

Hartlepool Water Limited

**Annual report and financial statements
For the year ended 31 March 2005**

Registered number 3017251



Hartlepool Water Limited

Directors' report

for the year ended 31 March 2005

The directors present their report together with the audited financial statements for the year ended 31 March 2005.

Principal activities

The principal activities of the company comprise the operation of an on-site effluent treatment plant.

Business review

The board consider the results for the year to be satisfactory.

The directors expect to maintain the same general level of activity during 2005-06.

Results

The results for the year ended 31 March 2005 are set out in the profit and loss account on page 5.

Dividends

No dividends were paid during the year (2004: £nil).

Directors and their interests

The current directors of the company and those who held office during the year are as follows:

A P Jessop (resigned 31 December 2004)

D F Gooda (resigned 30 November 2004)

D J Cooke (appointed 10 January 2005)

K J Ensell (appointed 10 January 2005)

P Trussell (appointed 14 March 2005)

The directors have no interest in the shares of the company.

The interests of the directors who were in office at 31 March 2005 in the shares of AWG Plc and in options over such shares granted under that company's share option schemes are set out below.

Except where marked, all interests in shares throughout this section are in relation to AWG Plc ordinary shares of 19.9 pence each.

Beneficial and family interests in the shares of AWG Plc

	At 1 April 2004 or date of appointment	At 31 March 2005 or date of resignation
Ordinary shares		
A P Jessop	2,768	2,768
D F Gooda	1,312	1,312
D J Cooke	1,948	1,948
K J Ensell	325	325

Hartlepool Water Limited

Directors' report (continued)

Directors and their interests (continued)

Long term incentive plan

Mr D J Cooke had a contingent interest at 31 March 2005 in the shares of AWG Plc, representing the maximum aggregate number of shares to which he would be entitled under the Group's Long Term Incentive Plan:

	At date of appointment	Options granted	Options exercised	At 31 March 2005
D J Cooke	6,766	-	-	6,766

Full details of this plan are given in the financial statements of AWG Plc.

The long term incentive share scheme is designed to encourage continuing improvement in the AWG Plc performance in terms of shareholder return over the longer term. Under the scheme, each participant is conditionally awarded a number of shares based on a value equating to a percentage of base salary. The proportion of the award to be released to each participant previously depended on the AWG Plc performance in terms of total earnings per share. No shares will be released for below median performance. Above the median level there will be a progressive release of shares up to 100 per cent of allocation. The release of shares to participants will be made three years after the initial award.

Sharesave scheme

The directors also have a contingent interest in the shares of AWG Plc under the groups sharesave scheme as follows:

AWG Plc Sharesave Scheme					
	At 1 April 2004 or date of appointment	Options granted	Options exercised	Options lapsed	At 31 March 2005 or date of resignation
A P Jessop	5,251	-	-	-	5,251
D F Gooda	4,859	-	-	-	4,859
D J Cooke	1,474	445	-	-	1,919
P Trussell	2,795	-	-	-	2,795

Options granted under the Sharesave Scheme are exercisable within a period of six months after either the third, fifth or seventh anniversary of the date of the savings contract.

The dates of grant and the option prices are set out below:

Sharesave Scheme

Date of grant	Option price
31 January 2003	£3.38
5 February 2004	£4.28
28 January 2005	£7.42

Executive share option scheme

Directors also have a contingent interest in the shares of AWG Plc under the group's Executive Share Option Scheme as follows:

	At 1 April 2004 or date of appointment	Options granted	Options exercised	At 31 March 2005 or date of resignation	Weighted average price of option
A P Jessop	45,789	-	-	45,789	£5.35
D Gooda	47,692	-	-	47,692	£5.35
D J Cooke	12,333			12,333	£5.27

Options granted under the Executive Share Option Scheme are exercisable during a period commencing on the third anniversary and ending on the tenth anniversary of the date of the grant.

No director has any interest in the shares of group companies, other than those shown above.

None of the directors has or had during the period, a material interest in any contracts of significance to which the company or any other group company is or was a party.

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Directors' report (continued)

Charitable and political donations

There were no political or charitable donations during the year (2004 £nil).

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 March 2005 and that applicable accounting standards have been followed.

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.

Auditors

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force.

By order of the board,

.....
K J Ensell
Director



Anglian House, Ambury Road, Huntingdon, PE29 3NZ
Registered number 3017251
15th July 2005

Independent auditors' report to the members of Hartlepool Water Limited

We have audited the financial statements which comprise the profit and loss account, the statement of movement in shareholders' funds, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

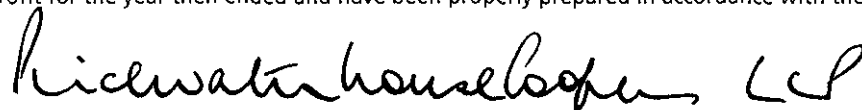
Basis of audit opinion

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



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Birmingham

15 July 2005

Hartlepool Water Limited **Profit and loss account** **for the year ended 31 March 2005**

Notes		2005 £000	2004 £000
2	Turnover	116	80
	Cost of sales	(57)	(59)
	Gross profit	59	21
3	Other operating expenses (net)	(3)	(962)
4	Operating profit/(loss)	56	(941)
5	Interest receivable	55	99
	Profit/(loss) on ordinary activities before taxation	111	(842)
6	Tax on profit/(loss) on ordinary activities	(34)	(34)
15	Profit/(loss) for the financial year	77	(876)

All the above results relate to continuing operations

The company has no other gains and losses and therefore a statement of total recognised gains and losses has not been prepared

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

Hartlepool Water Limited

Statement of movement in shareholders' funds for the year ended 31 March 2005

Notes	2005 £000	2004 £000
Total recognised gains and losses for the year and increase/(decrease) in shareholders' funds	77	(876)
Opening shareholders' funds	1,294	2,170
Closing shareholders' funds	1,371	1,294

Hartlepool Water Limited

Balance sheet

as at 31 March 2005

Notes		2005 £000	2004 £000
	Fixed assets		
8	Tangible assets	44	56
	Current assets		
9	Debtors	93	74
	Cash at bank and in hand	1,293	1,271
		1,386	1,345
10	Creditors: amounts falling due within one year	(56)	(104)
	Net current assets	1,330	1,241
	Total assets less current liabilities	1,374	1,297
11	Provisions for liabilities and charges	(3)	(3)
	Net assets	1,371	1,294
	Capital and reserves		
14	Called up share capital	732	732
15	Share premium account	8	8
15	Profit and loss account	631	554
	Shareholders' funds (all equity)	1,371	1,294

The notes on pages 8 to 12 form part of these financial statements.

The financial statements were approved by the board of directors on 15th July 2005 and signed on its behalf by :

K J Ensell
director



Hartlepool Water Limited

Notes to the accounts

for the year ended 31 March 2005

1 Accounting policies

The principal accounting policies are summarised below. All have been applied consistently throughout the year and the preceding year.

a) **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

b) **Cash flow statement**

As the published consolidated financial statements of the ultimate holding company include a consolidated cash flow statement, the company has taken advantage of the exemption within FRS1 (revised 1996) and not presented its own cash flow statement.

c) **Turnover**

Turnover represents the income receivable (excluding value added tax) in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out.

d) **Tangible fixed assets and depreciation**

Fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Fixed plant	7 years
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Interest costs are not capitalised into the cost of fixed assets.

e) **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

f) **Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

Hartlepool Water Limited

Notes to the accounts for the year ended 31 March 2005

2. Segmental analysis

All results are derived from a single class of business within the United Kingdom.

3. Other operating expenses (net)

	2005 £000	2004 £000
Administrative expenses	3	6
Write off of inter-company loan to h2go Limited	-	956

4. Operating profit/(loss)

	2005 £000	2004 £000
Operating profit/(loss) is stated after charging:		
Depreciation –own assets	12	12
Fees paid to auditors:		
- for audit work	1	1

5. Interest receivable

	2005 £000	2004 £000
Investment Income		
Interest receivable and similar income	55	99

6. Taxation

	2005 £000	2004 £000
The tax charge for the year comprised:		
UK tax – current year charge	34	34
Tax on profit/(loss) on ordinary activities	34	34
Tax on profit/(loss) on ordinary activities comprises:		
UK Corporation tax at 30 per cent (2004: 30 per cent)	34	33
Total current tax charge	34	33
Deferred tax (note 12)		
Charge for timing differences arising in year	-	1
Total deferred tax charge	-	1
Tax on profit/(loss) on ordinary activities	34	34

Hartlepool Water Limited

Notes to the accounts for the year ended 31 March 2005

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before taxation	111	(842)
Profit/(loss) on ordinary activities at the standard UK rate of tax (30 per cent)	33	(253)
Effects of:		
Items not deductible for tax purposes	1	287
Capital allowances for the year in excess of depreciation	-	(1)
Current tax charge for the year	34	33

7. Employee information

No staff were employed by the company during this or the previous year.

Directors remuneration

None of the directors received remuneration from Hartlepool Water Limited for the years ended 31 March 2005 and 31 March 2004.

8. Tangible fixed assets

	Fixed plant £000
Cost	
At 1 April 2004	79
Additions	-
Disposals	-
At 31 March 2005	79
Depreciation	
At 1 April 2004	23
Charge for the year	12
Disposals	-
At 31 March 2005	35
Net book value	
At 31 March 2005	44
At 31 March 2004	56

Capital commitments

The liability on contracts for capital expenditure, not provided in these accounts is £nil (2004: £nil)

Hartlepool Water Limited

Notes to the accounts for the year ended 31 March 2005

9. Debtors

	2005 £000	2004 £000
Amount falling due within one year:		
Trade debtors	53	-
Prepayments and accrued income	28	17
Amounts owed by group companies	12	57
	93	74

10. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Corporation tax	34	96
Other creditors	11	-
Accruals and deferred income	11	8
	56	104

11. Provisions for liabilities and charges

	Deferred tax £000
At 1 April 2004	3
Charge for the year	-
At 31 March 2005	3

The deferred tax provision is analysed in note 12.

The amounts stated above have not been discounted.

12. Deferred taxation

	2005 £000	2004 £000
At 1 April	3	2
Charge for the year	-	1
At 31 March	3	3

	2005 £000	2004 £000
Accelerated capital allowances	3	3
Undiscounted provision for deferred tax	3	3

There are no unrecognised deferred tax assets.

Hartlepool Water Limited

Notes to the accounts for the year ended 31 March 2005

13. Commitments under operating leases

At 31 March 2005 the company had no commitments to make payments during the next 12 months under non-cancellable operating leases (2004 £nil).

14. Share capital

	2005 £000	2004 £000
Authorised		
10,000,000 ordinary shares of 10 pence each	1,000	1,000
Allotted, issued and fully paid		
7,320,000 ordinary shares of 10 pence each	732	732

15. Reserves

	Share premium account £000	Profit and loss reserve £000	Total £000
At 1 April 2004	8	554	562
Total recognised gains and losses relating to the year	-	77	77
At 31 March 2005	8	631	639

16. Contingent liabilities

The company has a cross guarantee arrangement relating to certain group companies' accounts at Barclays Bank Plc. Net indebtedness under this arrangement at 31 March 2005 was £nil. (2004 £nil).

17. Related party transactions

The company has taken advantage of the exemption relating to 90% subsidiary undertakings under Financial Reporting Standard 8 (FRS 8) not to disclose transactions with entities that are also 90% subsidiary undertakings of AWG Plc.

18. Ultimate parent undertaking

AWG Group Limited is the immediate parent company of Hartlepool Water Limited.

In the opinion of the directors the ultimate parent undertaking and controlling party is AWG Plc, a company registered in England. Copies of the group accounts may be obtained from the company secretary by writing to AWG Plc, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE29 3NZ.