Registered no: 5630642

Glen Water Limited

Annual report

for the year ended 31 March 2008

Glen Water Limited

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Glen Water Limited

Directors and advisers

Directors

J M Dean
J G Spetch
R DuJardin
F Devos

Alternate Directors

M R Saunders (Alternate director for F Devos)
R T Hudson (Alternate director for R DuJardin)

Secretary

C W P McKenzie

Registered office

Bridge Place
Anchor Boulevard
Admirals Park Crossways
Dartford
Kent
DA2 6SN

Bankers

Bank of Ireland Limited
Eastcheap Court
11 Philpott Lane
London
EC3M 8BA

Depfa Bank Plc
1 Commons Street
Dublin 1

Solicitors

Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN

McGrigors LLP
5 Old Bailey
London
EC4M 7BA

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Principal activity

The principal activity of the company is the designing, building, financing and operation of a series of waste water treatment plants in Northern Ireland.

Following the completion of Acceptance Tests, Service Commencement in respect of the North Down Ards Wastewater Treatment Works was achieved on 5 May 2008.

Results

The company made a loss of £19,000 during the year (2007: £nil).

Political and charitable donations

The company made no political or charitable donations during the year (2007: £nil).

Directors

The directors who served the company during the year were:

J Mitchell	(Resigned 5 March 2008)
G Scarr-Hall	(Resigned 9 November 2007)
J G Spetch	
J M Dean	(Appointed 9 November 2007)
R DuJardin	(Appointed 5 March 2008)
F Devos	(Appointed 28 November 2007)
M R Saunders (Alternate director for F Devos)	(Appointed 28 November 2007)
R T Hudson (Alternate director for R DuJardin)	

Under the terms of the joint venture agreement between Veolia Water Outsourcing Limited and Portfolio Solutions (Northern Ireland) Limited the shareholders of the company's parent undertaking, Glen Water (Holdings) Limited, may appoint directors to that company such that the number of directors representing each shareholder is equal. In turn Glen Water (Holdings) Limited appoints directors on the same basis. Each duly appointed director may appoint an alternate to attend Board meetings, and who may vote in the absence of the director so appointing. Accordingly M R Saunders and R T Hudson act as alternate directors for F Devos and R DuJardin.

Statement of directors' responsibilities in respect of the annual report and 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company of its profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Directors' report for the year ended 31 March 2008 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements (continued)

The directors are responsible for keeping proper accounting records that 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.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Small companies' exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

J M Dean
Director
12 September 2008

Independent auditors' report to the members of Glen Water Limited

We have audited the financial statements of Glen Water Limited for the year ended 31 March 2008, which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International 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 judgements 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 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 2008 and of its loss for the year then ended;
- the financial statements 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
19 December 2008

Profit and loss account for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	**831**	-
Administrative expenses		**(281)**	-
Operating profit	3	**550**	-
Interest payable and similar charges	4	**(569)**	-
Loss on ordinary activities before taxation		**(19)**	-
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial year	13	**(19)**	-

All amounts above relate to continuing operations of the company.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

Glen Water Limited

Balance sheet at 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	8	**126,175**	54,541
Current assets			
Debtors	9	**1,345**	5,053
Cash at bank and in hand		**5,493**	13,649
		6,838	18,702
Creditors: amounts falling due within one year	10	**(29,173)**	(19,972)
Net current liabilities		**(22,335)**	(1,270)
Total assets less current liabilities		**103,840**	53,271
Creditors: amounts falling due after more than one year	11	**(103,858)**	(53,270)
Net (liabilities)/assets		**(18)**	1
Capital and reserves			
Called up share capital	12	**1**	1
Profit and loss reserve	13	**(19)**	-
Shareholders' (deficit)/funds	14	**(18)**	1

The financial statements on pages 5 to 11 were approved by the Board on 12 September 2008 and were signed on its behalf by:

J M Dean
Director

R Du Jardin
Director

Notes to the financial statements for the year ended 31 March 2008

1 Accounting policies

The accounts have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The significant accounting policies adopted are set out below.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

Assets in the course of construction are included in tangible fixed assets at their purchase cost and are depreciated from the date on which they are brought into use.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities have not been discounted.

Interest capitalised

Interest costs and similar charges attributable to assets in the course of construction are capitalised to those assets without deduction of tax relief. Capitalisation of interest ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Borrowings

Bank loans are stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings.

Accounting for Private Finance Initiative contracts

The company has adopted the provisions of FRS 5 'Reporting the substance of transactions' (Application Note F) in determining the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts. Where it can be demonstrated that the balance of risks and rewards derived from the underlying asset are not borne by the company, the asset created and/or provided under the contract is accounted for as a finance lease receivable under SSAP 21 or as a financial asset under FRS 5; otherwise, it is classified as a fixed asset.

Turnover

Turnover represents liquidated damages received during the year in respect of delays in achieving Service Commencement.

Cash flow statement

The company is exempt from preparing a cash flow statement under Financial Reporting Standard 1 as it is a small company.

2 Analysis of turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

Notes to the financial statements for the year ended 31 March 2008

3 Operating profit

	2008 £'000	2007 £'000
This is stated after charging:		
Fees payable to the company's auditors in respect of the audit of the company's financial statements	5	-
Fees payable to the company's auditors in respect of taxation services	3	-
	8	-

4 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable on bank loans	5,207	623
Other finance costs	162	339
	5,369	962
Less interest and similar charges capitalised as part of fixed asset additions	(4,800)	(962)
	569	-

5 Employee information

The company did not employ any individuals during the year.

6 Directors' emoluments

The directors did not receive any remuneration in respect of their services to the company during the year (2007: £nil).

7 Tax on loss on ordinary activities

The company has no liability to taxation arising in respect of its activities during the year (2007: £nil).

There is no material difference between the loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 30% and the tax charge for the year.

The company has tax losses of £5,781,000 (2007: £962,000) available for future offset against trading profits.

The company has a deferred tax asset of approximately £1,619,000 (2007: £289,000) arising from these tax losses. This deferred tax asset is not disclosed in these financial statements as it is offset by a deferred tax liability of £1,619,000 (2007: £289,000) arising on the treatment of capitalised finance costs.

Notes to the financial statements for the year ended 31 March 2008

8 Tangible fixed assets

	Assets in the course of construction £'000
Cost	
At 1 April 2007	**54,541**
Additions	**71,634**
At 31 March 2008	**126,175**
Net book value	
At 31 March 2008	**126,175**
At 31 March 2007	**54,541**

Interest and other finance costs capitalised during the year amounted to £4,800,000 (2007: £962,000). Interest and other finance costs capitalised as at 31 March 2008 amount to £5,762,000 (2007: £962,000).

9 Debtors

	2008 £'000	2007 £'000
Other debtors	**1,345**	5,053

10 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**8,223**	8,685
Bank loans	**14,693**	-
Other creditors	**2,443**	2,910
Amounts owed to related parties	**3,430**	7,527
Accruals and deferred income	**384**	850
	29,173	19,972

Bank loans are secured by a fixed and floating charge over the assets of the company and by way of guarantees given by the parent undertakings of the corporate shareholders.

11 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Bank loans	**103,858**	53,270

Bank loans are secured by a fixed and floating charge over the assets of the company and by way of guarantees given by the parent undertakings of the corporate shareholders and are repayable in varying instalments commencing 31 December 2009 with full repayment due by 31 December 2030.

The loans carry interest at rates of LIBOR plus 0.3% to LIBOR plus 1.15%.

Notes to the financial statements for the year ended 31 March 2008

11 Creditors: amounts falling due after more than one year (continued)

The maturity of the bank loans is as follows:

	2008 £'000	2007 £'000
Within one year	14,693	-
Between one and two years	-	14,651
Between two and five years	4,285	667
In more than five years	99,573	37,952
	118,551	53,270

The bank loans are stated net of unamortised issue costs of £1,183,000 (2007: £1,235,000).

All amounts falling due after more than five years are repayable by instalments.

12 Called up share capital

	2008 £'000	2007 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted and fully paid		
1,000 ordinary shares of £1 each	1	1

13 Profit and loss account

	2008 £'000
Loss for the financial year	(19)
At 31 March 2008	(19)

14 Reconciliation of movements in shareholders' (deficit)/funds

	2008 £'000	2007 £'000
Loss for the financial year	(19)	-
Issue of ordinary shares	-	1
Net movement in shareholders' funds	(19)	1
Opening shareholders funds	1	-
Closing shareholders' (deficit)/funds	(18)	1

Notes to the financial statements for the year ended 31 March 2008 (continued)

15 Related party transactions and ultimate controlling party

Transactions with related parties were as follows:

Name of related party (relationship)	Nature of transaction	Amount of transaction 2008 £'000	Amount owed by/(to) related party 2008 £'000	Amount of transaction 2007 £'000	Amount owed by/(to) related party 2007 £'000
Portfolio Solutions (Northern Ireland) Limited (Shareholder)	Costs in respect of assets under the course of construction	103	(27)	1,783	(15)
	Loan (repaid)/received	(7,512)	-	7,512	(7,512)
Veolia Water Outsourcing Limited (Shareholder)	Costs in respect of assets under the course of construction	199	(265)	320	-
	Operating charges	263	-	-	
Laing O'Rourke/Veolia Water joint venture entity (Common interest)	Loan received	3,116	(3,116)	-	-
Laing O'Rourke/Veolia Water joint venture entity (Common interest)	Costs in respect of assets under the course of construction	65,625	(10,410)	49,393	(8,644)

There is no ultimate controlling party.

16 Ultimate parent undertaking

The immediate and ultimate parent undertaking is Glen Water (Holdings) Limited, a company incorporated in England. Group financial statements for this company are not prepared.

17 Capital commitments

	2008 £'000	2007 £'000
Capital expenditure		
Contracted for but not provided in the financial statements	10,165	75,790