

Registration number 03102176

**Albion Water Limited**  
**Directors' report and financial statements**  
**for the year ended 31 March 2014**

## Albion Water Limited

### Company information

Directors	J R Bryan M Jeffery D Knaggs S J Bradley G A King	appointed 11.02.14 appointed 11.02.14
Secretary	Kevin L Beare	
Company number	03102176	
Registered office	Forest House 3-5 Horndean Road Bracknell Berkshire RG12 0XQ	
Auditors	Sinnott & Tansley Limited 3 Richfield Place Richfield Avenue Reading RG1 8EQ	
Business address	Harpندن Hall Southdown Road Harpندن AL5 1TE	

# Albion Water Limited

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## **Albion Water Limited**

### **Directors' report for the year ended 31 March 2014**

The directors present their report and the financial statements for the year ended 31 March 2014.

#### **Principal activity**

The principal activity of the company throughout the year was that of a licensed water and sewerage services undertaker and management consultant.

#### **Business review**

The company and its subsidiary Albion Water Limited (Albion) had been in dispute with a service provider (Dwr Cymru) over charges for the use of non-potable infrastructure, which the Directors believed to be excessive. This long running issue was the subject of findings by the Competition Appeal Tribunal in favour of Albion on the issues of margin squeeze and unfair pricing, and subsequently on damages and legal costs. Judgment on remedy and costs was handed down in April 2009. In March 2013, the tribunal issued a Judgment in relation to Albion's follow on claim for damages. Damages of £2.4 million (including interest) and legal costs of £874k have now been paid by Dwr Cymru to Albion and the matter is now finalised.

Upon the conclusion of the initial Tribunal proceedings in April 2009, Dwr Cymru sought to impose a significantly higher price for the existing bulk supply of non-potable water to Albion, despite the terms of the remedy granted by the Tribunal. The matter was referred to Ofwat, the sector regulator, for determination under s40 of the Water Act 2003. A Final Determination was eventually issued on 31 October 2011.

Since May 2008, the company had 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). This matter was also referred to Ofwat and their Determination was issued at the same time as that for the non-potable supply, in October 2011.

Albion disputed the Final Determination and applied to proceed to Judicial Review. Permission was granted in relation to some of the grounds requested by Albion. Prior to the scheduled hearing (in May 2013), and on consideration of both Albion's skeleton arguments and clear evidence of earlier significant non-disclosure by Dwr Cymru, Ofwat withdrew the disputed determination. It will now undertake a fresh s40 procedure, and will also give guidance, if required, on what interim arrangements are to be put in place pending the issue of a fresh determination. For the moment, the parties have agreed that non price terms will continue as detailed in the October 2011 determination, and are progressing negotiations on pricing. Formally, prices have reverted to the lower levels set in the earlier Interim Determination, but any fresh s40 determination would replace those, possibly with the same retrospective effect as in the previous determinations.

In other respects Albion continues to move forward, and has consolidated its position as the sewerage undertaker for the 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 and for valuable research and development effort. Albion is building on its success at Knowle in strengthening relationships with developers and has been retained to generate inset applications (known as New Appointments and Variations, or NAVs) for a number of additional sites. Progress in varying Albion's licence to accommodate new sites has been slow, but the successful conclusion of the damages action has provided a greater degree of financial certainty, and Albion's next NAV (for Victory Fields, Rissington, Gloucestershire) is now operational, following approval by Ofwat. Two further NAV applications are currently being considered by Ofwat. As anticipated, these sites have been generating income from consultancy services and interim management of operations.

## Albion Water Limited

### Directors' report for the year ended 31 March 2014

..... continued

#### Directors

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

J R Bryan	
M Jeffery	
D Knaggs	
S J Bradley	appointed 11.02.14
G A King	appointed 11.02.14

#### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditors

Sinnott & Tansley Limited were appointed auditors to the company and are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

**Albion Water Limited**

**Directors' report  
for the year ended 31 March 2014**

..... continued

This report was approved by the Board on 9 December 2014 and signed on its behalf by

.....

J R Bryan  
Director

**Independent auditor's report to the shareholders of  
Albion Water Limited**

.....continued

We have audited the financial statements of Albion Water Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006.**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

**Independent auditor's report to the shareholders of  
Albion Water Limited**

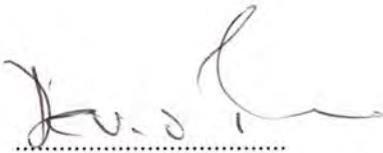
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**Emphasis of Matter - The supply price of water**

In forming our opinion on the financial statements, which is not modified, we have considered the following matter:

The adequacy of the disclosure made in note 13 to the financial statements concerning the outcome of the final determination concerning the price of water purchased by the company for resale.

The ultimate outcome of the matter cannot presently be determined so no provision has been made in the accounts for any liability greater than that already provided for, nor has income been recognised in respect of any determination that would be less than that already provided for.



.....  
**David Tansley (senior statutory auditor)**  
**Sinnott & Tansley Limited**  
**Chartered Accountants & Statutory Auditors**

**3 Richfield Place**  
**Richfield Avenue**  
**Reading RG1 8EQ**

**24 December 2014**

**Albion Water Limited**

**Profit and loss account  
for the year ended 31 March 2014**

		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	2,908,178	3,014,400
Cost of sales		(1,255,991)	(2,384,354)
<b>Gross profit</b>		1,652,187	630,046
Administrative expenses		(1,643,576)	(1,293,605)
Exceptional administrative expenses		-	1,657,193
<b>Operating profit</b>	<b>3</b>	8,611	993,634
Other interest receivable and similar income		14,894	67
<b>Profit on ordinary activities before taxation</b>		23,505	993,701
Tax on profit on ordinary activities	<b>4</b>	-	(5,723)
<b>Profit for the year</b>	<b>11</b>	23,505	987,978
Retained profit/(loss) brought forward		75,162	(912,815)
<b>Retained profit carried forward</b>		<u>98,667</u>	<u>75,163</u>

**The notes on pages 9 to 14 form an integral part of these financial statements.**

**Albion Water Limited**

**Balance sheet  
as at 31 March 2014**

	Notes	2014		2013	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	5		270,107		269,063
<b>Current assets</b>					
Debtors	6	2,002,499		2,225,295	
Cash at bank and in hand		1,815,460		216,481	
			<u>3,817,959</u>		<u>2,441,776</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(3,617,416)</u>		<u>(2,226,835)</u>	
<b>Net current assets</b>			<u>200,543</u>		<u>214,941</u>
<b>Total assets less current liabilities</b>			470,650		484,004
<b>Provisions for liabilities</b>	8		<u>(371,982)</u>		<u>(408,840)</u>
<b>Net assets</b>			<u>98,668</u>		<u>75,164</u>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Profit and loss account	11		<u>98,667</u>		<u>75,163</u>
<b>Shareholders' funds</b>			<u>98,668</u>		<u>75,164</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective January 2015) relating to small companies.

These accounts were approved by the directors on 9 December 2014, and are signed on their behalf by:

.....

**J R Bryan**  
Director

Registration number 03102176

The notes on pages 9 to 14 form an integral part of these financial statements.

## Albion Water Limited

### Notes to the financial statements for the year ended 31 March 2014

..... continued

#### 1. Accounting policies

##### 1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

##### 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.

##### 1.3. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

##### 1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	No depreciation on land
Plant and machinery	-	2 years straight line
Infrastructure	-	100 years straight line
Sewerage treatment works	-	60 years straight line
Mechanical & Electrical	-	10 /20 years straight line

The company has acquired the rights to operate sewerage facilities at Knowle Village from Berkeley Homes (Southern) Limited. These were acquired at nil value. The commercial value of the assets are depreciated at rates shown above and are then negated by a similar amount to reflect that consideration was nil.

#### 2. Turnover

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

#### 3. Operating profit

	2014	2013
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	75,070	79,990
Exceptional items		
- Exceptional administrative expenditure	-	1,657,193
	<u>          </u>	<u>          </u>

**Albion Water Limited**

**Notes to the financial statements  
for the year ended 31 March 2014**

**4. Tax on profit on ordinary activities**

Analysis of charge in period	2014	2013
	£	£
<b>Current tax</b>		
UK corporation tax	-	5,723
	<u>          </u>	<u>          </u>

5. Tangible fixed assets	Land	Plant and machinery	Infra- structure	Sewerage		Total
				Treatment Works	Mechanical & Electrical	
	£	£	£	£	£	£
<b>Cost</b>						
At 1 April 2013	271,605	26,619				298,224
Third party contribution b/fwd			874,302	2,200,000	360,000	3,434,302
Additions	-	2,704	1,119,042	-	-	1,121,746
Third party contribution	-	-	(1,993,344)	(2,200,000)	(360,000)	(4,553,344)
At 31 March 2014	<u>271,605</u>	<u>29,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,928</u>
<b>Depreciation</b>						
At 1 April 2013	2,542	26,619				29,161
Amort asset contribution b/fwd			27,196	146,667	104,000	277,863
Charge for the year		135	8,743	36,667	28,000	73,545
Amort asset contribution	-	-	(35,939)	(183,334)	(132,000)	(351,273)
	1,525					
At 31 March 2014	<u>4,067</u>	<u>26,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,296</u>
<b>Net book values</b>						
At 31 March 2014	<u>267,538</u>	<u>2,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,107</u>
At 31 March 2013	<u>269,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,063</u>

The accounting treatment of assets associated with the operations is shown in note 1.4 of the accounts. This treatment is not in accordance with Companies Act 2006 provisions requiring fixed assets to be shown at the purchase price or production cost and hence contributions would be presented under the Act as deferred income. The treatment explained in note 1.4 has been adopted in accordance with section 396(5) of the Companies Act 2006 in order to show a true and fair view as, in the directors opinion, it is not appropriate to treat contributions to fixed assets as deferred income. The fixed assets to which they relate do not have determinable finite lives and therefore no basis exists for releasing any deferred income to the profit and loss account. As a consequence, the net book value of fixed assets and deferred income is £4.2m (2013 £3.2m) lower than would have been the case had contributions been treated as deferred income indefinitely.

**Albion Water Limited**

**Notes to the financial statements  
for the year ended 31 March 2014**

..... continued

<b>6. Debtors</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade debtors	314,652	26,464
Other debtors	1,438,638	1,943,590
Prepayments and accrued income	249,209	255,241
	<u>2,002,499</u>	<u>2,225,295</u>

<b>7. Creditors: amounts falling due within one year</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade creditors	30,859	508,490
Amounts owed to group undertaking	110,325	161,308
Corporation tax	-	5,723
Other taxes and social security costs	183,608	26,095
Other creditors	3,145,742	1,175,647
Accruals and deferred income	146,882	349,572
	<u>3,617,416</u>	<u>2,226,835</u>

**8. Provisions for liabilities**

	<b>Deferred taxation (Note 9) £</b>	<b>Other provisions £</b>	<b>Total £</b>
At 1 April 2013	3,400	405,440	408,840
Utilised in the year		(36,858)	(36,858)
At 31 March 2014	<u>3,400</u>	<u>368,582</u>	<u>371,982</u>

Other provisions are in respect of anticipated expenditure in respect of maintenance of Knowle Village Infrastructure.

Albion Water Limited

Notes to the financial statements  
for the year ended 31 March 2014

..... continued

<b>9. Provision for deferred taxation</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	3,400	3,400
Provision for deferred tax	3,400	3,400
	<u>3,400</u>	<u>3,400</u>
Provision at 1 April 2013	3,400	
Provision at 31 March 2014	<u>3,400</u>	
<b>10. Share capital</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
<b>Equity Shares</b>		
1 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
<b>11. Reserves</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>At 1 April 2013</b>	75,162	75,162
Profit for the year	23,505	23,505
<b>At 31 March 2014</b>	<u>98,667</u>	<u>98,667</u>
<b>12. Ultimate parent undertaking</b>		

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

**Albion Water Limited**

**Notes to the financial statements  
for the year ended 31 March 2014**

..... continued

**13. Uncertainty with regard to the supply price of water**

The accounts for the year ended 31st March 2012 contained provision for £842,000 claimed by Dwr Cymru as compensation under the terms of a Final Determination of the bulk supply for the Shotton site, for which Albion is the inset appointee. Compensation is calculated for the period from 22nd February 2010 to 31st October 2011, the date of Ofwat's determination and has the force of law. Albion applied for permission to proceed to Judicial Review of Ofwat's decision and upon receiving Albion's submissions and in the light of Dwr Cymru's failure to provide full disclosure of relevant evidence, Ofwat withdrew its Final Determination. Ongoing prices have reverted to the lower levels in Ofwat's Interim Determination, which has also had the effect of quashing the award of compensation. The company is in negotiations under Ofwat's supervision to set the price of the supply of water for the period from 1st February 2010. Pending the outcome of these negotiations the directors have applied a price that they think is reasonable taking into account circumstances.