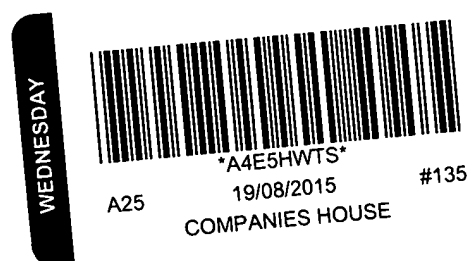


Veolia Water Outsourcing Limited

Annual report and financial statements
for the year ended 31 December 2014

Registered number: **02518607**



Veolia Water Outsourcing Limited

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Veolia Water Outsourcing Limited

Directors and officers

Directors

O Bret (Resigned 30 June 2014)
N Craig (Appointed 15 May 2014 & Resigned 23 April 2015)
A Dench (Resigned 16 May 2014)
N Earnshaw (Resigned 04 June 2014)
D Gerrard (Appointed 26 September 2014)
C Gough
W Hay (Resigned 01 December 2014)
S Jennings
N Paterson
M Saunders (Resigned 02 June 2015)
S Shine
J Abraham (Appointed 10 April 2015)

Company Secretary

C Garrett

Company Number

02518607

Registered Office

210 Pentonville Road
London
N1 9JY

Auditors

Ernst & Young LLP
G1, 5 George Square
Glasgow
G2 1DY

Veolia Water Outsourcing Limited

Strategic report

The Directors present their strategic report for Veolia Water Outsourcing Limited (the Company) for the year ended 31 December 2014.

Principal activity

The main activities of the Company are the operation and maintenance of water and waste water assets.

Business review

The Company continued its core business activities during the year and anticipates that it will continue to service its existing contracts for the foreseeable future.

The profit for the year ended 31 December 2014 was £4,496k (2013: £22,063k profit, as restated).

Total comprehensive income for the period ended 31 December 2014 was income of £4,896k (31 December 2013 income of £19,028k, as restated).

The balance sheet as at 31 December 2014 shows equity shareholders' funds amounting to £53,473k (2013: £48,577k, as restated).

Key events

The year ended 31 December 2014 has seen the Company focus on optimising the operational performance at each of its operating units, however there were a number of one off items that significantly impacted the result for the year.

In 2013 the Company provided against loans and trade debts from Vennsys Limited. During 2014 Vennsys Limited came to an agreement with its main customer and significant creditors. The Company has therefore reassessed this provision, resulting in a credit to the income statement of £7,516k. This has been partly offset by an increase in the provision against amounts owed on the Omega contract of £2,600k. As part of its annual review of the future cash flows from its businesses and contracts, the Company has also fully impaired its investment in Veolia Water Operational Services (Highland) Limited resulting in a charge to the income statement of £1,377k.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties to which the Company is exposed are those intrinsic to each individual contract and its ability to provide the services for which it is contracted. These contracted services include risks in construction, the environment, delivery timetables, operations, security and meeting forecasted costs.

The directors manage risk through the Risk Management Committee, of which certain directors are members. The Risk Management Committee reviews the company Risk Register. The Risk Register records risks on contracts and business areas and is populated and updated by each divisional business manager on a monthly basis with plans put in place to mitigate these risks.

Financial risk management

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Liquidity risk;
- Credit risk.

The Company is not exposed to significant amounts of foreign currency risk as the Company operates in the UK and at each reporting date all financial assets and financial liabilities are denominated in Sterling.

The Company finances its operations through a mixture of retained profits and intercompany loans. The Group's central treasury department manages liquidity, interest rate and foreign exchange risk centrally within limits set by the Chief Financial Officer.

Interest rate risk

The Company is not exposed to significant external interest rate risk as borrowings are all with group companies.

Veolia Water Outsourcing Limited

Strategic report continued

Liquidity risk

The Company is subject to the variability of cash flow due to the billing cycle and the uncertainty of timing of customer payments. Variability in cash flows is primarily managed by the Company by the utilisation of funds loaned to or borrowed from the parent company as part of the cash pooling arrangements.

Credit risk

The Company is exposed to counterparty risk in various areas: its operating activities and treasury activities. Credit risk therefore arises primarily on the Company's operating financial assets and operating receivables. The carrying amount of trade and other receivables and cash and cash equivalents represents the Company's maximum exposure to credit risk. The Company has a number of long term contracts with well-established customers.

The Company manages its credit risk by ensuring that sufficient resources are allocated to credit management to reduce the impact of the risk and by using group cash-pooling arrangements.

Financial key performance indicators

The Company forms part of the Veolia Water UK Limited reporting group, a collection of business units and investments which are managed by reviewing performance against pre-determined budgets and other financial and non-financial key performance indicators ("KPI's"). These KPI's are used as part of the monthly management process and include measures for financial performance, customer facing activities, process activities, employee matters, environmental matters, environmental performance and health and safety.

The key financial KPI of the business is EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation). The EBITDA in the year was a surplus of £3,474k compared to the prior year surplus of £21,800k, as restated. EBITDA in 2013 was significantly impacted by the sale of Veolia Water Nevis Limited to Veolia Water Enterprise Limited for £33,433k and an increase in bad and doubtful debt charges of £15,807k.

By order of the Board



D Gerrard
Director

14 August 2015

Veolia Water Outsourcing Limited

Directors' report

The Directors present their report and the audited statutory financial statements for the year ended 31 December 2014.

Directors

The Directors holding office during the period are disclosed on page 1.

Employees

The Company consults its staff on matters of concern in the context of their employment. The Company continued to carry out its obligations arising from the Health and Safety at Work Act 1974 through consultative committees consisting of management and employee representatives.

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be covered adequately by a handicapped or disabled person. With regard to existing employees and those who have become disabled during the year, the Company has continued to examine ways and means of providing training and career development whenever appropriate.

During the year, the policy of providing employees with information about the Company has been continued through the use of the intranet and newsletters in which employees have also been encouraged to present their suggestions and views. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Dividends

During the year ended 31 December 2014 dividends of £nilk were declared and paid (2013: £nilk) and dividends of £664k were received (2013: £1,207k).

Going concern

The Company has adequate resources to meet its current operational and financial obligations, and the Directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of the Company's budgeted cash flows and long term forecasts, related assumptions and available debt facilities. For this reason, the Directors continue to adopt the going concern basis in the statutory financial statements.

Future developments

The Company intends to continue to operate and maintain water and waste water assets for the foreseeable future.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The effective date of FRS 101 is 1 January 2015 and therefore the Directors have chosen to early adopt this new standard.

Veolia Water Outsourcing Limited

Directors' report continued

Statement of directors' responsibilities continued

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- 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.

Compliance

The financial statements of the Company are subject to statutory UK audit. The ultimate parent undertaking, Veolia Environnement SA de-listed from the US stock exchange in December 2014, the group still complies with Sarbanes Oxley. The Company participates in various support service arrangements and is party to standard processes aligned to the compliance environment in which the group operates.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all steps that he is obliged to take as a director in order to make himself aware of that information and to establish that the Company's auditor is aware of that information.

Auditors

In accordance with Section 487(2) of the Companies Act 2006, and in the absence of a notice proposing that the appointment be terminated, the auditors, Ernst & Young LLP, will be deemed to be re-appointed for the next financial year.

By order of the Board



D Gerrard
Director

14 August 2015

Independent auditor's report to the members of Veolia Water Outsourcing Limited

We have audited the financial statements of Veolia Water Outsourcing Limited for the year ended 31 December 2014 which comprise the Income statement and statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4 - 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Strategic Report and 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.



Ian McDowall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

14 August 2015

Veolia Water Outsourcing Limited

Income statement and statement of comprehensive income for the year ended 31 December 2014

		2014	2013
	Note	£000's	Restated £000's
Turnover	3	38,655	34,801
Cost of sales		(32,600)	(34,250)
Gross profit		6,055	551
Administration expenses		(2,306)	(11,174)
Total operating profit/(loss)		3,749	(10,623)
Loss on exchange differences		(4)	-
Profit on disposal of non-current assets		-	33,433
Dividend income		664	1,207
Interest receivable and similar income	6	3,107	3,066
Impairment of investments		(1,377)	(4,067)
Interest payable and similar charges	7	(1,474)	(1,394)
Other finance income		283	363
Profit on ordinary activities before taxation		4,948	21,985
Tax (expense)/credit	8	(452)	78
Profit for the year		4,496	22,063
Actuarial gain/(loss) on defined benefit plan		500	(3,790)
Deferred tax (expense)/credit arising thereon		(100)	755
Other comprehensive income/(expense) for the year		400	(3,035)
Total comprehensive income for the year net of tax attributable to the owners of the Company		4,896	19,028

Veolia Water Outsourcing Limited

Balance sheet

as at 31 December 2014

Company registration number: 02518607

		2014	2013
	Note	£000's	Restated £000's
Fixed assets			
Property, plant and equipment	9	7,659	6,899
Intangible assets	11	3,199	3,833
Investments	12	32,202	33,579
Retirement benefit asset	18	3,590	6,155
		46,650	50,466
Current assets			
Inventory and work in progress	10	3,473	3,301
Trade debtors	13	1,702	9,619
Amounts owed by fellow subsidiaries		22,304	38,198
Amounts owed by joint ventures	21	3,579	1,567
Amounts owed by associates	21	87	-
Loans owed by fellow subsidiaries due within one year	21	34,007	33,400
Loans owed by fellow subsidiaries due more than one year	21	23,296	22,790
Loans owed by joint ventures due within one year	21	6,231	250
Loans owed by joint ventures due more than one year	21	6,725	6,928
Other debtors		292	1,154
Prepayments and accrued income		2,290	399
Tax recoverable		862	12,301
Cash at bank and in hand	14	2,303	585
Deferred tax	17	2,397	2,572
		109,548	133,064
Creditors: amounts falling due within one year			
Trade creditors		2,445	3,815
Amounts owed to fellow subsidiaries		11,412	35,022
Amounts owed to joint ventures	21	109	30
Amounts owed to associates	21	-	1,268
Loans owed to fellow subsidiaries	21	48,021	56,663
Loans owed to joint ventures	21	10,938	7,369
Other creditors	15	42	370
Accruals and deferred income		15,320	13,053
		88,287	117,590
Net current assets		21,261	15,474
Creditors: amounts falling due after one year			
Loans owed to fellow subsidiaries	21	12,901	12,344
Loans owed to joint ventures	21	-	250
Total non-current creditors		12,901	12,594

Veolia Water Outsourcing Limited

Balance sheet continued

as at 31 December 2014

Company registration number: 02518607

		2014	2013
			Restated
	Note	£000's	£000's
Provisions	16	819	3,538
Deferred tax	17	718	1,231
		14,438	17,363
Net assets		53,473	48,577
Equity			
Share capital	19	35,000	35,000
Share premium		8,710	8,710
Profit and loss account		9,763	4,867
Total equity		53,473	48,577

The financial statements on pages 7 to 30 were approved by the board of directors and authorised for issue on 14 August 2015. These financial statements were prepared in accordance with Financial Reporting Standard 101, the Financial Reporting Standard applicable in the UK and Republic of Ireland. They were signed on its behalf by:

D Gerrard
Director



The accompanying notes are an integral part of these financial statements.

Veolia Water Outsourcing Limited

Statement of changes in equity

for the year ended 31 December 2014

	Share capital £000's	Share premium £000's	Profit and loss account £000's	Total £000's
At 1 January 2013	35,000	8,710	(14,160)	29,550
Profit for the year, as restated	-	-	22,063	22,063
Actuarial losses on defined benefit plans	-	-	(3,791)	(3,791)
Deferred tax on actuarial losses	-	-	755	755
At 31 December 2013	35,000	8,710	4,867	48,577
Profit for the year	-	-	4,496	4,496
Actuarial gains on defined benefit plans	-	-	500	500
Deferred tax on actuarial gains	-	-	(100)	(100)
At 31 December 2014	35,000	8,710	9,763	53,473

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies

Veolia Water Outsourcing Limited is a private company incorporated in England and Wales.

Accounting standards framework

Basis underlying the preparation of the financial information

These financial statements present financial information for the year ended 31 December 2014. These financial statements are accompanied, for comparative purposes, by financial statements for the 12 months ended 31 December 2013.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101).

The accounting policies which follow set out those policies which apply in preparing the financial statement for all years presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(iii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations' (this exemption requires equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated).
- b) The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- c) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present the comparative information in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1;
 - ii) Paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
- d) The requirements of paragraphs 10(d), 16 and 134-136 of IAS 1 'Presentation of Financial Statements';
- e) The requirements of IAS 7 'Statement of Cash Flows';
- f) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- g) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- h) The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

General principles underlying the preparation of the financial statements

The financial statements are presented in Sterling and are rounded to the nearest thousands of pounds, unless stated otherwise.

The financial statements are presented on a historical cost basis.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies continued

Accounting standards framework continued

Standards issued but not yet effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2014	Effective for annual periods beginning on or after
• Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
• Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
• Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
• IFRS 14 “Regulatory Deferral Accounts”	1 January 2016
• Amendments to IFRS 11 “Joint Arrangements: Accounting for Acquisitions of Interests”	1 January 2016
• Amendments to IAS 16 and IAS 28 “Clarification of Acceptable Methods of Depreciation and Amortisation”	1 January 2016
• Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	1 January 2016
• Amendments to IAS 27 “Equity Method in Separate Financial Statements”	1 January 2016
• IFRS 15 “Revenue from Contracts with Customers”	1 January 2018
• IFRS 9 “Financial Instruments”	1 January 2018

The Company expects that the adoption of the pronouncements listed above will not have a significant impact on the results of operations and financial position in the period of initial application.

New or revised standards and interpretations adopted in 2014

- Amendments to IFRS 10 “Consolidated Financial Statements” – Investment Entities
- Amendments to IFRS 12 “Disclosure of Interests in Other Entities” – Investment Entities
- Amendments to IAS 27 – “Separate Financial Statements” – Investment Entities
- Amendments to IAS 32 – “Financial Statements: Presentation” – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39 – “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 “Levies”
- Annual improvements “2010-2012 Cycle”
- Annual improvements “2011-2013 Cycle”

The amendments and new standards described above did not have a significant impact on the financial position or performance of the Company. The Company has not early adopted any other standard or amendment that has been issued, but is not yet effective.

Property, plant and equipment

Property, plant and equipment is recorded at historical acquisition cost to the Company, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life. Useful lives are as follows:

Long term leasehold property	10-100 years
Plant and machinery	2 - 20 years
Fixtures and fittings	3 - 20 years

Property, plant and equipment are primarily depreciated on a straight-line basis.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies continued

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, they are recorded at historical acquisition cost to the Company, less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful life, unless another systematic amortisation basis better reflects the rate of consumption of the assets.

Software licenses are considered to have a useful life not exceeding 5 years. Internally generated intangible assets and contract rights acquired are written off over the life of the contracts to which each relate.

Impairment of intangible assets, property, plant and equipment and non-financial assets

The net carrying amount of non-financial assets, other than deferred tax assets and goodwill are reviewed at each period end in order to assess the existence of any indication of impairment. Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Inventory and work in progress

Inventory and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is estimated using first in first out cost formulas.

Provisions

Pursuant to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', a provision is recorded when, at the year end, the Company has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, the Company generally assumes responsibility for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analysed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Statement of comprehensive income.

Financial instruments

Financial assets and liabilities

Financial assets include loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, bank overdrafts and operating payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39.

Measurement and recognition of financial assets

Financial assets are initially recognised at fair value plus transaction costs and are subsequently measured as amortised cost.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies continued

Financial instruments continued

Measurement and recognition of financial assets continued

The Company classifies financial assets in one of the categories identified by IAS 39 on the acquisition date.

Loans and receivables

This category includes trade and other receivables. After initial recognition at fair value, these instruments are recognised and measured at amortised cost using the effective interest method.

An impairment loss is recognised if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. The impairment loss is recognised in the Statement of comprehensive income.

Net gains and losses on loans and receivables consist of interest income and impairment losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Recognition and measurement of financial liabilities

Borrowings and other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value.

The Company classifies short term deposits where maturity is less than three months and no early exit penalty as cash and cash equivalents.

Bank overdrafts repayable on demand form an integral part of the Company's cash management policy and represent a component of cash and cash equivalents.

Net gains and losses on loans and receivables consist of interest income and impairment losses.

Pension plans and other post-employment benefits

Defined benefit plans

The net obligations of the Company are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. This amount is then discounted to present value and unamortised past service costs and the fair values of plan assets are deducted.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies continued

Pension plans and other post-employment benefits continued

Defined benefit plans continued

Where the calculation shows a plan surplus, the asset recognised is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions and the amount of unamortised past service costs. The plan surplus is recognised in non-current financial assets.

Certain obligations of the Company may enjoy repayment entitlement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. Repayment entitlement is recognised in non-current financial assets.

Employee obligations of the Company are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with the Company until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary zone. They are determined based on the yield offered by bonds issued by top-quality companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are offset against other comprehensive income and are not amortised in the Income statement and statement of comprehensive income.

Revenue

Revenue represents sales of services measured at the fair value of the counterparty received or receivable.

Revenue from the sale of services is recognised when the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- the significant risks and rewards of ownership of the goods have been transferred to the buyer, in the case of sales of goods;
- the stage of completion of the transaction at the year-end may be reasonably determined in the case of sales of services;
- the recovery of the counterparty is considered probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of services

The provision of services represents the management, design, operation and maintenance of water and waste water related infrastructure and customer outsourcing services.

Revenue from these activities is recognised when the service is rendered and it is probable that the economic benefits will flow to the Company.

In contracts where the Company is the main contractor revenue reflects costs incurred to date plus best estimate of profits attributable to the work performed to date. It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Company does not bear the risk of payment default by third parties.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

1 Accounting policies continued

Interest income and expenses

Interest receivable consists of income from cash and cash equivalents and group undertakings.

Interest income is recognised in the income statement when earned, using the effective interest method.

Other financial income and expenses primarily include income on financial receivables calculated using the effective interest method and impairment losses on financial assets.

Income taxes

The income tax expense includes the current tax charge and the deferred tax charge.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is recognised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Management make estimates and assumptions concerning the future, and uses judgement in applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

With the exception retirement benefit schemes described in note 18 and provisions described in note 16, management have not made any material estimates or assumptions that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

2 Prior year restatement

At 31 December 2013 a provision was made against an intercompany debt of £1,212,000. This amount was received prior to the balance sheet being signed and therefore this provision should not have been included in the accounts. The financial statements of 2013 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect in 2014.

	Effect on 2013 000's
Decrease in administration expenses	1,213
(Increase) in income tax expense	(282)
Increase in profit for the year	931
Increase in amounts owed by fellow subsidiaries	1,213
(Decrease) in tax recoverable	(282)
Increase in equity	931

3 Turnover

Turnover represents income, net of VAT, from the supply and management of water, waste water and sewerage services for a variety of clients in the United Kingdom. The Directors consider there to be one class of business. An analysis of the Company's revenue is as follows:

	2014 £000's	2013 £000's
Rendering of services	38,655	34,801
Finance and investment revenue	4,054	4,636
	42,709	39,437

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2014 £000's	2013 £000's
Depreciation of property, plant and equipment		
- owned assets	726	1,180
Amortisation of intangibles	376	77
Operating lease minimum payments	1,142	709
Impairment of tangible fixed assets	-	1,800
Provisions for losses on long term contracts	-	613
Loss on disposal of intangible assets	292	-
Impairment of loans and contract receivables	2,540	15,807
Release of impairment of contract receivables	(7,516)	-
Other contract provisions	819	-
Impairment of investments	1,377	4,067
Auditor's remuneration	405	255

5 Staff costs

Average monthly number of employees

The average number of employees (including executive directors) during the year was made up as follows:

	2014 No.	2013 No.
Operations and administrative staff	274	215
	274	215

Staff aggregate remuneration

	2014 £000's	2013 £000's
Wages and salaries	12,197	8,951
Social security	1,381	1,161
Other pension costs	3,350	(6,407)
Post-retirement benefit costs	1,063	2,390
	17,991	6,095

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

5 Staff costs continued

Directors' emoluments

	2014	2013
	£000's	£000's
Directors' remuneration	20	61
Attendance at board meetings	8	15
	28	76

Attendance at board meetings relates to directors' remuneration that was paid and charged within other group companies. Of the total remuneration, an amount of £8k (2013: £15k) can be attributed to the Company for qualifying services.

6 Interest receivable

	2014	2013
	£000's	£000's
Interest receivable from fellow subsidiary	1,826	1,757
Interest receivable from joint ventures	1,281	1,305
Total interest income for financial assets measured at amortised cost	3,107	3,062
Net gain on financial assets and financial liabilities at fair value through profit and loss	-	4
Total interest receivable and similar income	3,107	3,066

7 Interest payable

	2014	2013
	£000's	£000's
Other loans	-	7
Interest payable to group undertakings	1,392	1,314
Interest payable to joint ventures	82	73
	1,474	1,394

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

8 Income tax

	2014	Restated 2013
	£000's	£000's
Current income tax:		
UK corporation tax	(78)	(1,713)
Adjustments in respect of prior periods	968	(52)
	890	(1,765)
Deferred tax:		
Origination and reversal of temporary differences – current year	(431)	1,489
Origination and reversal of temporary differences – prior year	(7)	113
Adjustments to deferred tax attributable to changes in tax rates and laws	-	85
Total deferred tax	(438)	1,687
Tax on ordinary activities	452	(78)

The tax expense/(credit) in the Income statement and statement of comprehensive income for the year is the same as the standard rate of corporation tax in the UK of 21.50% (2013 : 23.25%). The differences are reconciled below:

	2014	Restated 2013
	£000's	£000's
Profit on ordinary activities before taxation	4,948	21,985
Tax calculated at UK standard rate of corporation tax of 21.50% (2013 : 23.25%)	1,064	5,112
Expenses not deductible for tax purposes	-	(7,773)
Non-taxable income	(115)	(76)
Income not subject to tax	(143)	(281)
Impairments in respect of subsidiaries and joint ventures	(1,422)	2,811
Impact of change in tax rate	-	85
Adjustment to prior year (current tax)	968	(52)
Gain on disposal	75	-
Adjustment to prior year (deferred tax)	(7)	113
Amounts due to the rate differential between current and deferred tax	32	(17)
Total tax expense/(credit) reported in the income statement	452	(78)

Veolia Water Outsourcing Limited

Notes to the financial statements For the Year Ended 31 December 2014

9 Property, plant and equipment

	Assets under construction £000's	Freehold buildings £000's	Plant and machinery £000's	Motor vehicles £000's	Total £000's
Cost or valuation					
At 1 January 2014	1,920	342	11,296	702	14,260
Additions	1,107	286	93	-	1,486
Transfers between classes	(483)	443	40	-	-
At 31 December 2014	2,544	1,071	11,429	702	15,746
Depreciation and impairment					
At 1 January 2014	-	84	6,624	653	7,361
Depreciation	-	56	637	33	726
At 31 December 2014	-	140	7,261	686	8,087
Net book value					
At 31 December 2014	2,544	931	4,168	16	7,659
At 31 December 2013	1,920	258	4,672	49	6,899

10 Inventory and work in progress

	2014 £000's	2013 £000's
Raw materials	3,192	3,212
Work in progress	281	89
	3,473	3,301

11 Intangible assets

	Patents, trademarks and other rights £000's	Computer software, other £000's	Contract rights acquired £000's	Total £000's
Cost or valuation				
At 1 January 2014	456	18	3,509	3,983
Additions	-	34	-	34
Disposals	(456)	-	-	(456)
At 31 December 2014	-	52	3,509	3,561
Amortisation and impairment				
At 1 January 2014	148	2	-	150
Disposals	(164)	-	-	(164)
Amortisation	16	9	351	376
At 31 December 2014	-	11	351	362
Net book value				
At 31 December 2014	-	41	3,158	3,199
At 31 December 2013	308	16	3,509	3,833

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

12 Investments

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2013 and 2014 are as follows:

Name of company	Country of incorporation	Holding	%	Nature of business
Subsidiary undertakings:				
Veolia Water Projects Limited	United Kingdom	Ordinary shares	100%	Water services
Stirling Water Seafield Holdings Limited	United Kingdom	Ordinary shares	100%	Waste water services
Veolia Water Capital Delivery Limited	United Kingdom	Ordinary shares	100%	Waste and water services with investments
Veolia Water Operational Services (Moray) Limited	United Kingdom	Ordinary shares	100%	Waste water services
Veolia Water Operational Services (Tay) Limited	United Kingdom	Ordinary shares	100%	Waste water services
Veolia Water Operational Services (Highland) Limited	United Kingdom	Ordinary shares	100%	Waste water services
Joint ventures:				
Vennsys Limited	United Kingdom	Ordinary shares	51%	Meter installation and reading
		Preference shares	100%	
Glen Water (Holdings) Limited	United Kingdom	Ordinary shares	50%	Waste water services
MUJV Limited	United Kingdom	Ordinary shares	50%	Utility infrastructure management
Veolia Water Organics Recycling Limited	United Kingdom	Ordinary shares	50%	Industrial waste recycling
Thistle Water Limited	United Kingdom	Ordinary shares	40%	Water and waste water services
Associates:				
Stirling Water (2003) Limited	United Kingdom	Ordinary shares	25%	Water and waste water services

Veolia Water Outsourcing Limited

Notes to the financial statements For the Year Ended 31 December 2014

12 Investments continued

	Ordinary shares subsidiaries £000's	Ordinary shares joint ventures £000's	Total £000's
At 1 January 2014	32,799	780	33,579
Impairments	(1,377)	-	(1,377)
At 31 December 2014	<u>31,422</u>	<u>780</u>	<u>32,202</u>

	2014 £000's	2013 £000's
Investments in subsidiaries	31,422	32,799
Investment in joint ventures	780	780
Total investments	<u>32,202</u>	<u>33,579</u>

13 Trade debtors

	2014 £000's	2013 £000's
Gross trade debtors	3,429	10,745
Provision for bad debts	(1,727)	(1,126)
	<u>1,702</u>	<u>9,619</u>

14 Cash at bank and in hand

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

15 Other creditors

	2014 £000's	2013 £000's
Tax and other social security	3	370
Other creditors	39	-
	<u>42</u>	<u>370</u>

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

16 Provisions

	Legal proceedings £000's	Other provisions £000's	Total £000's
At 1 January 2014			
Non-current	-	3,538	3,538
Arising during the year	819	136	955
Utilised	-	(2,764)	(2,764)
Reversal of unused amounts	-	(910)	(910)
As at 31 December 2014	819	-	819
Analysed as:			
Non-current	819	-	819
At 31 December 2014	819	-	819

During the year a provision was made in respect of a claim by a client for additional costs incurred by them due to a defective water tank installed on their premises. The claim may be covered by a counter claim against the designers and our insurers, however as the outcome of that claim is uncertain the potential recovery cannot be recognised.

17 Deferred tax

	Capital allowances £000's	Retirement benefit obligations £000's	Holiday pay £000's	Unpaid Rem £000's	Other temporary differences £000's	Total £000's
At 31 December 2012	455	(730)	91	56	2,401	2,273
Charge to income statement	102	(1,557)	(89)	(56)	-	(1,600)
Change of rate	(73)	301	(2)	-	(313)	(87)
Charge to other comprehensive income	-	755	-	-	-	755
At 31 December 2013	484	(1,231)	-	-	2,088	1,341
Charge to income statement	(176)	613	-	-	1	438
Charge to other comprehensive income	-	(100)	-	-	-	(100)
At 31 December 2014	308	(718)	-	-	2,089	1,679

18 Retirement benefit schemes

Veolia UK Pension Plan (VUKPP)

Defined benefit schemes

Veolia UK Pension Plan (VUKPP)

The scheme was established as at 1 April 1996, as the Générale des Eaux UK Retirement Benefits Scheme. This scheme was merged with the Générale des Eaux UK Pension Plan on 1 April 1998 to form the Veolia UK Pension Plan, which was open to all new staff and existing members. The scheme provides a selection of benefits based upon final pensionable pay or money purchase according to the members' wishes. The final salary section was closed to new members on 30 September 2004.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

18 Retirement benefit schemes continued

Veolia UK Pension Plan (VUKPP) continued

The scheme operates a divisionalised structure within the overall plan. The "DCCS" division was created on 29 November 2007.

Following the termination of the Welsh Water contract on 31 July 2012 active members of the DCCS division transferred employment from Veolia Water Outsourcing Limited back to Welsh Water and stopped accruing benefits in the Veolia UK Pension Plan. These members were entitled to deferred benefits, and a deferred revaluation linked to CPI. They also had the option of transferring their benefits to Welsh Water's arrangements, and around 85% of the members did elect to transfer. As a result of the termination of the Welsh Water contract the defined benefit cost for the year includes a past service gain of £ Nilk (2013: £1,665k cost) in respect of updated cash commutation factors and also includes a loss of £Nilk (2013: £6,407k gain) on the settlement of assets and liabilities.

In 2014 the Company started to change its risk profile associated with the pension scheme by purchasing an insurance policy to cover the majority of the future claims against the scheme. This process cannot be completed until the value of future pensions is agreed with HMRC. On 1 October 2014 the Company paid a premium of £8,759k in respect of this policy, at this date the value of the scheme liabilities was estimated at £5,409k. This therefore resulted in a loss on settlement of £3,350k.

In 2014 a surplus of £3,590k (2013: surplus of £6,155k) has been recognised on the balance sheet in respect of the DCCS division of the pension scheme.

The assets and liabilities of the schemes at 31 December are:

	2014 £000's	2013 £000's
<i>Scheme assets at fair value</i>		
Gilts and corporate bonds	4,297	11,633
Cash	40	88
Insurance policies	5,197	-
Fair value of scheme assets	9,534	11,721
Present value of scheme liabilities	(5,944)	(5,566)
Defined benefit pension plan surplus	3,590	6,155

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2014 £000's	2013 £000's
<i>Recognised in the Income statement</i>		
Current service costs	-	-
Past service cost	-	1,665
Loss/(gain) on settlement	3,350	(6,407)
Total service cost recognised in operating profit/(loss)	3,350	(4,742)

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

18 Retirement benefit schemes continued

Veolia UK Pension Plan (VUKPP) continued

	2014	2013
	£000's	£000's
Interest cost	253	325
Expected return on plan assets	(536)	(688)
Net interest on defined benefit surplus	(283)	(363)
Defined benefit cost included in the Income statement	3,067	(5,105)
Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest)	(1,297)	1,130
Actuarial changes arising from changes in demographic assumptions	(36)	(38)
Actuarial changes arising from changes in financial assumptions	833	2,699
Recognised in Statement of Comprehensive Income	(500)	3,791

	2014	2013
	£000's	£000's
<i>Changes in the present value of the defined benefit obligation are analysed as follows:</i>		
Opening defined benefit obligation	5,566	22,246
Past service cost	-	1,665
Loss/(gain) on settlement	3,350	(6,407)
Interest cost	253	325
Benefits paid	(672)	(143)
Settlements payments to plans	(3,350)	(14,781)
Actuarial gains on obligation	797	2,661
Closing defined benefit obligation	5,944	5,566

	2014	2013
	£000's	£000's
<i>Changes in the fair value of plan assets are analysed as follows:</i>		
Opening fair value of plan assets	11,721	25,422
Interest income on plan assets	536	688
Employers contributions	-	1,665
Benefits paid	(672)	(143)
Settlements payments to plans	(3,348)	(14,781)
Actuarial gains/(losses) on plan assets	1,297	(1,130)
Closing fair value of plan assets	9,534	11,721

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

18 Retirement benefit schemes continued

Veolia UK Pension Plan (VUKPP) continued

Principal assumptions

The present value of pension obligation is estimated by discounting pension commitments, including salary growth, at an AA corporate bond yield

	2014	2013
The principal assumptions used in determining the pension obligation are shown below:		
Future pension-in payment increases	2.95%	3.30%
Discount rate	3.60%	4.60%
Future price inflation	2.05%	2.40%
Life expectancy for a male pensioner age 65 (yrs)	22.6	22.3
Life expectancy for a male non-pensioner age 65 (yrs)	24.1	24.0

19 Share capital

	2014 Number	2013 Number	2014 £000's	2013 £000's
Authorised				
Ordinary shares of £1.00 each	35,000,000	35,000,000	35,000	35,000
	35,000,000	35,000,000	35,000	35,000

	2014 Number	2013 Number	2014 £000's	2013 £000's
Allotted, called up and fully paid				
Ordinary shares of £1.00 each				
At 1 January	35,000,000	35,000,000	35,000	35,000
At 31 December	35,000,000	35,000,000	35,000	35,000
Total share capital held at 31 December	35,000,000	35,000,000	35,000	35,000

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

20 Operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014	2013
	£000's	£000's
Not later than one year	675	928
After one year but not more than 5 years	996	1,283
	1,671	2,211

21 Related party transactions

The immediate parent Company is Veolia Water Enterprise Limited, a company incorporated in the UK. The ultimate parent company is Veolia Environnement SA, a company incorporated in France. Consolidated financial statements are prepared by Veolia Environnement SA. Copies of the consolidated financial statements for Veolia Environnement SA are available from the Head Office at 36 – 38 Avenue Kléber, 75116 Paris, France.

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Sales between related parties are made on an arm's length basis. Transactions entered into and trading balances outstanding at 31 December with related parties, are as follows:

Trading transactions

	Sales of goods and services		Purchases of goods and services	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Joint ventures	101	12,932	(51)	1,067
	101	12,932	(51)	1,067

	Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Joint ventures	3,579	1,567	(109)	(30)
Associates	87	-	-	(1,268)
	3,666	1,567	(109)	(1,298)

The amount owed by Joint Ventures is net of a provision for bad and doubtful debt of £3,505k (31 December 2013: £6,376k). Amounts owed by associates is net of a provision of £100k (31 December 2013: £nil)

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

21 Related party transactions continued

Loans

	Loans owed by related parties		Loans owed to related parties	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Non-current				
Veolia Water Enterprise Limited	-	-	(12,901)	(12,344)
Glen Water Limited	6,725	6,928	-	-
Stirling Water Seafield Limited - senior subordinated debt	14,534	15,230	-	-
Stirling Water Seafield Limited - junior subordinated debt	8,762	7,560	-	-
Total non-current loans	30,021	29,718	(12,901)	(12,344)
Current				
Veolia Water UK Limited	-	-	(48,021)	(56,663)
Veolia Water Enterprise Limited	33,400	33,400	-	-
Glen Water Limited	-	250	-	-
4Delivery Limited	-	-	(8,509)	(6,769)
Brighton & Hove 4Delivery Limited	-	-	(2,429)	(600)
Vennsys Limited	6,231	-	-	-
Stirling Water Seafield Limited - senior subordinated debt	607	-	-	-
Total current loans	40,238	33,650	(58,959)	(64,032)
Total loans	70,259	63,368	(71,860)	(76,376)

Veolia Water Enterprise Limited long term loan, due to expire in 2022, totalling £12,900,636 (31 December 2013: £12,473,042), bears interest at 3 month LIBOR plus 2.5% margin plus a utilisation fee at 0.35%. Interest is capitalised on a quarterly basis.

Glen Water Limited loan totalling £6,724,591 (31 December 2013: £6,927,758), bears interest at 9%. Repayments commenced in September 2009. Capital and interest is repaid in semi-annual instalments. The loan will be repaid in full by December 2031.

The Stirling Water Seafield Limited senior subordinated loan totalling £15,141,249 (31 December 2013: £15,230,151), bears interest at 5.772%. Repayments commenced in September 2004. Capital and interest is to be repaid in semi-annual instalments. The loan will be repaid in full by March 2027.

Veolia Water Outsourcing Limited

Notes to the financial statements

For the Year Ended 31 December 2014

21 Related party transactions continued

Loans continued

The Stirling Water Seafeld Limited junior subordinated loan totalling £8,761,711 (31 December 2013: £7,559,309), bears interest at 12%. Repayment of the loan is subject to the terms of the Collateral Deed, Security Trust Deed and the Account Bank Agreement. All advances together with accrued interest shall be repayable (only to the extent of any available cash for repayment) on each repayment date or earlier.

Veolia Water UK Limited loan totalling £48,021,463 (31 December 2013: £56,662,886), bears interest at 3 month LIBOR plus 0.8% margin plus a utilisation fee at 0.35%. Interest is capitalised on a quarterly basis.

Veolia Water Enterprise Limited loan totalling £33,400,000 (31 December 2013: £33,400,000), is an interest free loan. This loan relates to the sale of Veolia Water Nevis Ltd to Veolia Water Enterprise Ltd.

4Delivery Limited loan totalling £8,509,088 (31 December 2013: £6,768,578), bears interest at 3 month LIBOR plus 0.15% margin. 4Delivery Limited drawdown or deposit excess funds on a cash flow dependence basis.

Brighton & Hove 4Delivery Limited loan totalling £2,428,810 (31 December 2013: £600,000), bears interest at 3 month LIBOR plus 0.15% margin. Brighton & Hove 4Delivery Limited drawdown or deposit excess funds on a cash flow dependence basis.

Vennsys Limited loan totalling £6,231,383 (31 December 2013: £nil), bears interest at 9.7%. Interest is repaid on a monthly basis.

22 Events after the reporting period

On 9th April 2015 the Company acquired the remaining 49% of the ordinary shares of Vennsys Limited for consideration of £2 satisfied by cash on the completion date.

On the same day Vennsys Ltd allotted 6,831,000 of ordinary shares of £1 each to the Company in exchange for the forgiveness of unpaid commercial debt, preference shares and accumulated preference share dividends.

There will be nil impact on the 2015 income statement as a result of these transactions, as these amounts were fully impaired in 2013.