors believe that, given the nature of the company's operations, and the long-term nature of the contract that it operates, the company will continue trading for the foreseeable future. The latest approved financial projections produced by the directors show that the company will continue to be profitable and cash generative. The company is a consortium and the consortium agreement is structured so that the company will not make a loss. On this basis, the directors believe it is appropriate to prepare the accounts on a going concern basis.

Exemption from preparing group financial statements

The financial statements contain information about UUGM Limited as an individual company and do not contain consolidated financial information as a parent of a group. At 31 March 2011, the company was exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings were included in the consolidated financial statements of its ultimate parent Veolia Water UK PLC, a company incorporated in Great Britain and registered in England and Wales.

Cash flow statement

Under Financial Reporting Standard 1 (revised) 'Cash flow statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company qualifies as a small company under section 382 and section 383 of the Companies Act 2006.

Turnover

Turnover represents the income receivable in the ordinary course of business from Scottish Water Solutions Limited exclusive of value added tax.

Long-term contracts

Turnover on the long-term contract with Scottish Water Solutions Limited reflects UUGM Limited's share of revenues based on Scottish Water Solutions Limited's costs incurred to date plus the directors' best estimate of the profits attributable to the work performed to date. For this purpose the directors' estimate of attributable profits will include a proportion of the total profits anticipated to be made on the contract, to the extent that their realisation is reasonably foreseeable. Provision is made for the full amount of forecast losses on the contract for which UUGM Limited is liable as soon as any loss is foreseeable.

Investments

Investments are accounted for at the lower of cost or net realisable value.

2. Administrative expenses

	2011	2010
	£	£
Management fees	5,666,034	5,605,274

Notes to the financial statements (continued)

At 31 March 2011

3. Operating profit

There have been no employees of the company during the year (2010 nil). The directors' emoluments are borne by other group companies and are not recharged. This is because a fair apportionment is not possible as services are provided to multiple entities.

The auditor's remuneration for the statutory audit of the company was borne by another group undertaking in the current year. The amount attributable but not recharged to UUGM Limited was £12,000 (2010 £20,000). There were no non-audit services provided to the company in either year.

4. Interest payable

	2011 £	2010 £
Bank interest payable	-	(76)

5. Fixed asset investments

	Investment in unlisted joint ventures £
Cost and net book value at 1 April 2010	34,176
Addition	-
Cost and net book value at 31 March 2011	34,176

The company holds a 24.5% investment in the ordinary share capital of the following company:

Name	Country of incorporation	Nature of business
Scottish Water Solutions Limited	Scotland	Delivery of Scottish Water capital programme

Notes to the financial statements (continued)

At 31 March 2011

6. Debtors

Amounts falling due within one year

	2011	2010
	£	£
Amounts owed by related parties (note 11)	894,913	371,806
Prepayments and accrued income	1,503,864	1,186,798
	<u>2,398,777</u>	<u>1,558,604</u>

Amounts falling due after more than one year

	2011	2010
	£	£
Prepayments and accrued income	7,440,844	4,127,815
	<u>7,440,844</u>	<u>4,127,815</u>

7. Creditors

Amounts falling due within one year

	2011	2010
	£	£
Amounts owed to related parties (note 11)	1,490,618	140,253
Accruals and deferred income	1,383,101	1,646,454
Other creditors	-	130,217
Other taxation and social security	21,862	28,535
	<u>2,896,581</u>	<u>1,945,459</u>

8. Creditors

Amounts falling due after more than one year

	2011	2010
	£	£
Accruals and deferred income	7,440,844	4,127,815
	<u>7,440,844</u>	<u>4,127,815</u>

9. Called-up share capital

	2011	2010
	£	£
Allotted, called-up and fully paid		
100 ordinary shares of £1.00 each	100	100
	<u>100</u>	<u>100</u>

Notes to the financial statements (continued)

At 31 March 2011

10. Reserves

	Total shareholders' funds £
At 1 April 2010 and 31 March 2011	34,076

11. Related party transactions

The aggregate transactions which are considered to be material are as follows

	Year Ended 31 March 2011		Year Ended 31 March 2010	
	Sales to related party £	Purchases from related party £	Sales to related party £	Purchases from related party £
Scottish Water Solutions Limited	2,610,220	-	5,802,198	-
Veolia Water Capital Delivery Limited	-	1,247,921	-	-
United Utilities Capital Delivery Limited	-	-	-	3,401,467
Galliford Try Construction Limited	-	655,974	-	1,928,817
Morgan Sindall plc	-	655,974	-	2,341,821
	<u>2,610,220</u>	<u>2,559,869</u>	<u>5,802,198</u>	<u>7,672,105</u>

Amounts owed by and to related parties which are considered to be material are as follows

	Year Ended 31 March 2011		Year Ended 31 March 2010	
	Amounts owed by related party £	Amounts owed to related party £	Amounts owed by related party £	Amounts owed to related party £
Scottish Water Solutions Limited	833,680	-	300,123	-
Veolia Water Capital Delivery Limited	15,194	617,728	-	-
United Utilities Capital Delivery Limited	-	-	15,194	135,188
Galliford Try Construction Limited	1,267	242,930	11,627	-
Morgan Sindall plc	44,772	629,960	44,772	5,065
	<u>894,913</u>	<u>1,490,618</u>	<u>371,806</u>	<u>140,253</u>

The Scottish Water Solutions Limited sales of £2,610,220 for 2011 relate to amounts billed in the year. In accordance with the stated accounting policies, turnover is adjusted based on contract completion and directors' estimates of profit. The current year adjusted turnover for Scottish Water Solutions Limited is £5,666,034 (2010 £5,605,350).

Notes to the financial statements (continued)

At 31 March 2011

11. Related party transactions (continued)

The Veolia Water Capital Delivery Limited purchases of £1,247,921 for 2011 relate to amounts invoiced and accrued for in the year. In accordance with the stated accounting policies, management charges are adjusted based on directors' estimates of contract completion and profit. The current year management charge from Veolia Water Capital Delivery Limited is £1,169,614 (2010 £3,147,420) and a pain/gain sharing mechanism credit of £1,911,795 (2010 £840,000).

The Morgan Sindall plc and Galliford Try Construction Limited purchases of £655,974 each for 2011 relate to amounts invoiced in the year. In accordance with the stated accounting policies, management charges are adjusted based on directors' estimates of contract completion and profit. The current year management charges from Morgan Est plc and Galliford Try Construction Limited are £629,872 (2010 £1,633,040) each and a pain/gain sharing mechanism credit of £637,265 (2010 £280,000) each.

12. Ultimate parent undertaking

The company is owned 60% by Veolia Water Capital Delivery Limited, 20% by Morgan Sindall plc and 20% by Galliford Try Construction Limited. All of these companies are registered in England and Wales.

The shareholder agreement sets out that the financial and operating policies of UUGM Limited will be set in accordance with the wishes of all three shareholders and that any one of the shareholders has the right to veto a policy decision hence it is deemed that there is no one ultimate controlling party.