

WESSEX WATER SERVICES FINANCE PLC

Annual report and financial statements
30 June 2014

Registered in England and Wales No. 3704265

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STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The sole activity of the Company is to issue bonds, the proceeds of which are lent to the immediate parent company Wessex Water Services Ltd (WWSL).

The bonds are admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc.

The bond proceeds are lent to WWSL on the same terms as the bonds themselves. WWSL guarantees the bonds, hence protecting the Company from any risk.

The market and fair values of the bonds are disclosed in note 10, along with a description of the risks associated with the financial instruments.

PROFIT AND DIVIDEND

There was no profit in the year (2013 - £nil).

The Directors did not recommend the payment of a dividend in either year.

REVIEW OF ACTIVITIES

The only activity of the Company is to issue Bonds on behalf of the parent company WWSL.

There are no employees and no expenses incurred by the Company.

Note 10a explains the strength of WWSL in terms of its Licence to operate. It also explains how the risks on the Bonds are mitigated. WWSL guarantees the bonds, hence protecting the Company from any risk.

All Bonds are repayable in more than 5 years and there are no immediate plans for any further Bonds to be issued on behalf of WWSL.

The Directors conclude that the Company does not run any major risks and they are confident about the future viability of the Company.

The Strategic Report was approved by the Board of Directors on 12 September 2014 and signed on its behalf by:

Mark Watts
Director



DIRECTORS' REPORT

The Directors present their report and accounts for the year to 30 June 2014.

CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations in either year.

DIRECTORS

The Directors of the Company during the year were;

Colin Skellett
Mark Watts

Directors' emoluments in respect of services to group companies are disclosed in the accounts of WWSL (see note 13).

The Directors were granted ordinary share options of Malaysian Ringgit RM0.50 each in YTL Power International Berhad, a parent company (see note 13).

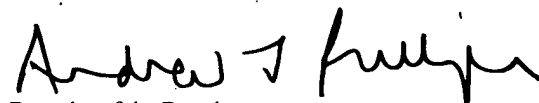
	Opening number 30/6/2013	Exercise price RM	Date of grant	Exercise date	Expiry date	Exercise	Closing number 30/6/2014
<i>2011 UK Plan</i>							
Colin Skellett	87,000	1.65	01/06/2012	01/06/2015	31/03/2021	-	87,000
Colin Skellett	1,913,000	1.41	01/06/2012	01/06/2015	31/03/2021	-	1,913,000
Mark Watts	87,000	1.65	01/06/2012	01/06/2015	31/03/2021	-	87,000
Mark Watts	913,000	1.41	01/06/2012	01/06/2015	31/03/2021	-	913,000

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RE-APPOINTMENT OF AUDITOR

During the year KPMG transitioned from KPMG Audit Plc to KPMG LLP and as such KPMG Audit Plc resigned and KPMG LLP was appointed. A resolution concerning their appointment will be put to the forthcoming board meeting.



By order of the Board
A J Phillips
Company Secretary
Claverton Down
Bath BA2 7WW
12th September 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESSEX WATER SERVICES FINANCE PLC

We have audited the financial statements of Wessex Water Services Finance Plc for the year ended 30 June 2014 set out on pages 6 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 June 2014 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

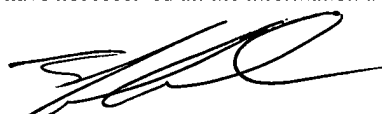
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street,
Bristol, BS1 6AG
12th September 2014

PROFIT AND LOSS ACCOUNT

For the year to 30 June 2014

	NOTE	Year to 30.06.14 £000	Year to 30.06.13 £000
Turnover		-	-
<hr/>			
Operating profit	2	-	-
<hr/>			
Interest receivable	3	74,761	80,004
Interest payable	4	(74,761)	(80,004)
<hr/>			
Result for the year before and after taxation	9	-	-
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There were no recognised gains or losses in either year other than the result in each year.

In both the current and preceding financial year, there was no difference between the historical cost profits and losses and those reported in the profit and loss account.

The notes on pages 8 to 11 are an integral part of this profit and loss account.

BALANCE SHEET
30 June 2014

	NOTE	30.06.14 £000	30.06.13 £000
Current assets			
Debtors - amounts falling due within one year	5	30,830	30,731
Short term cash investments		13	13
Debtors - amounts falling due after more than one year	5	1,548,507	1,529,177
		<u>1,579,350</u>	<u>1,559,921</u>
Creditors - amounts falling due within one year	6	(30,830)	(30,731)
Net current assets		<u>1,548,520</u>	<u>1,529,190</u>
Creditors - amounts falling due after more than one year	7	(1,548,507)	(1,529,177)
Net assets		<u>13</u>	<u>13</u>
Capital and reserves			
Called up share capital	8	13	13
Profit and loss account	9	-	-
Shareholders' funds	9	<u>13</u>	<u>13</u>

The notes on pages 8 to 11 are an integral part of this balance sheet.

Registered in England and Wales No. 3704265.

The financial statements were approved by the Board of Directors on 12 September 2014 and signed on its behalf by:

Mark Watts
Director



NOTES TO THE ACCOUNTS

For the year to 30 June 2014

1 Accounting policies

a. Basis of preparation

The accounts have been prepared on a basis consistent with last year, under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

The financial statements have been prepared on the going concern basis because the parent company has confirmed its intention to support the Company for the foreseeable future.

For these purposes, the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these accounts.

b. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

c. Cash flow

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare cash flow statements on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

d. Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year.

e. Interest rate instruments

Interest rate instruments may be used to hedge against interest movements on the Company's external financing. Interest payable or receivable is accounted for on an accruals basis over the life of the hedge.

2 Operating result

There were no expenses incurred by the Company in either year, audit fees of £1k (2013 - £1k) were borne by other group companies.

	Year to 30.06.14 £000	Year to 30.06.13 £000
3 Interest receivable		
From parent company	74,761	80,004
	<u>74,761</u>	<u>80,004</u>
4 Interest payable		
On bond issues	74,761	80,004
	<u>74,761</u>	<u>80,004</u>

NOTES TO THE ACCOUNTS (continued)

5	Debtors	30.06.14	30.06.13
		£000	£000
	Debtors within one year		
	Interest receivable from parent company	30,830	30,731
		<u> </u>	<u> </u>
	Debtors over one year		
	Loans due from parent company	1,548,507	1,529,177
		<u> </u>	<u> </u>
	The loans due from the parent company are the proceeds of the Bond Issues (see note 10) lent on to Wessex Water Services Ltd at the same terms as the bonds.		
6	Creditors – amounts falling due within one year		
	Interest payable	30,830	30,731
		<u> </u>	<u> </u>
7	Creditors – amounts falling due after more than one year		
	Bonds payable after 5 years	1,548,507	1,529,177
		<u> </u>	<u> </u>
8	Called up equity share capital		
	Ordinary shares of £0.25 each:		
	Authorised – 49,998		
	Allotted, called up and fully paid – 49,998	13	13
	Ordinary shares of £1 each:		
	Authorised-2		
	Allotted, called up and fully paid-2	-	-
		<u> </u>	<u> </u>
	Total at 30 June 2014	13	13
		<u> </u>	<u> </u>
9	Profit and loss account and shareholders' funds	Profit & Loss account	Share- holders' funds
		£000	£000
	At 1 July 2013	-	13
	Result for the year	-	-
		<u> </u>	<u> </u>
	At 30 June 2014	-	13
		<u> </u>	<u> </u>
10	Financial instruments		
a.	Funding and Treasury Policy		

The immediate parent company Wessex Water Services Ltd (WWSL) has financed its activities through a combination of short term borrowings, long term borrowings, leases and bonds. All of the parent company bonds have been issued by the Company and guaranteed by the parent company. The proceeds of the bonds are lent by the company to the parent company on the same terms as the underlying bond.

NOTES TO THE ACCOUNTS (continued)

10 Financial instruments (continued)

There are no other financial instruments in the Company.

The treasury operations of the Company are managed by a small specialist team within the parent company.

WWSL has a rolling 25 year Licence to provide water and waste water services in the South West of England. It has a statutory obligation to provide these services and the industry regulator OFWAT has an obligation to ensure that the Licensee can continue to trade, hence there is not considered to be a risk that WWSL as guarantor will default on its obligations.

Interest rate risk

All of the bonds are issued at a fixed rate so that there is no interest rate risk.

Price index risk

Some of the bonds are index linked based upon the Retail Prices Index (RPI). As the Company lends the bonds to the parent company at the same terms as the bond there is no price index risk within the Company.

The bonds are indexed in relation to March or November inflation because these are the dates that the industry regulator OFWAT uses to set the prices that WWSL can charge, and therefore the bonds provide a hedge for WWSL.

Capital risk management

There are no covenants based on the financial statements of the Company. WWSL has covenants in respect of gearing (net debt to regulatory asset base) and interest cover (both EBITDA to net interest expenses and EBITDA less tax and maintenance to net interest expenses).

b. Interest rate and currency exposure

	Fixed rate borrowings 2014 £000	Total Borrowings 2014 £000	Fixed rate borrowings 2013 £000	Total Borrowings 2013 £000
Sterling	<u>1,548,507</u>	<u>1,548,507</u>	<u>1,529,177</u>	<u>1,529,177</u>

The average interest rates and period to maturity of the fixed rate borrowings are as follows:

	Interest rate % 2014	Period years 2014	Interest rate % 2013	Period years 2013
Sterling	<u>3.8</u>	<u>23.7</u>	<u>3.8</u>	<u>24.9</u>

c. Fair values

	Book value 2014 £000	Fair value 2014 £000	Book value 2013 £000	Fair value 2013 £000
Fixed rate borrowings over 1 year	<u>1,548,507</u>	<u>1,832,100</u>	<u>1,529,177</u>	<u>1,791,600</u>

NOTES TO THE ACCOUNTS (continued)

10 Financial instruments (continued)

d. Analysis of financial instruments

	Total Borrowings 2014 £000	Total Borrowings 2013 £000
Bond at 5.375% repayable in March 2028	198,534	198,428
Bond at 5.75% repayable in October 2033	346,546	346,368
Bond at 4.0% repayable in September 2021	304,770	305,438
Index linked bond at 3.52% plus inflation repayable in July 2023	71,517	69,545
Index linked bond at 2.186% plus inflation repayable in June 2039	59,481	58,043
Index linked bond at 1.75% plus inflation repayable in June 2046	96,194	93,540
Index linked bond at 1.75% plus inflation repayable in June 2051	96,194	93,540
Index linked bond at 1.369% plus inflation repayable in July 2057	96,194	93,540
Index linked bond at 1.374% plus inflation repayable in July 2057	96,194	93,540
Index linked bond at 1.489% plus inflation repayable in November 2058	60,961	59,065
Index linked bond at 1.495% plus inflation repayable in November 2058	60,961	59,065
Index linked bond at 1.499% plus inflation repayable in November 2058	60,961	59,065
	<u>1,548,507</u>	<u>1,529,177</u>

e. Maturities

	Total Borrowings 2014 £000	Total Borrowings 2013 £000
After more than 5 years	<u>1,548,507</u>	<u>1,529,177</u>

11 Contingent liabilities

There are no material contingent liabilities at 30 June 2014 for which provision has not been made in these financial statements.

12 Related parties

As the Company is a wholly owned subsidiary of Wessex Water Ltd, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

13 Ultimate parent company

The immediate parent company is Wessex Water Services Ltd. The smallest group into which the financial statements of the Company are consolidated is Wessex Water Ltd a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath BA2 7WW.

The pre-penultimate, penultimate and ultimate holding companies are YTL Power International Berhad, YTL Corporation Berhad and Yeoh Tiong Lay & Sons Holdings Sdn Bhd respectively, all registered in Malaysia.

The largest group in which the results of the Company are consolidated is that headed by YTL Corporation Berhad incorporated in Malaysia. The consolidated financial statements of these groups are available to the public and can be obtained from Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.