

North West Water International Limited

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North West Water International Limited

Director's report and financial statements

31 March 2005

Registered number 2374797



North West Water International Limited

Director's report and financial statements

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North West Water International Limited

Director's report

The director presents his annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The principal activity of the company was to develop overseas water and wastewater opportunities for the United Utilities group by way of consulting services and major operating concession contracts, along with holding interests in overseas contracts and investments.

The company did not trade during the year and consequently no profit and loss account has been prepared.

The company held a beneficial interest in a major contract in Bangkok which was terminated on 6 March 1998. A notice of arbitration was issued against the client on the same date and this process is still ongoing.

Business review

The company is a partner in a consortium known as the NOSS Consortium (the "Consortium"), which was engaged in the construction of a sewerage treatment works and associated sewerage network in Bangkok which commenced in late 1993 following the submission of a tender in 1992. The contract value at the time of the award was £150 million and the contract period was 38 months.

The contract was affected by delays and additional work as a result of changes to the specification required by the client's engineer and the failure of the client, the Bangkok Metropolitan Administration (BMA), to provide appropriate possession of essential sites. As a consequence of these problems, a provision of £83 million was charged to the profit and loss account in the year ended 31 March 1997. This reflected a decision by the client to cease negotiations on the increased costs that the project had incurred indicating at that time that the Consortium should register a formal dispute and seek recovery through arbitration.

On 6 March 1998, the Consortium terminated the contract and issued a notice of arbitration against the client. After consideration of all the information available to it, and bearing in mind the legal and commercial complexities, the company believes that the costs of the project, up to and including termination of the contract, have already been fully provided for.

Despite termination of the contract in March 1998 the BMA issued termination notices in June 1999 and purported to terminate the contract in September of the same year. In October 1999 the BMA made a call on the various performance and advance payment bonds to the value of £11,384,866. To date a total of £8,742,997 has been paid by the issuing banks. A claim to recover a substantial proportion of this amount has been made on political risk insurers and in January 2002, £3,300,000 was received from the insurers. The recovery of the full amount of the call will be pursued through the current arbitration proceedings. Arbitrators have been appointed by each party.

North West Water International Limited

Director's report (*continued*)

Proposed dividend and transfer to reserves

The director does not recommend the payment of a dividend (2004: £Nil).

The result for the year retained in the company is £Nil (2004: £Nil).

Directors and directors' interests

The directors who held office during the year ended 31 March 2005 are set out below:

GJM Tregaskis

DM Miller

(resigned 1 February 2005)

The directors had no interest in the shares of the company. The director of the company at 31 March 2005 had the following beneficial interests in the shares of United Utilities PLC at the current and previous yearend:

	A shares		Ordinary shares		Executive Option Scheme ordinary		Employee Sharesave Scheme ordinary	
	2005	2004	2005	2004	2005	2004	2005	2004
GJM Tregaskis	-	-	-	-	14,750	33,871	-	-

Details of the employee sharesave scheme and the executive share option scheme operated by United Utilities PLC are given in that company's accounts. During the year a directors' and officers' liability insurance was in force.

Political and charitable contributions

The company made no political or charitable contributions during the year (2004: £Nil).

Auditors

Pursuant to S386 of CA1985 an elective resolution has been made dispensing with the requirement to re-appoint auditors annually. Therefore Deloitte & Touche LLP is deemed to continue as auditor of the Company.

By order of the Board


GJM Tregaskis
Director

11th May 2006

Dawson House
Great Sankey
Warrington
Cheshire
WA5 3LW

North West Water International Limited

Statement of director's responsibilities

United Kingdom company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for maintaining proper accounting records which 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 have general responsibility for taking steps which are reasonably open to them for safeguarding the assets of the company and to prevent and detect fraud and other irregularities.

North West Water International Limited

Independent auditors' report to the members of North West Water International Limited

We have audited the financial statements of North West Water International Limited for the year ended 31 March 2005 which comprise the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' deficit and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the director's report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

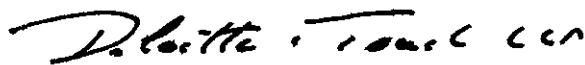
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 director 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 of the state of the company's affairs as at 31 March 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
12 May 2006

North West Water International Limited

Statement of total recognised gains and losses

for the year ended 31 March 2005

	2005 £000	2004 £000
Exchange adjustments	124	49
Total recognised gain for the financial year	124	49

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Balance sheet at 31 March 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	4	64	64
Current assets			
Debtors	5	26,166	26,570
Cash at bank and in hand		44	43
		26,210	26,613
Creditors: amounts falling due within one year	6	(90,420)	(87,436)
Net current liabilities		(64,210)	(60,823)
Total assets less current liabilities		(64,146)	(60,759)
Provisions for liabilities and charges	7	(9,429)	(12,940)
Net liabilities		(73,575)	(73,699)
Capital and reserves			
Called up share capital	8	-	-
Share premium account	9	45,000	45,000
Profit and loss account	9	(118,575)	(118,699)
Equity shareholders' deficit		(73,575)	(73,699)

The financial statements on pages 5 to 11 were approved by the Board of directors on 11 May 2006 and were signed on its behalf by:


GJM Tregaskis
Director

North West Water International Limited

Reconciliation of movements in shareholders' deficit

at 31 March 2005

	2005 £000	2004 £000
Exchange adjustments	124	49
Net reduction in shareholders' deficit	124	49
Opening shareholders' deficit	(73,699)	(73,748)
Closing shareholders' deficit	(73,575)	(73,699)

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Notes

*(forming part of the financial statements)
for the year ended 31 March 2005*

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts on the ground that throughout the year it has been a wholly owned subsidiary of United Utilities PLC, a company incorporated and registered in the United Kingdom.

The parent company, United Utilities PLC, has indicated that it will provide support for the company to discharge its normal trade creditors incurred in the ordinary course of business as and when they fall due.

As noted in the director's report, the NOSS consortium contract in Bangkok has been terminated and an arbitration notice has been issued against the client, the Bangkok Municipal Authority. The outcome of the arbitration process is likely to take a number of years. The company believes that it has a strong entitlement to recovery of losses and consequently that the likelihood of a material adverse decision against the consortium is remote. However, if such a decision occurs, the holding company would not regard any direct or indirect liabilities to the Bangkok Municipal Authority which may arise from the dispute to be part of normal trade creditors and would not provide support for their settlement.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Related party transactions

The company is exempt from the requirement of Financial Reporting Standard 8 to disclose related party transactions with other group companies where more than 90% of their voting rights are controlled within the group.

Cash flow statement

The company has taken advantage of the exemption set out in Financial Reporting Standard 1 (Revised) and has not prepared a cash flow statement as throughout the year it has been a wholly owned subsidiary of a company incorporated and registered in the United Kingdom.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Differences arising from the application of the closing rate to opening net assets, offset by translation differences on foreign currency loans which finance investments in overseas undertakings, together with differences between profits and losses translated at average rates and at closing rates, are recorded as a movement on reserves.

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Notes (continued)

2 Directors and auditors remuneration

The director received no remuneration from the company during the current or previous year.
The auditor's remuneration is borne by United Utilities PLC and is not recharged.

3 Staff numbers and costs

The company does not have any direct employees. Staff are seconded on a rechargeable basis from other Group undertakings.

4 Fixed asset investments

The company has beneficial ownership of 25% of the NOSS Consortium based in Thailand although under a supplemental agreement all losses on the contract are to be borne by the company. Accordingly, all such losses, together with the related trading and net liabilities, are included in these accounts.

In August 2000, the company invested £64,000 to acquire 100% of the share capital of Water Resources Limited, a company registered in Thailand. Water Resources Limited is engaged in the business of environmental consultancy, training, operation and maintenance, project management, capital planning, facilities management and institutional development.

5 Debtors

	2005 £000	2004 £000
Amounts owed by parent and fellow subsidiary undertakings	26,166	26,570

6 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts owed to parent and group undertakings	90,420	87,436

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Notes (continued)

7 Provision for liabilities and charges

<i>Contract provisions</i>	£000
At 1 April 2004	12,940
Utilised in the year	(3,511)
	<hr/>
At 31 March 2005	9,429
	<hr/>

The provision exists to cover likely costs in completing the arbitration process.

8 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
12 Ordinary shares of £1 each	12	12
	<hr/>	<hr/>

9 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	45,000	(118,699)	(73,699)
Exchange adjustments	-	124	124
	<hr/>	<hr/>	<hr/>
At end of year	45,000	(118,575)	(73,575)
	<hr/>	<hr/>	<hr/>

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Notes *(continued)*

10 Contingent liabilities

The company held a beneficial interest in a major contract in Bangkok which was terminated on 6 March 1998. A notice of arbitration has been issued against the client and this process is still ongoing and arbitrators have been appointed by each party. After consideration of all the information available to it, and bearing in mind the legal and commercial complexities, the company believes that the costs of the project, up to and including termination of the contract, are fully provided for.

The company, in the ordinary course of business, has entered into performance bonds relating to its own contracts.

11 Ultimate parent company

The company's immediate and ultimate parent undertaking is United Utilities PLC, a company registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by United Utilities PLC. The consolidated accounts of United Utilities PLC may be obtained from the Company Secretary, United Utilities PLC, Dawson House, Great Sankey, Warrington, WA5 3LW.