

Aquainvest Holding Company Limited

Accounts for the Year Ended 31 March 2007

**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 year ended 31 March 2007

Principal Activities

The Company's principal activity is that of an intermediate holding company, which the Directors expect to continue for the foreseeable future. The Directors do not consider there to be any significant risks or uncertainties faced by the Company.

Financial Results, Dividends & Business Review

The Company's results are shown in the profit and loss account on page 6. The Company's activities and results for the year ended 31 March 2007 were as expected by the Directors. The profit after tax for the year ended 31 March 2007 was £15,507,000 (2006: £16,620,000). Dividends for the year ended 31 March 2007 amounted to £15,507,000 (2006: £16,757,000).

Directors

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

Chris Beale (Appointed 14 November 2007)

Simon Riggall (Appointed 14 November 2007)

Charles Ogburn (Resigned 16 January 2007)

Henry Alexander Thompson (Resigned 14 November 2007)

Asim Zafar (Resigned 14 November 2007)

Qaisar Zaman (Appointed 16 January 2007, Resigned 14 November 2007)

DIRECTORS' REPORT

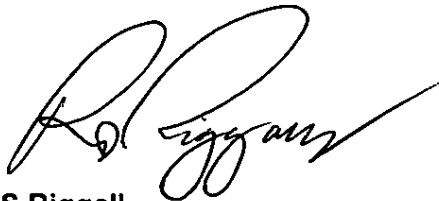
Auditors

In accordance with the Companies Act 1985, the Directors confirm that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that the Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234 ZA of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

By Order of the Board



S Riggall

Director

23 January 2008

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

Registered in England and Wales

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

To the members of Aquainvest Holding Company Limited

We have audited the financial statements of Aquainvest Holding Company Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 7. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

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

We read the information contained in the Directors' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if

INDEPENDENT AUDITORS' REPORT

we become aware of any apparent misstatements or material inconsistencies with the Directors' Report. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of the Company's result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham, UK

30 January 2008

31

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007

	2007 £'000	2006 £'000
Income from shares in UK subsidiary undertakings	15,507	16,620
Profit for the financial year	15,507	16,620

There were no other recognised gains or losses other than the result for the year and the previous year

A statement of movements in reserves is given in note 6 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 2007

	Note	2007 £'000	2006 £'000
Fixed Assets			
Investments	4	122,502	122,502
Net Assets		122,502	122,502
Capital and Reserves			
Called up share capital	5	122,502	122,502
Shareholders' Funds		122,502	122,502

The accompanying notes are an integral part of these financial statements

The accounts were approved by the Board of Directors on 23 January 2008



S Riggall
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 year and the previous year.

(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. Consolidated accounts in which the accounts of the Company are included are publicly available. 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 "Cash Flow Statements", 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

NOTES TO THE ACCOUNTS

include the accounts of the Company for the year ended 31 March 2007, contain a consolidated cash flow statement and are publicly available

(f) Operating Costs

Operating costs, including audit and non-audit fees (£Nil, 2006 £Nil), are borne by fellow Group undertakings

(g) Dividends

Dividends receivable and payable are accrued in the profit and loss account if they have been paid or if they have been approved before the year-end

(h) Related Party Disclosures

As at 31 March 2007, the Company was a directly wholly owned subsidiary undertaking of Aquainvest Ventures Limited. As such, the Company has taken advantage of the exemption in Financial Reporting Standard 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 year ended 31 March 2007, in which the accounts of the Company are included, are publicly available. The Company has no other related party transactions requiring disclosure.

2 Directors' Remuneration

None of the Directors who served during the financial year and the previous year 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. Dividends

	2007 £'000	2006 £'000
Equity interests		
Ordinary dividends of 12.7p (2006 13.7p) per share	15,507	16,757

NOTES TO THE ACCOUNTS

4. Fixed Asset Investments

Cost and Net Book Value	£'000
<u>At 1 April 2006 and 31 March 2007</u>	<u>122,502</u>

Details of the Company's directly held investment at 31 March 2007 are provided below

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

NOTES TO THE ACCOUNTS

Details of the Company's principal indirectly held investments at 31 March 2007 are provided below

Name	Proportion of Shares Held	Nature of Principal Business
South Staffordshire Plc	100%	Holding company
South Staffordshire Water PLC	100%	Regulated water supply
Echo Managed Services Limited	100%	Customer management
Echo Northern Ireland 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
Hydrosave UK Limited	100%	Water main leak detection services
Integrated Water Services Limited	100%	Water treatment and pump services
Office Watercoolers Limited	90%	Rental of water cooling units and sale of spring water
Aqua Direct Limited	100%	Supply of spring and mineral water

NOTES TO THE ACCOUNTS

5. Called up Share Capital

	2007 £'000	2006 £'000
Authorised 125,000,000 ordinary shares of £1 each	125,000	125,000
Issued and fully paid 122,502,121 ordinary shares of £1 each	122,502	122,502

6. Reserves

	Profit and Loss Account £'000
Balance at 1 April 2006	-
Profit for the financial year	15,507
Dividends	(15,507)
Balance at 31 March 2007	-

7. Ultimate Controlling Party

The immediate parent company in the United Kingdom is Aquainvest Ventures Limited, which is registered in England and Wales. The ultimate parent company in the United Kingdom is Hydriades IV Limited. The ultimate controlling party is Alinda Capital Partners LLC, a company registered in the United States of America. The accounts of the Company for the year ended 31 March 2007, were consolidated in the accounts of Aquainvest Ventures Limited, which can be obtained from its registered address, Green Lane, Walsall WS2 7PD.