

Aqueduct PLC

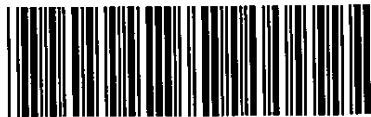
Report and Financial Statements

Period Ended

31 December 2009

Company Number 06278663

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Aqueduct PLC

Report and financial statements for the period ended 31 December 2009

Contents

Page:

1	Report of the directors
4	Independent auditor's report
6	Profit and loss account
7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

Directors

A Bishop
A Hedges
N Thomas
L Trachtenberg

Secretary and registered office

Bridge House Secretaries, Suite 426, Linen Hall, 162-168 Regent Street, London, W1B 5TE

Company number

06278663

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Aqueduct PLC

Report of the directors for the period ended 31 December 2009

The directors present their report together with the audited financial statements for the period ended 31 December 2009

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the period

The directors do not recommend the payment of a dividend

Principal activities, trading review and future developments

Aqueduct PLC is a vendor-independent energy and water management company able to recommend, design, implement and if required operate or outsource engineering solutions on a long term basis. Aqueduct works with large industrial and manufacturing companies to address increasingly important issues of sustainability and sustainable growth.

Aqueduct provides services to an expanding number of production sites across the globe including benchmarking, identifying and delivering business case justified improvement projects, designing and implementing energy and water treatment facilities and helping design new 'green' factories in water stressed regions.

Aqueduct's methodology is to send highly expert teams of engineers and scientists to the client site to examine how every drop of water is treated, used and disposed of. The resultant report forms an "Audit" document which becomes the roadmap for sustainable use, treatment and disposal of water, whereby Aqueduct sets out detailed work packages to improve a companies' environmental impact. Aqueduct then delivers these work packages.

Subsequent to the year end client demand has led to Aqueduct building a team to replicate its activity with water to that of energy and Aqueduct is now engaging with clients in addressing issues of optimizing energy supply and use.

Aqueduct's approach and model is not dependent upon the commercial sensitivities created by the UK regulatory environment. This has led to the company growing its business outside of the UK and it is expected that in future years the company will see the majority of its revenue and earnings coming from outside of the UK. Aqueduct is currently actively working at client sites in 17 countries across Europe, the Americas and Middle East, Asia and Africa.

During the 18 month period the company had turnover of £0.5m, (2008 -£0.1m) and incurred a loss before taxation of £2.0m (2008 - 1.3m). Throughout the period under review the company continued the development of its service offering and marketing activities, refining its marketing strategy to deal with the rapidly changing economic climate. Major projects of the type being developed by the company take some time for the revenue streams to commence.

However as of the year end 31 December 2009, Aqueduct had completed one water treatment facility, with another in the course of construction. The completed plant will give rise to future gross revenue of at least £3.6m over the remaining contract life of 14 years. Aqueduct's future growth looks set for a significant and strong upturn, with committed orders to be delivered in 2011 already exceeding £3m, with further substantial orders expected shortly. Aqueduct's customer base has also expanded, since the year end, and now includes several large multinational companies.

The second facility is currently the subject of negotiations with the customer in the light of revised water treatments specifications causing delays in the completion of the plant.

Whilst the company is not yet profitable its current shareholders have committed the necessary funds to continue to support Aqueduct until it is cashflow positive. The investors are also supporting the company as it looks to grow its staffing levels to meet demand for services.

Charitable and political donations

During the period the company made no charitable or political contributions (30 June 2008 - £Nil)

Aqueduct PLC

Report of the directors for the period ended 31 December 2009 (Continued)

Financial instruments

The main financial risks arising from the company's activities are credit risk, interest rate risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of credit risk, is to require appropriate credit checks on potential customers before sales are made.

The company's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance and readily accessible bank deposit accounts to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. Debt is maintained at fixed interest rates.

Directors

The directors of the company during the period were

A Bishop
A Hedges
N Thomas
L Trachtenberg

No director had any interest in the ordinary shares of the company.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.

Aqueduct PLC

Report of the directors for the period ended 31 December 2009 (*Continued*)

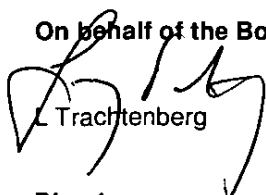
Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing the directors' report the directors have taken advantage of the exemptions allowed for small companies and set out in the Companies Act 2006.

On behalf of the Board



L. Trachtenberg

Director

Date

21/01/2011

Aqueduct PLC

Independent auditor's report

TO THE MEMBERS OF AQUEDUCT PLC

We have audited the financial statements of Aqueduct PLC for the period ended 31 December 2009 which comprise [specify the primary statements such as the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, the cash flow statement] and the related notes. 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 auditors

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 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 (APB'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.

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 December 2009 and of its loss for the period 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 - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is dependant on the support of its ultimate shareholders. Whilst they have indicated their willingness to continue to support the company for the foreseeable future, no legally binding agreement is in place. This condition, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Aqueduct PLC

Independent auditor's report (*Continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period 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 prepare the directors' report in accordance with the small companies' regime

BDO LLP

*David Gill, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

21 January 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Aqueduct PLC

Profit and loss account for the period ended 31 December 2009

	Note	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Turnover	2	524,276	137,999
Cost of sales		(241,670)	(6,770)
Gross profit		282,606	131,229
Administrative expenses		(2,179,184)	(1,409,395)
Operating loss	5	(1,896,578)	(1,278,166)
Other interest receivable and similar income		3,686	2,813
Interest payable and similar charges	6	(123,117)	(49,773)
Loss on ordinary activities before taxation		(2,016,009)	(1,325,361)
Taxation on profit from ordinary activities	7	-	-
Loss on ordinary activities after taxation		(2,016,009)	(1,325,361)

All amounts relate to continuing activities

All recognised gains and losses in the period are included in the profit and loss account above

The notes on pages 9 to 17 form part of these financial statements

Aqueduct PLC

Balance sheet at 31 December 2009

Company number 06278663

	Note	31 December 2009 £	31 December 2009 £	30 June 2008 £	30 June 2008 £
Fixed assets					
Tangible assets	8		1,519,728		19,157
Current assets					
Debtors	9	372,619		112,473	
Cash at bank and in hand		27,153		233,396	
		<u>399,772</u>		<u>345,869</u>	
Creditors amounts falling due within one year	10	<u>1,694,743</u>		<u>368,252</u>	
Net current liabilities			<u>(1,294,971)</u>		<u>(22,383)</u>
Total assets less current liabilities			<u>224,757</u>		<u>(3,226)</u>
Creditors amounts falling due after more than one year	11		<u>(3,516,127)</u>		<u>(1,272,135)</u>
Net assets			<u>(3,291,370)</u>		<u>(1,275,361)</u>
Capital and reserves					
Called up share capital	12		50,000		50,000
Profit and loss account	13		<u>(3,341,370)</u>		<u>(1,325,361)</u>
Shareholders' deficit	14		<u>(3,291,370)</u>		<u>(1,275,361)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21/1/11


L. Trachtenberg
Director

The notes on pages 9 to 17 form part of these financial statements

Aqueduct PLC

Cash flow statement for the period ended 31 December 2009

	Note	Period ended 31 December 2009 £	Period ended 31 December 2009 £	Period ended 30 June 2008 £	Period ended 30 June 2008 £
Net cash outflow from operating activities	15		(1,048,959)		(1,065,696)
Returns on investments and servicing of finance					
Interest received		3,686		2,813	
Interest paid		(36,917)		(235)	
Net cash (outflow)/inflow from returns On investments and servicing of finance			(33,231)		2,578
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(1,536,799)		(25,261)
			(2,618,989)		(1,088,379)
Equity dividends paid			-		-
Cash outflow before use of liquid resources and financing			(2,618,989)		(1,088,739)
Management of liquid resources					
Decrease in short term deposits			-		-
Financing					
Loan		2,338,081		1,272,135	
Share capital		-		50,000	
			2,338,081		1,322,135
(Decrease)/increase in cash			(280,908)		233,396

The notes on pages 9 to 17 form part of these financial statements

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009

1 Accounting policies

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

The following principal accounting policies have been applied

Going concern and liquidity risk

The financial statements have been drawn up on the going concern basis as, in the opinion of the directors, the company and group will continue to operate within the facilities likely to be available to it for the foreseeable future and the company will be able to pay its debts as they fall due. In arriving at this conclusion the directors have taken into account the following information

To date the company has been funded by loans from its ultimate shareholders, loans from banks for specific projects, and an on-demand overdraft facility

The directors have prepared cash flow forecasts covering the period to 31 January 2012 based on their current expectations of trading prospects for the company. The forecasts include significant increases in turnover and profit of the company based upon the expected inflow of orders for the company's services, but indicate that the company requires further funding during the period. The ultimate shareholders of the group remain committed to supporting the company and have indicated that they will provide funds as necessary to the Group and company to enable the company to meet its liabilities as they fall due, although no legally binding agreements are in place

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery, or when the service has been performed

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates

Water treatment plant	- 20% - 6 7% per annum
Communications equipment	- 20% per annum
Management systems	- 33⅓% per annum
Computer equipment	- 33⅓% per annum

Depreciation commences when the assets have been brought into use

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (*Continued*)

1 Accounting policies (*Continued*)

Taxation

The charge for taxation is based on the profit for the period and taken into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom. Turnover is recognised as work is carried out

3 Employees

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Staff costs including directors consist of		
Wages and salaries	1,016,547	445,492
Social security costs	117,255	51,193
	<hr/>	<hr/>
	1,133,802	496,685
	<hr/>	<hr/>

The average number of employees during the period was 10 (30 June 2008 - 12)

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (*Continued*)

4 Directors

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Directors' remuneration consist of		
Emoluments	596,841	240,000
<i>Highest paid director</i>		
Emoluments	155,722	80,000

5 Operating loss

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
This has been arrived at after charging		
Depreciation	36,228	6,464
Auditors' remuneration	20,000	10,000

6 Interest payable

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Bank interest	36,917	-
Inter group interest	86,200	49,773
	123,117	49,773

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (*Continued*)

7 Taxation on profit from ordinary activities

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
<i>Current tax</i>		
UK corporation tax on loss of the period	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Taxation on loss on ordinary activities	-	-

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Loss on ordinary activities before tax	(2,016,009)	(1,325,361)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (30 June 2008 - 28%)	(564,482)	(371,101)
Effects of Losses carried forward	564,482	371,101
Current tax charge for period	-	-

Aqueduct PLC

Notes forming part of the financial statements
for the period ended 31 December 2009 (*Continued*)

8 Tangible assets

	Water treatment plant £	Communications equipment £	Computer equipment £	Management systems £	Total £
<i>Cost</i>					
At 1 July 2008	-	4,464	12,657	8,500	25,621
Additions	1,534,482	-	2,316		1,536,798
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	1,534,482	4,464	14,973	8,500	1,562,419
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 July 2008	-	(744)	(3,595)	(2,125)	(6,464)
Provided for the period	(23,413)	(1,339)	(7,225)	(4,250)	(36,227)
Impairment in period	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	(23,413)	(2,083)	(10,820)	(6,375)	(42,691)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 December 2009	1,511,069	2,381	4,153	2,125	1,519,728
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008	-	3,720	9,062	6,375	19,157
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (Continued)

9 Debtors

	31 December 2009 £	30 June 2008 £
Trade debtors	56,224	78,281
Prepayments and accrued income	79,634	28,029
Amounts owed by group undertaking	108,531	-
Other debtors	128,230	6,163
	<u>372,619</u>	<u>112,473</u>

All amounts shown under debtors fall due for payment within one year

10 Creditors amounts falling due within one year

	31 December 2009 £	30 June 2008 £
Bank loans and overdrafts	168,753	-
Trade creditors	801,781	168,857
Other taxation and social security	276,260	17,381
Other creditors	10,500	29,831
Accruals	437,449	152,183
Amounts owed to group undertakings	-	-
	<u>1,694,743</u>	<u>368,252</u>

11 Creditors: amounts falling due after more than one year

	31 December 2009 £	30 June 2008 £
Amounts owed to group undertakings	1,882,135	1,272,135
Bank loans	1,540,992	-
Other loans	93,000	-
	<u>3,516,127</u>	<u>1,272,135</u>

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (Continued)

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

Amounts owed to group undertakings have no set date for repayment, but are due after more than one year
Interest is charged at 2% above base

	31 December 2009 £	30 June 2008 £
Bank loans are secured on fixed assets and fall due as follows		
Due in less than one year	94,088	-
Due in 1 -2 years	211,387	-
Due in 2 - 5 years	609,863	-
Due after 5 years	719,742	-
	<u>1,635,080</u>	<u>-</u>

Bank loans bear interest at commercial rates Other loans are interest free and have no set date for payments

12 Share capital

	Authorised, allotted, called up and fully paid			
	31 December 2009 Number	30 June 2008 Number	31 December 2009 £	30 June 2008 £
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

13 Reserves

	Profit and loss account £
At 1 July 2008	(1,325,361)
Loss for period	<u>(2,016,009)</u>
At 31 December 2009	<u>(3,341,370)</u>

Aqueduct PLC

Notes forming part of the financial statements for the period ended 31 December 2009 (Continued)

14 Reconciliation of movements in shareholders' deficit

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Opening shareholders' deficit	(1,275,361)	-
Loss for the period	(2,016,009)	(1,325,361)
Called up share capital	-	50,000
	<hr/>	<hr/>
Closing shareholders' deficit	(3,291,370)	(1,275,361)
	<hr/>	<hr/>

15 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Transactions, from disclosing transactions entered into between two or more members of a group provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group

16 Reconciliation of operating profit to net cash inflow from operating activities

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
Operating loss	(1,896,578)	(1,327,939)
Depreciation	36,228	6,464
(Increase) in debtors	(260,146)	(112,473)
Increase in creditors	1,071,537	368,252
	<hr/>	<hr/>
Net cash outflow from operating activities	(1,048,959)	(1,065,696)
	<hr/>	<hr/>

17 Reconciliation of net cash inflow to movement in net debt

	Period ended 31 December 2009 £	Period ended 30 June 2008 £
(Decrease)/increase in cash in the period	(280,908)	233,396
Cash inflow from increase in debt	(2,338,081)	(1,272,135)
	<hr/>	<hr/>
Change in net debt resulting from cash flows and closing net debt	(2,618,989)	(1,038,739)
	<hr/>	<hr/>

Aqueduct PLC

Notes forming part of the financial statements
for the period ended 31 December 2009 *(Continued)*

18 Analysis of net debt

	At 30 June 2008 £	Cash flow £	Other non cash charges £	At 31 December 2009 £
Cash	233,396	(206,243)	-	27,153
Bank overdrafts	-	(74,665)	-	(74,665)
	<u>233,396</u>	<u>(280,908)</u>	<u>-</u>	<u>(47,512)</u>
Debt due	(1,272,135)	(2,338,081)	-	(3,610,216)
	<u>(1,038,739)</u>	<u>(2,618,989)</u>	<u>-</u>	<u>(3,657,728)</u>
Total	<u>(1,038,739)</u>	<u>(2,618,989)</u>	<u>-</u>	<u>(3,657,728)</u>

19 Ultimate parent company

At 31 December 2009 the company's ultimate parent company was Aqueduct Group PLC which is the parent of both the smallest and largest groups of which the company is a member

Copies of the consolidated financial statements of Aqueduct Group PLC are available from Companies House