

Registered number 2536732

United Utilities (Overseas Holdings) Limited
Directors' report and financial statements
Year ended 31 March 2007

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Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2007

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(A) of the Companies Act 1985

Principal activities, business review and future developments

The principal activity of United Utilities (Overseas Holdings) Limited (the Company) is to act as an investment holding company. The Company will continue to act as an investment holding company.

Results and dividends

The profit for the year retained in the Company is £326,436 (2006 £270,679). The directors do not propose a dividend for the financial year (2006 £nil).

Directors

The directors who served during the year and changes thereafter are set out below

C J Brook	(resigned 5 December 2007)
L A Bell	(resigned 2 April 2007, appointed 14 June 2007)
K Starling	(appointed 2 April 2007)
P W Capell	(appointed 14 June 2007, resigned 27 September 2007)
S G Batey	(resigned 28 July 2006)
G J M Tregaskis	(resigned 6 April 2006)
M J Edwards	(appointed 8 December 2007)
D J Kilgour	(appointed 11 December 2007)

Auditor information

Each of the persons who is a director at the date of the approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself 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 provision of s234ZA of the Companies Act 1985.

Insurance

During the year, a directors' and officers' liability insurance was in force.


Principal risks and uncertainties

Group risks are discussed in the United Utilities PLC's annual report which does not form part of this report.

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 auditors of the Company.

By order of the board


D J Kilgour
Director

Haweswater House
Lingley Mere Business Park
Great Sankey
Warrington
WA5 3LP

25 JANUARY 2008

Statement of directors' responsibilities

The directors are responsible for preparing 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 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 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 proper accounting records that 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 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.

Independent auditors' report to the members of United Utilities (Overseas Holdings) Limited

We have audited the financial statements of United Utilities (Overseas Holdings) Limited for the year ended 31 March 2007 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. 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 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).

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 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 and of its profit 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.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

30 January 2008

Profit and loss account

for the year ended 31 March 2007

	<i>Note</i>	2007 £'000	2006 £'000
Administrative expenses		(13)	-
Other operating income	3	539	135
Operating profit	4	526	135
Interest receivable and similar income from parent undertaking		18	252
Profit on ordinary activities before taxation		544	387
Tax on profit on ordinary activities	5	(218)	(116)
Retained profit for the financial year	9	326	271

All activities relate to continuing operations


There are no recognised gains and losses other than as reported in the profit and loss account for both years
 Accordingly, a separate statement of total recognised gains and losses has not been included

Balance sheet
As at 31 March 2007

	<i>Note</i>	2007 £'000	2006 £'000
Fixed assets			
Investments	6	52,000	52,000
Current assets			
Debtors	7	44,673	44,125
Creditors amounts falling due within one year			
Amounts owed to parent undertaking		(2,813)	(2,591)
Net current assets		<u>41,860</u>	<u>41,534</u>
Total assets less current liabilities and net assets		<u>93,860</u>	<u>93,534</u>
Capital and reserves			
Called up share capital	8	201,988	201,988
Profit and loss account	9	(108,128)	(108,454)
Equity shareholders' funds		<u>93,860</u>	<u>93,534</u>

The financial statements were approved by the board of Directors on its behalf by

25 JANUARY 2008 and were signed on


D J Kilgour
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2007

	2007 £'000	2006 £'000
Profit for the financial year	326	271
Net increase in shareholders' funds	326	271
Opening shareholders' funds	93,534	93,263
Closing shareholders' funds	93,860	93,534

Notes to the financial statements

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

These financial statements are prepared on the going concern basis and under the historic cost convention and in accordance with the Companies Act 1985 and applicable law and United Kingdom accounting standards

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

Cash flow statements

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

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment

Related party transactions

The Company has taken advantage of the exemption from the requirement of Financial Reporting Standard 8 not to disclose related party transactions with other group companies where more than 90% of their voting rights are controlled within the group

Taxation

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

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 profits and its results as stated in the financial statements that arise from gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The deferred tax balance is not measured on a discounted basis

Notes to the financial statements (*continued*)

2. Directors' remuneration

None of the directors received any remuneration from the Company during the financial year (2006 £nil)
There are no employees of the Company (2006 nil)

3. Other income

Other income in 2007 is in respect of cash received from International Water Services Limited (£37,000), the Nominee Agreement with International Water Holdings BV (£250,000), receipts in respect of a Letter of Credit from International Water Holdings BV (£188,000) and profit on disposal of fixed asset investment (£64,000)
Other income in 2006 was in respect of a 'Settlement and Release Agreement' for the Houston Escrow Deposit (£135,000)

4. Operating profit

	2007 £'000	2006 £'000
<i>Operating profit is stated after charging / (crediting):</i>		
Auditors' remuneration for audit services	3	-
Profit on disposal of fixed asset investment	(64)	-
	<u> </u>	<u> </u>

5. Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	2007 £'000	2006 £'000
Current Tax		
Group relief payable at 30% (2006 30%)	144	116
Adjustment in respect of prior years	74	-
	<u> </u>	<u> </u>
	218	116
	<u> </u>	<u> </u>

(b) Factors affecting the tax charge for the year

The below table reconciles the notional tax charge at the UK corporation tax rate to the actual charge for taxation

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	544	387
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at 30%	163	116
Profit on disposal of investment	(19)	-
Adjustment to tax charge in respect of prior years	74	-
	<u> </u>	<u> </u>
Current tax charge for the year	218	116
	<u> </u>	<u> </u>

Notes to the financial statements (*continued*)

6. Fixed asset investments

Shares in group
undertakings
£'000

Cost and net book value at 1 April 2006 and at 31 March 2007 52,000

The Company owns 100% of the ordinary share capital of NB Real Estate Limited which is incorporated in the United Kingdom

The directors believe that NB Real Estate Limited is the only subsidiary undertaking whose results or financial position principally affect the Company's own accounts and, as such, these are the only details provided

NB Real Estate Limited operated as an asset lessor until June 1998 when its assets were sold NB Real Estate Limited is now dormant

NB Real Estate Limited changed its' name to NB Real Estate No 1 Limited on 6 June 2007

On 14 February 2007, the Company sold the entire share capital of Special Solutions Sdn Bhd to Broad Concept Sdn Bhd for the sum of RM 478,000 (£64,000) The value of the investment in this subsidiary was £nil (2006 £nil)

7 Debtors

	2007 £'000	2006 £'000
Amounts owed by parent undertakings	44,609	44,125
Other debtors	64	-
	<u>44,673</u>	<u>44,125</u>

8. Called up share capital

	2007 £	2006 £
201,988,418 Ordinary shares of £1 each		
Allotted called-up and fully paid	<u>201,988,418</u>	<u>201,988,418</u>

The authorised share capital consists of 250,000,000 £1 ordinary shares (2006 250,000,000 £1 ordinary shares)

9 Reserves

	Profit and loss account £'000
At 1 April 2006	(108,454)
Profit for the year	<u>326</u>
At 31 March 2007	<u>(108,128)</u>

Notes to the financial statements (*continued*)

10 Guarantees and other financial commitments

The Company has provided a performance guarantee to a joint venture undertaking - Mahindra Water Utilities Limited ("the Operator") This guarantees the proper and punctual performance by the Operator of all its obligations under the agreement and undertakes to pay if the Operator fails to pay, all amounts whatsoever which the agreement provides are to be paid by the Operator The amount supported by United Utilities (Overseas Holdings) Limited as at 31 March 2007 is £2,453,000 (2006 £2,450,125)

11 Immediate and ultimate parent company

The Company is a wholly owned subsidiary of United Utilities International Limited The ultimate parent company is United Utilities PLC, which is 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 this group are available to the public and may be obtained from the Company Secretary, Haweswater House, Lingley Mere Business Park, Great Sankey, Warrington, WA5 3LP