

# WESSEX WATER SERVICES FINANCE PLC

Accounts for the year to  
30 June 2012

Registered in England and Wales No. 3704265

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## DIRECTORS' REPORT

The directors present their report and accounts for the year to 30 June 2012

### 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 (2011 - nil)

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

### CHARITABLE DONATIONS

There were no charitable donations in either year

### DIRECTORS

The directors of the company during the year were,

C F Skellett MT Watts

The following directors were granted ordinary share options of Malaysian Ringgit RM0 50 each in YTL Power International Berhad, a subsidiary of the ultimate parent company YTL Corporation Berhad (see note 13)

	Opening number	Exercise price RM	Date of grant	Exercise date	Expiry date	Grant	Exercise	Closing number
<i>YTL Power ESOS</i>								
MT Watts	240,000	1 32	13/12/2002	13/12/2005	29/11/2011	-	(240,000)	-
<i>2011 UK Plan</i>								
CF Skellett	-	1 65	01/06/2012	01/06/2015	31/03/2021	87,000	-	87,000
CF Skellett	-	1 49	01/06/2012	01/06/2015	31/03/2021	1,913,000	-	1,913,000
MT Watts	-	1 65	01/06/2012	01/06/2015	31/03/2021	87,000	-	87,000
MT Watts	-	1 49	01/06/2012	01/06/2015	31/03/2021	913,000	-	913,000

The market price of share options exercised in the year was RM1 837 and the gain on exercise was RM124,039

### DISCLOSURE OF INFORMATION TO AUDITORS

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 AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

  
By order of the board  
A J Phillips  
Company secretary  
25 September 2012

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing 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 2012 set out on pages 5 to 10. 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 Statement of Directors' Responsibilities set out on page 3, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## 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 2012 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 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.



J Ledward (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc,  
Statutory Auditor  
Chartered Accountants  
100 Temple Street  
Bristol, BS1 6AG  
25 September 2012

## PROFIT AND LOSS ACCOUNT

For the year to 30 June 2012

	NOTE	Year to 30 06 12 £000	Year to 30 06 11 £000
<b>Turnover</b>		-	-
<hr/>			
<b>Operating profit</b>	<b>2</b>	-	-
<hr/>			
Interest receivable	<b>3</b>	<b>76,862</b>	61,078
Interest payable	<b>4</b>	<b>(76,862)</b>	(61,078)
<hr/>			
<b>Result for the year before and after taxation</b>	<b>9</b>	-	-
<hr/> <hr/>			

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 7 to 10 are an integral part of this profit and loss account

**BALANCE SHEET**  
30 June 2012

	NOTE	30.06 12 £000	30 06 11 £000
<b>Current assets</b>			
Debtors - amounts falling due within one year	5	24,975	21,235
Short term cash investments		13	13
Debtors - amounts falling due after more than one year	5	1,395,087	1,166,974
		<u>1,420,075</u>	<u>1,188,222</u>
Creditors - amounts falling due within one year	6	(24,975)	(21,235)
<b>Net current assets</b>		<u>1,395,100</u>	<u>1,166,987</u>
Creditors - amounts falling due after more than one year	7	(1,395,087)	(1,166,974)
<b>Net assets</b>		<u>13</u>	<u>13</u>
<b>Capital and reserves</b>			
Called up equity share capital	8	13	13
Profit and loss account	9	-	-
<b>Shareholders' funds</b>	9	<u>13</u>	<u>13</u>

The notes on pages 7 to 10 are an integral part of this balance sheet

Registered in England and Wales No 3704265

The financial statements on pages 5 to 10 were approved by the board of directors on 25 September 2012 and signed on its behalf by

M T Watts  
Director



## NOTES TO THE ACCOUNTS

For the year to 30 June 2012

### 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

#### 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 (2011 - £1k) were borne by other group companies

	Year to 30 06 12 £000	Year to 30 06 11 £000
<b>3 Interest receivable</b>		
From parent company	<u>76,862</u>	<u>61,078</u>
<b>4 Interest payable</b>		
On bond issues	<u>76,862</u>	<u>61,078</u>



## NOTES TO THE ACCOUNTS (continued)

5	<b>Debtors</b>	<b>30 06 12</b> <b>£000</b>	<b>30 06 11</b> <b>£000</b>
	<b>Debtors within one year</b>		
	Interest receivable from parent company	24,975	21,235
	<b>Debtors over one year</b>	<u>          </u>	<u>          </u>
	Loans due from parent company	1,395,087	1,166,974
		<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	<b>Creditors – amounts falling due within one year</b>		
	Interest payable	24,975	21,235
		<u>          </u>	<u>          </u>
7	<b>Creditors – amounts falling due after more than one year</b>		
	Bonds payable after 5 years	1,395,087	1,166,974
		<u>          </u>	<u>          </u>
8	<b>Called up equity share capital</b>		
	Ordinary shares of £1 each		
	Authorised – 50,000		
	Allotted, called up and fully paid – 13,000	13	13
		<u>          </u>	<u>          </u>
9	<b>Profit and loss account and shareholders' funds</b>	<b>Profit &amp; Loss account £000</b>	<b>Share- holders' funds £000</b>
	At 1 July 2011	-	13
	Result for the year	-	-
		<u>          </u>	<u>          </u>
	<b>At 30 June 2012</b>	<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.

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 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.

## NOTES TO THE ACCOUNTS (continued)

### 10 Financial instruments (continued)

#### 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 2012 £000	Total Borrowings 2012 £000	Fixed rate borrowings 2011 £000	Total Borrowings 2011 £000
Sterling	1,395,087	1,395,087	1,166,974	1,166,974

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

	Interest rate % 2012	Period years 2012	Interest rate % 2011	Period years 2011
Sterling	3.8	26.9	3.8	30.6

#### c Fair values

	Book value 2012 £000	Fair value 2012 £000	Book value 2011 £000	Fair value 2011 £000
Fixed rate borrowings over 1 year	1,395,087	1,701,300	1,166,974	1,284,800

#### d Analysis of financial instruments

	Total Borrowings 2012 £000	Total Borrowings 2011 £000
Bond at 5.375% repayable in March 2028	198,321	198,214
Bond at 5.75% repayable in October 2033	346,189	346,010
Bond at 4.0% repayable in September 2021	197,537	-
Index linked bond at 3.52% plus inflation repayable in July 2023	66,727	63,609
Index linked bond at 2.186% plus inflation repayable in June 2039	56,184	54,230
Index linked bond at 1.75% plus inflation repayable in June 2046	89,750	85,557
Index linked bond at 1.75% plus inflation repayable in June 2051	89,750	85,557
Index linked bond at 1.369% plus inflation repayable in July 2057	89,750	85,557
Index linked bond at 1.374% plus inflation repayable in July 2057	89,750	85,556
Index linked bond at 1.489% plus inflation repayable in November 2058	57,043	54,228
Index linked bond at 1.495% plus inflation repayable in November 2058	57,043	54,228
Index linked bond at 1.499% plus inflation repayable in November 2058	57,043	54,228
	<u>1,395,087</u>	<u>1,166,974</u>

## NOTES TO THE ACCOUNTS (continued)

### 10 Financial instruments (continued)

#### e Maturities

	<b>Total Borrowings 2012 £000</b>	<b>Total Borrowings 2011 £000</b>
After more than 5 years	<b>1,395,087</b>	<b>1,166,974</b>

### 11 Contingent liabilities

There are no material contingent liabilities at 30 June 2012 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 ultimate parent company is YTL Corporation Berhad, which is incorporated in Malaysia under the Companies Act 1965, whose registered address is Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia. Consolidated financial statements are available on request from both these addresses.