Registered number: 5630642

Glen Water Limited

Annual report

for the year ended 31 March 2009

Glen Water Limited

Annual report for the year ended 31 March 2009

Glen Water Limited

Directors and advisers

Directors

J M Dean
P C Grammer
M R Saunders
F E Devos

Alternate director

R T Hudson (Alternate director for M R Saunders)

Company 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

McGrigors LLP
5 Old Bailey
London
EC4M 7BA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the year ended 31 March 2009

The directors present their report and the audited financial statements of the company for the year ended 31 March 2009

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

Subsequent to 31 March 2009 service commencement in respect of the Richill, Armagh and Ballyrickard Wastewater Treatment Works was achieved

Results

The company made a loss of £923,000 during the year (2008 profit of £119,000 as restated)

The company has recurring accounting losses and accordingly net liabilities In view of the structure of the company's Private Finance Initiative contract with its customer, this is a situation which will prevail for potentially 15 years However, the company is cash generative and is forecast to remain cash positive over that 15 year period The forecast cash generated is adequate to meet the company's liabilities as they fall due over the next 12 months including the scheduled partial repayment of capital and interest on the company's bank loan and unsecured loan notes Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the accounts

Political and charitable donations

The company made charitable donations during the year, principally for the benefit of local communities in which the company operates, of £1,000 (2008 £nil) No donations for political purposes were made during the year (2008 £nil)

Directors

The directors who served the company during the year were

J G Spetch	(Resigned 22 January 2009)
J M Dean	
R DuJardin	(Resigned 10 March 2009)
P J Evans	(Appointed 22 January 2009, Resigned 2 November 2009)
F E Devos	
M R Saunders	(Appointed 10 March 2009)
R T Hudson	(Alternate director for M R Saunders)

On 2 November 2009 P C Grammer was appointed as a director of the company

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 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 R T Hudson acts as an alternate director for M R Saunders

Directors' report for the year ended 31 March 2009 (continued)

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

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

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

Independent auditors

The 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

By order of the Board

J M Dean
Director

17/12/2009

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 2009, which comprise the profit and loss account, the statement of total recognised gains and losses, the 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 and the directors and advisers page 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 2009 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 January 2010

Profit and loss account for the year ended 31 March 2009

	Notes	2009 £'000	2008 As restated £'000
Turnover	2	**7,030**	831
Operating expenses	3	**(4,395)**	(97)
Operating profit	4	**2,635**	734
Interest payable and similar charges	5	**(3,926)**	(569)
(Loss)/profit on ordinary activities before taxation		**(1,291)**	165
Tax credit/(charge) on (loss)/profit on ordinary activities	8	**368**	(46)
(Loss)/profit for the financial year	15	**(923)**	119

All amounts above relate to continuing operations of the company

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

Statement of total recognised gains and losses for the year ended 31 March 2009

	Note	2009 £'000	2008 As restated £'000
(Loss)/profit for the financial year		(923)	119
Total recognised (loss)/gain for the financial year		**(923)**	119
Prior year adjustment	15	**138**	
Total recognised (loss)/gain since the last annual report		**(785)**	

Glen Water Limited

Balance sheet as at 31 March 2009

	Notes	2009 £'000	2008 As restated £'000
Fixed assets			
Tangible assets	9	**140,238**	126,359
Current assets			
Debtors	10	**2,558**	1,345
Cash at bank and in hand		**10,808**	5,493
		13,366	6,838
Creditors: amounts falling due within one year	11	**(4,513)**	(29,173)
Net current assets/(liabilities)		**8,853**	(22,335)
Total assets less current liabilities		**149,091**	104,024
Creditors: amounts falling due after more than one year	12	**(149,894)**	(103,858)
Provisions for liabilities and charges	13	**-**	(46)
Net (liabilities)/assets		**(803)**	120
Capital and reserves			
Called up share capital	14	**1**	1
Profit and loss reserve	15	**(804)**	119
Shareholders' (deficit)/funds	16	**(803)**	120

The financial statements on pages 5 to 15 were approved by the Board of directors on 17/12/2009 and were signed on its behalf by

J M Dean
Director

M R Saunders
Director

Registered number 5630642

Notes to the financial statements for the year ended 31 March 2009

1 Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards The principal accounting policies adopted are set out below

The company has recurring accounting losses and accordingly net liabilities In view of the structure of the company's Private Finance Initiative contract with its customer, this is a situation which will prevail for potentially 15 years However, the company is cash generative and is forecast to remain cash positive over that 15 year period The forecast cash generated is adequate to meet the company's liabilities as they fall due over the next 12 months including the scheduled partial repayment of capital and interest on the company's bank loan and unsecured loan notes Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the accounts

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated deprecation

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

The principal annual rates used are as follows

Infrastructure assets	-	24 years
Building & concrete structures	-	24 years
Pumping equipment	-	20 years
Other equipment	-	7 to 15 years

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

Notes to the financial statements for the year ended 31 March 2009

1 Accounting policies (continued)

Turnover

Turnover represents invoiced amounts in respect of the provision of water and sewerage services and liquidated damages received during the year in respect of delays in achieving Service Commencement Turnover is shown net of value added tax Turnover in respect of the provision of water and sewerage services is recognised on the basis of daily usage and turnover in respect of liquidated damages is recognised on a daily basis from the date of agreed service commencement

Cash flow statement

The company is exempt from preparing a cash flow statement under Financial Reporting Standard Number 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

3 Operating expenses

	2009 £'000	2008 As restated £'000
Cost of sales	4,346	-
Administrative expenses	49	97
	4,395	97

4 Operating profit

	2009 £'000	2008 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets	2,727	-
Fees payable to the company's auditors in respect of the audit of the company's financial statements	8	5
Fees payable to the company's auditors in respect of taxation services	3	3

5 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on bank loans	8,132	5,207
Other finance costs	52	162
	8,184	5,369
Less interest payable and similar charges capitalised as part of fixed asset additions	(4,258)	(4,800)
	3,926	569

Notes to the financial statements for the year ended 31 March 2009

6 Employee information

The company dıd not employ any ındıvıduals durıng the year (2008 none)

7 Directors' emoluments

The dırectors dıd not receıve any remuneratıon ın respect of theır servıces to the company durıng the year (2008 £nıl)

8 Tax credit/(charge) on (loss)/profit on ordinary activities

	2009 £'000	2008 As restated £'000
Deferred tax:		
Orıgınatıon and reversal of tımıng dıfferences	368	(46)
Tax credıt/(charge) on (loss)/profit on ordinary actıvıties	368	(46)

The tax assessed for the year dıffers from the standard rate of Corporatıon Tax ın the UK of 28% (2008 30%) The dıfferences are explaıned below

	2009 £'000	2008 As restated £'000
(Loss)/profit on ordınary actıvıtıes before tax	(1,290)	165
(Loss)/profit on ordınary actıvıtıes multıplıed by standard rate ın the UK 28% (2008 30%)	(361)	50
Effects of		
Change ın tax rates	(7)	(4)
Orıgınatıon and reversal of tımıng dıfferences	368	(46)
Current tax charge for the year	-	-

Glen Water Limited

Notes to the financial statements for the year ended 31 March 2009

9 Tangible assets

	Assets under construction £'000	Infrastructure assets £'000	Building & concrete structures £'000	Pumping equipment £'000	Other equipment £'000	Total £'000
Cost						
At 1 April 2008 as previously reported	126,175	-	-	-	-	126,175
Prior year adjustment (note 15)	184	-	-	-	-	184
At 1 April 2008 as restated	126,359	-	-	-	-	126,359
Additions	16,606	-	-	-	-	16,606
Transfers	(59,868)	12,780	25,628	16,302	5,158	-
At 31 March 2009	83,097	12,780	25,628	16,302	5,158	142,965
Accumulated depreciation						
At 1 April 2008	-	-	-	-	-	-
Additions	-	491	987	628	621	2,727
At 31 March 2009	-	491	987	628	621	2,727
Net book amount						
At 31 March 2009	83,097	12,289	24,641	15,674	4,537	140,238
At 31 March 2008	126,175	-	-	-	-	126,175

Interest and other finance costs capitalised during the year amounted to £4,258,000 (2008 £4,800,000) Interest and other finance costs capitalised as at 31 March 2009 amount to £9,868,000 (2008 £5,762,000), which is stated after depreciation of those capitalised costs of £152,000

10 Debtors

	2009 £'000	2008 £'000
Trade debtors	533	24
Amounts owed by related parties	484	1,321
Other debtors	1,220	-
Deferred tax asset (note 13)	321	-
	2,558	1,345

Notes to the financial statements for the year ended 31 March 2009

11 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	8	8,223
Bank loan	3	14,693
Unsecured loan notes due 2031	107	-
Other creditors	2,232	2,443
Amounts owed to related parties	1,187	3,430
Accruals and deferred income	976	384
	4,513	29,173

The bank loan is 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

12 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Bank loan	135,245	103,858
Unsecured loan notes due 2031	14,649	-
	149,894	103,858

The bank loan is 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 is repayable in varying instalments commencing 31 December 2009 with full repayment due by 31 December 2030 The loan carries interest at a rate of LIBOR plus 1 15% The unsecured subordinated loan notes are repayable in varying instalments commencing 31 December 2009 with full repayment due by 31 December 2031 and carry interest at a rate of 9% per annum

The maturity of the bank loan and unsecured loan notes is as follows

	2009	2008
	£'000	£'000
Within one year	110	14,693
Between one and two years	748	-
Between two and five years	9,509	4,285
In more than five years	139,637	99,573
	150,004	118,551

The bank loan and unsecured loan notes are stated net of unamortised issue costs of £1,131,000 (2008 £1,183,000)

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

Notes to the financial statements for the year ended 31 March 2009

13 Provisions for liabilities and charges

Deferred taxation (asset)/liability	£'000
At 1 April 2008 as previously reported	-
Prior year adjustment (note 15)	46
At 1 April 2008 as restated	46
Credited to the profit and loss account during the year	(367)
At 31 March 2009	**(321)**

	2009 £'000	2008 £'000
Deferred taxation is provided as follows:		
Tax losses	(7,746)	(1,567)
Excess of depreciation over capital allowances	4,661	-
Timing differences in respect of capitalised interest	2,764	1,613
	(321)	46

The company has tax losses of approximately £27,664,000 (2008 £5,596,000) available for offset against future trading profits The company has a deferred tax asset of approximately £7,746,000 (2008 £1,567,000) arising from these tax losses

14 Called up share capital

	2009 £'000	2008 £'000
Allotted and fully paid		
1,000 ordinary shares of £1 each	1	1

15 Profit and loss account

	2009 £'000
At 1 April 2009 as previous reported	(19)
Prior year adjustment	138
At 1 April 2008 as restated	119
Loss for the financial year	(923)
At 31 March 2009	**(804)**

The company has adjusted its financial statements for the year ended 31 March 2008 in order to capitalise costs amounting to £184,000, which were originally included as operating expenses, as fixed assets, together with a corresponding adjustment to deferred tax of £46,000 This prior year adjustment has increased shareholders' funds by £138,000 as at 31 March 2008 and profits for the year ended 31 March 2008 by £138,000 The prior year adjustment had no effect on shareholders' funds as at 1 April 2007

Notes to the financial statements for the year ended 31 March 2009

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

	2009 £'000	2008 £'000
(Loss)/profit for the financial year	(923)	119
Opening shareholders funds (*)	120	1
Closing shareholders' (deficit)/funds	(803)	120

(*) Opening shareholders funds is stated after a prior year adjustment of £138,000

17 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 2009 £'000	Amount owed by/(to) related party 2009 £'000	Amount of transaction 2008 £'000	Amount owed by/(to) related party 2008 £'000
Portfolio Solutions (Northern Ireland) Limited (Shareholder)	Costs in respect of assets under the course of construction	181	(129)	103	(27)
	Loan (repaid)/received	-	-	(7,512)	-
	Operating charges	24	-		
	Issue of loan notes	7,378	(7,378)	-	-
Veolia Water Outsourcing Limited (Shareholder)	Costs in respect of assets under the course of construction	1,890	(1,021)	199	(265)
	Operating charges	1,328	-	263	-
	Issue of loan notes	7,378	(7,378)	-	-
Laing O'Rourke/Veolia Water joint venture entity (Common interest)	Costs in respect of assets under the course of construction	9,850	445	65,625	(10,410)
	Revenue	1,346	-		
	Loan received	-	-	3,116	(3,116)

There is no ultimate controlling party

18 Financial instruments

The company has entered into SWAP agreements with certain financial institutions in order to swap the variable interest arising on the company's bank loan with fixed interest As at 31 March 2009 the fair value of the company's SWAP agreements are a liability of £18 4m

19 Ultimate parent undertaking

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

Notes to the financial statements for the year ended 31 March 2009

20 Capital commitments

	2009	2008
	£'000	£'000
Capital expenditure		
Contracted for but not provided in the financial statements	**314**	10,165