

VEOLIA WATER SOUTHEAST LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Registered Number 2724316)

Veolia Water Southeast Limited

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Veolia Water Southeast Limited

Chairman's statement

I am pleased to present the statutory and regulatory accounts for the year ended 31 March 2011.

Operationally it has been a good year. The quality of water delivered to our customers' taps is paramount and in 2010 we achieved a 100% compliance with the legal standards. The level of leakage is at an all time low and remains below the regulatory target for the year.

Health and Safety is a company-wide priority in the interests of staff, customers and the public. It is therefore, especially pleasing that our performance and commitment has again been recognised with a RoSPA gold award. These sector awards are highly regarded and this outstanding achievement is testimony to the hard work of all our staff. There was one reportable accident during the year and four minor accidents. Improving safety is one of the core priorities of both the Company and the wider Veolia group. The Company continues to increase its focus on near miss reporting.

Demand for water continues to decline due to the Company's promotion of water efficiency, increased level of metering installations and the effects of the economic recession. By the end of the year, over 83% of domestic customers were metered, increasing the financial exposure of the company to variations in water demand. The major part of the current metering programme will be complete in March 2012, by which time 90% of domestic customers will be metered.

The Company will be introducing new systems to allow customers to pay their bills over the internet and automatically over the phone. Customer debt remains a considerable problem for the whole industry and the recession has had a detrimental effect on both the ability and willingness of our customers to pay their bills. In April 2011 we introduced a penalty charge scheme for customers who do not pay their bills on time and do not contact the company to make alternative arrangements. The purpose of this is to reduce the impact of non-payment by some customers on the bills of those customers who do pay in a timely manner. Safeguards will be in place to protect customers who are genuinely unable to pay their bills.

The report year represents the beginning of a new regulatory period which will run until March 2015. We are pleased to have made a good start to the new period. Our continued efforts to improve efficiency have led to an outperformance of the operating expenditure targets in the Final Determination.

Our performance against Ofwat's measures of serviceability are also strong. We are particularly pleased that despite a severe winter weather mains bursts were below the reference level for the year.

Once again the Company has made significant progress with its capital expenditure programme. The year, being the first in a new regulatory period, saw the start of a large number of new projects. None of the major projects had reached completion by the end of the year. There has been significant expenditure on works to bypass the Hills Reservoir and thus enable it to be taken temporarily out of supply for inspection. This will enable us to carry out any required maintenance. The reservoir is a strategic asset as it serves a significant proportion of our customers. The ability to bypass the reservoir will also remove a single point of potential failure on our system. There was also major investment in new IT systems. We began work to modernise the treatment facilities at the Rakeshole source and will complete it in 2011/12.

Veolia Water Southeast Limited

Chairman's statement (continued)

Chris Taylor took on the new role of General Manager in February 2011. Chris has been with the company for four years, and continues also in his previous role as head of Capital Investment and Asset Management.

After many years of service Jean-Claude Banon retired from the company at the end of December 2010. Jean-Claude was first appointed to the Board in 1993 and leaves with our heartfelt thanks for all that he has done for the Company over 18 years on the Board.

The Company faces many challenges in the coming years. Ofwat's fundamental review of the way that it regulates the industry offers opportunities and challenges. The recent publication of Ofwat's consultation document 'Future Price Limits – a preliminary model' sets out Ofwat's initial views on how the next periodic review in 2014 might look. It looks likely that there will be separate price limits for the retail and the wholesale functions of the water companies, with the possibility of a further split within wholesale between resources and network/treatment.

The high standards of performance that we have achieved result from the skill, diligence and innovation of our employees. I am grateful to them and confident that their performance will enable us to meet the challenges facing the Company.

The Board has of course been fully involved throughout a very demanding year and I would like to thank my fellow Directors for the support and commitment they have demonstrated throughout.



Paul Sabin
Chairman
4th July 2011

Veolia Water Southeast Limited

Directors

PAUL SABIN, DL (Chairman)

Appointed to the Board on 1 April 1998. Chief Executive of Kent County Council 1986 – 1996, then director of Leeds Castle Enterprises Limited until November 2003. Member of the Audit Committee. Appointed Chairman at the AGM held on 22 June 2007.

NEVIL MUNCASTER (Managing Director)

Nevil Muncaster was appointed to the Board as Managing Director on 12 October 2009. He is also Managing Director of Veolia Water East Limited.

JANETTE McKAY, FCA, JP

Appointed to the Board on 11 June 2007 and is Chair of the Audit Committee. An ex Deloitte audit partner, she is also a trustee of the Peter de Haan Charitable Trust, a private charitable trust with investments of £25m.

DR NEIL SUMMERTON, CB

Appointed to the Board on 16 June 1998 and is also a director of Veolia Water Central Limited. Member of the Audit Committee. He was Head of The Water and Land Directorate at the Department of the Environment. From 1997 to 2002 he was Director of the Oxford Centre for the Environment, Ethics and Society at Mansfield College, Oxford, and Director of the Oxford Centre for Water Research, Environmental Change Institute, University of Oxford. He is a Fellow of Mansfield College, Oxford.

FRÉDÉRIC DEVOS

Frédéric Devos is French and was appointed to the Board on 1 January 2008. He is a director of Veolia Environnement UK Limited and Managing Director of Veolia Water UK PLC.

JEAN CLAUDE BANON (Resigned 31 December 2010)

Jean Claude Banon is French, and is Veolia Environnement's representative with the European Institutions. He was the Managing Director of Veolia (UK) Limited until December 2006. He has been a director of Veolia Water Southeast Limited since 1990.

Veolia Water Southeast Limited

Board Committees, Executives and Advisers

Audit Committee

Janette McKay (Chair)
Neil Summerton
Paul Sabin

Executive Management Committee

Nevil Muncaster (Chairman)	Managing Director (appointed 12 October 2009)
Frédéric Devos	Managing Director of Veolia Water UK PLC
Chris Taylor	General Manager
Gavin McHale	Head of Operations
Tim Charlesworth	Head of Finance and Support Services, Company Secretary (until 20 th June 2011)
Pauline Wilson	Head of Customer Relationships (appointed 18 May 2009)
Graham Oliver	Head of Finance (effective from 20 th June 2011)
Nigel Patterson	Representative of Veolia Water UK PLC

Remuneration and Employment Committee

Paul Sabin (Chairman)
Janette McKay

Company Secretary and Registered Office

Denise Roberts (Joint Secretary, appointed 4th July 2011)
Tim Monod (Joint Secretary, appointed 23 December 2010)
The Cherry Garden
Cherry Garden Lane
Folkestone
Kent
CT19 4QB

Registered Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011

Introduction

The directors present their report and the audited statutory financial statements for the year ended 31 March 2011. On 1 July 2009 the Company passed a special resolution to change the Company's name to Veolia Water Southeast Limited.

Principal activity

The principal activity of the Company is the supply of water to an estimated population of 159,000 in an area of 420 square kilometres in the south east of England.

Directors

The directors of the Company, together with their periods of office and their biographical details, are shown above on page 4.

Going concern

The Directors consider that the Company has adequate resources to meet its current operational and 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, and related assumptions, available debt facilities, and support of the wider Veolia group. For this reason, the directors continue to adopt the going concern basis in the statutory financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 of the profit or loss of the Company for that year.

In preparing those 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; and
- be responsible for the maintenance and integrity of the website on which the financial statements have been published.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper 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 to 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.

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

Business review and financial performance

Strategy

We take a long-term view. This is consistent with the time frame of our rolling licence (25 years), water resource plans (25 years), and the longevity of our networks and some of our plant and equipment.

We concentrate on our core activity of regulated water supply, improving our financial returns through efficient service to customers. We also seek to take advantage of any competition opportunities and grow non-regulated income. Our central aim is to provide a reliable, sustainable and high quality service to present and future customers.

Risks and opportunities

The main challenges are fierce competition for water industry contractors and skills in the south east, increasing costs – notably water industry contractors and energy, and continuing to maintain a satisfactory security of supply. The impact of our regulatory environment remains a key risk to the Company. Deteriorating economic circumstances are leading to an increased risk of bad debts and reduced income.

Our main areas of opportunity lie in improving our efficiency, in competition, and growing our non-regulated business.

Performance during the year ended 31 March 2011

- We continued to reduce leakage from the pipe network to an all time low.
- We achieved a Security of Supply Index (SoSI) score of 100 (the maximum) as defined by the water industry regulator Ofwat.
- We continued the accelerated meter installation programme and remain on target to complete the Ofwat approved target of 90% penetration by 2012.
- Health and Safety performance was once again recognised by ROSPA.

Future developments

We will continue to manage the business for the long term. At the same time we will look to improve our short term measures of performance whilst delivering the outputs expected from the latest price review.

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

Financial performance for the year ended 31 March 2011

Turnover

Turnover for the year ended 31 March 2011 was £18.646m compared with £18.816m for the year ended 31 March 2010. An analysis of turnover can be found in Note 2 to the financial statements.

Over the five year regulatory period (April 2010 – March 2015) OFWAT expects the Company to receive a total income of £88.773m in 07/08 prices. For the 2010/11 period the Company achieved income of £18.344m, compared to an OFWAT assumed income of £19.174m, in current year prices. The following factors contributed to the shortfall of £0.830m:

- Customers' continued awareness of water efficiency.
- Accelerated metering programme and customer reaction to having a water meter installed.
- Commercial demand continues to be lower than previously seen.

The Company continues to monitor this position. For the current five year period the Regulator has introduced a control mechanism, called the Revenue Correction Mechanism, designed to reduce this business risk. The mechanism will enable both the Company and the Regulator to moderate both shortfalls and outperformance of income.

Operating expenditure

Operating costs for the year ended 31 March 2011 were £14.636m compared with £12.996m for the year ended 31 March 2010. An analysis of operating costs can be found in Note 3 to the financial statements. This increase in operating costs, in real terms, of approximately £1m was driven by a rise in depreciation charge, which has increased due to the addition of assets and the first years depreciation on the revaluation assets of £515k.

Depreciation

The depreciation charge for the year ended 31 March 2011 was £5.375m compared with £4.276m for the year ended 31 March 2010. The increase is due to the addition of assets and the first year's depreciation on the revaluation assets of £515k.

Financial returns

Profit on ordinary activities before tax for the year ended 31 March 2011 was £3.058m compared with £4.813m for the year ended 31 March 2010.

Cash flow

There was £15k net cash outflow in the year. Once again the key driver in the cash flow was capital expenditure, which was funded by cash generated from operations and an increase in the loan from our parent company. The Company paid dividends of £3.410m which also contributed to the net cash outflow

The overall effect of the above factors was that net debt increased from £31.134m at 31 March 2010 to £33.449m at 31 March 2011.

Capital expenditure

Expenditure for the year was £5.713m compared to the previous year's total of £7.038m.

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

Financial instruments

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Audit Committee and Board review and agree policies for managing each of these risks.

The Company finances its operations through a mixture of retained profits, bank overdraft and borrowings from its parent company. Our treasury policies are agreed in conjunction with the parent company (including liquidity and interest rate risks). The Company does not undertake speculative transactions. Interest rate exposure is managed by using a mixture of fixed and floating rate borrowings. For further details on financial instruments see Note 24.

Capital finance

The Company's balance sheet is very strong, with net debt at 49% of regulatory capital value. A revolving credit facility has been arranged with the Company's parent company.

The £12.5m fifteen year bond issued in 2005 at 5.51%, is part financing our current capital programme. At 31 March 2011, loans totalling £21m in favour of Veolia Water Capital Funds Limited (VWCF) were in existence. These are revolving loans of one month duration which VWCF is committed to renewing for the foreseeable future. The floating rate is set at 200 basis points above LIBOR. This agreement expires on 31 March 2012. This makes a total of loans outstanding in favour of Veolia Water Capital Funds Limited of £33.5m

While this agreement expires on 31 March 2012 the Company has received written confirmation that Veolia Water Capital Funds will be renewing the revolving loan facility on similar terms to the agreement signed between the same two parties on 22nd April 2009. The commercial terms (interest rates etc.) will be determined by prevailing market conditions at the time of the agreement. The amount of the facility will be the amount estimated to enable the Company to finance its functions as a statutorily appointed water company up to 31st March 2015.

Dividend policy

Our dividend policy is based on a return on equity of 7.1% real and has regard to performance and an objective to maintain a minimum dividend cover of 1. This policy ensures that our financial capital is not reduced, our ability to finance our regulated business is not impaired and we reward efficiency and the management of economic risk.

The directors have declared and paid the following ordinary dividends during the year ended 31 March 2011:

	£000
Interim – paid June 2010	1.967
Interim – paid December 2010	1.443
	<hr/>
	3.410

No final dividend is proposed.

Competition

The Water Act 2003 has extended opportunities for competition in the water industry by introducing a new framework for the licensing of water supply. Since 1 December 2005, water supply licencees have been able to supply water outside their licensed area to non-household users provided these users consume more than 50 mega-litres per year.

Our access code has not been discussed with any potential market entrants during the year.

As in previous years, we respond positively to competition developments and opportunities.

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

Environmental matters

The water industry is subject to substantial domestic and European Union legislation which imposes significant statutory obligations on the Company concerning, among other factors, the quality of treated water supplied.

Environmental policy and proposals for legislation are the responsibility of the Secretary of State for the Environment, Food and Rural Affairs. The following bodies are responsible for applying legislative requirements to water companies:

- The Environment Agency, responsible for conserving and redistributing water resources and securing the proper use of those resources, including the licensing of water abstraction;
- the Drinking Water Inspectorate, which enforces drinking water quality standards, and
- Natural England which is responsible for the protection of designated sites for nature conservation.

Our People, Our Community and Our Environment

The Company considers the impact of its works on all aspects of the environment. We take our corporate responsibility seriously and are continuously looking for ways to protect and sustain our environment. We operate an integrated management system which is certified to ISO 14001 which helps us manage and continue to improve our environmental performance.

Employees

We consult and inform employees on all aspects of business performance through formal and informal consultation bodies, regular team meetings and the intranet. We are discussing with our Trade Unions ways to enhance and improve our communications and consultation channels. As in previous years, employees were surveyed to collect their views in a systematic way with a record number of employees taking part this year. Training was carried out to ensure that the results were translated into action plans.

Extensive training was also conducted on technical, managerial and health and safety skills and awareness. We have continued to provide driver assessment and training to all individuals who drive on company business. We have also continued the programme of increasing awareness for all executives and senior managers on Health & Safety issues.

There were 4 minor accidents and 1 reportable accident in the year to 31 March 2011. This compares with no reportable events in the previous year.

The Company gives full consideration to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Employees who become disabled whilst employed by the Company are actively encouraged to find appropriate employment within the business.

Several initiatives were also introduced with the aim of improving the health and well-being of our employees.

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

Research and development activities

The development and application of new techniques and technology is an important part of the Company's activities.

The Company participates in the Veolia Water UK group research programme. The Company also continues to participate in a research programme operated by UK Water Industry Research Limited.

Charitable and political contributions

The charitable contributions made by the Company during the year were £14,552 (2010: £14,000), largely to water-related and local organisations which aim to:

- improve opportunities and create worthwhile experiences for the disadvantaged
- assist customers in financial hardship, via a charitable trust
- improve the quality of life of senior citizens and the vulnerable within our community and
- educate young people about water and sustainability issues.

Donations to charitable trusts assisting customers are included in operating costs within the Company's Profit and Loss Account. For the purposes of the activity analysis in the Regulatory Accounts these costs are reported as Customer Service activity.

No political contributions were made during the year.

Creditor payment policy

Our current and future policy is to negotiate the terms of payment with suppliers when agreeing terms of business and to pay in accordance with contractual and other legal obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services. The average number of creditor days is 20.58 (2010: 22.85).

Veolia Water Southeast Limited

Report of the Directors for the year ended 31 March 2011 (continued)

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 and the Company's auditor, each director has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution to re-appoint the auditors, Ernst & Young LLP, will be proposed at the annual general meeting.

By order of the Board



Tim Monod
Company Secretary
4th July 2011

Veolia Water Southeast Limited

Corporate governance report

Introduction

The Company is governed having regard to principles set out in the Combined Code on Corporate Governance (June 2006). The Company complied with all relevant Code Provisions except where disclosed below.

The Company complied with the provisions set out in section 1 of the Combined Code, appended to the Listing Rules. The Remuneration Committee comprises the Chairman and one non-executive director.

The Board

The Board meets at least four times a year. There were six meetings in the year. A schedule of matters specifically reserved for consideration by the Board has been adopted and includes, in particular, approval of strategic plans and regulatory matters. The Board receives reports from the Audit Committee on the effectiveness of the Company's internal controls.

A procedure has also been agreed to enable directors to obtain access to independent professional advice where they think it necessary to perform their duties. The directors bring independent judgement to bear on all matters including issues of strategy, performance, resources and standards of conduct.

Appointments to the Board take into account the views of the controlling majority shareholder. Certain Board members are also directors of other group companies. This enables them to bring wider experience to discussions at meetings and on other occasions. All directors declare their position when as individuals they have a possible conflict of interest.

All directors have access to the advice and services of the Secretary, who is responsible to the Board for ensuring that Board procedures are followed. The Secretary ensures that the Board and its committees are provided in good time with papers of sufficient quality to prepare for meetings and otherwise to discharge their duties effectively. The Secretary may only be removed by the Board as a whole. The Secretary also seeks to ensure that every director receives appropriate training, both on appointment and subsequently as necessary.

Board composition and independence

At present the Board comprises one executive and four non-executive directors. The senior independent non-executive director is Paul Sabin. The roles of Chairman and Managing Director are separated and clearly defined although not set out in writing.

The Board considers that Paul Sabin, Janette McKay and Neil Summerton are independent and of sufficient calibre and experience for their views to carry significant weight in Board decisions.

The non-executive directors meet and maintain contact between Board meetings as and when appropriate.

Board processes

The Board has established three standing committees, operating within written and agreed terms of reference. Each committee is able to take independent advice on any matter being considered. Minutes of the committee meetings are circulated to all Board members.

See page 5 for the membership of each committee.

Veolia Water Southeast Limited

Corporate governance report (continued)

Audit Committee

The Audit Committee comprises three independent non-executive directors and meets at least three times a year. The Board has satisfied itself that the Audit Committee has appropriate recent and relevant financial experience. The Managing Director of Veolia Water Southeast Limited and the Finance Director of Veolia Water UK PLC attend by invitation. Other parties, including internal and external auditors, are invited to attend meetings as appropriate.

The Committee is responsible to the Board for reviewing the effectiveness of the systems of internal control that safeguard the shareholders' investment and the Company's assets. The review covers all controls, including financial, operational and compliance controls and risk policy and management.

The Committee also reviews the Company's statutory annual financial statements and regulatory accounts before submission to the Board to ensure that the report and accounts meet the obligations of the directors, including that the report and accounts give a true and fair representation of the Company's financial position.

The Committee meets with the Company's reporter and external auditors and reviews the information to be provided in the June Return to Ofwat before submission to the Board to ensure that the information meets Ofwat's reporting requirements.

Discussions are held with the external auditors before audits commence, and when the work is completed, to establish the nature and scope of the audit work, its cost effectiveness, the auditors' independence and objectivity and the results of their audit work.

The Committee keeps under review the level of audit fees, the appointment of the external auditors, and the nature and extent of other services provided by them, seeking to balance the maintenance of objectivity with value for money.

The Committee also reviews the activities, resources and effectiveness of the internal audit function.

The Committee is responsible for drawing the attention of the Board to, and advising on, any matters which should appropriately be decided by the Board as a whole.

There is a procedure in place by which staff may raise concerns about possible improprieties concerning financial reporting or other matters, to either the Company Secretary or the nominated non-executive director, Janette McKay. If required the Company will arrange for proportionate and independent investigations, reporting back to the Audit Committee.

Executive Management Committee

The Executive Management Committee membership is shown on page 5. The Committee meets regularly (normally monthly) and its duties are to consider certain strategic, financial, legal and regulatory matters delegated by the Board.

Remuneration and Employment Committee

Full details of the Remuneration and Employment Committee are shown on page 17. Membership is shown on page 5.

Nomination Committee

The Combined Code suggests that a Nominations Committee be established. It is the view of the Board that a Nominations Committee is not required as the function can be effectively and efficiently performed by the Board.

Veolia Water Southeast Limited

Corporate governance report (continued)

Attendance at meetings for year ended 31 March 2011

	Board	Audit Committee	Executive Management Committee	Remuneration & Employment Committee
Number of meetings in the year	6	4	10	1
N Muncaster	6	4	9	-
F Devos	3	-	5	-
P Sabin	6	4	-	1
J C Banon **	2	-	-	-
J McKay	6	4	-	1
N Summerton	6	4	-	-
Other *	2	-	-	-

" * " Not a Director of the Company, but was the alternate for F Devos

" - " Denotes non-membership of that committee

" ** " Denotes not a member for the whole year.

Relationships with shareholders

As stated above, the Company conducts business having regard to the principles of the Combined Code.

The provisions of the Combined Code relating to relationships with institutional shareholders and private investors do not apply as the Company is controlled by a single majority shareholder and therefore has no major institutional investors. Representatives of the majority shareholder are on the Board which ensures effective communication.

Internal control

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness, whilst the role of the Executive Management Committee is to implement Board policies on risk management and control. As part of the internal control process within the Company, a programme of internal audits is followed. The Company has complied with the Turnbull provisions on internal control throughout the year.

It should be recognised that the Company's internal controls are designed to manage and ensure proper minimisation of risks; risks cannot, in their nature, be eliminated altogether. The internal controls also provide proper assurance against material misstatements or loss but that assurance cannot be absolute.

The Company has an organisation structure in place with clearly defined lines of responsibility and delegation of authority. Formal policies and procedures are established and documented in key areas.

In order to conduct this review the Board obtains assurance directly from the Executive Management Committee concerning compliance with the Company's risk management and control policies and procedures. The Board also considers issues included in reports received during the year, how the risks have changed during the year and reviews reports received from external auditors on the Company's internal controls. The directors receive an annual report on risk management and exercise financial control by the following means:-

Veolia Water Southeast Limited

Corporate governance report (continued)

- The Company has a comprehensive budgeting system with an annual budget approved by the Board.
- Management accounts are produced on a monthly basis providing financial and other information for each operating area within the Company. A comparison of actual results with budget and latest forecast for the remainder of the year is undertaken, and variances investigated as appropriate.
- Detailed cash flow analyses are prepared on a monthly basis to review the adequacy of funds and resources for the foreseeable future. The executive team meet on a monthly basis to review performance, both financial and operational. The minutes from these meetings are presented to the Board.
- The significant capital investment programme is controlled by clearly defined documented guidelines. An annual budget is approved by the Board, with actual and planned expenditure being authorised in accordance with delegated authority limits.
- The Board reviews management accounts quarterly and the Company's performance against budgets is monitored.
- The directors receive the recommendations of internal audit reports and the findings of the external auditors.

There are a series of internal controls including, but not limited to, the annual strategic planning and budgeting process, a clearly defined organisational structure with authorisation limits, a monthly review of financial and operational performance against budget, and quarterly reporting to the Board.

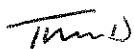
Risk

The Company manages risk through arrangements embedded in normal management and governance processes. As part of the annual strategic planning and budgeting process the significant risks are identified, the probability of those risks occurring, and their potential impact and plans for managing and mitigating each risk are considered. These risks are reviewed by the Executive Management Committee and a full report is provided for consideration by the Board. A formal, continuous process for identifying, evaluating and managing the significant risks faced by the Company has been in place throughout the year under review and up to the date of approval of the Report and Accounts. The effectiveness of internal controls is reviewed by directors, at least annually.

The Company contributes to the compliance of Veolia Environnement SA with the US Sarbanes-Oxley Act, as is necessary under the terms of Veolia Environnement's listing on the New York Stock Exchange.

In addition, the Board approves the Company's annual budget and annual capital expenditure budget, and regularly reviews actual performance. There is a defined organisational structure with appropriate delegation of authorities to line management and all major transactions are reviewed and approved by the Board as a whole.

By order of the Board



Tim Monod
Company Secretary
4th July 2011

Veolia Water Southeast Limited

Remuneration report

Introduction

The members are listed on page 5. The Remuneration and Employment Committee provides advice and guidance to the Board on the remuneration and benefits packages of the senior executives. The committee seeks to operate in accordance with best practice and appropriate guidelines and members of the committee are excluded from discussions regarding their own remuneration and conditions of employment. All arrangements regarding the appointment and remuneration of non-executive directors are settled in accordance with the Articles of Association. Senior executives may be paid an annual bonus. This is designed to reward short-term performance and encourages real year on year growth. It is company policy to exclude the bonus element of remuneration from pensionable earnings. In framing its remuneration policy, the committee has given full consideration to Section B of the Best Practice provisions annexed to the Listing Rules of the UK Listing Authority.

Basic Salary

The committee aims to set a basic salary level for the Managing Director and the senior management team (the executive), that it feels is sufficient to retain the team but is not excessive given our market position and the regulated nature of our business. Basic salaries are normally set at levels on, or just below, the medium level for comparable positions in other market sector companies. In setting the basic salary level the following factors are taken into account:

- Relevant market data of comparable positions (with regard to both responsibility and size of organisation) as provided in an independent survey commissioned from KPMG.
- The individual performance of each executive along with their progression within their appropriate pay structure.
- The general trends and levels of remuneration within the company ensuring that executives continue to be rewarded and motivated at an appropriate level in comparison to their colleagues.

Bonus Schemes

The Managing Director and the senior management team participate in bonus schemes that are designed to ensure their full focus on the key strategic requirements of the Company. The bonus schemes have been operating since 2002.

The maximum remuneration that the Managing Director and senior management team can earn from the bonus schemes is set at 25% and 10% respectively of basic salary. The Remuneration and Employment Committee determine the level of bonus awarded to the Managing Director and each member of the senior management team.

The committee takes into account, among other things, the measurements and reports provided by Ofwat which cover the performance of the Company against the key measures of customer service, leakage and the Company's annual financial performance. The bonus scheme has been designed to encourage overachievement of the key targets against the following measures:

- Earnings before interest and tax (EBIT) and capital expenditure in comparison with the Company plan.
- Performance by the Company against regulatory and customer service standards.
- Achievement of individual performance targets set for each executive in respect of the year in relation to the improvement of the business.

At the end of the year the results of the Company and the performance of individual senior managers are carefully considered by the committee and a non-pensionable bonus may be awarded. There is no long term incentive plan.

Veolia Water Southeast Limited

Remuneration report (continued)

Other Benefits

A package of other benefits is offered to the senior management team which is in line with market practice. This includes membership of a private health scheme and a fully expensed company car or car allowance. The level of car corresponds to the medium level on offer by comparable organisations.

Share Options

Share options are occasionally awarded by the parent company, Veolia Environnement SA, against a broad range of criteria including:

- Seniority
- Performance of the Company
- The contribution of the Managing Director to the Company
- Performance of Veolia Water UK PLC and Veolia Environnement SA.

Directors' emoluments

Directors' emoluments for the year were £102,000. Details of remuneration for each director are provided within note 7. Non-executive directors do not participate in any bonus schemes.

Directors' Notice Periods

In respect of the Managing Director the notice period from the Company to the Executive and from the Executive to the Company is three months.

Directors' interests

There are no disclosable interests under the Companies Act 2006.

Shares held in Veolia Environnement SA are not disclosed in accordance with SI 1985/802(3).

By order of the Board



Tim Monod
Company Secretary
4th July 2011

Independent Auditor's Report to the Members of Veolia Water Southeast Limited

We have audited the financial statements of Veolia Water Southeast Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 25. 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).

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 auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 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 (APB'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 to identify material inconsistencies with the audited financial statements. 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 March 2011 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements and the information given in the Corporate Governance Report set out on Pages 13 to 16 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent Auditor's Report to the Members of Veolia Water Southeast Limited (continued)

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.

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4th July 2011

Veolia Water Southeast Limited

Profit and loss account for the year ended 31 March 2011 (Registered Number 2724316)

	Note	2011 £'000	2010 £'000
Turnover	2	18,646	18,816
Operating costs	3	(14,636)	(12,996)
Other operating income	4	150	155
Operating profit	5	4,160	5,975
Profit/(Loss) on disposal of fixed assets	6	(4)	198
Profit on ordinary activities before interest and taxation		4,156	6,173
Interest payable and finance charges	8	(1,278)	(1,335)
Other finance (expenditure) / income	9	180	(25)
Profit on ordinary activities before taxation		3,058	4,813
Tax on profit on ordinary activities	10	(435)	(827)
Profit on ordinary activities after taxation for the financial year		2,623	3,986

All profits of the Company are from continuing operations.

Veolia Water Southeast Limited

Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 March 2011 (Registered Number 2724316)

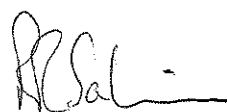
	Note	2011 £'000	2010 £'000
Profit for the financial year		2,623	3,986
Actuarial loss recognised in the pension scheme	22	(583)	(847)
Deferred tax movement relating to actuarial loss /(gain)	22	152	237
Deferred tax movement relating to rate change		(7)	-
Share based payment liability adjustment		-	(3)
Revaluation of fixed assets	19	-	24,800
Total recognised gains for the year	20	2,185	28,173

Veolia Water Southeast Limited

Balance sheet as at 31 March 2011 (Registered Number 2724316)

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	12	81,692	82,097
Current assets			
Stocks	13	277	441
Debtors	14	4,124	4,172
Cash at bank and in hand		56	71
		4,457	4,684
Creditors - amounts falling due within one year	15	(6,507)	(7,898)
Net current liabilities		(2,050)	(3,214)
Total assets less current liabilities		76,642	78,883
Creditors - amounts falling due after more than one year	16	(33,763)	(31,501)
Provisions for liabilities	17	(4,011)	(4,316)
Net assets excluding pension liability		41,868	43,066
Net pension asset	23	1,515	1,669
Net pension liability	23	(373)	(500)
Net assets including pension liability		43,010	44,235
Capital and reserves			
Called up share capital	18	192	192
Share premium account	19	214	214
Revaluation reserve	19	24,285	24,800
Capital redemption reserve	19	2,500	2,500
Profit and loss account	19	15,819	16,529
Shareholders' funds	20	43,010	44,235

The statutory financial statements (pages 21 to 49) have been approved by the Board of Directors and were signed on 4th July 2011 on its behalf by:



Paul Sabin
Chairman



Nevil Muncaster
Director

Veolia Water Southeast Limited

Cash flow statement for the year ended 31 March 2011 (Registered Number 2724316)

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	a	8,535	10,191
Returns on investments and servicing of finance			
Interest received		-	-
Interest paid		(1,261)	(1,352)
Preference dividends paid		(14)	(14)
Net cash outflow from returns on investments and servicing of finance		(1,275)	(1,366)
Taxation		(543)	(750)
Capital expenditure and financial investment			
Purchase of tangible fixed assets *		(6,359)	(5,605)
Infrastructure charge receipts		106	234
Capital contributions *		607	391
Proceeds on disposal of tangible fixed assets		24	235
Net cash outflow from capital expenditure and financial investment		(5,622)	(4,745)
Equity dividends paid to shareholders		(3,410)	(4,019)
Net cash outflow before financing		(2,315)	(689)
Financing			
Loan from parent company		2,300	600
Redemption of debenture stock		-	(2)
Net cash inflow from financing		2,300	598
Decrease in net cash	b/c	(15)	(91)

* During the prior year, the Company adopted £304,000 of mains and infrastructure assets from developers, ownership of which transferred at no cash value to the Company. The sum, reported in the accounts as an asset addition offset by a corresponding capital contribution, is excluded from the cash flow statement.

Veolia Water Southeast Limited

Notes to the cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	4,160	5,975
Depreciation of tangible fixed assets	5,375	4,276
Amortisation of deferred credit	(38)	(38)
Decrease/(Increase) in stocks	164	(2)
Increase/(Decrease) in debtors	47	(238)
Increase/Decrease) in creditors	(851)	642
Decrease in pension liability	(322)	(424)
Net cash inflow from operating activities	8,535	10,191

b Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Increase / (decrease) in cash in the year	(15)	(91)
Cash inflow from increase in debt	(2,300)	(598)
Movement in net debt in the year	(2,315)	(689)
Net debt at the beginning of the year	(31,134)	(30,445)
Net debt at the end of the year	(33,449)	(31,134)

c Analysis of net debt

	At 1 April 2010 £000	Cash flow £000	Non cash flow £000	At 31 March 2011 £000
Net cash				
Bank	71	(15)	-	56
Debt				
Loan from parent company	(31,200)	-	(2,300)	(33,500)
Debentures	(5)	-	-	(5)
	(31,205)	-	(2,300)	(33,505)
Net debt	(31,134)	(15)	(2,300)	(33,449)

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011

1 Statement of accounting policies

Basis of accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets described below, and in accordance with the Large and Medium-sized Companies and Groups Regulations 2008 (SI 2008/410), which forms part of the Companies Act 2006, and applicable UK accounting standards, except for the treatment of certain grants and contributions, described below.

Change of accounting policy in the prior year

The Company adopts a policy of revaluing certain classes of fixed assets to market value, in accordance with the fair value provisions of FRS 15 'Tangible fixed assets'. This is a change from the previous policy, under which all fixed assets were stated at historic cost, except for the treatment of certain grants and contributions.

The impact on the prior year financial statements of this change in accounting policy was to increase the net book value of assets of £24.8m. This revaluation of fixed assets incorporated changes from the final determination issued to the company on 26 November 2009.

Bad debt provisioning

The bad debt provision is calculated by providing a percentage of current year debt based on historical averages of collectability over a 12 month period. Older debt outstanding is provided at 100%.

Share based payments

No transactions have been recognised in respect of share based payments in the years ended 31 March 2011 and 31 March 2010 because the amounts were not material.

Revenue recognition

Revenue is recognised in accordance with FRS 5 'reporting the substance of transactions' in the period in which it is earned. The Company does not recognise revenue where payment is received in advance. However, payments made in the previous year in respect of the current period will be recorded as revenue in the current year.

Tangible fixed assets and depreciation

FRS 15 requires fixed assets which are carried at re-valued amounts to be shown at their current value at the balance sheet date. To achieve this all the tangible fixed assets are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

Tangible fixed assets comprise:

Infrastructure assets - mains and associated underground pipe-work.

Other assets - land and buildings, operational structures, fixed plant, vehicles and mobile plant.

Infrastructure assets (being mains and associated underground pipe-work) comprise a network of systems. Expenditure on infrastructure assets, including renewals, is treated as an addition and included at cost after deducting grants and contributions.

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets and depreciation (continued)

The depreciation charge for infrastructure assets is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the Company's independently certified asset management plan. Disposals of infrastructure assets are calculated based on the estimated lives of the assets before they are replaced.

Depreciation is provided on all other fixed assets except freehold land and is calculated to write off their cost over their estimated useful lives on a straight-line basis. The performance of assets is continually monitored and where impairment is identified, fixed assets would be written down to recoverable amount. Information on the condition of assets is also provided to the Regulator every five years as part of the price review mechanism.

The estimated useful lives of these assets are:

Leasehold property	Term of the lease
Buildings, reservoirs and wells	40 - 100 years
Plant, machinery and equipment	3 - 20 years
Vehicles and mobile plant	4 - 5 years

Land is not depreciated.

Capital contributions

Infrastructure charges received in respect of connections to the mains network are allocated to fixed assets, surface and infrastructure, in accordance with the basis on which the charges are calculated.

Grants and contributions receivable relating to infrastructure assets have been deducted from the cost of tangible fixed assets. This is not in accordance with Large and Medium-sized Companies and Groups Regulations 2008 (SI 2008/410) which forms part of the Companies Act 2006, which requires tangible fixed assets to be shown at cost, and hence grants and contributions are accounted for as deferred income. This departure from the requirements of the Companies Act 2006 is, in the opinion of the directors, necessary for the statutory financial statements to show a true and fair view as, while a provision is made for depreciation of infrastructure assets, these assets have indefinite economic lives and therefore no basis exists on which to recognise grants and contributions in the profit and loss account. The effect of this treatment on the book value of tangible fixed assets is disclosed in note 13.

Leased assets

Rentals paid under an operating lease are charged against profits on a straight-line basis over the life of the lease.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19, deferred tax is not provided on timing differences arising from:

- a revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- b gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets;

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Statement of accounting policies (continued)

Deferred taxation (continued)

- c fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

The Company has adopted a policy of discounting deferred tax assets and liabilities to reflect the time value of money. Deferred tax assets and liabilities are discounted using a discount rate equivalent to the post tax yield that could be obtained at the balance sheet date on government bonds with similar maturity dates and currencies. The increase or decrease in the discount deducted in arriving at the deferred tax balance is included in the deferred tax charge or credit in the profit and loss account.

Stocks and work in progress

Stocks are valued at the lower of cost or net realisable value after allowance for obsolete and slow moving items. In accordance with established practice in the water industry no value has been placed upon the water in reservoirs, mains or in the course of treatment. Work in progress for chargeable services is valued at cost.

Research and development

The costs of research and development are written off in the period in which they are incurred.

Pension costs

The Company operates two pension schemes providing benefits based on final pensionable salary. These schemes closed to new members in April 1996 and September 2004. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

The Company also has an unfunded obligation to pay pensions to former non-executive directors. A provision in respect of the obligation is included within the net pension liability.

The Company also operates a contributory, money purchase scheme which is open to all new employees.

Financial instruments

Income and expenditure arising on financial instruments is recognised on an accruals basis and credited or charged to the profit and loss in the financial year in which it arises.

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Statement of accounting policies (continued)

Current cost accounting policies

These financial statements have been prepared in accordance with guidance issued by the Water Services Regulation Authority for modified real term financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance, in the context of which assets are valued at their current cost value to the business.

These statements have been prepared in accordance with applicable Regulatory Accounting Guidelines (RAGs). In respect of cost allocations the Company has allocated costs by a combination of cost centre allocations, and activity allocation. This is the same as in previous years.

2 Turnover

Turnover represents income from the supply of water and other chargeable services exclusive of VAT arising wholly within the United Kingdom.

Turnover relating to unmeasured supplies comprises amounts due to the Company for the accounting year.

	2011 £'000	2010 £'000
Turnover by class is analysed below:		
Unmeasured supplies	2,958	4,602
Measured supplies	15,260	13,627
Chargeable services	428	587
	<u>18,646</u>	<u>18,816</u>

3 Operating costs

	2011 £'000	2010 £'000
Obtaining and supplying water	6,137	5,530
Energy	818	1,032
Chargeable services direct expenditure	125	23
Water abstraction charges	457	416
Administration and Management	5,655	4,705
Rates	1,444	1,290
	<u>14,636</u>	<u>12,996</u>

4 Other operating income

	2011 £'000	2010 £'000
Commission, rentals & other non-appointed income	<u>150</u>	<u>155</u>

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

5 Operating profit

	2011 £'000	2010 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of other assets	3,231	2,240
Depreciation of other underground assets	2,144	2,036
Amortisation of deferred income	(38)	(38)
Research and development	116	7
Hire of plant and machinery	20	4
Operating lease rentals	13	85
Auditors' remuneration – statutory	66	35
Auditors' remuneration – regulatory	29	48

6 Profit on disposal of fixed assets

	2011 £'000	2010 £'000
Profit on disposal of freehold land	-	191
Profit/(Loss) on disposal of other assets	(4)	7
	(4)	198

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

7 Employees and directors

	2011 £'000	2010 £'000
Staff costs (excluding non executive directors) consist of:		
Wages and salaries	2,882	2,938
Social security costs	279	257
Defined contribution pension costs	58	43
Other pension costs current service cost (note 23)	315	190
	3,534	3,428
	2011 £'000	2010 £'000 Restated

The average number of employees (excluding non executive directors) during the year was as follows:

Operations	65	69
Customer service and administration	32	35
	97	104

Prior year restated due to error in totals reported in 2010/11 Accounts.

There were 5 non-executive directors throughout 2010. During 2011 J.C.Banon resigned.

Directors' emoluments

	2011 Salary and fees £000	2011 Benefits in kind £000	2011 Bonus £000	2011 Total £000	2010 Total £000
Non-executives					
F Devos	18	-	-	18	18
J.C. Banon	18	-	-	18	18
P Sabin	30	-	-	30	30
J McKay	18	-	-	18	17
N Summerton	18	-	-	18	17
Executive					
D Walton	-	-	-	-	62
N Muncaster	-	-	-	-	-
	102	-	-	102	162

The emoluments of N Muncaster have been paid during the current year by Veolia Water East Ltd, a fellow subsidiary company which has recharged an amount of £71,217 (2010: £42,851) to the Company.

Pensions paid to former directors (or surviving spouses) amounted to £32,643 (2010: £32,643).

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

7 Employees and directors (continued)

Retirement pension benefits accrue to the executive director under a defined benefits scheme as follows:

Pensions (defined benefits)

	Accumulated total accrued pension at 31 March 2010		Increase in accrued pension during year				Accumulated total accrued pension at 31 March 2011	
	£000 p.a.	Transfer Value £000	Increase net of inflation £000 p.a.	Member contribution £000	Transfer value of increase (net of member contributions) £000	Total change in transfer value (net of member contributions) £000	£000 p.a.	Transfer Value £000
D Walton	14	130	-	-	-	-	14	130

Mr D.Walton left Veolia Water Southeast Limited to join Veolia Water Outsourcing Limited on 1 November 2009. The value of pension at 31 March 2011 is therefore based on pension accrued to 1 November 2009.

8 Interest payable and finance charges

	2011 £000	2010 £000
Interest payable to group company	1,257	1,316
Guaranteed income agreements	7	5
Preference dividends payable	14	14
	<u>1,278</u>	<u>1,335</u>

9 Other finance (expenditure) / income

	2011 £000	2010 £000
Expected return on pension scheme	1,383	1,086
Interest on pension scheme liabilities	(1,203)	(1,111)
	<u>180</u>	<u>(25)</u>

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

10 Tax on profit on ordinary activities

	2011 £000	2010 £000
Current taxation		
Current tax on profit of the year	659	683
Adjustment in respect of prior years	(10)	(4)
Current taxation	649	679
Deferred taxation		
Origination and reversal of timing differences	353	665
Adjustment in respect of prior years	(16)	28
Impact of change in tax rate	(765)	-
Decrease / (increase) in discounting	213	(545)
Deferred tax charge for the year	(215)	148
Tax on profit on ordinary activities	435	827
Current taxation reconciliation		
Profit on ordinary activities before taxation	3,058	4,813
Theoretical tax at UK corporation tax rate of 28%	856	1,348
Effects of:		
Adjustment to tax in respect of prior years	(10)	(4)
Accelerated capital allowances	(201)	(539)
Other short term timing differences	(11)	(125)
Permanent differences	156	(1)
Other timing differences	(141)	-
Actual current taxation charge	649	679

Factors that may affect future tax charges:

A change in the UK main corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and became effective from 1 April 2011. Further reductions in the UK corporation tax rate were announced in the March 2011 Budget, including an additional decrease in the main corporation tax rate to 26% effective from 1 April 2011. As a result the relevant deferred tax balances have been re-measured.

The further reductions from 26%, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Changes to the UK capital allowance regime will impact the capital allowances the Company can claim. Based on current capital investment plans the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years to similar levels to the current year.

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

11 Dividends on equity shares

	2011 £000	2010 £000
Ordinary:		
First interim of 673p per share (2010: 722p)	1,967	2,111
Second interim of 494p per share (2010: 653p)	1,443	1,908
	<u>3,410</u>	<u>4,019</u>

12 Tangible fixed assets

	Land, buildings and operational structures £000	Mains and other infrastructure assets £000	Fixed plant £000	Vehicles and mobile plant £000	Assets in the course of construction £000	Total £000
Cost						
At 1 April 2010	21,330	54,496	29,122	4,484	568	110,000
Additions	635	3,138	646	374	920	5,713
Transfers	29	-	65	128	(222)	-
Capital contributions	-	(296)	(417)	-	-	(713)
Disposals	5	(249)	(14)	(607)	-	(865)
At 31 March 2011	<u>21,999</u>	<u>57,089</u>	<u>29,402</u>	<u>4,379</u>	<u>1,266</u>	<u>114,135</u>
Depreciation						
At 1 April 2010	3,505	11,192	9,780	3,426	-	27,903
Charge for the year	383	2,144	2,384	464	-	5,375
Disposals	4	(247)	(11)	(581)	-	(835)
At 31 March 2011	<u>3,892</u>	<u>13,089</u>	<u>12,153</u>	<u>3,309</u>	<u>-</u>	<u>32,443</u>
Net book value						
At 31 March 2011	<u>18,107</u>	<u>44,000</u>	<u>17,249</u>	<u>1,070</u>	<u>1,266</u>	<u>81,692</u>
At 31 March 2010	<u>17,825</u>	<u>43,304</u>	<u>19,342</u>	<u>1,058</u>	<u>568</u>	<u>82,097</u>

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

12 Tangible fixed assets (continued)

The net book value of land, buildings and operational structures includes:

	2011 £000	2010 £000 Restated
Freehold land	3,744	3,744
Long term leasehold	348	270
	<hr/> 4,092	<hr/> 4,014

The net book value of mains and other infrastructure assets for the Company is stated after the deduction of grants and contributions received since April 1990 amounting £9.430m (2010: £8.731m) in order to give a true and fair view.

During the prior year, the Company adopted £304,000 of mains and infrastructure assets from developers, ownership of which transferred at no cash value to the Company. The sum has been reported in the accounts as an asset addition offset by a corresponding capital contribution.

The Company's tangible fixed assets were professionally valued at 31 March 2010 by Savills, an independent qualified valuer and PricewaterhouseCoopers LLP ('PwC'), a firm of independent chartered accountants. This valuation was performed in accordance with FRS 15 which requires that assets subject to a policy of revaluation should be carried at their current value. Current value is defined in FRS 15 as the lower of replacement cost and recoverable amount. The recoverable amount is further defined as the higher of Net Realisable Value ("NRV") and Value in Use ("VIU").

Having considered the above definitions of value, PwC concluded that the most reliable valuation method to determine the current value for the tangible fixed assets of a UK water company was a 2 step approach:

- Step 1: Estimating the business VIU, using a discounted cash flow ("DCF") model to determine the business enterprise value, cross-checked against the Regulatory Capital Value ("RCV"), followed by
- Step 2: Allocating the VIU of the business (less relevant working capital balances, deferred tax liabilities and other adjustments) to individual classes of tangible fixed assets.

Such valuations were incorporated into the financial statements with the resulting revaluation adjustments taken to the revaluation reserve. The revaluation during the year ended 31 March 2010 resulted in a total revaluation surplus of £24.8m. Deferred tax has not been provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

If the re-valued assets were stated on a historical cost basis, the net book value would be £53.6m (2010: £55.7m).

13 Stocks

	2011 £000	2010 £000
Raw materials and consumables	242	229
Work in Progress	35	212
	<hr/> 277	<hr/> 441

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

14 Debtors

	2011 £000	2010 £000
Due within one year		
Trade debtors and customers' water charges	3,563	3,038
Deposit with parent company	429	994
Other debtors	75	127
Prepayments and accrued income	57	13
	<u>4,124</u>	<u>4,172</u>

The deposit with the parent company relates to overnight cash pooling at a variable interest rate.

15 Creditors – amounts falling due within one year

	2011 £000	2010 £000
Payments received in advance	535	1,137
Trade creditors	1,207	2,789
Amounts due to fellow subsidiaries	1,815	1,135
Corporation tax	286	180
Taxation and social security	129	92
Other creditors	2,328	2,265
Deferred income	164	149
Accruals	43	151
	<u>6,507</u>	<u>7,898</u>

16 Creditors – amounts falling due after more than one year

	2011 £000	2010 £000
Deferred credit – contributions to surface assets	158	196
4% irredeemable debenture stock	1	1
5% irredeemable debenture stock	4	4
Loan from Veolia Water Capital Funds Limited	33,500	31,200
Preference share capital (see note 19)	100	100
	<u>33,763</u>	<u>31,501</u>

The debenture stocks are perpetual, with interest payable half yearly, on 30 June and 31 December.

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

17 Provisions for liabilities

	Deferred tax £000
At 1 April 2010	4,316
Adjustment in respect of prior years	(16)
Credited to the profit and loss account	(289)
	<hr/>
At 31 March 2011	4,011 <hr/>

Deferred tax (see note 10)

	2011 £000	2010 £000
Accelerated capital allowances	9,357	9,875
Other timing differences	(63)	(62)
	<hr/>	<hr/>
Undiscounted provision for deferred tax	9,295	9,813
Discount	(5,284)	(5,497)
	<hr/>	<hr/>
Discounted provision for deferred tax	4,011	4,316
Deferred tax liability on pension asset (see note 23)	401	455
	<hr/>	<hr/>
Provision at the end of the year including deferred tax on pension liability	4,412	4,771 <hr/>

Deferred tax liability relating to pension liability

	2011 £000	2010 £000
At 1 April	455	580
Deferred tax charge to the profit and loss account	90	112
Deferred tax charge to the statement of total recognised gains and losses:		
- on pension actuarial (loss)/gain	(144)	(237)
	<hr/>	<hr/>
At 31 March	401	455 <hr/>

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

18 Share capital

		2011 £000	2010 £000
Allotted, called up and fully paid share capital			
218,670	Ordinary shares of 50p each	109	109
73,700	Non-voting ordinary shares of 50p each	37	37
92,123	deferred shares of 50p each, with no participating rights	46	46
		<hr/> 192	<hr/> 192
Preference shares classified as a liability			
200,247	14% irredeemable preference shares of 50p each	100	100

Rights of shareholders

Irredeemable preference shares: fixed cumulative 14% of the nominal value, payable half yearly on 1 April and 1 October.

Ordinary shares: any profits determined as distributable will be equally distributed to both voting and non-voting shareholders.

Deferred shares: no entitlement to dividends.

Winding up: any surplus assets remaining after payment of liabilities will be distributed firstly to preference shareholders, then to ordinary shareholders, in accordance with the rights attached to each class of share.

19 Reserves

	Share premium account £000	Asset revaluation reserve £000	Profit and loss account £000	Capital redemption reserve £000
At 1 April 2010	214	24,800	16,529	2,500
Actuarial loss recognised in the pension scheme	-	-	(583)	-
Deferred tax arising thereon	-	-	144	-
Depreciation of fixed assets	-	(515)	515	-
Profit for the financial year	-	-	2,623	-
Dividend paid	-	-	(3,410)	-
At 31 March 2011	<hr/> 214	<hr/> 24,285	<hr/> 15,819	<hr/> 2,500

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

Note of Historical Cost Profits and Losses

	2011 £000	2010 £000
For the year ended 31 March		
Reported profit on ordinary activities before taxation	3,058	4,813
Difference between historical cost depreciation charge and the actual charge of the year calculated on the revalued amount	515	-
Historical cost profit on ordinary activities before taxation	3,573	4,813
Historical cost profit for the year retained after taxation	3,138	3,986

20 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	2,623	3,986
Other recognised gains/(losses) in year (shown in STRGL)	(438)	24,187
Total gains recognised for the year	2,185	28,173
Less: dividends	(3,410)	(4,019)
Net addition/(reduction) to shareholders' funds	(1,225)	24,154
Opening shareholders' funds	44,235	20,081
Closing shareholders' funds	43,010	44,235
Equity shareholders' funds	42,964	44,189
Non-equity shareholders' funds – deferred shares	46	46
Closing shareholders' funds	43,010	44,235

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

21 Commitments under operating leases

Operating leases

The Company leases a number of vehicles under operating leases. The annual levels of commitments under non-cancellable operating leases are as follows:

	2011 £000	2010 £000
Operating leases which expire:		
Within one year	59	1
In two to five years	38	126
After five years	-	-
	<hr/>	<hr/>
	97	127

22 Pensions

Composition of the schemes:

The company operates two defined benefit pension schemes; one is the Veolia Water Supply Companies' Pension Plan and the other the Veolia UK Pension Plan.

Veolia Water Supply Companies' Pension Plan (VWSCPP)

Until 31 March 1996, the company was a member of The Water Companies' Association Pension Scheme, which provided benefits based on final pensionable pay. On 1 April 1996 the assets and liabilities of the General Utilities Plc subsidiaries which participated in the Water Companies' Association Scheme were transferred to a "mirror image" plan called Veolia Water Supply Companies Pension Plan which was closed to new members. This plan continues to provide benefits on a no less favourable basis than those previously provided for existing members of the scheme.

The most recent triennial valuation of the plan for the company, determined by an independent qualified actuary, was at 31 December 2007. The valuation was made on the "attained age" funding method. The actuarial valuation made the following assumptions:

Rate of investment return	6.85% (pre-retirement), 5.35% (post-retirement)
Rate of increase in remuneration	4.8%
Rate of pension increase	3.3%

The valuation as at 31 December 2007 stated the market valuation of the plan to be £21,400,000 with a funding level of 121%. A valuation as at 31 December 2010 will be available by the end of 2011.

Contributions to the plan over the period ended 31 March 2011 were paid by members in accordance with the rules of the plan and by the company at 41.0% of the pensionable salary.

The contributions expected to be paid in the year from the balance sheet date are £359,000 (2010: £340,000).

Veolia UK Pension Plan (VUKPP)

A new scheme was inaugurated as at 1 April 1996, 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 Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

The latest formal valuation of the plan for the company, determined by an independent qualified actuary, was at 31 December 2007. The valuation was made on the "attained age" funding method. The actuarial valuation made the following assumptions:

Rate of investment return	6.75% (pre-retirement), 5.25% (post-retirement)
Rate of increase in remuneration	4.9%
Rate of pension increase	3.4%

The valuation as at 31 December 2007 stated the market valuation of the plan to be £862,000 with a funding level of 87%. A valuation as at 31 December 2010 will be available by the end of 2011.

Contributions to the Veolia UK Pension Plan over the period ended 31 March 2011 were paid by members in accordance with the rules of the plan and by the company at 36.0% of the pensionable salary.

The contributions expected to be paid in the year from the balance sheet date are £269,000 (2010: £255,000).

Non Executive Directors Pension Plan

A provision of £318,000 (2010: £316,000) exists in respect of unfunded pension obligations to former employees and non executive directors of the company.

Principal assumptions

The present values of pension liabilities are estimated by discounting pension commitments, including salary growth, at an AA corporate bond yield.

In calculating the liabilities of the plans, the following financial assumptions have been used:

	2011	2010	2009
Discount rate	5.5% pa	5.65% pa	7.1% pa
Salary growth	4.9% pa	5.05% pa	4.7% pa
RPI	3.4% pa	3.55% pa	3.2% pa
CPI	2.9% pa	-	-
VWSCPP pension-in payment increases	2.9% pa	3.55% pa	3.2% pa
VUKPP pension-in payment increases	3.4% pa	3.55% pa	3.2% pa
VWSCPP – Life expectancy for a male pensioner age 65 (yrs)	22.2	21.8	21.8
VWSCPP – Life expectancy for a male non-pensioner age 65 (yrs)	25.8	24.9	24.9
VUKPP – Life expectancy for a male pensioner age 65 (yrs)	23.0	22.6	22.6
VUKPP – Life expectancy for a male non-pensioner age 65 (yrs)	26.7	25.8	25.8

* The impact of statutory increases is now being linked to the movement in CPI rather than RPI based on legal advice received by the Trustees for, as follows:

- VWSCPP - the change applies to deferred revaluation and pension increases in payment
- VUKPP - the change applies to deferred revaluation only

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

Deferred pensions are revalued to retirement age in line with the CPI assumption of 2.9% per annum unless otherwise prescribed by statutory requirements or the plan rules.

The assets of the above plans are held separately to those of the company, being invested by independent fund managers.

The total pensions charge including the defined contributions scheme for the period ended 31 March 2011 was £373,000 (2010: £233,000).

The assets of the scheme and the weighted average expected rate of return were:

	VWSCPP at 31 March 2011		VUKPP at 31 March 2011		VWSCPP at 31 March 2010		VUKPP at 31 March 2010	
	Value	Long term rate of return expected	Value	Long term rate of return expected	Value	Long term rate of return expected	Value	Long term rate of return expected
	£m	(% pa)	£m	(% pa)	£m	(% pa)	£m	(% pa)
Equities	9.50	7.85	0.96	7.85	9.20	8.0	0.84	8.0
Bonds	7.15	5.55	0.32	5.55	6.60	5.5	0.28	5.5
Gilts/ cash	7.15	4.35	0.32	4.35	6.10	4.5	0.28	4.5
Fair value of assets	23.80		1.60		21.90		1.40	

VWSCPP – amounts for current period and previous four periods are as follows:

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	15 months to 31 March 2008	Year ended 31 December 2006
Defined benefit obligation (£m)	18.8	19.6	14.9	16.9	16.4
Plan assets (£m)	23.8	21.9	17.2	20.2	21.4
Surplus/(deficit) (£m)	5.0	2.3	2.3	3.3	5.0
Difference between expected and actual return on plan assets:					
Percentage of plan assets	(5%)	19%	(20%)	(7%)	1%
Experience gains/(losses) on plan liabilities:					
Percentage of plan liabilities	0%	0%	4%	0%	(1%)

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

VUKPP – amounts for current period and previous four periods are as follows:

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	15 months to 31 March 2008	Year ended 31 December 2006
Defined benefit obligation (£m)	1.8	1.8	0.9	1.1	0.7
Plan assets (£m)	1.6	1.4	0.8	0.8	0.9
Surplus/(deficit) (£m)	(0.2)	(0.4)	(0.1)	(0.3)	0.2
Difference between expected and actual return on plan assets:					
Percentage of plan assets	(2%)	18%	(38%)	(8%)	6%
Experience gains/(losses) on plan liabilities:					
Percentage of plan liabilities	0%	0%	2%	0%	(1%)

Reconciliation of present value of scheme liabilities:

	VWSCPP £000	VUKPP £000	NED PP £000	Total £000
At 1 April 2009	14,878	931	169	15,978
Current service cost	114	76	-	190
Interest cost	1,030	70	11	1,111
Actuarial (gain)/loss	4,455	688	168	5,311
Benefits paid	(916)	(8)	(32)	(956)
Contributions by scheme participants	41	31	-	72
At 31 March 2010	19,602	1,788	316	21,706
Current service cost	198	117	-	315
Interest cost	1,087	99	17	1,203
Actuarial (gain)/loss	(1,217)	(13)	18	(1,212)
Benefits paid	(949)	(215)	(33)	(1,197)
Contributions by scheme participants	36	28	-	64
At 31 March 2011	18,757	1,804	318	20,879

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

Reconciliation of fair value of scheme assets:

	VWSCPP £000	VUKPP £000	NED PP £000	Total £000
At 1 April 2009	17,228	821	-	18,049
Contributions paid by employer	340	243	-	583
Contribution by scheme participants	41	31	-	72
Expected return on scheme assets	1,020	66	-	1,086
Actuarial gain/(loss)	4,207	257	-	4,464
Benefits paid	(916)	(8)	-	(924)
At 31 March 2010	21,920	1,410	-	23,330
Contributions paid by employer	345	259	-	604
Contribution by scheme participants	36	28	-	64
Expected return on scheme assets	1,285	98	-	1,383
Actuarial gain/(loss)	1,137	38	-	1,175
Benefits paid	(949)	(215)	-	(1,164)
At 31 March 2011	23,774	1,618	-	25,392
Pension asset/(liability) before deferred tax	2,318	(378)	(316)	1,624
Related deferred tax	(649)	106	88	(455)
Net pension asset/(liability) at 31 March 2010	1,669	(272)	(228)	1,169
Pension asset/(liability) before deferred tax	5,017	(186)	(318)	4,513
Effect of asset limit	(2,970)	-	-	(2,970)
Related deferred tax	(532)	48	83	(401)
Net pension asset/(liability) at 31 March 2011	1,515	(138)	(235)	1,142

The amounts recognised in the profit and loss account are as follows:

	VWSCPP £000	VUKPP £000	NED PP £000	Total £000
For year ended 31 March 2010				
Current service cost	114	76	-	190
Expected return on scheme assets	(1,020)	(66)	-	(1,086)
Interest on pension scheme liabilities	1,030	70	11	1,111
Total charge	124	80	11	215
For year ended 31 March 2011				
Current service cost	198	117	-	315
Expected return on scheme assets	(1,285)	(98)	-	(1,383)
Interest on pension scheme liabilities	1,087	99	17	1,203
Total charge	-	118	17	135

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

Total actuarial gains and losses recognised in the statement of total gains and losses:

	VWSCPP £000	VUKPP £000	NED PP £000	Total £000
For year ended 31 March 2010				
Actuarial gains/(losses) on scheme assets	4,207	257	-	4,464
Actuarial gains/(losses) on scheme liabilities	(4,455)	(688)	(168)	(5,311)
Total charge	(248)	(431)	(168)	(847)
Deferred tax arising thereon	69	121	47	237
Charge after deferred tax	(179)	(310)	(121)	(610)
For year ended 31 March 2011				
Actuarial gains/(losses) on scheme assets	1,137	38	-	1,175
Actuarial gains/(losses) on scheme liabilities	1,217	13	(18)	1,212
Changes in surplus cap	(2,970)	-	-	(2,970)
Total charge	(616)	51	(18)	(583)
Deferred tax arising thereon	160	(13)	5	152
Charge after deferred tax	(456)	38	(13)	(431)

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

23 Ultimate parent company, controlling party and related parties

The Company is a partially owned subsidiary of Veolia Water Capital Funds Limited.

Veolia Water UK PLC, a company registered in England & Wales, is the parent undertaking of the smallest group to consolidate the statutory financial statements of the Company. Veolia Environnement SA, a company incorporated in France, is the parent undertaking of the largest group to consolidate these statutory financial statements and is the ultimate holding and controlling company.

Copies of the group financial statements of Veolia Water UK PLC may be obtained from:

The Company Secretary, Veolia Water UK PLC, Fifth Floor, King's Place, 90 York Road, London N1 9AG.

Copies of the accounts of Veolia Environnement SA may be obtained from the head office at:

36 – 38 Avenue Kléber, 75116 Paris, France.

				Financial year ended 31 March 2011		Financial year ended 31 March 2010
Payments made to:	Nature of Relationship:	In respect of:	Value £'000's	Balance £'000's	Value £'000's	Balance £'000's
Veolia Water UK PLC	Parent undertaking	Management and technical support, group tax relief, insurance premiums	553	356	560	408
Veolia Water Central Ltd	Common ownership	IT and telecommunications	33	43	269	268
Veolia Water East Ltd	Common ownership	Debt collection, joint managing director and recharges	228	52	92	87
Veolia Water Shared Services Ltd	Common ownership	Shared service recharges	1,337	655	791	489
Veolia Water Capital Funds Ltd	Shareholder	Financing and dividends paid	3,962	33,291	4,489	30,365
Veolia Environnement UK Ltd	Common ownership	Pension recharges	4	-	5	-
Veolia ES Cleanaway Ltd	Common ownership	Cleaning & waste contracts	6	1	6	-
Veolia Water Outsourcing Ltd	Common ownership	Mains replacement	463	489	-	-
Southern Water Services Ltd	Shareholder	Bulk water supply, sewerage charges and dividends paid	135	139	836	154
Receipts from:	Nature of Relationship:	In respect of:	Value £'000's	Balance £'000's	Value £'000's	Balance £'000's
Veolia Water Central Ltd	Common ownership	Call centre facility	34	23	67	15
Veolia Water East Ltd	Common ownership	Telemetry and admin services	86	-	41	-
Veolia Water Outsourcing Ltd	Common ownership	Recharge re transfer of asset	4	4	31	-
Veolia Water Shared Services Ltd	Common ownership	Staff recharge	54	16	-	-
Veolia ES UK	Common ownership	Rent	1	1	-	-
Southern Water Services Ltd	Shareholder	Metered billing and GIS plans	172	154	259	18

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

24 Financial instruments and risk management

The Company's financial instruments comprise borrowings, debentures, some cash and various items, such as trade debtors and trade creditors that arise directly from operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company finances its operations through a mixture of retained profits, bank borrowings and borrowings from the parent company. Treasury policies are agreed in conjunction with the parent company (including liquidity and interest rate risks). The Company does not undertake speculative transactions. Interest rate exposure is managed by using a mixture of fixed and floating rate borrowings. Liquidity is managed by utilisation of a mixture of bank overdrafts and borrowings from the immediate parent company. No change is expected in the immediate future.

Financial assets: excluding debtors within one year

The company has no financial assets, other than short terms debtors and a bank balance of £56,000 (2010: £71,000).

Financial liabilities: excluding non-debt current liabilities

The Company has £12.5m (2010: £12.5m) fixed rate loan from its parent company. Originally for a fifteen year term, the loan expires in 2020, and has an interest rate of 5.51% per annum.

At 31 March 2011 the Company had revolver loans of £21m from its parent company. This facility expires 31 March 2012. The short term loans are repayable on demand and are classified as long-term liabilities as they are due to related parties and are not expected to be called for repayment. The company has undrawn committed borrowing facilities.

At 31 March 2011 the Company had irredeemable debenture loans of £5k (2010: £5k) comprising fixed rate interest elements at 4% and 5%.

The interest rate profile of the Company's financial liabilities excluding non-debt current liabilities and deferred credits at 31 March 2011 was as follows:

As at	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000
31 March 2011	33,505	21,000	12,505
31 March 2010	31,205	18,700	12,505

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

24 Financial instruments and risk management (continued)

The current interest rate on the floating rate financial liabilities during the year was LIBOR plus 200 basis points.

As at	Fixed rate financial liabilities		
	Weighted average interest rate	Weighted average period for which rate is fixed*	Weighted average period until maturity
	%	Years	Years
31 March 2011 - Other	5.5	9*	9
31 March 2010 - Other	5.5	10*	10

*This calculation excludes the irredeemable debenture stock where the interest rate is fixed in perpetuity.

The maturity profile for the Company's financial liabilities at 31 March 2011 was as follows:

	2011 £000	2010 £000
In one year or less or on demand ⁽¹⁾	-	-
In more than one year but not more than two years ⁽²⁾	-	-
In more than two years but not more than five years ⁽²⁾	21,000	18,700
In more than five years ⁽³⁾	12,505	12,505
	<u>33,505</u>	<u>31,205</u>

The short-term loans are repayable on demand and are classified as long-term liabilities as they are due to related parties and are not expected to be called for repayment. The Company has various undrawn committed borrowing facilities.

The facilities available at 31 March 2011 in respect of which all conditions precedent had been met were as follows:

	2011 £000	2010 £000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	4,000	-
Expiring in more than two years	-	6,300
	<u>4,000</u>	<u>6,300</u>

⁽¹⁾ Barclays base rate + 1.5% (unauthorised overdraft +3%)

⁽²⁾ On 27 March 2009 a three year intra group loan agreement was approved by the Board, for a maximum loan facility of £25.0m. This facility will expire on 31 March 2012. Interest on the balance of the loan is charged at LIBOR plus 200 basis points. Commitment fee is charged on the unutilised balance at 100 basis points.

Although the loan expires in one year from 31st March 2011 it will be immediately renewed and therefore in these accounts it has been classified as a long-term liability thereby not distorting the level of debt.

Veolia Water Southeast Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

⁽³⁾ 15-year fixed interest rate loan agreement with Veolia Water Capital Funds Limited, the immediate parent company. Interest on the balance of the loan is charged at 5.51% per annum.

Fair values of financial assets and liabilities

Other than the fixed rate liability in respect of the financing of assets by the company the fair values calculated by market interest rates of the financial instruments are not materially different from book values.

25 Post balance sheet events

The Company has granted a four year option to Rainstorm (Terlingham) Limited, to purchase lands at the Upper Works site. The option fee of £200,000 is payable over 4 annual instalments.

Veolia Water Southeast Limited

Regulatory accounts 2010/11

Veolia Water Southeast Limited

Certificate of Compliance with Licence Condition F6A

To:

Water Services Regulation Authority
Centre City Tower
7 Hill Street
Birmingham B5 4UA

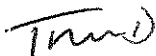
CERTIFICATE OF COMPLIANCE WITH LICENCE CONDITION F6A

This is to certify that, at their meeting on 4 July 2011, the directors of Veolia Water Southeast Limited ("the Appointee") resolved that in their opinion:

- the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- the Appointee will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions; and
- all contracts entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to meet all its obligations as a water undertaker.
- these statements are based on the net worth of the Company as shown in the accounts and on the budget and the plan for the forthcoming year.

In providing this Certificate the directors have taken into account the following:

- the Company's business plan;
- the Company's Annual Report and Accounts, which are prepared on the going concern basis;
- financial performance updates which are provided at Audit Committee and Board meetings;
- the Board's review of corporate risks.



Tim Monod
Company Secretary
4th July 2011

Veolia Water Southeast Limited

Statement of directors' responsibilities

In addition to their responsibilities to prepare financial statements in accordance with Companies Act 1985, the directors are also responsible under Condition F of the Instrument of Appointment by the Secretary of State for the Environment, Transport and the Regions of the Company as a water undertaker as amended by the Variation and Modifications dated 18 September 2000 under the Water Industry Act 1991 for:

- a ensuring that proper accounting records are maintained by the Appointee to enable compliance with the requirements of Condition F and having regard also to the terms of guidelines notified by the Director General of Water Services ("the Director"), to the Appointee from time to time;
- b preparing on a consistent basis for each financial year accounting statements in accordance with Condition F, or as specified under the Variation and Modifications dated 18 September 2000, having regard also to the terms of guidelines notified by the Director from time to time, which so far as is reasonably practicable have the same content as the annual financial statements of the Appointee prepared under Companies Act 1985 and which are prepared in accordance with the formats, accounting policies and principles which apply to these accounts;
- c preparing accounting statements on a current cost basis in respect of the same accounting period in accordance with guidelines issued by the Director from time to time or as specified under the Variation and Modifications dated 18 September 2000; and
- d preparing such other accounting and related information as is required by Condition F having regard also to the terms of guidelines issued by the Director from time to time.

Independent Auditor's Report to the Water Services Regulation Authority and Directors of Veolia Water Southeast Limited

We have audited the Regulatory Financial Statements of Veolia Water Southeast Limited ("The Company") for the year ended 31 March 2011 which comprise:

- the regulatory historic cost financial information, itself comprising the regulatory historical cost profit and loss account, the regulatory historical cost balance sheet, the reconciliation between the statutory financial statements and the regulatory historical cost financial information and related notes to the regulatory historical cost financial information.
- the regulatory current cost financial information, itself comprising the regulatory current cost profit and loss account, for appointed business, the regulatory current cost balance sheet for appointed business, the regulatory current cost cash flow statement for appointed business and the related notes to the current cost financial information numbered 1 to 13.

The report is made, on terms that have been agreed, solely to the Company and the Water Services Regulation Authority ("the WRSA") in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the company as a water undertaker under the Water Industry Act 1991 (the Regulatory Licence). Our audit work has been undertaken so that we might state to the company and the WRSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Company's Instrument of Appointment to procure such a report and (b) to facilitate the carrying out by the WRSRA of its regulatory functions, 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 WRSRA, for our audit work, for this report, or for the opinions we have formed.

Basis of Preparation

The regulatory financial statements have been prepared in accordance with Condition F of the companies Instrument of Appointment as a water undertaker, the Regulatory Accounting Guidelines 1.04 (Guideline for accounting for current costs and regulatory capital values), Regulatory Accounting Guideline 2.03 (Guideline for the classification of expenditure), Regulatory Accounting Guideline 3.06 (Guideline for the contents of the regulatory accounts) and Regulatory Accounting Guideline 4.03 (Guideline for the analysis of operating costs and assets) and the accounting policies set out in note 1(a) to the historical cost financial information and note 1 to the current cost financial information and in the case of the historical cost financial information, under the historical cost convention.

The Regulatory financial statements are separate from the Statutory Financial Statements of the Company. There are differences between United Kingdom Generally Accepted Accounting Principles (UK GAAP) and the basis of preparation of information provided in the regulatory accounts because the Regulatory Accounting Guidelines 1.04, 2.03, 3.06 and 4.03 specify alternative treatment or disclosure in certain respects. Where the Regulatory Accounting Guidelines do not specifically address an accounting issue, then the require UK GAAP to be followed.

Financial information other than that prepared wholly on the basis of UK GAAP may not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Water Services Regulation Authority and Directors of Veolia Water Southeast Limited (continued)

Respective responsibilities of the WSRA, the directors and auditors

The nature, form and content of the regulatory accounts are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no assessment.

The directors' responsibilities for preparing the regulatory accounts in accordance with the Regulatory Licence and the Regulatory Accounting Guidelines 1.04, 2.03, 3.06 and 4.03 are set out in the Statements of Directors' Responsibilities.

Our responsibility is to audit the regulatory financial statements in accordance with International Standards on auditing (UK and Ireland), except as stated in the 'Basis of audit opinion' below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'.

We report to you our opinion as to whether the regulatory historic cost financial information present fairly, under the historical cost convention, the revenues and costs, assets and liabilities of the appointee and its appointed business in accordance with the company's Instrument of Appointment and Regulatory Accounting Guideline 2.03 (Guideline for the classification of expenditure), Regulatory Accounting Guideline 3.06 (Guideline for the contents of regulatory accounts) and Regulatory Accounting Guideline 4.03 (Guideline for the analysis of operating costs and assets); and whether the regulatory current cost financial information have been properly prepared in accordance with Regulatory Accounting Guidelines 1.04 (Guideline for accounting for current costs and regulatory capital values), Regulatory Accounting Guideline 3.06 and Regulatory Accounting Guideline 4.03. We also report to you if, in our opinion, the company has not kept proper accounting records as required by paragraph 3 of Condition F and whether the information is in agreement with the appointees' accounting records and has been properly prepared in accordance with the requirements of Condition F and, as appropriate, Regulatory Accounting Guideline 1.04, Regulatory Accounting Guideline 2.03, Regulatory Accounting Guideline 3.06, and Regulatory Accounting Guideline 4.03.

We read the other information contained in the Regulatory Financial Statements, including any supplementary schedules on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Regulatory Financial Statements. The other information comprises the Supplementary Information to the Financial Statements required by the Director General of Water Services.

Basis of audit opinion

We conducted our audit in accordance with International Standards on auditing (UK and Ireland) issued by the Auditing Practices Board, except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the regulatory 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 regulatory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of regulatory accounts are determined by the WSRA, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Independent Auditor's Report to the Water Services Regulation Authority and Directors of Veolia Water Southeast Limited (continued)

Our opinion on the regulatory financial statements is separate from our opinion on the statutory financial statements of the company on which we report, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the company (our "Statutory" audit) was made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters that we are required to state to them in a Statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

The regulatory historical cost financial information on pages 56 to 63 have been drawn up in accordance with Regulatory Accounting Guideline 3.05 in that infrastructure renewals accounting as applied in previous years should continue to be applied and accordingly that the relevant sections of Financial Reporting Standards 12 and 15 be disapplied. The effect of this departure from Generally Accepted Accounting Principles and a reconciliation of the balance sheet drawn up on this basis with that drawn up under Companies Act 2006 is given in the reconciliation between the statutory financial statements and the regulatory historical cost financial information.

Opinion

In our opinion, the regulatory financial statements of the Company for the year ended 31 March 2011 fairly present in accordance with Condition F of the Company's Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water undertaker under the Water Industry Act 1991, the Regulatory Accounting Guidelines 1.04, 2.03, 3.06 and 4.03 issued by the WSRA, and the accounting policies set out in note 1 to the historical cost accounting statements and note 1 to the current cost financial information, the state of the Company's affairs at 31 March 2011 on a regulatory historical cost and regulatory current cost basis, the regulatory historical cost and regulatory current cost profit for the year then ended and the regulatory current cost cash flow for the year the ended, and have been properly prepared in accordance with those conditions, guidelines and accounting policies.

In respect of this information, we report that in our opinion:

- (a) proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument;
- (b) the information is in agreement with the Appointee's accounting records and has been properly prepared in accordance with the requirements of Condition F and, as appropriate, Regulatory Accounting Guideline 1.04, Regulatory Accounting Guideline 2.03, Regulatory Accounting Guideline 3.06 and Regulatory Accounting Guideline 4.03 issued by the WSRA;
- (c) the regulatory historical cost accounting statements on pages 56 to 63 present fairly, under the historical cost convention, the revenues and costs, assets and liabilities of the appointee and its appointed business in accordance with the Company's Instrument of Appointment and Regulatory Accounting Guideline 2.03, Regulatory Accounting Guideline 3.06 and Regulatory Accounting Guideline 4.03 issued by the WSRA;
- (d) the regulatory current cost financial information has been properly prepared in accordance with Regulatory Accounting Guideline 1.04, Regulatory Accounting Guideline 3.06 and Regulatory Accounting Guideline 4.03 issued by the WSRA.

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4th July 2011

Veolia Water Southeast Limited

Historical cost profit and loss account

		CURRENT YEAR 2010/11			PRIOR YEAR 2009/10		
Note		Appointed £'000	Non Appointed £'000	Total £'000	Appointed £'000	Non Appointed £'000	Total £'000
1	Turnover	18,344	302	18,646	18,420	396	18,816
	Historic cost depreciation	(3,231)	-	(3,231)	(2,241)	-	(2,241)
2	Operating income	(4)	-	(4)	198	-	198
3	Operating costs	(11,392)	(13)	(11,405)	(10,736)	(19)	(10,755)
4	Operating profit	3,717	289	4,006	5,641	377	6,018
5	Other income	10	140	150	-	155	155
*	Net interest payable	(1,098)	-	(1,098)	(1,360)	-	(1,360)
6	Profit before taxation	2,629	429	3,058	4,281	532	4,813
	Taxation – current	(533)	(116)	(649)	(530)	(149)	(679)
	– deferred	214	-	214	(148)	-	(148)
	Profit on ordinary activities after taxation	2,310	313	2,623	3,603	383	3,986
9	Dividends	(3,097)	(313)	(3,410)	(3,636)	(383)	(4,019)
	Retained (loss) for the year	(787)	0	(787)	(33)	0	(33)

The notes on pages 59 to 62 form part of these accounts.

* See Statutory account notes 8, 9 and 10

Veolia Water Southeast Limited

Historical cost statement of recognised gains and losses

	Year ended 31 March 2011		Year ended 31 March 2010	
	Appointed £000	Non-Appointed £000	Appointed £000	Non-Appointed £000
Profit for the financial year	2,310	313	3,603	383
Actuarial loss recognised on pension scheme	(583)	-	(847)	-
Movement on deferred tax relating to pension scheme	144	-	237	-
Share based payment liability adjustment	-	-	(3)	-
Revaluation of fixed assets	-	-	24,800	-
Total recognised gains and losses relating to the year	1,871	313	27,790	383

Veolia Water Southeast Limited

Historical cost balance sheet

Note	CURRENT YEAR 2010/11			PRIOR YEAR 2009/10			
	Appointed £'000	Non Appointed £'000	Total £'000	Appointed £'000	Non Appointed £'000	Total £'000	
	Fixed assets						
	Tangible assets	83,432	-	83,432	83,470	-	83,470
	Total fixed assets	83,432	-	83,432	83,470	-	83,470
	Current assets						
* 7	Stocks and work in progress	277	-	277	441	-	441
	Debtors	3,689	7	3,696	3,160	18	3,178
	Short term deposits	429	-	429	993	-	993
	Cash at bank and in hand	0	817	817	-	823	823
	Total current assets	4,395	824	5,219	4,594	841	5,435
8a	Creditors amounts falling due within one year						
	Overdrafts	(762)	-	(762)	(752)	-	(752)
	Infrastructure renewals accrual	(1,740)	-	(1,740)	(1,373)	-	(1,373)
	Creditors	(27,222)	-	(27,222)	(7,717)	-	(7,717)
	Corporation tax payable	(228)	(58)	(286)	(105)	(75)	(180)
	Total creditors	(29,952)	(58)	(30,010)	(9,947)	(75)	(10,022)
	Net current assets	(25,557)	766	(24,791)	(5,353)	766	(4,587)
	Total assets less current liabilities	57,875	766	58,641	78,117	766	78,883
8b	Creditors amounts falling due after one year						
	Borrowings	(12,505)	-	(12,505)	(31,205)	-	(31,205)
	Other creditors	-	-	-	-	-	-
	Total creditors	(33,505)	-	(33,505)	(31,205)	-	(31,205)
10	Provisions for liabilities and charges						
	Deferred tax provision	(4,011)	-	(4,011)	(4,316)	-	(4,316)
8b	Deferred income	(158)	-	(158)	(196)	-	(196)
	Post employment asset	1,142	-	1,142	1,169	-	1,169
	Preference share capital	(100)	-	(100)	(100)	-	(100)
	Net assets employed	42,244	766	43,010	43,469	766	44,235
	Capital and reserves						
	Called up share capital	192	-	192	192	-	192
	Share premium	214	-	214	214	-	214
	Capital redemption reserve	2,500	-	2,500	2,500	-	2,500
	Revaluation reserve	24,284	-	24,284	24,800	-	24,800
	Profit and loss account	15,053	766	16,260	15,763	766	16,529
	Capital & Reserves	42,244	766	43,010	43,469	766	44,235

See Statutory account note 14

In accordance with RD 11/00, FRS12 'Provisions, Contingent Liabilities and Contingent Assets' and FRS15 'Tangible Fixed Assets' have not been adopted in the Regulatory Accounts.

The notes on pages 59 to 62 form part of these accounts.

Veolia Water Southeast Limited

Reconciliation between statutory and regulatory accounts

£m	Statutory UK GAAP	Regulatory	Explanation of difference
<u>Profit and loss account</u>			
Operating profit	£4.156	£3.727	The difference of £429k is due to the following: A non-appointed operating profit of £429k
Profit before tax	£3.058	£2.629	The difference of £429k is attributable to the disaggregation of the non-appointed business, as shown on the Profit and Loss Account.
<u>Balance sheet</u>			
Tangible fixed assets (net book value)	£81.692	£83.432	In the statutory accounts the Company adopts infrastructure accounting as required by FRS15. However OFWAT requests that this is removed for regulatory accounting. The infrastructure renewals accrual of £1,740k is shown in a separate line.
Debtors	£4.124	£3.689	There is a difference of £435k which relates to: <ul style="list-style-type: none"> - debtors associated with the non-appointed business, £7k - separate disclosure in regulatory accounts of a short term deposit held by parent company, £429k

Veolia Water Southeast Limited

Notes to the regulatory accounts

Note 1a - For the Operating and Financial Review / Remuneration Report / Corporate Governance / Directors Responsibility / Information provided to auditors please refer to the financial statements for the year ended 31 March 2011 (unless stated otherwise).

Note		CURRENT YEAR 2010/11			PRIOR YEAR 2009/10		
		Appointed £'000	Non Appointed £'000	Total £'000	Appointed £'000	Non Appointed £'000	Total £'000
1	Turnover						
	Unmeasured water	2,957	-	2,957	4,602	-	4,602
	Measured water	15,260	-	15,260	13,625	-	13,625
	Other water	1	-	1	2	-	2
	Chargeable services	126	302	428	191	396	587
		<u>18,344</u>	<u>302</u>	<u>18,646</u>	<u>18,420</u>	<u>396</u>	<u>18,816</u>
2	Operating income						
	Profit/(loss) on disposal of fixed assets	(4)	-	(4)	198	-	198
3	Operating costs						
	Obtaining and supplying water	3,998	-	3,998	4,053	-	4,053
	Administration and management	4,563	-	4,563	3,941	-	3,941
	Rates	1,444	-	1,444	1,290	-	1,290
	Energy	818	-	818	1,032	-	1,032
	Chargeable services direct expenditure	112	13	125	5	19	24
	Water licence abstraction charges	457	-	457	415	-	415
		<u>11,392</u>	<u>13</u>	<u>11,405</u>	<u>10,736</u>	<u>19</u>	<u>10,755</u>
4	Operating profit is stated after charging (crediting)						
	Depreciation of other assets	3,231	-	3,231	2,241	-	2,241
	Amortisation of deferred income	(38)	-	(38)	(38)	-	(38)
	Hire of plant and machinery	20	-	20	4	-	4
	Operating lease rentals	13	-	13	85	-	85
	Auditors' remuneration	95	-	95	83	-	83

Veolia Water Southeast Limited

Notes to the regulatory accounts (continued)

Note	CURRENT YEAR 2010/11			PRIOR YEAR 2009/10		
	Appointed £'000	Non Appointed £'000	Total £'000	Appointed £'000	Non Appointed £'000	Total £'000
5 Other income						
Rents receivable, gross	10	140	150	-	155	155
6 Taxation						
Corporation tax for the year	543	116	659	530	149	679
Under/(Over) provision in prior years	(10)	-	(10)	-	-	-
Deferred taxation	214	-	214	148	-	148
	<u>747</u>	<u>116</u>	<u>863</u>	<u>678</u>	<u>149</u>	<u>827</u>
7 Debtors						
Due within one year :						
Trade debtors	3,557	7	3,564	3,020	18	3,038
Other	132	-	132	140	-	140
	<u>3,689</u>	<u>7</u>	<u>3,696</u>	<u>3,160</u>	<u>18</u>	<u>3,178</u>
8a Creditors						
Amounts falling due within one year :						
Bank overdraft	762	-	762	752	-	752
Corporation tax	228	58	286	105	75	180
Amounts due to fellow subsidiaries	874	-	874	1,135	-	1,135
Infrastructure renewals accrual	1,740	-	1,740	1,373	-	1,373
Others	5,348	-	5,348	6,582	-	6,582
	<u>8,952</u>	<u>58</u>	<u>9,010</u>	<u>9,947</u>	<u>75</u>	<u>10,022</u>

Veolia Water Southeast Limited

Notes to the regulatory accounts (continued)

Note	CURRENT YEAR 2010/11			PRIOR YEAR 2009/10		
	Appointed	Non Appointed	Total	Appointed	Non Appointed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
8b	Amounts falling due after one year :					
VW Capital Funds Ltd	33,500	-	33,500	31,200	-	31,200
Deferred Credit	158	-	158	196	-	196
Irredeemable debenture stock	5	-	5	5	-	5
	<u>33,663</u>	<u>-</u>	<u>33,663</u>	<u>31,401</u>	<u>-</u>	<u>31,401</u>

9 Dividends Paid

	CURRENT YEAR 2010/11			PRIOR YEAR 2009/10		
	Appointed	Non Appointed	Total	Appointed	Non Appointed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Ordinary Dividends:						
VW Capital Funds Ltd	2,437	246	2,683	2,861	301	3,162
Southern Water Plc	580	59	639	681	72	753
Other Minorities	80	8	88	94	10	104
	<u>3,097</u>	<u>313</u>	<u>3,410</u>	<u>3,636</u>	<u>383</u>	<u>4,019</u>
Preference Dividends:						
VW Capital Funds Ltd	11	-	11	11	-	11
Southern Water Plc	3	-	3	3	-	3
Other Minorities	-	-	-	-	-	-
	<u>14</u>	<u>-</u>	<u>14</u>	<u>14</u>	<u>-</u>	<u>14</u>
	<u>3,111</u>	<u>313</u>	<u>3,424</u>	<u>3,650</u>	<u>383</u>	<u>4,033</u>

In defining dividend policy, the Company acknowledges the need to respond to balance sheet and earnings ratios upon which bank finance depends and the desire to provide a competitive return to shareholders. Further details can be found in the Directors Report.

Veolia Water Southeast Limited

Notes to the regulatory accounts (continued)

10 Provisions for Liabilities and Charges

	2010/11 Appointed £'000	2009/10 Appointed £'000
Deferred Tax		
Balance brought forward	4,316	4,279
Amount provided	(305)	37
Balance at 31 st March	<u>4,011</u>	<u>4,316</u>

Veolia Water Southeast Limited

Activity cost analysis for the year ended 31 March 2011

Appointed Business Only	SERVICE ANALYSIS			BUSINESS ANALYSIS		
	Resources and Treatment	Distribution	Water Supply Total	Customer Services	Scientific Services	Cost of Regulation
	£'000	£'000	£'000	£'000	£'000	£'000
Direct costs						
Employment costs	458	288	746	597	-	109
Power	618	111	729	32	-	-
Hired and contracted services	110	175	285	186	-	60
Associated companies	-	-	-	102	320	-
Materials and consumables	104	62	166	45	-	-
Bulk supply imports	145	-	145	-	-	-
Service charges	434	-	434	-	-	-
Other direct costs	36	120	156	268	1	46
Total direct costs	1,894	756	2,650	1,230	321	215
General and support expenditure	893	494	1,387	961	105	127
Functional expenditure	2,787	1,251	4,038	2,191	426	342
Total business activities			2,959			
Rates			1,444			
Doubtful debts			556			
Exceptional items			-			
Total Opex less third party services			8,997			
Services for third parties			289			
Total Operating Expenditure			9,286			
Capital costs						
Infrastructure renewals :						
Infrastructure renewals charge			2,144			
Current cost depreciation	3,209	185	3,394			
Amortisation of deferred income			(38)			
Amortisation of intangible assets			-			
Business activities current cost depreciation			877			
Total Operating Costs			15,663			
CCA (MEA) Values						
Services activities	105,668	315,781	421,449			
Business activities			10,094			
Water Supply Total			431,543			
Services for third parties			-			
Total			431,543			

NOTE:

The above analysis of operating costs by activity has been compiled in accordance with Regulatory Accounting Guidelines 4.02, issued by the Director General of Water Services. Where identifiable, costs have been allocated to direct costs and service areas. Where indirect costs exist, these have been allocated over service area in proportion to direct employment costs.

Veolia Water Southeast Limited

Current cost profit and loss account

APPOINTED BUSINESS FOR THE YEAR ENDED 31 March 2011

Note		2010/11 £'000	2009/10 £'000
2	Turnover	18,344	18,420
2	Current cost operating income/(loss)	(130)	165
3	Current cost operating costs	(15,663)	(13,901)
4	Working capital adjustment	218	124
<hr/>			
	Current cost operating profit	2,769	4,808
	Interest receivable/(payable)	(1,098)	(1,360)
5	Financing adjustment	1,647	1,330
<hr/>			
	Current cost profit before taxation	3,318	4,778
	Taxation – Current tax	(533)	(530)
	Taxation – Deferred tax	214	(148)
<hr/>			
	Current cost profit attributable to shareholders	2,999	4,100
	Dividends	(3,097)	(3,636)
<hr/>			
	Current cost (loss)/ profit retained	(98)	464
<hr/>			

Notes on pages 69 to 78 form part of these accounts.

Veolia Water Southeast Limited

Current cost statement of recognised gains and losses

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
Profit for the financial year	2,999	4,100
Actuarial loss recognised on pension scheme	(583)	(847)
Movement on deferred tax relating to pension scheme	152	237
Deferred tax movement relating to rate change	(8)	-
FRS20 Share Based Payments	-	(3)
Total recognised gains and losses relating to the year	2,560	3,487

Veolia Water Southeast Limited

Current cost balance sheet

APPOINTED BUSINESS AS AT 31 March 2011

Note	2010/11 £'000	2009/10 £'000
	Fixed assets	
9	Tangible assets	295,318
9	Third party contributions since 1989-90	(11,647)
	Total fixed assets	283,671
	Working capital	(4,116)
	Cash	-
	Short-term deposits	993
	Infrastructure renewals accrual	(1,373)
	Net operating assets	279,175
	Non operating assets and liabilities	
	Borrowings	(752)
	Non-trade creditors due within one year	-
	Corporation tax payable	(105)
	Total non operating assets and liabilities	(857)
	Creditors due after one year	
	Borrowings	(31,205)
	Other creditors	-
	Total creditors falling due after one year	(31,205)
	Provisions for liabilities and charges	
	Deferred tax provision	(4,316)
	Post employment asset	1,169
	Other provisions	-
	Total provisions for liabilities and charges	(3,147)
	Preference share capital	(100)
	Net assets	243,866
	Capital and reserves	
	Called up share capital	192
	Share premium	214
	Capital redemption reserve	2,500
	Profit and loss account	6,503
6	Current cost reserve	234,457
	Total capital and reserves	243,866

Notes on pages 69 to 78 form part of these accounts.

Veolia Water Southeast Limited

Current cost cash flow statement

APPOINTED BUSINESS FOR THE YEAR ENDED 31 March 2011

	2010/10 £'000	2009/09 £'000
Net cash inflow from operating activities (Note 1)	7,531	9,568
Returns on investments and servicing of finance		
Interest received	-	-
Interest paid	(1,261)	(1,352)
Preference shares' dividends paid	(14)	(14)
Net cash outflow from returns on investments and servicing of finance	(1,275)	(1,366)
Taxation		
Paid	(410)	(592)
Capital expenditure and financial investment		
Gross cost of purchase of fixed assets	(4,582)	(4,120)
Receipt of grants and contributions	713	625
Infrastructure renewals expenditure	(1,777)	(1,485)
Sales of fixed assets	24	235
Net cash outflow from investing activities	(5,622)	(4,745)
New cash flow from management of liquid resources	-	-
Equity dividends paid	(3,097)	(3,636)
Net cash outflow before financing	(2,873)	(771)
Financing		
Loan receipt from parent company	2,864	476
Redemption of debenture stock	-	(2)
Net cash inflow from financing	2,864	474
Decrease in cash	(9)	(297)

Veolia Water Southeast Limited

Notes to current cost cash flow statement

APPOINTED BUSINESS FOR THE YEAR ENDED 31 March 2011

Note

	2010/11	2009/10		
	£'000	£'000		
1 Cash flow from operating activities				
Current cost operating profit	2,769	4,808		
Working capital adjustment	(218)	(124)		
Current cost depreciation	4,271	3,166		
Amortisation of deferred credit	(38)	(38)		
Current cost profit on disposal of fixed assets	140	(165)		
Infrastructure renewals charge	2,144	2,036		
Change in working capital	(1,227)	162		
Movement in provisions	(310)	(277)		
Net cash inflow from operating activities	<u>7,531</u>	<u>9,569</u>		
2 Analysis of net debt	At 31 March 2010 £'000	Cash Flow £'000	At 31 March 2011 £'000	
Cash in hand and bank	-			
Overdrafts	(752)	(9)	(761)	
Loans due after one year	(30,207)	(2,864)	(33,071)	
Preference share capital	(100)	-	(100)	
Debentures	(5)	-	(5)	
Net debt	<u>(31,064)</u>	<u>(2,873)</u>	<u>(33,937)</u>	
Maturity profile	Fixed rate	Floating rate	Index linked	Total
Less than 1 year	-	(21,761)	-	(21,761)
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	-	-
Between 5 and 20 years	(12,500)			(12,500)
In more than 20 years	(5)	-	-	(5)
Borrowings (excluding preference shares)				(34,266)
Preference share capital				(100)
Total borrowings				(34,366)
Cash				-
Short term deposits				429
Net debt				(33,937)

Veolia Water Southeast Limited

Notes to current cost accounts

1 Statement of Accounting Policies

Basis of current cost accounting

These accounts have been prepared in accordance with relevant Regulatory Accounting Guidelines (RAGs).

The current cost accounts have been prepared for the appointed business of the Company in accordance with the guidance issued by the Director General of Water Services for modified real terms financial statements for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance, in the context of assets which are valued at their current cost value to the business, with the exception of certain assets acquired prior to 31 March 1990, the effective commencement of the new regulatory system.

The accounting policies used are the same as those adopted in the non-statutory historical cost accounts, except as set out below.

Tangible fixed assets

An Asset Management Plan (AMP) survey was undertaken to produce Modern Equivalent Asset (MEA) values for all existing assets at 31 March 2003. This valuation was updated for the AMP4 business plan submission and the Regulatory Accounts now reflect this. The asset valuation arising from this exercise has been included in this year's accounts, after adjusting for inflation as measured by changes in the Retail Price Index (RPI) since that date.

Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is treated as operating cost. Costs relating to increases in capacity or enhancements to the network are capitalised. No depreciation is charged on mains because the network is required to be maintained in perpetuity and therefore has no finite economic life.

The treatment in the current cost accounts differs from that in the historical cost accounts in relation to the disapplication of renewals accounting paragraphs of FRS15 and FRS12, as required by regulatory accounting guidelines. The non-compliance has no effect on the profit and loss account other than to reclassify infrastructure renewals charges as depreciation.

The AMP adjustment shows the revaluation of the current cost of the Company's assets in accordance with the AMP4 Business Plan.

Third party contributions

Infrastructure charges and other third party contributions received since 31 March 1990 are carried forward to the extent that any balance has not been credited to revenue. The balance carried forward is restated for the change in RPI for the year and treated as deferred income.

Infrastructure charges received in respect of connections to the mains network are allocated to fixed assets, surface and infrastructure, in accordance with the basis on which charges are calculated.

Contributions receivable relating to infrastructure assets, which are not depreciated, have been deducted from the cost of tangible assets in order to show a true and fair view.

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

1 Statement of Accounting Policies (continued)

Real financial capital maintenance adjustments

These adjustments are made to historical cost profit and loss in order to arrive at profit after the maintenance of financial capital in real terms.

Depreciation adjustment - this is the difference between depreciation based on the current cost value of assets in these accounts and depreciation charged in arriving at historical cost profit.

Working capital adjustment - this is calculated by applying the change in the RPI over the year to the opening total of stock and trade debtors less trade creditors.

Financing adjustment - this is calculated by applying the change in RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

Disposal of fixed asset(s) adjustment - Per RAG1.02 - this is calculated by applying the difference between the net book value of the current cost and the net book value of the historical cost of disposed assets, to the profit from disposal of fixed assets as shown in the historical cost accounts.

Dividend Policy

The Company's dividend policy is to consider a range of factors such as the rate of return on investment, financial structure, future cash flows, dividend cover etc. Full details can be found on page 9.

2 Turnover and Operating Income

(i) Turnover	2010/11 £'000	2009/10 £'000
Turnover:		
Measured	13,022	11,184
Unmeasured	2,958	4,602
Large user and special agreement revenue - potable	1,733	1,909
Large user and special agreement revenue - non-potable	502	529
Bulk supplies	3	3
Third Party Services(rechargeable works)	126	193
Total Turnover	18,344	18,420

(ii) Revenue Recognition

Revenue is recognised in accordance with FRS 5, 'Reporting the substance of transactions', in the period in which it is earned. The company does not recognise revenue where payment is received in advance.

However, payments made in the previous period in respect of the current period will be recorded as revenue in the current period.

FRS 5 Application Note G of FRS 5 has not been applied in the regulatory accounts.

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

Revenue recognition (continued)

Definition of and billing process for “Unoccupied” properties

Empty Measured Premises

Charges are payable if Premises are empty unless the Company is asked to turn off the supply. No retrospective allowances will be given. If the premises do not have a separate supply pipe it may not be possible for the Company to turn off the supply. There is no charge for turning off the supply but a re-connection fee is payable.

Notice of Vacation of Property

Where charges are fixed in relation to any Premises by reference to volume, the person made chargeable in relation to those Premises as occupier, shall be liable to pay such charges after they cease to be the occupier of the Premises where they fail to notify the Company of the ending of their occupation of the Premises, at least two working days before they cease to occupy them.

The charges for which he shall be liable shall be those for the period ending with whichever of the following first occurs after he ceases to occupy the Premises:

- the next scheduled meter reading date
- the date the Company is informed by a new Occupier
- 28 days from the date he informed the Company

Where the person chargeable is not the occupier of the metered Premises, they may be held liable until the expiry of twenty-eight days' notice in writing. The twenty-eight days commences from the date the notice is received at the Company's Office. This provision will apply when the Occupier vacates Premises, but remains the owner of the Premises without giving the Company notice of vacation.

Empty Unmeasured Premises

Charges are payable if Premises are furnished but unoccupied unless the Company is asked to turn off the supply. No retrospective allowances will be given. There is no charge for turning off the supply but a re-connection fee is payable. If the premises do not have a separate supply pipe it may not be possible for the Company to turn off the supply.

Where a property has been empty for longer than 12 months, the Company may choose to meter the property.

Definition of and billing process for “Occupier” properties

Occupier is defined as any person who for the time being occupies any Premises supplied or the owner of any Premises who, not being in actual occupation:

- (a) Maintains Premises for multiple occupation with shared facilities
- (b) Lets Premises for periods of less than six months
- (c) Maintains any other Premises ready for occupation.
- (d) Maintains any newly converted or converted Premises ready for sale or letting.
- (e) The Landlord of a house in multiple occupation as defined in Sections 77 and 254 to 259 of the Housing Act 2004

No bills are issued where details of the occupier are not known. Once occupier is identified, bills are issued retrospectively to the date of last change in occupancy.

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

Recognition of new properties

All new water supplies will be charged for by means of a meter.

Where there is a change in use of Premises or a change in occupier the Company may elect to treat this as a new supply.

(iii) Operating Income	2010/11 £'000	2009/10 £'000
Current Cost profit or loss on fixed assets	(130)	165
Total Operating Income	<u>(130)</u>	<u>165</u>

3 Current cost operating adjustments

These adjustments are made to historical cost profit in order to arrive at profit after maintenance of financial capital in real terms:

Current cost operating costs	2010/11 £'000	2009/10 £'000
Historic operating costs	14,623	12,977
Historic cost depreciation	(3,231)	(2,242)
Current cost depreciation	4,271	3,166
Current cost operating costs	<u>15,663</u>	<u>13,901</u>
Disposal of fixed asset adjustments		
Historic cost disposals	616	4,491
Less historic cost depreciation	(588)	(4,454)
	<u>28</u>	<u>37</u>
Current cost disposals	258	7,396
Less current cost depreciation	(93)	(7,326)
	<u>165</u>	<u>70</u>

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

4 Working capital adjustments

This is calculated by applying the change in RPI over the year to the opening total of trade debtors and stock less trade creditors.

	2010/11 £'000	2009/10 £'000
Trade debtors	3,160	2,832
Stock	441	439
Less creditors	(7,717)	(6,097)
	<hr/> (4,116)	<hr/> (2,826)
RPI	5.3%	4.4%
Working capital adjustment	(218)	(124)

5 Financing adjustment

This is calculated by applying the change in RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

	2010/11 £'000	2009/10 £'000
Cash	241	415
Less: Non trade creditors	(105)	(167)
Less: Borrowings & debentures	(31,205)	(30,607)
Less: Non trade debtors	-	121
	<hr/> (31,069)	<hr/> (30,238)
RPI	5.3%	4.4%
Financing adjustment	(1,647)	(1,330)

6 Current cost reserve

	2010/11 £'000	2009/10 £'000
Balance at 1 April	234,457	223,876
AMP Adjustment	44,394	-
RPI adjustments		
Fixed assets	18,164	12,479
Working capital adjustment	(218)	(124)
Financing adjustment	(1,647)	(1,330)
Grants & third party contributions	(607)	(444)
	<hr/> 294,543	<hr/> 234,457

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

7 Working Capital

	2010/11 £'000	2009/10 £'000
Stocks and work in progress	277	441
Trade debtors – measured household	1,043	913
Trade debtors – unmeasured household	274	187
Trade debtors – measured non household	838	767
Trade debtors – unmeasured non household	12	10
Trade debtors - other	153	304
Measured income accrual	1,106	910
Prepayments and other debtors	263	69
Trade creditors	(2,118)	(2,364)
Capital creditors	(903)	(1,548)
Accruals and other creditors	(3,189)	(3,805)
	<hr/>	<hr/>
	(2,244)	(4,116)

8 Regulatory Capital Value (RCV)

	2010/11 £'000
Opening RCV for the year	67,281
Capital expenditure	4,856
Infrastructure renewals expenditure	1,094
Grants and contributions	(203)
Depreciation	(3,150)
Infrastructure renewals charge	(2,077)
Outperformance of regulatory assumptions	(99)
	<hr/>
Closing RCV carried forward	67,702
	<hr/>
Average RCV	65,993

This RCV reflects that used by OFWAT when setting the price limits for the period 2010-11 to 2014-15, at 2009-10 prices. The actual expenditure during the year, as recorded in the regulatory accounts, may well differ from the figures shown above. Differences in capital expenditure will not affect price limits in the current year but will be taken into account in the calculation of the RCV during the next review process.

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

9 Fixed Assets

	Infrastructure Assets £'000	Specialised operational assets £'000	Non- specialised assets £'000	Other assets £'000	Total £'000
Gross replacement cost					
Balance 1 April 2010	257,714	83,325	6,408	3,270	350,717
AMP Adjustment	40,762	15,216	(2,926)	2,395	55,447
Reclassification	-	(1)	-	-	(1)
RPI adjustment	15,959	5,268	186	303	21,716
Disposals	-	(11)	-	(247)	(258)
Additions	1,346	1,870	152	553	3,921
Balance 31 March 2011	315,781	105,667	3,820	6,274	431,542
Depreciation					
Balance 1 April 2010	-	49,017	4,537	1,845	55,399
AMP Adjustment	-	11,862	(1,636)	828	11,054
Reclassification	-	-	-	-	-
RPI adjustment	-	3,254	155	143	3,552
Disposals	-	(7)	-	(86)	(93)
Charge for year	-	3,209	185	877	4,271
Balance 31 March 2011	-	67,335	3,241	3,607	74,183
Net book value					
1 April 2010	257,714	34,308	1,871	1,425	295,318
31 March 2011	315,781	38,332	579	2,667	357,359
	2009/10				2010/11
Third party contributions					
Balance 1 April	10,102				11,451
RPI adjustment	444				607
Additions	905				714
Total contributions	11,451				12,772
Deferred credit	196				158
Balance 31 March	11,647				12,930

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

10 Transactions with Associated Companies

Company	Service	Turnover of Associate £m	Terms of Supply	Value 2010/11 £'000
Payment made to:				
Veolia Water UK Plc	Management & technical support, group tax relief, insurance premiums	N/A	No market	553
Veolia Water Shared Services Ltd	Shared services recharges	£26m	No market	1,337
Veolia Water Capital Funds Ltd	Short term financing and dividends paid	N/A	Group funding (market tested)	3,962
Veolia Water Outsourcing Ltd	Mains replacement contract	NA	Competitive Let	463
Veolia Water East	Managing Director recharge and support services	£15m	No market	228
Southern Water Services Ltd	Bulk water supply, sewerage charges and dividends paid	£678m (year to 31 March 2010)	No market	135
Receipts from:				
Southern Water Services Ltd	Metered billing data and GIS plans	£678m (year to 31 March 2010)	No market	172

In disclosing the above the Company has applied a materiality limit on transactions of £100,000.

Note 24 in the statutory accounts contains additional related party information

To the best of their knowledge, the Directors of the Company declare that:

- All appropriate transactions with associated companies have been disclosed, and
- Transactions with associated companies are "at arms length with no cross-subsidy occurring"
- Internal controls ensure that any director of an associated company is unable to act independently in the capacity of a purchaser and supplier in any transaction with that company

Veolia Water Southeast Limited

Notes to current cost accounts (continued)

11 Compliance with Condition K

Paragraph 3.1 of Condition K of the Company's Instrument of Appointment requires the Company to at all times ensure, so far as reasonably practicable, that if a special administration order were made, it would have available to it sufficient rights and assets (other than financial reserves) to enable a special administrator to manage the affairs, business and property of the appointed business of the Company.

The Company hereby certifies that at 31 March 2011 it was in compliance with paragraph 3.1 of Condition K.

12 Long term profit and loss accounts (2010/11) (unaudited) for the year ended 31 March

	2006/07 £'000 Restated	2007/08 £'000 Restated	2008/09 £'000 Restated	2009/10 £'000	2010/11 £'000
Turnover	17,735	19,117	19,041	19,333	18,344
Current cost operating costs	(12,405)	(13,040)	(14,476)	(14,590)	(15,663)
Operating income	136	1	-	173	(130)
Working capital adjustment	158	168	(17)	130	218
Current cost operating profit	5,624	6,246	4,548	5,046	2,769
Interest receivable/(payable)	(1,195)	(1,604)	(1,222)	(1,427)	(1,098)
Financing adjustment	1,348	1,216	(111)	1,396	1,647
Current cost profit before taxation	5,777	5,858	3,215	5,015	3,318
Taxation	(1,395)	(328)	(1,179)	(712)	(339)
Current cost profit on ordinary activities	4,382	5,530	2,036	4,303	2,999
Dividends	(3,387)	(3,732)	(3,649)	(3,816)	(3,097)
Current cost profit / (loss) retained	995	1,798	(1,613)	487	(98)

Veolia Water Southeast Limited

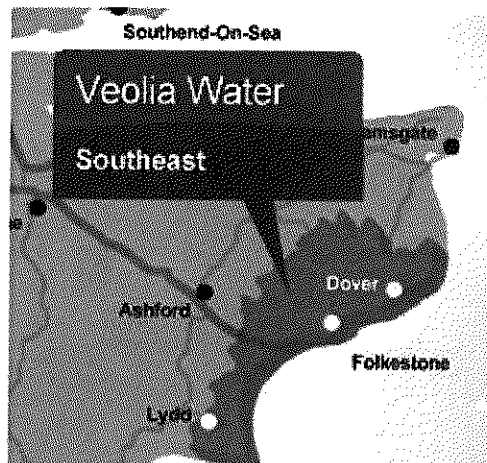
Notes to current cost accounts (continued)

13 Long term balance sheets (2010/11 prices) (unaudited) as at 31 March

	2007 Restated £'000	2008 Restated £'000	2009 Restated £'000	2010 £'000	2011 £'000
Fixed assets					
Tangible assets	295,783	307,649	308,665	311,107	357,359
Third party contributions	(10,205)	(10,968)	(11,372)	(12,270)	(12,930)
Working capital	(4,474)	(4,751)	(3,110)	(4,336)	(2,244)
Cash	908	535	959	1,046	429
Infrastructure renewals accrual	(249)	(351)	(879)	(1,446)	(1,740)
Net operating assets	281,763	292,114	294,263	294,101	340,874
Cash/(Borrowings)	-	-	(500)	(792)	(762)
Non-trade debtors/(creditors) due within one year	-	185	133	-	(11)
Creditors due after one year	(30,043)	(30,372)	(33,679)	(32,873)	(33,505)
Provisions	(4,495)	(4,137)	(4,708)	(4,547)	(4,011)
Corporation Tax Creditor	(1,147)	(624)	(183)	(111)	(229)
Other Provisions	(21)	-	-	-	-
Pension asset	820	504	1,640	1,232	1,142
Preference share capital	(110)	(110)	(110)	(105)	(100)
Net assets employed	246,767	257,560	256,856	256,905	303,398
Capital and reserves					
Called up share capital	211	211	212	202	192
Share premium	235	235	236	225	214
Capital redemption reserve	2,740	2,740	2,751	2,634	2,500
Profit and loss account	6,541	8,036	7,321	6,851	5,949
Current cost reserve	237,040	246,338	246,336	246,993	294,543
	246,767	257,560	256,856	256,905	303,398

Veolia Water Southeast Limited

Area of supply



*Veolia Water Southeast Limited
Area Of Supply*

