



Albion Water

Directors' report and financial statements for the year ended 31 March 2009

Registration number 3102176

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Albion Water Limited

Company information

Directors	J R Bryan M Jeffery D Knaggs
Secretary	Jamestown Investments Limited
Company number	3102176
Registered office	71 Clarence Road Teddington Middlesex TW11 OBN
Auditors	Sinnett & Tansley Limited 3 Richfield Place Richfield Avenue Reading RG1 8EQ
Business address	71 Clarence Road Teddington Middlesex TW11 OBN

Albion Water Limited

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Albion Water Limited

Directors' report for the year ended 31 March 2009

The directors present their report and the financial statements for the year ended 31 March 2009.

Principal activity and review of the business

The principal activity of the company throughout the year was that of a licensed water supplier.

The company continues to be in dispute with a service provider (Dwr Cymru) over charges for the use of non potable infrastructure, which the Directors believe to be excessive. The matter was referred to the Competition Appeal Tribunal, whose judgment on the issue of margin squeeze was the subject of an appeal by Dwr Cymru. Following a hearing on 14th and 15th January 2007 the Court of Appeal rejected the appeal in its entirety. The issue of unfair pricing remained before the Tribunal until its judgment, in Albion's favour, was handed down on 7 November 2008. A further hearing took place on 13 February 2009 and judgment on remedy and costs was handed down on 9 April 2009. At that point the interim relief previously ordered by the Tribunal, which gave Albion a margin of some 3.55p per cubic metre necessarily ceased.

Since then, Dwr Cymru has sought to impose a significantly higher price for the bulk supply of non potable water to Albion, despite the terms of the remedy granted by the Tribunal. Given that Albion and its existing and potential customers believe such charges to be unfair, the matter remains in dispute. A degree of uncertainty exists over the timing and the financial implications of any resolution.

Following the Tribunal's judgments, it is likely that a claim for damages will be submitted to the Tribunal, but at this stage it is not possible to anticipate what level of damages (if any) may be awarded, and when any related benefits might be received.

Since May 2008, the company has also been in dispute over Dwr Cymru's proposed charges for potable water (including a significant new charge for the potable back up supply to the non potable supply referred to above). In parallel to the Tribunal's consideration of the issue of back up costs, this matter had been and remains under consideration by Ofwat, the sector regulator, who has informed Albion that there is nothing in this dispute to suggest that the going concern status is currently in doubt.

In the opinion of the Directors, and notwithstanding the risks introduced by the actions of Dwr Cymru, it is inconceivable that the judgments of the Tribunal, and its guidance on pricing principles, will not lead to an outcome that benefits Albion and its customers.

In other respects Albion continues to move forward, and in May 2009 was appointed as the sewerage undertaker for a greenfield site development known as Knowle Village, in Hampshire. The site comprises some 700 properties and the long term nature of the appointment has enabled Albion to bring forward plans for significant environmental enhancement in the area.

Albion Water Limited

Directors' report for the year ended 31 March 2009

..... continued

Directors

The directors who served during the year are as stated below:

J R Bryan
M Jeffery
D Knaggs

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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 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.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Sinnett & Tansley Limited were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Albion Water Limited

**Directors' report
for the year ended 31 March 2009**

..... continued

This report was approved by the Board on 13 August 2009 and signed on its behalf by

J R Bryan
Director

Albion Water Limited

Independent auditors' report to the shareholders of Albion Water Limited

We have audited the financial statements of Albion Water Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the 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 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 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.

Albion Water Limited

Independent auditors' report to the shareholders of Albion Water Limited continued

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 applicable for Smaller Entities, of the state of the company's affairs as at 31 March 2009 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.

Sinnott & Tansley Limited
Chartered Accountants & Registered Auditors
3 Richfield Place
Richfield Avenue
Reading RG1 8EQ

19th August 2009

Albion Water Limited

**Profit and loss account
for the year ended 31 March 2009**

		2009	2008
	Notes	£	£
Turnover	2	1,959,243	1,871,108
Cost of sales		(1,686,326)	(1,553,212)
Gross profit		<u>272,917</u>	<u>317,896</u>
Administrative expenses		(272,641)	(239,315)
Profit on ordinary activities before taxation		276	78,581
Tax on profit on ordinary activities	3	(58)	(648)
Profit for the year	8	<u>218</u>	<u>77,933</u>
Retained profit brought forward		9,182	8,248
Reserve Movements		-	(77,000)
Retained profit carried forward		<u><u>9,400</u></u>	<u><u>9,181</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 9 to 11 form an integral part of these financial statements.

Albion Water Limited

**Balance sheet
as at 31 March 2009**

		2009		2008	
Notes	£	£	£	£	£
Current assets					
Debtors	5	329,157		333,745	
Cash at bank and in hand		16,366		42,441	
		345,523		376,186	
Creditors: amounts falling due within one year					
	6	(336,122)		(367,004)	
Net current assets			9,401		9,182
Total assets less current liabilities			9,401		9,182
Net assets			9,401		9,182
Capital and reserves					
Called up share capital	7		1		1
Profit and loss account	8		9,400		9,181
Shareholders' funds			9,401		9,182

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2007) relating to small companies.

The financial statements were approved by the Board on 13 August 2009 and signed on its behalf by

J R Bryan
Director

The notes on pages 9 to 11 form an integral part of these financial statements.

Albion Water Limited

**Cash flow statement
for the year ended 31 March 2009**

	2009		2008	
	£	£	£	£
Cash generated from operations				
Operating profit	276		78,581	
Reconciliation to cash generated from operations:				
Decrease in trade debtors	5,540		(12,430)	
(Increase) in other debtors	(952)		-	
(Decrease) in trade creditors	(2,546)		10,954	
(Decrease) in other creditors	(27,746)		21,248	
		(25,428)		98,353
Application of cash				
Tax paid	(647)		(260)	
Dividends paid	-		(77,000)	
		(647)		(77,260)
Net decrease in cash in the year		(26,075)		21,093
Cash at bank and in hand less overdrafts at beginning of year		42,441		21,348
Cash at bank and in hand less overdrafts at end of year		16,366		42,441
Consisting of:				
Cash at bank and in hand		16,366		42,441

Albion Water Limited

Notes to the financial statements for the year ended 31 March 2009

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year and derives from the provision of goods falling within the company's ordinary activities.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Tax on profit on ordinary activities

Analysis of charge in period	2009 £	2008 £
Current tax		
UK corporation tax	58	648

4. Dividends

Dividends paid and proposed on equity shares

	2009 £	2008 £
Paid during the year:		
Equity dividends on Ordinary shares	-	77,000
	-	77,000

5. Debtors

	2009 £	2008 £
Trade debtors	328,205	333,745
Prepayments and accrued income	952	-
	329,157	333,745

Albion Water Limited

**Notes to the financial statements
for the year ended 31 March 2009**

..... continued

6. Creditors: amounts falling due within one year	2009 £	2008 £
Trade creditors	289,115	291,661
Amounts owed to group undertaking	38,099	59,045
Corporation tax	58	648
Other taxes and social security costs	8,850	11,396
Other creditors	-	4,254
	336,122	367,004
 7. Share capital	2009 £	2008 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1
 Equity Shares		
1 Ordinary shares of £1 each	1	1
 8. Reserves	Profit and loss account £	Total £
At 1 April 2008	9,182	9,182
Profit for the year	218	218
At 31 March 2009	9,400	9,400
 9. Related party transactions		

The company is a wholly owned subsidiary of Albion Water Group Limited. During the year Albion Water Limited purchased management and consultancy services for £261,177 (2008 £238,218). The amount due to Albion Water Group Limited at 31st March 2009 was £38,099 (2008 £59,045).

Albion Water Limited

**Notes to the financial statements
for the year ended 31 March 2009**

..... continued

10. Ultimate parent undertaking

The ultimate holding company is Albion Water Group Limited, a company incorporated in England.

Albion Water Limited

The following pages do not form part of the statutory accounts.

Albion Water Limited

**Detailed trading profit and loss account
and expenses schedule
for the year ended 31 March 2009**

	2009		2008	
	£	£	£	£
Sales				
Sales		1,919,243		1,871,108
Fee income		40,000		-
		1,959,243		1,871,108
 Cost of sales				
Purchases	1,675,164		1,543,176	
Direct costs	11,162		10,036	
		(1,686,326)		(1,553,212)
Gross profit	14%	272,917	17%	317,896
Administrative expenses				
Charges from Albion Water Group Ltd	261,177		238,218	
Magazine subscription	373		790	
E-mail costs	650		200	
Legal and professional	10,360		30	
Bank charges	81		72	
General expenses	-		5	
		272,641		239,315
Operating profit	0%	276	4%	78,581