

Aquainvest Holding Company Limited

(Formerly Hackremco (No. 2186) Limited)

Accounts for the Period Ended 31 March 2005

**Together with Directors' and Independent Auditors'
Reports**

Company Registration No: 5208607



DIRECTORS' REPORT

The Directors have pleasure in submitting their report and accounts for the period from incorporation to 31 March 2005.

Principal Activities

The Company was incorporated on 18 August 2004 as Hackremco (No. 2186) Limited. On 20 October 2004, the Company's name was changed to Aquainvest Holding Company Limited. The Company's principal activity is that of an intermediate holding company, which the directors expect to continue for the foreseeable future.

Financial Results & Dividends

The Company's results are shown in the profit and loss account on page 6. The retained loss for the period amounts to £319,345. In addition, the Company received a capital contribution of £456,207 from its immediate parent undertaking Aquainvest Ventures Limited. The contribution has been treated as distributable and as such has been transferred to the profit and loss account as a reserve transfer from the capital contribution reserve. No dividends for the period have been proposed.

Directors

The Directors who held office during the period, and subsequently, were as follows:

Hackwood Directors Limited (Appointed 18 August 2004, Resigned 21 October 2004)

Charles Ogburn (Appointed 21 October 2004)

Henry Alexander Thompson (Appointed 21 October 2004)

Asim Zafar (Appointed 21 October 2004)

No Director holding office at 31 March 2005 had any interest in any material contract of the Company or any material interests in the shares of the Company during the period ended 31 March 2005.

DIRECTORS' REPORT

Share Capital

On incorporation, the authorised share capital of the Company was 100 ordinary shares of £1 each. On 30 November 2004, a resolution was passed to increase the authorised share capital to 125,000,000 ordinary shares of £1 each.

On incorporation, the Company issued 1 ordinary share of £1 for cash at nominal value. On 30 November 2004, the Company issued a further 122,502,120 ordinary shares of £1 each for cash at nominal value.

Auditors

On 14 September 2005, a resolution was passed to appoint Deloitte & Touche LLP as the Company's auditors. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



A P Page

Company Secretary

25 January 2006

Registered Office: Green Lane, Walsall, West Midlands WS2 7PD

Registered in England and Wales

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Relation to the Accounts

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities, set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the United Kingdom Companies Act 1985 to prepare accounts for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss for the financial period.

In preparing the accounts 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- ◆ prepare the accounts on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which will enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to detect and prevent fraud and other irregularities.

The Directors, having prepared the accounts, are required to provide to the auditors such information and explanations as the auditors think necessary for the performance of their duty.

INDEPENDENT AUDITORS' REPORT

To the members of Aquainvest Holding Company Limited (formerly Hackremco (No. 2186) Limited)

We have audited the financial statements of Aquainvest Holding Company Limited (formerly Hackremco (No. 2186) Limited) for the period ended 31 March 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

INDEPENDENT AUDITORS' REPORT

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

30 January 2006

PROFIT AND LOSS ACCOUNT

For the period ended 31 March 2005

	Note	Period Ended 31 March 2005 £'000
Finance charges	3	(456)
Loss on ordinary activities before taxation		(456)
Taxation on loss on ordinary activities	4	137
Loss on ordinary activities after taxation being retained loss for the period		(319)

There were no other recognised gains or losses other than the retained loss for the period.

A statement of movements in reserves is given in note 8 to the financial statements.

The results above are all derived from continuing operations.

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

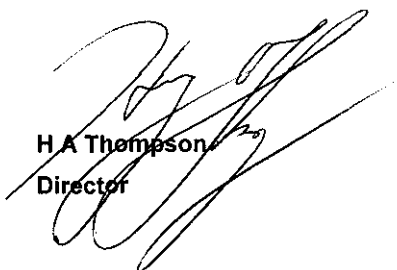
BALANCE SHEET

As at 31 March 2005

	Note	£'000
Fixed Assets		
Investments	5	122,502
		122,502
Current Assets		
Debtors	6	137
Net Current Assets		137
Total assets less current liabilities		122,639
Net Assets		122,639
Capital and Reserves		
Equity interests:		
Called up share capital	7	122,502
Profit and loss account	8	137
Shareholders' Funds	9	122,639

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

The accounts were approved by the Board of Directors on 25 January 2006.



H A Thompson
Director

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounts have been prepared on a going concern basis. The Company is a wholly owned subsidiary and its immediate parent undertaking is established under the law of a member state of the European Community. The Company has therefore not prepared consolidated accounts as it is exempt from doing so under Section 228(2) of the Companies Act 1985.

(b) Fixed Asset Investments

Fixed asset investments are shown at cost less provision for impairment. The cost of investments includes capital contributions made to subsidiary undertakings.

(c) Capital Contributions

Capital contributions received from the Company's parent company are initially credited to the capital contribution reserve. The contributions are treated as distributable and as such are transferred to the profit and loss account as a reserve transfer.

(d) Taxation

Corporation tax is payable or recoverable on taxable profits or losses at the current rate.

(e) Cash Flow Statement

Under the provisions of Financial Reporting Standard Number One, the Company has not prepared a cash flow statement because its ultimate parent company in the United Kingdom, Aquainvest Ventures Limited, which holds more than 90% of the Company's share capital, has prepared consolidated accounts. These consolidated accounts include the accounts of the Company

NOTES TO THE ACCOUNTS

for the period ended 31 March 2005, contain a consolidated cash flow statement and are publicly available.

(f) Operating Costs

Operating costs, including auditors' fees, are borne by fellow Group undertakings.

2. Directors' Remuneration

None of the Directors who served during the financial period received any remuneration as Directors of the Company or as Directors of any of the companies in the Group headed by Aquainvest Ventures Limited, the ultimate parent company in the United Kingdom.

3. Finance charges

	Period Ended 31 March 2005 £'000
Finance charges comprise:	
Interest payable on bank loan	141
Loan issue costs written off	315
	<u>456</u>

Loan issue costs incurred during the period have been expensed as finance charges as the related bank loan has been repaid during the period.

4. Taxation on Loss on Ordinary Activities

	Period Ended 31 March 2005 £'000
The tax credit for the period comprises:	
Corporation tax	<u>137</u>

NOTES TO THE ACCOUNTS

There is no difference between the current tax rate for the Company above and the standard rate of corporation tax of 30%.

5. Fixed Asset Investments

Cost and Net Book Value	£'000
At 18 August 2004	-
Additions	122,502
At 31 March 2005	122,502

Details of the Company's directly held investment are provided below:

Name:	Class of Shares	Proportion of shares held Direct	Nature of Business
Aquainvest Acquisitions Limited	Ordinary	100%	Holding Company

Additions comprise the consideration of £122,107,101 for the acquisition of the entire ordinary share capital of Aquainvest Acquisitions Limited and a capital contribution of £395,020 made to that company.

NOTES TO THE ACCOUNTS

Details of the Company's indirectly held investment are provided below:

Name	Proportion of Shares Held	Nature of Principal Business
South Staffordshire Plc	100%	Holding company
South Staffordshire Water PLC	100%	Water supply
Echo Managed Services Limited	100%	Customer management
Echo South West Limited	50%	Customer management (joint venture)
Underground Pipeline Services Limited	100%	Repair, maintenance and replacement of water mains
Onsite Central Limited	100%	Sewer inspection, drainage, surveying and flow monitoring
Onsite South Limited	100%	Sewer relining
Integrated Water Services Limited	100%	Water treatment and pump services
Aqua Direct Limited	100%	Supply of spring and mineral water

6. Debtors

£'000

Amounts recoverable within one year:

Corporation tax recoverable from Group undertakings	137
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7. Called up Share Capital

£'000

Authorised:

125,000,000 ordinary shares of £1 each	125,000
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Issued and fully paid:

122,502,121 ordinary shares of £1 each	122,502
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NOTES TO THE ACCOUNTS

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8. Reserves

	Profit and Loss Account £'000	Capital Contribution Reserve £'000
Balance at 18 August 2004	-	-
Retained loss for the period	(319)	-
Capital contribution received	-	456
Reserve transfer	456	(456)
Balance at 31 March 2005	137	-

During the period ended 31 March 2005, the Company received a capital contribution of £456,207 from its immediate parent undertaking, Aquainvest Ventures Limited, in order to fund the costs of raising and servicing finance. This was initially credited to the capital contribution reserve. As capital contributions are treated as distributable it has been transferred to the profit and loss account as a reserve transfer.

NOTES TO THE ACCOUNTS

9. Reconciliation of Movements in Shareholders' Funds

	Period Ended 31 March 2005 £'000
Retained loss for the financial period	(319)
New shares issued	122,502
Capital contribution received	456
Net addition to shareholders funds	122,639
Opening shareholders' funds	-
Closing shareholders' funds	122,639

10. Immediate and Ultimate Parent Company

The immediate and ultimate parent company in the United Kingdom is Aquainvest Ventures Limited, which is registered in England and Wales. The group in the United Kingdom for which consolidated accounts are prepared and in which the accounts of the Company are included is that headed by Aquainvest Ventures Limited. Copies of these consolidated accounts are available from Green Lane, Walsall, West Midlands, WS2 7PD. The ultimate parent undertaking is Arcapita Bank B.S.C.(c) a company registered in Bahrain.

11. Related Party Disclosures

As at 31 March 2005, the Company was a directly wholly owned subsidiary undertaking of Aquainvest Ventures Limited. As such, the Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Aquainvest Ventures Limited, as consolidated financial statements for this Company for the period ended 31 March 2005, in which the accounts of the Company are included, are publicly available. The Company has no other related party transactions requiring disclosure.