

UUGM Limited

Report and Financial Statements

For the year ended 31 March 2012



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Directors, advisers and other information

Directors

JD Bevan

MR Saunders

N Paterson

G Sloss

M Hopkins

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 2012

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 loss for the year of £34,176 (2011: £nil) arising from an impairment charge on the investment held. The directors cannot recommend the payment of an ordinary dividend (2011: £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 (2011: 100%). At the end of the year the Q&S III programme was approximately 99.78% complete compared to approximately 97.89% complete in the prior year. As both Q&SII and Q&SIII were in the later programme stages the turnover from fee income in UUGM Limited was reduced compared to the prior year, however this was slightly off-set by the increase in gain share.

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

In May 2012, Scottish Water Solutions Limited delivered the final project over to Scottish Water leaving 41 projects still within the two year warranty period, with the Board deciding against bidding for any more projects. In order to ensure an efficient close down, Scottish Water Solutions Limited successfully negotiated a commercial close with Scottish Water in September 2012 to sell back to them the remaining defects liability. From a trading point of view this now leaves Scottish Water Solutions Limited as a dormant entity. The directors of SWS do not intend to bid for further business from Scottish Water and intend to wind down the company eventually.

The cessation of Scottish Water Solutions Limited's trading activities has resulted in the loss of the company's sole source of income. The Directors of UUGM Limited have no intention for the Company to continue trading through alternative activities.

Going concern

As described above, the company's sole customer ceased to trade in September 2012. As the directors do not intend to identify a replacement activity for the company, the financial statements have been prepared on a basis other than that of going concern. Further details are given in note 1 of the financial statements.

Directors

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

JD Bevan

N Paterson

MR Saunders

G Sloss

IJ Sutherland (resigned 31 December 2012)

R Wilson (resigned 19 July 2012)

M Hopkins (appointed 19 July 2012)

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

25 January 2013

Directors' responsibilities statement 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 2012 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 11. 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 auditor's 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 2012 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

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
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



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

30 January 2013

Profit and loss account

For the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover	1	4,361,863	5,666,034
Administrative expenses	2	(4,396,039)	(5,666,034)
Operating loss	3	<u>(34,176)</u>	<u>-</u>
Loss on ordinary activities before taxation		(34,176)	-
Taxation on loss on ordinary activities		-	-
Loss for the financial year		<u>(34,176)</u>	<u>-</u>

All of the results shown above relate to continuing operations as defined by FRS 3 'Reporting Financial Performance', as the company was still trading three months after the balance sheet date

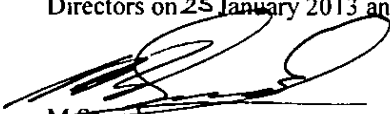
The company had no recognised gains or losses, in either year, other than those contained in the profit and loss account. Accordingly, a separate statement of total recognised gains and losses has not been prepared

Balance sheet

As at 31 March 2012

	Note	2012 £	2011 £
Fixed assets			
Investments	4	-	34,176
Current assets			
Debtors			
- due within one year	5	10,865,965	2,398,777
- due after one year	5	-	7,440,844
Cash at bank and in hand		96,679	496,804
		<u>10,962,644</u>	<u>10,336,425</u>
Creditors amounts falling due within one year	6	(10,962,644)	(2,895,581)
Net current assets		<u>-</u>	<u>7,440,844</u>
Total assets less current liabilities		<u>-</u>	<u>7,475,020</u>
Creditors , amounts falling due after more than one year	7	-	(7,440,844)
Net assets		<u>-</u>	<u>34,176</u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	(100)	34,076
Shareholders' funds		<u>-</u>	<u>34,176</u>

The financial statements of UUGM Limited, registered number 4696850, were approved by the Board of Directors on 25 January 2013 and were signed on its behalf by


M Saunders
Director

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2012

	2012 £	2011 £
Loss for the financial year	(34,176)	-
Reduction to shareholders' funds	(34,176)	-
Opening shareholders' funds	34,176	34,176
Closing shareholders' funds	-	34,176

Notes to the financial statements

At 31 March 2012

1. Accounting policies

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

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.

As described in the directors' report, the trading activities of the company's sole customer ceased pursuant to the year end and the directors do not intend to identify a replacement trade. As required by FRS18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No significant adjustments arose as a result of ceasing to apply the going concern basis. The financial statements do not include any provision for the costs of winding up or liquidating the company as no costs were incurred or committed at the balance sheet date.

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 2012, the company was exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the results of it and its subsidiary undertaking were included in the consolidated financial statements of its significant shareholder 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 and is wholly generated in the UK (2011 same).

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 and net realisable value.

2. Administrative expenses

	2012	2011
	£	£
Management fees	4,361,863	5,666,034

Notes to the financial statements (continued)

At 31 March 2012

3. Operating profit

There have been no employees of the company during the year (2011 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 (2011 £12,000). There were no non-audit services provided to the company in either year.

4. Fixed asset investments

	Investment in unlisted joint venture £
Cost	
At 1 April 2011 and 31 March 2012	34,176
Impairment	
At 1 April 2011	-
Provided in the year	34,176
At 31 March 2012	34,176
Net book value	
At 31 March 2012	-
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

In September 2012, the Board of Scottish Water Solutions Limited agreed that the Company would cease to trade following the end of its projects and the buy-out of its remaining defects liability with Scottish Water.

Notes to the financial statements (continued)

At 31 March 2012

5. Debtors

Amounts falling due within one year

	2012	2011
	£	£
Amounts owed by related parties (note 10)	2,985,965	894,913
Prepayments and accrued income	7,880,000	1,503,864
	<u>10,865,965</u>	<u>2,398,777</u>

Amounts falling due after more than one year

	2012	2011
	£	£
Prepayments and accrued income	-	7,440,844

6. Creditors

Amounts falling due within one year

	2012	2011
	£	£
Amounts owed to related parties (note 10)	3,108,865	1,490,618
Accruals and deferred income	7,844,063	1,383,101
Other taxation and social security	9,716	21,862
	<u>10,962,644</u>	<u>2,896,581</u>

7. Creditors

Amounts falling due after more than one year

	2012	2011
	£	£
Accruals and deferred income	-	7,440,844

8. Called-up share capital

	2012	2011
	£	£
Allotted, called-up and fully paid 100 ordinary shares of £1.00 each	100	100

Notes to the financial statements (continued)

At 31 March 2012

9. Reserves

	Profit and loss account £
At 1 April 2011	34,076
Loss for the year	(34,176)
At 31 March 2012	<u>(100)</u>

10. Related party transactions

The aggregate transactions with related parties are as follows

	Year ended 31 March 2012		Year ended 31 March 2011	
	Sales to related party £	Purchases from related party £	Sales to related party £	Purchases from related party £
Scottish Water Solutions Limited	656,230	-	2,610,220	-
Veolia Water Capital Delivery Limited	-	389,300	-	1,247,921
Galliford Try Construction Limited	-	127,337	-	655,974
Morgan Sindall plc	-	127,337	-	655,974
	<u>656,230</u>	<u>643,974</u>	<u>2,610,220</u>	<u>2,559,869</u>

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

	Year ended 31 March 2012		Year ended 31 March 2011	
	Amounts owed by related party £	Amounts owed to related party £	Amounts owed by related party £	Amounts owed to related party £
Scottish Water Solutions Limited	1,689,813	-	833,680	-
Veolia Water Capital Delivery Limited	753,194	1,866,690	15,194	617,728
Galliford Try Construction Limited	252,186	625,081	1,267	242,930
Morgan Sindall plc	290,772	617,094	44,772	629,960
	<u>2,985,965</u>	<u>3,108,865</u>	<u>894,913</u>	<u>1,490,618</u>

The Scottish Water Solutions Limited sales of £656,230 for 2012 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 £4,361,863 (2011: £5,666,034).

Notes to the financial statements (continued)

At 31 March 2012

10. Related party transactions (continued)

The Veolia Water Capital Delivery Limited purchases of £401,556 for 2012 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 charge from Veolia Water Capital Delivery Limited is £1,967,695 (2011: £1,169,614) and a pain/gain sharing mechanism of £792,278 (2011: £1,911,795).

The Morgan Sindall Plc and Galliford Try Construction Limited purchases of £127,337 each for 2012 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 Sindall plc and Galliford Try Construction Limited are £536,853 (2011: £629,872) each and a pain/gain sharing mechanism of £264,093 (2011: £637,265) each.

11. Ultimate parent undertaking and controlling party

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 ultimate controlling party is Veolia Environnement SA. Veolia Water UK Plc, a company registered in England and Wales, is the parent undertaking of the smallest group to consolidate the statutory financial statements of the company. Veolia Environnement SA, a company incorporated in France, is the parent undertaking of the largest group to consolidate these statutory financial statements, and is the ultimate holding and controlling company.

Copies of the group financial statements of Veolia Water UK Plc may be obtained from the Head Office at Kings Place, Fifth Floor, 90 York Way, London N1 9AG.

Copies of the group financial statements of Veolia Environnement SA may be obtained from the Head Office at 36-38 Avenue Kleber, 75116 Paris, France.