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United Utilities (Overseas Holdings) Limited

Report and Financial Statements

31 March 2008

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United Utilities (Overseas Holdings) Limited

Registered No: 2536732

Directors

Mr LA Bell

Mr C Cornish

Mr IJA Plenderleith

Secretary

UU Secretariat Limited

Auditors

Deloitte LLP

2 Hardman Street

Manchester

M3 3HF

Registered office

Haweswater House

Lingley Mere Business Park

Lingley Green Avenue

Great Sankey

Warrington

WA5 3LP

Directors' report

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

The directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985.

Principal activities, business review and future developments

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

Directors

The directors who held office during the year and to date are given below:

Mr MG Beesley	(appointed 12 May 2008; resigned 29 August 2008)
Mr LA Bell	(resigned 2 April 2007; appointed 14 June 2007)
Mr CJ Brook	(resigned 5 December 2007)
Mr PW Cappell	(appointed 14 June 2007; resigned 27 September 2007)
Mr C Cornish	(appointed 12 May 2008)
Mr MJ Edwards	(appointed 5 December 2007; resigned 12 May 2008)
Mr DJ Kilgour	(appointed 11 December 2007; resigned 12 May 2008)
Mr IJA Plenderleith	(appointed 12 May 2008)
Mr K Starling	(appointed 2 April 2007; resigned 12 May 2008)

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

Results and dividends

The company's profit for the financial year is £649,000 (2007: £326,000). The directors do not recommend the payment of a dividend (2007: £nil).

Disclosure of information to the auditors

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

1. so far as he is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. he 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 provisions of s234ZA of the Companies Act 1985.

Auditors

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Pursuant to s386 of Companies Act 1985 an elective resolution has been passed dispensing with the requirement to appoint auditors annually. Therefore Deloitte LLP is deemed to continue as auditor of the company.

By order of the board

C Cornish

Director

Date: 27 February 2009

Statement of directors' responsibilities in respect of 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 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 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.

Independent auditors' report

to the members of United Utilities (Overseas Holdings) Limited

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet 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 annual report and 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 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 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 judgments 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.

Independent auditors' report (continued)

to the members of United Utilities (Overseas Holdings) Limited

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 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 LLP

Deloitte LLP

Chartered Accountants and Registered Auditors

Manchester, United Kingdom

Date: **27** February 2009

Profit and loss account

At 31 March 2008

	Note	2008 £000	2007 £000
Administrative expenses		(7)	(13)
Other income	2	714	539
Operating profit	3	<u>707</u>	<u>526</u>
Interest receivable and similar income from ultimate parent undertaking		220	18
Profit on ordinary activities before taxation		<u>927</u>	<u>544</u>
Tax on profit on ordinary activities	4	(278)	(218)
Profit for the financial year	9	<u><u>649</u></u>	<u><u>326</u></u>

All activities relate to continuing operations.

There are no recognised gains or losses in the current or prior year other than those stated in the profit and loss account. Accordingly, a separate statement of recognised gains and losses has not been prepared.

Balance sheet

At 31 March 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	5	52,000	52,000
Current assets			
Debtors	6	45,599	44,673
Creditors: amounts falling due within one year	7	(3,090)	(2,813)
Net current assets		42,509	41,860
Total assets less current liabilities and net assets		94,509	93,860
Capital and reserves			
Called up share capital	8	201,988	201,988
Profit and loss account	9	(107,479)	(108,128)
Shareholders' funds	9	94,509	93,860

Approved by the board of directors on 11 February 2009 and signed on its behalf by:



C Cornish
Director

Notes to the financial statements

For the year ended 31 March 2008

1. Accounting policies

Basis of accounting

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

Exemption from preparing group financial statements

The financial statements contain information about United Utilities (Overseas Holdings) Limited as an individual company and do not contain consolidated financial information as a parent of a group. At 31 March 2008, the company was exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings were included by full consolidation in the financial statements of its ultimate parent United Utilities PLC, a company incorporated in Great Britain and registered in England and Wales.

Cash flow statement

At 31 March 2008, the company was a wholly owned subsidiary of United Utilities International Limited and was included in the consolidated financial statements of United Utilities PLC, which are publicly available and which include a consolidated cash flow statement. Consequently the company is exempt under the terms of Financial Reporting Standard 1 (revised) 'Cash flow statements' from publishing a cash flow statement.

Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party transactions' not to disclose transactions or balances with entities which form part of the group.

During the year no transactions were entered into with related parties other than with other group companies in the normal course of business.

Taxation

The taxation expense represents the sum of current taxation and deferred taxation.

Current taxation

Current taxation, including UK corporation tax and foreign tax, is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)

For the year ended 31 March 2008

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

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

2. Other income

Other income in 2008 of £714,000 represents receipts in respect of a Letter of Credit from International Water Holdings BV.

Other income in 2007 was 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 investments (£64,000).

3. Operating profit

	2008 £000	2007 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for audit services	2	3
Profit on disposal of fixed asset investments	-	(64)
	<u>2</u>	<u>(64)</u>

The directors' emoluments are borne by other group companies and are not recharged in the current or the previous financial year. This is because a fair apportionment is not possible as services are provided to multiple entities.

There were no employees of the company during the year (2007: nil).

No amounts were paid to the company's auditors in respect of non-audit services.

4. Tax on profit on ordinary activities

(a) Analysis of the tax charge for the year

	2008 £000	2007 £000
Current tax:		
Group relief payable at 30% (2007: 30%)	278	144
Adjustment in respect of prior years	-	74
	<u>278</u>	<u>218</u>

Notes to the financial statements (continued)

For the year ended 31 March 2008

4. Tax on profit on ordinary activities (continued)

(b) Factors affecting the tax charge for the year

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

	2008 £000	2007 £000
Profit on ordinary activities before taxation	927	544
Tax on profit on ordinary activities at 30%	278	163
Profit on disposal of fixed asset investments	-	(19)
Adjustment in respect of prior years	-	74
Current tax charge (note 4(a))	278	218

5. Fixed asset investments

	Shares in group undertakings £000
At 1 April 2007 and 31 March 2008	52,000

The company holds 100% of the ordinary share capital of NB Real Estate No 1 Limited which is incorporated in the United Kingdom. This company did not trade during the current or prior year.

The directors believe that NB Real Estate No 1 Limited is 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 No 1 Limited was known as NB Real Estate Limited until it changed its name on 6 June 2007.

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

Notes to the financial statements (continued)

For the year ended 31 March 2008

6. Debtors

	2008 £000	2007 £000
Amounts owed by parent undertaking	45,599	44,609
Other debtors	-	64
	<u>45,599</u>	<u>44,673</u>

7. Creditors : amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to parent undertaking	3,087	2,813
Accruals	3	-
	<u>3,090</u>	<u>2,813</u>

8. Called up share capital

	2008 £000	2007 £000
Authorised 250,000,000 ordinary shares of £1.00 each	250,000	250,000

	2008 £000	2007 £000
Allotted, called up, and fully paid 201,988,418 ordinary shares of £1.00 each	201,988	201,988

9. Capital and reserves

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2007	201,988	(108,128)	93,860
Profit for the year	-	649	649
At 31 March 2008	<u>201,988</u>	<u>(107,479)</u>	<u>94,509</u>

Notes to the financial statements (continued)

For the year ended 31 March 2008

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. The amount supported by United Utilities (Overseas Holdings) Limited as at 31 March 2008 is £2,636,000 (2007: £2,453,000).

11. Immediate and ultimate parent undertaking

At 31 March 2008, the company’s immediate parent undertaking was United Utilities International Limited, a company incorporated in Great Britain.

In the directors’ opinion as at 31 March 2008, the company’s ultimate parent undertaking and controlling party was United Utilities PLC, a company incorporated in Great Britain.

At 31 March 2008, the smallest and largest group in which the results of the company were consolidated was 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, United Utilities PLC, Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.

From 28 July 2008, United Utilities Group PLC became the listed holding company of United Utilities PLC and its subsidiaries. From this date United Utilities Group PLC became the ultimate parent undertaking, controlling party and also the largest group in which the results of the company are consolidated. United Utilities PLC continues to head the smallest group in which the results of the company are consolidated