

WESSEX WATER LTD GROUP

CONSOLIDATED ACCOUNTS

For the year to
30 June 2010

Registered in England and Wales No 2366633



DIRECTORS' REPORT

The directors present their report and the audited accounts for the year to 30 June 2010

PRINCIPAL ACTIVITIES

The principal subsidiary of Wessex Water Ltd (the company) is Wessex Water Services Ltd (WWSL) a regulated company licenced for the supply of clean water and treatment and disposal of waste water WWSL operates in a region of 10,000 square kilometres in the south west of England

Wessex Water Enterprises Ltd, a wholly owned subsidiary company, undertakes unregulated water and waste water activities in the Wessex Water region, and through its 100% owned subsidiary GENECO Ltd operated two sewage treatment sites for WWSL up until 31 March 2010 SC Technology GmbH, a wholly owned subsidiary company which is registered in Switzerland, installs and operates sludge drying equipment with the principal contracts being in the Netherlands

FINANCIAL AND OPERATIONAL REVIEW

OVERVIEW

This year Wessex Water Services Ltd has not only achieved the highest levels of quality, compliance and customer service, but has also been recognised as the best water and sewerage company in England and Wales However the past year has also been a challenging one for all Wessex Water companies as the impact of the recession continued to hold back growth and investment and create greater pressure on debt collection

FINANCIAL PERFORMANCE

Historic cost profit after tax increased by £12.2m from £99.6m to £111.8m, due to the factors shown below

Turnover increased by £13.3m or 3.0% to £456.5m, mainly driven by the increase in the regulated turnover of WWSL

Operational costs excluding depreciation decreased by £5.0m from £138.0m to £133.0m because of cost savings in the operating business, a reduction in the pension actuarial costs and the release of a provision for the impairment of a subsidiary company These reductions were greater than the upward cost pressures from debt collection and business rates Depreciation charges (including the infrastructure maintenance charge and the disposal of assets) have increased by £4.8m as a result of the depreciation on the capital investment programme of £3.5m and a £1.3m increase in the infrastructure maintenance charge

Net interest charges decreased by £21.7m from £79.3m to £57.6m, a result of reducing interest rates and lower inflation on index linked bonds There was an increase in net debt of £19.9m from £1,426.0m to £1,445.9m

The cash outflow of £19.9m comprised

- cashflow from operating activities of £304.9m, less
- interest payments of £55.0m
- tax payments of £22.9m
- net capital investment of £100.9m
- dividend payments of £146.0m.

There was a tax charge in the year of £52.3m, an increase of £23.0m over £29.3m charged last year This was because

- corporation tax increased by £12.5m due to higher profitability and lower group relief received
- deferred tax moved from a £9.6m charge last year to a £20.1m charge this year

Dividends declared in the year amounted to £146.0m compared to £91.2m last year as the dividend for the quarter to March 2009 of £26.9m was deferred from last year to this year, without which the increase would have been from £118.1m last year to £119.1m this year The final dividend for the year of £34.5m was declared and paid after the year end, this was not recognised in the financial statements in line with the requirements of FRS 21 "Events after Balance Sheet Date"

Under FRS 17 'Retirement Benefits' the pension scheme deficit of £45.9m at the start of the year has increased to £99.8m at 30 June 2010, the increase in the liabilities of £87.8m being greater than the £33.9m increase in asset values

The key performance indicators for WWSL are measured for the regulatory year to 31 March and are included in the Regulatory Accounts of WWSL that are available from Wessex Water Operations Centre, Claverton Down, Bath BA2 7WW

Group operating profit as a percentage of turnover was 48.6% (2009 – 47.0%) due to the increased turnover and costs being held at last year's level, and interest cover (excluding pensions finance charge) increased to 4.0 times (2009 – 2.8 times) as net interest costs reduced substantially

WESSEX WATER SERVICES LTD

HIGHLIGHTS

- recognised as the best performing water and sewerage company in England and Wales according to industry regulator Ofwat
- achieved the highest ever overall OPA score in the industry since the measure was first introduced
- improved service levels so that 98% of customers who contacted us rated our service as either good or very good
- received the Citizens Advice inaugural award for best customer service in the UK in recognition of our best-practice approach to dealing with customers in debt
- delivered all customer demands for water without restriction
- topped Ofwat's telephone call handling satisfaction survey
- retained our government standard Customer Service Excellence award for our approach to customer services
- kept leakage within our target level, despite the major increase in bursts caused by the very cold winter this year
- delivered net capital expenditure of £103.1m (£108.8m gross) in time and under budget
- met all outputs under the monitoring plan programme and, in fact, exceeded them over the AMP4 period
- increased our self-generated renewable electricity to 38GWh – 15% of our total electricity use – of which we exported 5GWh

THE LAST FIVE YEARS

WWSL outperformed the assumptions for AMP4. Over the last five years operating costs were 9% lower than Ofwat assumed and the capital investment programme has been delivered for 15% less than was originally allowed for. These savings will benefit customers over the next five-year period. In addition WWSL delivered the highest levels of service to customers in the industry and have

- achieved the highest ever overall performance score (OPA) in the industry by some margin
- outperformed the 2004 price determination by exceeding the total number of outputs required
- topped Ofwat's customer satisfaction survey
- met customer demands for water without restriction for the 33rd year
- had no major or significant pollution incidents for the second year running – a first in the industry
- received a range of awards for our performance including the Queen's Award for Enterprise, the Citizens Advice inaugural award for best customer service in the UK, the government standard Customer Service Excellence Award for the approach to customer services and the Utility Week award for customer care
- returned outperformance to the customer resulting in bills 5% lower than they might have otherwise been
- kept leakage within the target level, despite the major increase in bursts caused by the very cold winters this year and last
- improved service levels so that 98% of customers who contacted WWSL rated the service as either good or very good
- increased renewable energy generation by 68% and achieved self sufficiency in energy at the largest works, serving an equivalent population of 750,000 people
- introduced internal trading within operational business units, including the creation of GENeco, to give a greater focus and understanding of costs and to deliver efficiencies

OUR LONG TERM PLAN

We have successfully negotiated a price review that brings stability for the next five years and this coincides with an incoming government which, through its coalition agreement, has committed to evolution rather than revolution of the industry.

Customers indicated during the 2009 price control that they wanted an efficient, safe, reliable supply of water at reasonable cost now and in the future and everything else was of markedly less importance.

Our own research showed that they wanted better service rather than lower bills, but equally, they did not want to see bills go up above inflation either. The key areas for service improvement were reductions in leakage, improvements in security of supply and a lower carbon footprint.

Our draft business plan therefore proposed flat bills plus service improvements on the issues that customers said mattered to them. By the time of the final business plan the worsening economic climate and new obligations and taxes meant that we could no longer deliver these improvements while keeping bills flat. So we refined our plan to defer investment on items of low priority to customers, keeping annual bill rises below 1%.

Our final determination from Ofwat reinstated some of the items that we had proposed to defer and cut out some items that customers had said they wanted, in particular metering that would have reduced leakage. Overall, bills in the next five-year period will rise annually at around 0.6%.

Our plan for the next five years is:

- to integrate our water supply assets to improve security of supply, deal with deteriorating raw water quality and improve river flows
- for improvements to drinking water quality
- for further reductions in the risk of flooding to properties
- for improvements to comply with the Bathing Water, Urban Waste Water and Shellfish Directives
- for a further reduction in our carbon footprint by increasing the use of sewage sludge to generate renewable energy
- an investment programme of £1bn
- a cumulative K factor of 6% over five years
- average bills in 2015 3 1% higher in real terms than at present

We are now focused on delivering the outputs and efficiencies required over the next five years while continuing to provide the highest levels of customer service in the industry

A sustainable future

It is our intention to become a genuinely sustainable water company. Much has been achieved over the last 20 years in the water sector – customer service and impacts on the water environment have improved considerably, water companies' efficiency has increased greatly and significant investment has been delivered in a timely manner.

But we believe change is needed if we are to successfully respond to the challenges we face nationally and globally. We believe there are some major reforms that are worth serious consideration.

- the right approach to long-term investment is critical to the services we provide. We are a long-term business with investment that should be directed by long-term priorities, including the main concerns of customers, which we know are consistent over time. Currently, the entire investment programme is reviewed from scratch every five years. Replacing this with a 10-20 year investment programme would bring greater continuity and provide the opportunity to test more sustainable approaches.
- interest in competition has increased in recent years and we are interested in greater use of market mechanisms in specific areas such as bulk water trading. The creation of incentives for more exchanges between companies would avoid unnecessary duplication and deliver cheaper bills to customers and more sustainable outcomes for the environment.
- we believe that relaxing the constraints on company mergers would provide significant reductions in operating costs and lower bills for customers. With company performance levels converging, the need for comparators is much diminished compared to that at privatisation. More value would now be gained from efficiency savings through mergers, particularly between co-located water only and water and sewerage companies.
- we believe CCWater's committee structure could be augmented by customer panels, focus groups, both domestic and commercial, social providers and interest groups on a regular basis to obtain good coverage of issues and priorities.

Whatever changes are proposed, we envisage a spectrum of market and regulation-led approaches to service delivery. Some fresh thinking and major changes are required if we are to deliver a genuinely sustainable water sector. We need to make continual improvements and deal with emerging challenges successfully.

Risks

There are, inevitably, some uncertainties ahead.

- the transfer of private sewers, probably in 2011-12, which is likely to result in an interim determination to cover the significant cost impacts
- tax reform of capital allowances which could result in further increases in tax
- the impacts of the Traffic Management Act
- uncertainty over capital prices and the mismatch between the regulatory index and the real world
- continuing uncertainty over pension deficits
- continued economic uncertainty which is affecting customer debt
- regulatory reform
- the principle of development being self-financing needs to be backed by a legal framework which ensures developers cannot connect to sewers where capacity is not available and they contribute their fair share of the costs of any necessary improvements to infrastructure.

Our five-year commitments

We have put into place plans to deliver our commitments for the next five years while maintaining our industry leading performance. These include:

- introducing new work and asset management systems
- greater competitive challenge of our in-house service delivery
- changes to our terms and conditions to match our future needs
- bringing together partners to help in the delivery of the capital programme

- continued development of BWBSL, our billing joint venture with Bristol Water, to ensure we continue to have the lowest cost of service and are well prepared for retail competition
- continued growth of our waste to energy business, GENeco
- even tighter focus on risk management

OUR CUSTOMERS

Customer service

Wessex Water's industry leading customer service has gone from strength to strength over the last five years, culminating in 2009 in our best ever score in Ofwat's OPA report assessing water company quality of services – the highest overall score in the industry since the measure was introduced

Over the last five years we have also received a number of awards for our performance

These have included the Queen's Award for Enterprise, the Citizens Advice inaugural award for best customer service in the UK, the government standard Customer Service Excellence Award for our approach to customer services and the Utility Week award for customer care

Of the 2,000 customers surveyed in our own monthly satisfaction survey, 98% rated our overall service as good or very good and we remain at the top of Ofwat's independent survey of customer satisfaction

Nonetheless, we are working hard to reduce complaints and have, for example, during the last year introduced new literature, procedures and website pages to assist metered customers

We have formed partnerships with local authorities and the Environment Agency to provide a forum for discussing and resolving any issues related to our services. These have proved particularly fruitful in the case of flooding where various bodies have responsibilities in this area and working in partnership can deliver better solutions than working in isolation

Our education programme continues to flourish, both with organisations that come into contact with vulnerable customers and also on wider water and sewerage issues, for example through our schools' engagement

Discoloured water and iron compliance

During the year we have relined and replaced distribution mains with the aim of improving water quality and have also begun a major mains rehabilitation project in Bridgwater for completion in summer 2011

First-time sewerage

We have successfully completed our programme to provide communities with a public sewerage system, exceeding our AMP4 five-year investment programme target. During 2005-2010 we completed 24 schemes

Encouraging water efficiency

Our customers have now enjoyed 33 consecutive years without hosepipe or other restrictions and our reservoir and groundwater storage levels are healthy

During the year we have put in place a range of measures to help our customers use water as efficiently as possible including

- provision of educational information for customers through our website and various publications, including leaflets and the customer magazine
- provision of educational classes and materials for school children, including our Waterwatch pack
- distribution of free Save-a-Flush devices and self audit packs
- promotion of water saving devices such as showerheads, tap inserts and water efficient appliances on our partnership website, www.wessexwatershop.co.uk
- promotion of the benefits of saving water for our commercial customers
- activities inside Wessex Water such as treatment process optimisation, leakage management and reducing water wastage in offices

Demand for optional meters has been high over the year with more than 11,500 meters installed. Around 47% of our household customers are now paying for water on the basis of use

We are aiming to meet our water efficiency target through continuing and enhancing these water efficiency initiatives and also through the introduction of a free WaterSave pack for customers

Affordability, tariffs and debt recovery

With the fragile economic climate and unemployment increasing markedly over the year we have continued to see growing affordability problems and a worsening bad debt position

Our new credit management system enables us to respond more effectively to this situation. It allows improved segmentation of our customer base which brings more accurate targeting of customers and ultimately more productive and successful debt recovery.

We remain committed to our work on affordability and are delighted to have been awarded the Citizens Advice inaugural award for best customer service in the UK in recognition of our best-practice approach to dealing with customers in debt.

Around 6,000 customers have already benefited from our Assist tariff aimed at making it possible for those with the greatest difficulty in paying to make a modest contribution towards the costs of water and sewerage services.

By encouraging customers to adopt an affordable payment routine we have increased cash collection by 30% despite cutting charges by around 50%.

Our Restart schemes, which are designed to get customers who are having difficulty paying back on track, are still working well and evidence continues to suggest that 14 out of 15 people on the schemes will not fall into arrears again.

During the year, we continued our trial to test the effectiveness and customer response to three different sophisticated tariffs using smart meters.

OUR ENVIRONMENT

Our compliance with drinking water standards remains at more than 99.9% and compliance with sewage discharge consents at 100%. For the sixth consecutive year, compliance with the EU's mandatory bathing water standards remains at 100%.

Drinking water

We have completed the quality enhancement schemes included in the AMP4, 2005-2010, investment programme. Wherever possible we continue to be innovative by developing lowest whole-life cost sustainable solutions rather than building conventional end-of-pipe treatment works.

Nitrates

We have dealt with rising nitrates by adopting a sustainable approach using catchment management. Our specialists work alongside the local farming community to identify potential pollutant pathways and find alternative land management practices that will protect and improve groundwater quality.

We have

- constructed ion exchange nitrate removal plants at two sites
- blended or substituted from a neighbouring site at three sites
- implemented catchment management at four sites

During AMP5, 2010-2015, we will extend our catchment management work to a further eight at-risk sites.

Pesticides

Two schemes were included in the AMP4 programme for pesticides and once again we have worked with farmers to reduce the risk of contamination.

The three-year ban on spraying pesticides around our Friar Waddon source has been very successful. In 2009 there was an accidental pesticide pollution but measures were quickly put in place to safeguard supplies and public health was not compromised. We are working with the farm to eliminate the risk of this recurring. We are also negotiating to extend the no-spray agreement for a further three years.

We have experienced problems with pesticides, including metaldehyde, at two other sources that are now subject to improvement schemes in AMP5.

Environmental programme

AMP4 included a major programme of environmental investigations and improvements, all of which were completed on time.

Phosphorus removal

This year we have successfully completed projects to remove phosphorus at 14 sewage treatment works.

Misconnections

We have continued our work programme to identify and reduce the number of misconnections to the sewerage system which give rise to stream pollution. Since the start of AMP4 this has ensured more than 900 properties no longer cause pollution.

Biodiversity

In the last year, 84% of our Sites of Special Scientific Interest (SSSI) landholding was in favourable or recovering condition, compared with the national target of 95%. Consequently, we are working on new management agreements with our affected tenants and liaising with other conservation organisations.

We have also brought some sites back under our direct management and will be introducing additional management to improve the status. We have worked with Natural England and our tenants to include large areas of land in new Higher Level Stewardship plans and have entered into a new agreement which will secure the long-term future of our largest and most valuable SSSI. In all, we have specialist conservation management in place at 49 sites.

The third phase of our Biodiversity Action Plan Partners Programme ended in 2009-10. Through the third parties that we support, the programme has successfully promoted river restoration and forms of land management that benefit the water environment. We have agreed a number of projects that will be supported over the next five years.

Environmental impact – low flows

We completed 13 low flows investigations and the appraisal of options for solving low flows. We also successfully completed the three water supply stream support and compensation flow schemes required in AMP4.

During the year we completed the Chitterne groundwater source testing on Salisbury Plain to assess its impact on the environment and flows in the River Till in particular. It has shown that as long as the annual authorised volume from Chitterne is greatly reduced, abstraction at up to 13ML/d can continue during the summer months without significant impact on flows or the river environment.

The Environment Agency and local fishing groups have accepted these conclusions. The necessary licence change will be made during 2010-11 subject to approval by the Environment Agency of alternative supplies from Wimbleball reservoir.

Carbon management

Carbon management and accounting is a fundamental part of our central aspiration to become a genuinely sustainable water company, reflected in our long-term goal to become carbon neutral.

There has been a reduction of 5,000 tonnes in gross carbon dioxide emissions. There was an increase in natural gas used for sludge drying and in the grid emissions factor, each contributed an increase of around 700 tonnes. The biggest downward factor was the increase in renewable energy from biogas combined heat and power plants, which contributed a saving of 4,600 tonnes of carbon dioxide compared with the previous year.

Process emissions show an increase of 700 tonnes carbon dioxide equivalent from methane and a decrease of 300 tonnes carbon dioxide equivalent from nitrous oxide.

Our self-generated renewable electricity now amounts to 38 gigawatt hours, 15% of our total electricity use, of which we exported 5 gigawatt hours.

OUR ASSETS

Asset maintenance

In 2004 we realised that an increase in capital maintenance was required over the period 2005-2010 to renew a growing proportion of ageing assets and accordingly we have invested significant sums in maintaining stable assets.

We have undertaken improvements to our methodology that have been recognised through maintaining our accreditation to PAS55, the internationally recognised standard for asset management.

We are continuing to develop our asset knowledge processes through investment in a new work and asset management system that is being extended to all parts of the business during 2010.

These process improvements have allowed us to develop new methods of asset management that will ultimately improve our services and resilience. For instance, our investment methodology for sewerage infrastructure is moving away from old industry practice to a totally risk-based approach to maintenance.

Sewage flooding

We have successfully completed our sewer flooding programme and concluded the AMP4 period, with fewer properties on the flooding registers than our targets. Our external flooding programme has also removed 791 properties or areas at risk of external flooding against a target of 746.

We have started working with local councils on the development of surface water management plans and now have data sharing agreements with four of the 12 upper-tier authorities in our licence area.

Intermittent discharges

During AMP4 we improved 27 unsatisfactory storm discharges that discharge very dilute sewage to rivers following heavy rainfall

Security

We have invested more than £18m on security improvements over the last five years, including two security related improvement schemes included in the quality enhancement programme

- SEMD – emergency planning for worst case scenario
- a five-year programme of security work at our service reservoirs, water treatment works and gas stores to comply with the Security Service and Centre for Protection of National Infrastructure

We have also completed a number of projects to meet new demands such as the Somerset spine main serving central Somerset

Meeting new demands

To ensure communities can be served by more than one source of water in future we have started developing a 112km regional water supply grid that will take eight years to complete at a cost of £289m. It will involve connecting a major part of the water supply network from the north of Bournemouth, through Salisbury and towards Bath

Leakage

Although it remains within our monitoring plan target, leakage increased from 72 2ML/d last year to 73 9ML/d this year as a result of cold conditions at the start of 2010. These caused an increase in bursts and leaks that we were unable to locate and repair quickly due to the extensive snow cover over the region

Sewerage

Investment during the year in sewerage was lower than expected due to the impact of the economic downturn and uncertainty over timing of development. A number of large requisition schemes were shelved as developers decided to defer new building until market conditions improved. However, some investment progressed on schemes to address under capacity in the existing network

OUR PEOPLE

The past year has once again shown that one of Wessex Water's greatest strengths is the quality of its employees. They continue to provide the outstanding skills and dedication that have seen us recognised as the best water and sewerage company in England and Wales

The challenging price review determination and ongoing effects of the economic climate unfortunately meant that 215 of our staff were made redundant over the course of the year. There was a reduction in staff numbers across the region that comprised a mixture of reviews of contract and agency staff, normal turnover, voluntary arrangements and some compulsory redundancies

We are committed to maintaining appropriate levels of skills and helping to realise the potential of individuals to ensure that this remains the case

In the last few years, our training has been restructured so it is easier to access, more transparent and sits in line with the EU competent operator framework. The Wessex Water Academy is a learning centre focused on developing operational, managerial and leadership skills

It delivers internationally recognised qualifications for managers, recognised vocational qualifications, such as NVQs, youth training, technical, legal and regulatory skills training and professional qualifications. It also assists with access to further and higher education and opportunities for professional development while our apprentice scheme provides on-the-job training alongside formal education

Our Eureka! scheme encourages staff to think about ways to save money, working more efficiently or improving quality, with financial incentives for implemented suggestions and during 2009-10, 113 entries were submitted

Health and safety

The company's commitment to health and safety remains strong and we regard the maintenance of high standards as a critical measure of the successful operation of the business. Our health and safety team advise on health and safety policy, the development of company targets and monitoring compliance with company standards

Dedicated health and safety advisers work with managers and supervisors to ensure the safety of our employees and others while promoting and maintaining the company's standards and strategy for health and safety

In 2009 we saw continuing reductions in incidents, as a result of improved safety awareness across all parts of the business, safety briefings, better reporting, workplace audits and inspections. Improvements to work activities resulting from investigations of all incidents and monitoring accident trends also played their part

We continue to review our health and safety policy, arrangements and safety documentation to ensure they remain best practice and will continue to support the Water UK occupational health and safety group in developing appropriate industry standards

WESSEX WATER ENTERPRISES LTD

The company generated turnover of £13.7m (up from £12.3m last year) from a number of unregulated activities in the Wessex Water Services Ltd region, and through its 100% subsidiary GENECO Ltd operated two sewage treatment sites from 1 April 2009 to 31 March 2010 on behalf of WWSL. The principal unregulated activities were the treatment of organic waste, power generation, solicitors' searches and sale of industrial cooling water

SC TECHNOLOGY GmbH

Trading under the name Swiss Combi the turnover of the company for the year was £9.6m (down from £11.3m last year). The principal subsidiary in Holland operates two sludge drying plants and has long term contracts with two major customers

DIRECTORS

The directors of the company during the year and subsequently were

C F Skellett
 T K Harris – resigned 15 March 2010
 Mark Watts – appointed 16 March 2010
 Peng Koon Chin – alternate to Mark Seok Kah Yeoh
 Choong Min Tan – alternate to Seok Hong Yeoh
 Francis Sock Ping Yeoh *
 Seok Hong Yeoh *
 Seok Kian Yeoh *
 Mark Seok Kah Yeoh *
 Sock Siang Yeoh *
 Tiong Lay Yeoh *

* Shares held in YTL Power International Berhad and YTL Corporation Berhad are disclosed in the accounts of those companies

The following director has been granted ordinary share options of Malaysian Ringgit RM0.50 each in YTL Power International Berhad

	Opening number	Exercise price RM	Date of grant	Exercise date	Expiry date	Grant	Exercise	Closing number
M Watts	240,000	1.32	13/12/2002	13/12/2005	29/11/2011	-	-	240,000

No options were exercised in the year. There were no other interests in shares of group companies that are disclosable in these accounts. During the year no director was materially interested in any contract with the company or with any of its subsidiaries

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 Group'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 Group's auditors are aware of that information

EMPLOYMENT

Wessex Water Ltd group offers equal opportunities to all applicants for employment. Disabled people are considered for employment, training, career development and promotion on the basis of their aptitude and abilities, in common with all employees. Employees who become disabled whilst employed by the group are actively encouraged to find appropriate employment within the group. A high priority is given to employee communications which include team meetings, televisual communication, conferences and the wide availability of the company intranet

SUSTAINABILITY

WWSL has a sustainability vision that guides its progress towards being a sustainable water company. The sustainability vision is reviewed bi-annually. The company's sustainability panel monitors progress and discusses major issues of current and future concern.

ENVIRONMENT POLICY

Wessex Water Ltd group protects, conserves and improves the environment and operates in a socially responsible manner. Working practices are continually revised as improved techniques and technologies become available. The environment policy is reviewed annually.

ETHICAL POLICY

We are determined to maintain our reputation as a group that observes the highest standards of personal and corporate integrity by adhering to a strict code of business ethics. We aim to be the best and value everyone's contribution in our pursuit of excellence. We are honest in the way we conduct our business. We treat one another, our customers and the environment with respect.

RESEARCH AND DEVELOPMENT

The group carried out research and development in support of existing activities to improve the reliability and effectiveness of water and waste water services.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of land and buildings of the group exceeds the book value of these assets at 30 June 2010.

CHARITABLE DONATIONS

During the year £179,000 was donated to UK charities (2009 - £113,000).

SUPPLIER PAYMENT POLICY

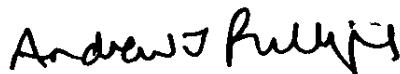
The policy in respect of its suppliers is to agree the payment terms for transactions in advance and to make payments in accordance with those terms. At 30 June 2010 trade creditors represented approximately 32 days trade purchases (2009 - 31 days). The group does not follow any specific external code or standard on payment policy.

CORPORATE GOVERNANCE

WWSL is required, under Condition F of its Instrument of Appointment as a water and sewerage undertaker, to take account of the principles of good governance in the Combined Code as approved for the purposes of the Listings Rules of the Financial Services Authority. Details of compliance are shown in the annual accounts of WWSL whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

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
10 September 2010

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 group and parent company 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 group and parent company and of the profit or loss for that year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 group and parent 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 group and parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WESSEX WATER LTD

We have audited the financial statements of Wessex Water Ltd for the year ended 30 June 2010 set out on pages 13 to 35. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's profit 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



AC Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol, BS1 6AG
10 September 2010

GROUP PROFIT AND LOSS ACCOUNT
For the year to 30 June 2010

	NOTE	Year to 30.06.10 £m	Year to 30 06 09 £m
Turnover	2	456.5	443.2
Operating costs	3	(234.8)	(235.0)
Operating profit	2	221.7	208.2
Interest payable and similar charges	5	(57.4)	(88.0)
Interest receivable	5	2.1	12.3
Other finance charge	16	(2.3)	(3.6)
Profit on ordinary activities before taxation		164.1	128.9
Taxation on profit on ordinary activities	6	(52.3)	(29.3)
Profit for the financial year		111.8	99.6

The group's turnover and operating profit were generated from continuing activities

The accompanying notes are an integral part of this profit and loss account

BALANCE SHEETS
30 June 2010

	NOTE	Group		Company	
		30 06 10 £m	30 06 09 £m	30.06.10 £m	30 06 09 £m
Fixed assets					
Tangible assets	8	2,011.8	2,022.4	-	-
Investments	9	-	-	82.5	82.5
		2,011.8	2,022.4	82.5	82.5
Current assets					
Stock	10	6.0	5.5	-	-
Debtors	11	210.8	208.1	105.9	107.3
Cash at bank and in hand	12	56.2	35.4	-	-
		273.0	249.0	105.9	107.3
Creditors – amounts falling due within one year	13	(195.0)	(180.5)	(22.7)	(22.3)
Net current assets		78.0	68.5	83.2	85.0
Total assets less current liabilities		2,089.8	2,090.9	165.7	167.5
Creditors – amounts falling due after more than one year	14	(1,506.6)	(1,481.5)	-	-
Provisions for liabilities and charges	15	(104.6)	(89.8)	-	-
Retirement benefit obligations	16	(73.0)	(34.1)	-	-
Deferred income	17	(19.3)	(20.0)	-	-
Net assets	2	386.3	465.5	165.7	167.5
Capital and reserves					
Called up equity share capital	18	131.8	131.8	131.8	131.8
Share premium account	19	28.8	28.8	28.8	28.8
Profit and loss account	20	225.7	304.9	5.1	6.9
Equity shareholders' funds	21	386.3	465.5	165.7	167.5

The accompanying notes are an integral part of this balance sheet

Registered in England and Wales No 2366633

These accounts were approved by the board of directors on 10 September 2010 and signed on its behalf by



M T Watts
Director

GROUP CASH FLOW STATEMENT
For the year to 30 June 2010

	NOTE	Year to 30.06.10 £m	Year to 30 06 09 £m
Net cash inflow from operating activities	22	304.9	286.6
Returns on investments and servicing of finance	23	(55.0)	(78.9)
Taxation		(22.9)	(24.6)
Capital expenditure and financial investment	24	(100.9)	(204.8)
Equity dividends paid		(146.0)	(91.2)
<hr/>			
Cash outflow before financing		(19.9)	(112.9)
Financing	25	40.7	(106.9)
<hr/>			
Increase in cash		20.8	(219.8)
<hr/>			
Reconciliation of cash movement to the movement in net debt			
Increase in cash - above		20.8	(219.8)
Movement in loans and leases		(31.9)	126.7
Non cash items	26	(8.8)	(19.8)
<hr/>			
Movement in net debt	26	(19.9)	(112.9)
Opening net debt	26	(1,426.0)	(1,313.1)
<hr/>			
Closing net debt	26	(1,445.9)	(1,426.0)
<hr/> <hr/>			

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year to 30 June 2010

	NOTE	Year to 30.06.10 £m	Year to 30 06 09 £m
Profit for the financial year		111.8	99.6
<hr/>			
Total recognised gains relating to the financial year		111.8	99.6
Actuarial (losses) / gains net of taxation	20	(45.1)	8.8
Foreign currency adjustment		0.1	0.2
<hr/>			
Total gains recognised since last annual report		66.8	108.6
<hr/>			

NOTES TO THE ACCOUNTS

For the year to 30 June 2010

1 Accounting policies

a Basis of preparation

The financial statements have been prepared on a basis consistent with last year, under the historic cost convention, in accordance with applicable accounting standards in the United Kingdom and, except for the treatment of certain grants and contributions (see note 1g) in accordance with the Companies Act 2006

The directors have considered the financial position of the group and company and have concluded that they will be able to meet their liabilities as they fall due 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 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet

Where a group company is party to a joint arrangement, the company accounts directly for its part of income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis

c Goodwill

Goodwill in respect of acquisitions before 1 January 1998, when FRS 10 "Goodwill and Intangible Assets" was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal. Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

d Turnover

Turnover for the group represents income receivable in the ordinary course of business, excluding VAT, for services provided to third party customers. Turnover is recognised to the extent that it is probable that economic benefits will flow to the company. The company has chosen not to recognise as turnover the bills raised for customers who have a record of at least two years non payment

e Tangible fixed assets and depreciation

Tangible fixed assets comprise infrastructure assets and other assets

- i Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls and infrastructure investigations and studies. Expenditure on infrastructure assets relating to enhancements of the network is treated as additions which are included at cost after deducting connection charges and grants

The depreciation charge for infrastructure assets is the estimated level of average annual expenditure required to maintain the operating capability of the network, based upon the company's independently certified asset management plan. No other depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life

- ii Other assets include properties, plant and equipment and are shown at cost less accumulated depreciation. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows

Buildings and operational structures	15 - 80	years
Plant machinery and vehicles	3 - 30	years
Other assets	4 - 15	years

f Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charge being written off to the profit and loss account over the period of the lease in reducing amounts in relation to the outstanding obligations. The assets are depreciated over the shorter of their estimated useful lives and the period of the lease. All other leases are regarded as operating leases. Rental costs arising under operating leases are written off in the year they are incurred.

g Grants and contributions

Grants and contributions in respect of specific expenditure on non infrastructure fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets (see note 17).

Grants and contributions relating to infrastructure assets have been deducted from the cost of those assets. This is not in accordance with the requirements of the Companies Act 2006 which requires assets to be stated at their purchase price or production cost, without deduction of grants and contributions which would be accounted for as deferred income. The departure from the requirements of the Act is, in the opinion of the directors, necessary to give a true and fair view. This is because infrastructure assets are not depreciated directly and accordingly the related grants and contributions would not be recognised through the profit and loss account. The effect on the value of fixed assets is disclosed in note 8.

h Investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Those held as current assets are stated at the lower of cost and net realisable value.

i Stock

Stock and work in progress are stated at cost less any diminution in value. In respect of work in progress, costs include labour, materials and attributable overheads. Long term contract turnover and profit are recognised according to the value of work done. Where amounts received are different from the turnover recognised, they are included in debtors or creditors according to the circumstances of each individual contract.

j Foreign currency

All transactions of UK companies denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The results of overseas subsidiaries are translated at average rates of exchange for the year. The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses on these translations are taken to reserves net of exchange differences arising on related foreign currency borrowings.

k Interest rate instruments

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

l 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.

m Research and development

Research and development expenditure is written off in the period in which it is incurred.

n Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group.

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 and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

The group also operates a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account in the period to which they relate.

o Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

p Debt

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

q Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

r Dividends on shares presented within shareholders' funds

Dividends are proposed by the Board and immediately afterwards are authorised by the shareholder and therefore are recognised as a liability in the accounts until paid.

	Year to 30.06 10 £m	Year to 30 06 09 £m
2 Segmental analysis		
Substantially all of the turnover, operating profit and net assets arise in the United Kingdom. Regulated activities represent the entire trade of Wessex Water Services Ltd. Unregulated activities comprise the trade of SC Technology GmbH and Wessex Water Enterprises Ltd as well as the holding company activities of Wessex Water Ltd.		
a Turnover		
Regulated	434.6	420.4
Unregulated	21.9	22.8
	<u>456.5</u>	<u>443.2</u>
b Operating profit		
Regulated	215.1	201.8
Unregulated	6.6	6.4
	<u>221.7</u>	<u>208.2</u>
c Net assets		
Regulated	308.3	388.2
Unregulated	78.0	77.3
	<u>386.3</u>	<u>465.5</u>
3 Operating costs		
Manpower costs (note 4b)	43.2	41.1
Materials and consumables	31.7	31.1
Other operational costs	58.1	65.8
Depreciation of fixed assets	102.2	95.0
Amortisation of grants and contributions	(1.0)	(0.9)
Loss on disposals of fixed assets	0.6	2.9
	<u>234.8</u>	<u>235.0</u>
Operating costs include		
Operating leases for plant and machinery	1.0	1.3
Research and development	0.1	0.1
Directors' remuneration (note 4d)	1.8	0.8
	<u>2.9</u>	<u>2.2</u>
	Year to 30 06.10 £000	Year to 30 06 09 £000
Auditors' remuneration		
Audit of these financial statements	80	52
Audit of financial statements of subsidiaries pursuant to legislation	125	133
Other services pursuant to legislation	6	35
All other services	-	281
	<u>211</u>	<u>501</u>

		Year to 30.06 10 £m	Year to 30 06 09 £m
4	Employment costs		
a	Total employment costs of the group		
	Wages and salaries	60.2	63 5
	Social security costs	4.8	5 5
	Other pension costs	6.3	8 0
		<u>71 3</u>	<u>77 0</u>
b	Total employment costs are charged as follows		
	Capital schemes	21 3	30 9
	Infrastructure renewals expenditure	6 8	5 0
	Manpower costs (note 3)	43 2	41 1
		<u>71 3</u>	<u>77 0</u>
		30.06.10 number	30 06 09 number
c	Monthly average number of employees during the year		
	- Billing services	334	323
	- All other staff	1,727	1,910
		<u>2,061</u>	<u>2,233</u>
	- Total	<u>2,061</u>	<u>2,233</u>
d	Total directors' remuneration	Year to 30.06.10 £000	Year to 30 06 09 £000
	Salary and fees	624	634
	Compensation for loss of office	476	-
	Bonuses	689	161
	Benefits in kind	40	38
		<u>1,829</u>	<u>833</u>
e	Remuneration of highest paid director		
	Salary	199	380
	Compensation for loss of office	476	-
	Bonus	578	95
	Benefits in kind	10	25
		<u>1,263</u>	<u>500</u>

The above remuneration is in respect of three executive directors (2009 – two) Executive directors have one year rolling contracts of employment One director has benefits accruing under a defined benefit pension schemes (2009 – one) The aggregate amount of contributions to pension schemes in respect of directors was £53k (2009 - £66k)

There is a different highest paid director in each year and respectively they had an accrued annual pension entitlement of £158,996 at 30 June 2010 (2009 - £140,178)

	Year to 30.06 10 £m	Year to 30 06 09 £m
5 Net interest payable		
On bank loans	55.9	84.0
On finance leases	1.5	4.0
	<hr/>	<hr/>
Total interest payable	57.4	88.0
Inter company interest receivable	(1.5)	(4.5)
Interest receivable on short term deposits	(0.6)	(7.8)
	<hr/>	<hr/>
Total interest receivable	(2.1)	(12.3)
	<hr/>	<hr/>
Net interest payable	55.3	75.7
	<hr/> <hr/>	<hr/> <hr/>
6 Taxation		
a Analysis of charge in the period		
Current year corporation tax		
UK corporation tax at 28.0%	34.5	22.9
Adjustments in respect of previous years	(2.3)	(3.2)
	<hr/>	<hr/>
Total corporation tax charge	32.2	19.7
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax – current year		
Origination and reversal of timing differences	8.6	8.4
Decrease / (increase) in discount	6.6	(2.2)
	<hr/>	<hr/>
	15.2	6.2
Deferred tax – prior year		
Origination and reversal of timing differences	2.4	3.6
Decrease / (increase) in discount	2.5	(0.2)
	<hr/>	<hr/>
	4.9	3.4
	<hr/>	<hr/>
Total deferred tax charge	20.1	9.6
	<hr/> <hr/>	<hr/> <hr/>
Taxation charge on profit on ordinary activities	52.3	29.3
	<hr/> <hr/>	<hr/> <hr/>

	Year to 30.06 10 £m	Year to 30 06 09 £m
b Current tax reconciliation		
Profit on ordinary activities before tax	164 1	128 9
Current tax at 28 0%	45 9	36 1
Group relief for nil consideration	(1.9)	(4 6)
Adjustments in respect of previous years	(2.3)	(3 2)
Capital allowances for the year greater than depreciation	(3 8)	(4 4)
Payment of lease creditor capital	(1.8)	(1 8)
Subsidiary company profits	-	(0 4)
Other timing differences	(3 9)	(2 0)
Total corporation tax charge (note 6a)	<u>32 2</u>	<u>19 7</u>

- c The 2010 Finance Bill published on 1 July 2010 announced a reduction in the corporation tax rate from 28% to 27% effective from 1 April 2011. Had this change been enacted at the balance sheet date the deferred tax provision (note 15) would have decreased by £4.7m to £99.5m, and the deferred tax asset (note 16) would have decreased by £1.0m to £26.9m. There would have been no change to the corporation tax balance at 30 June 2010.

7 Dividends

Ordinary shares

Final dividend in respect of a prior year but not recognised as a liability in that year	27.4	27 0
Interim dividends	118 6	64 2
	<u>146.0</u>	<u>91 2</u>

In accordance with FRS 21 "Events after Balance Sheet Date" the final dividend for 2009/10 declared and paid in July 2010 of £34.5m was not recognised in these financial statements.

8 Tangible fixed assets

	Freehold land and buildings	Infra- structure assets	Plant machinery and vehicles	Other assets	Payments on account & assets in course of const- ruction	Group Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 July 2009	663.5	1,126.7	1,030.9	74.5	108.8	3,004.4
Additions	4.1	33.8	21.0	4.9	34.8	98.6
Exchange differences	-	-	(0.5)	-	-	(0.5)
Transfers on commissioning	9.8	8.7	77.5	13.0	(109.0)	-
Disposals	(1.0)	-	(9.7)	-	-	(10.7)
Grants and contributions	-	(5.3)	-	-	-	(5.3)
At 30 June 2010	676.4	1,163.9	1,119.2	92.4	34.6	3,086.5
Depreciation						
At 1 July 2009	176.2	337.4	448.2	20.2	-	982.0
Charge for the year	13.5	31.9	52.5	4.3	-	102.2
Exchange differences	-	-	(0.3)	-	-	(0.3)
Disposals	(0.4)	-	(8.8)	-	-	(9.2)
At 30 June 2010	189.3	369.3	491.6	24.5	-	1,074.7
Net Book Value						
At 30 June 2010	487.1	794.6	627.6	67.9	34.6	2,011.8
At 1 July 2009	487.3	789.3	582.7	54.3	108.8	2,022.4

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls, and infrastructure investigations and studies

Other assets include furniture and fittings, laboratory and other equipment

The net book value of assets held under finance leases is £58.0m (2009 - £64.4m)

The depreciation charge for the year on assets held under finance leases is £6.4m (2009 - £6.4m)

The net book value of infrastructure assets at 30 June 2010 is stated after the deduction of grants and contributions amounting to £116.1m (2009 - £110.8m) in order to give a true and fair view (see note 1g)

Included in the cost of infrastructure assets is £369.2m (2009 - £345.2m) of expenditure on maintaining the network, and £369.4m (2009 - £337.5m) of depreciation included in the profit and loss account

Included in freehold land and buildings above is an amount of £10.3m (2009 - £10.1m) in respect of land which is not depreciated

9 Investments

	Group Associated undertakings £m	Company Subsidiary companies £m	Company Associated undertakings £m	Company Total £m
Cost				
At 1 July 2009	-	104.1	-	104.1
Additions	-	-	-	-
At 30 June 2010	-	104.1	-	104.1
Amounts written off				
At 1 July 2009	-	21.6	-	21.6
Written off in the year	-	-	-	-
At 30 June 2010	-	21.6	-	21.6
Carrying value at 30 June 2010	-	82.5	-	82.5
Carrying value at 1 July 2009	-	82.5	-	82.5

The investments comprise shares in the subsidiary and associated undertakings. The principal subsidiary companies and associated undertakings are listed in note 31.

10 Stock

	Group	
	30.06.10 £m	30.06.09 £m
Raw materials and consumables	2.9	2.6
Work in progress	3.1	2.9
	6.0	5.5

11 Debtors

	Group		Company	
	30.06.10 £m	30.06.09 £m	30.06.10 £m	30.06.09 £m
Trade debtors	45.6	43.8	-	0.9
Amounts owed by subsidiary companies	-	-	6.8	7.0
Amounts owed by immediate parent company	0.1	0.1	0.2	0.1
Loan to immediate parent company	89.4	89.4	89.4	89.4
Other debtors	2.3	2.7	-	-
Prepayments and accrued income	73.4	72.1	9.5	9.9
	210.8	208.1	105.9	107.3

A loan of £89.4m (2009 - £89.4m) was made to YTL Utilities (UK) Limited and is repayable in October 2011.

12 Cash at bank and in hand

Short term cash investments	52.0	29.9
Cash at bank	4.2	5.5
	56.2	35.4

£48.0m (2009 - £3.0m) of short term cash matures within 1 month and £4.0m within 3 months (2009 - £26.9m)

13 Creditors - amounts falling due within one year

	Group		Company	
	30 06 10	30 06 09	30 06 10	30 06 09
	£m	£m	£m	£m
Bank overdraft repayable on demand	-	-	0.9	0.4
Loans repayable	80.4	65.9	4.9	5.2
Obligations under finance leases	5.6	4.9	-	-
Trade creditors	3.3	8.0	-	-
Amounts owed to subsidiary company	-	-	16.8	16.6
Amounts owed to parent company	0.6	0.6	-	-
Amounts owed to associate companies	0.4	0.6	-	-
Other creditors	3.2	2.4	-	-
Corporation tax	19.6	10.4	-	-
Other taxation and social security	1.8	2.0	-	-
Accruals and deferred income	80.1	85.7	0.1	0.1
	195.0	180.5	22.7	22.3

14 Creditors - amounts falling due after more than one year

Loans repayable - in more than 1 year, but not more than 2 years	0.4	75.7
- in more than 2 years, but not more than 5 years	52.1	4.2
- in more than 5 years	240.0	240.0
	292.5	319.9
Finance lease repayable		
- in more than 1 year, but not more than 2 years	6.3	5.6
- in more than 2 years, but not more than 5 years	24.0	21.4
- in more than 5 years	34.7	43.6
	65.0	70.6
Bonds - in more than 5 years	1,148.0	1,089.5
Other	1.1	1.5
	1,506.6	1,481.5

The bonds were issued by a subsidiary company Wessex Water Services Finance Plc as follows

Bond at 5.375% repayable in March 2028	198.1	198.0
Bond at 5.75% repayable in October 2033	345.8	345.7
Index linked bond at 3.52% plus inflation repayable in July 2023	62.3	61.2
Index linked bond at 2.186% plus inflation repayable in June 2039	51.0	-
Index linked bond at 1.75% plus inflation repayable in July 2046	83.8	82.3
Index linked bond at 1.75% plus inflation repayable in July 2051	83.8	82.2
Index linked bond at 1.369% plus inflation repayable in July 2057	83.8	82.3
Index linked bond at 1.374% plus inflation repayable in July 2057	83.8	82.2
Index linked bond at 1.489% plus inflation repayable in November 2058	51.9	51.9
Index linked bond at 1.495% plus inflation repayable in November 2058	51.9	51.9
Index linked bond at 1.499% plus inflation repayable in November 2058	51.8	51.8
	1,148.0	1,089.5

15 Provisions for liabilities and charges

	Deferred tax £m	Restructuring costs £m	Group Total £m
At 1 July 2009	86.5	3.3	89.8
Provided in year	-	1.5	1.5
Utilised during year	-	(1.6)	(1.6)
Released to profit and loss	-	(2.8)	(2.8)
Origination and reversal of timing differences	8.6	-	8.6
Decrease in discount	9.1	-	9.1
	<hr/>	<hr/>	<hr/>
At 30 June 2010	104.2	0.4	104.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Restructuring costs provision comprised £0.4m for a redundancy programme in WWSL.

	Group	
	30.06.10 £m	30.06.09 £m
Deferred tax is provided as follows		
Accelerated capital allowances	290.5	281.9
Other timing differences	(0.8)	(0.8)
	<hr/>	<hr/>
Undiscounted provision for deferred tax	289.7	281.1
Discount	(185.5)	(194.6)
	<hr/>	<hr/>
Provision for deferred tax	104.2	86.5
	<hr/> <hr/>	<hr/> <hr/>

16 Pensions

FRS 17 pension liability (see note 16e)	99.8	45.9
FRS 17 deferred tax asset	(27.9)	(12.9)
Unfunded and compensatory added years pension	1.1	1.1
	<hr/>	<hr/>
	73.0	34.1
	<hr/> <hr/>	<hr/> <hr/>

- a The defined benefit scheme operated by the group, which covers the majority of staff, is the Wessex Water Pension Scheme (WWPS). The assets are held in separate trustee administered funds. The pension cost charged to the profit and loss account has been determined on the advice of independent qualified actuaries and is such as to spread the cost of pensions over the service lives of the members of the scheme.
- Liabilities for an unfunded arrangement and a compensatory payment for added years' service are held outside the defined benefit scheme.
- b The total pension cost for the year under FRS 17, including amounts set aside for early retirees and other finance income, was £10.6m (2009 - £12.4m). Actuarial gains and losses have been recognised in the period in which they occur through the Statement of Total Recognised Gains and Losses.
- c The latest actuarial valuation for WWPS was undertaken at 31 December 2007. The assumptions which have the most significant effect on the results of a valuation are those relating to the discount rate for scheme liabilities and the rate of increase in salaries and pensions. It was assumed that the pre retirement discount rate would be 6.5% and the post retirement discount rate 5.5%, that salary increases would average 4.4% per annum and that present and future pensions would increase between 2.4% and 3.4% per annum. The market value of the WWPS assets as at 31 December 2007 was £307.8m which represented 83.6% of the actuarial value of the accrued benefits of £368.4m, a deficit of £60.6m. The next actuarial valuation will be at 31 December 2010.

In response to this valuation the company agreed to pay additional contributions of £7.2m per annum at 31 December 2008 and 31 March 2010, and at 31 March for a further 8 years. The level of regular employer contributions also rose

- d The actuarial valuation described above has been updated at 30 June 2010 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value. The major assumptions used by the actuary were

	30 06 10	30 06 09	30 06 08
Rate of increase in salaries	3.3%	4.0%	5.4%
Rate of increase in pensions in payment	3.2%	2.9%	3.9%
Rate of increase in pensions in payment – reduced level members	2.2%	2.1%	2.5%
Discount rate	5.4%	6.45%	6.7%
Inflation assumption	3.3%	3.0%	3.9%

The mortality assumptions are based upon the recent actual mortality experience of members within the scheme, and the assumptions also allow for future mortality improvements. The assumptions are that a member currently aged 60 will live, on average, for a further 25 years if they are male, and for a further 27 years if they are female. For a member who retires in 2028 at age 60 the assumptions are that they will live, on average, for a further 27 years after retirement if they are male, and a further 29 years after retirement if they are female.

- e The value of the assets and liabilities were as follows

	30.06.10	30 06 09	30 06 08
	£m	£m	£m
Equities	141.5	97.6	124.5
Property	20.1	16.7	18.6
Government Bonds	125.5	121.8	147.4
Corporate Bonds	9.8	36.3	3.7
Other	14.7	5.3	0.9
	<hr/>	<hr/>	<hr/>
Total fair value of the assets	311.6	277.7	295.1
Present value of defined benefit obligations	(411.4)	(323.6)	(358.6)
	<hr/>	<hr/>	<hr/>
Deficit in the scheme	(99.8)	(45.9)	(63.5)
	<hr/>	<hr/>	<hr/>

The expected rates of return were as follows

	%	%	%
Equities	8.3	9.25	9.1
Property	8.8	8.25	8.1
Government Bonds	4.3	4.25	5.0
Corporate Bonds	5.3	6.25	5.8
Other	0.8	1.2	5.9
	<hr/>	<hr/>	<hr/>
	6.3	6.5	6.9
	<hr/>	<hr/>	<hr/>

Narrative description of the basis used to determine expected value

Wessex Water Services Ltd employs a building block approach in determining the long-term rate of return on pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return of each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation of the scheme as at 30 June 2010.

f Additional analysis					
	30 06 10	30 06 09			
	£m	£m			
Analysis of profit and loss charge					
Current service cost	7.9	8.8			
Past service cost	0.4	-			
Interest cost	19.9	24.0			
Expected return on scheme assets	(17.6)	(20.4)			
	<hr/>	<hr/>			
Expense recognised in profit and loss account	10.6	12.4			
	<hr/> <hr/>	<hr/> <hr/>			
Changes to the present value of defined benefit obligations during the year					
Opening present value of defined benefit obligations	323.6	358.6			
Current service cost	7.9	8.8			
Interest cost	19.9	24.0			
Contributions by scheme participants	0.9	2.7			
Actuarial losses / (gains) on scheme liabilities	73.4	(57.9)			
Net benefits paid out	(14.7)	(12.6)			
Past service cost	0.4	-			
	<hr/>	<hr/>			
Closing present value of defined benefit obligations	411.4	323.6			
	<hr/> <hr/>	<hr/> <hr/>			
Changes to the fair value of scheme assets during the year					
Opening fair value of scheme assets	277.7	295.1			
Expected return on scheme assets	17.6	20.4			
Actuarial gains / (losses) on scheme assets	10.8	(45.7)			
Contributions by the employer	19.3	17.8			
Contributions by scheme participants	0.9	2.7			
Net benefits paid out	(14.7)	(12.6)			
	<hr/>	<hr/>			
Closing fair value of scheme assets	311.6	277.7			
	<hr/> <hr/>	<hr/> <hr/>			
Actual return on scheme assets					
Expected return on scheme assets	17.6	20.4			
Actuarial gains / (losses) on scheme assets	10.8	(45.7)			
	<hr/>	<hr/>			
Actual return on scheme assets	28.4	(25.3)			
	<hr/> <hr/>	<hr/> <hr/>			
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses					
Total actuarial (losses) / gains	(62.6)	12.2			
	<hr/> <hr/>	<hr/> <hr/>			
Cumulative amount of losses recognised	(109.4)	(46.8)			
	<hr/> <hr/>	<hr/> <hr/>			
History of asset values, defined benefit obligations, deficit in the scheme and experience gains and losses					
	30 06 10	30 06 09	30 06 08	30 06 07	30 06 06
	£m	£m	£m	£m	£m
Fair value of scheme assets	311.6	277.7	295.1	289.5	262.7
Present value of scheme liabilities	(411.4)	(323.6)	(358.6)	(334.2)	(333.0)
Deficit in the scheme	(99.8)	(45.9)	(63.5)	(44.7)	(70.3)
Experience gains / (losses) on scheme assets	10.8	(45.7)	(19.6)	5.4	5.1
Experience gains / (losses) on scheme liabilities	2.8	10.5	(5.2)	(4.9)	(0.2)

- g On 8 July 2010, the Pensions Minister announced that the Government will in future use the Consumer Prices Index in place of the Retail Prices Index in its determination of the pension increases for private sector occupational pension schemes. Although the company has yet to assess the full financial impact of the changes, it is expected that they will lead to a reduction in the liability

	30 06.10	30 06 09
	£m	£m
17 Deferred income		
Grants and contributions		
At 1 July	20 0	20 6
Received in the year	0 3	0 3
Less amortisation	(1 0)	(0 9)
	<hr/>	<hr/>
At 30 June	19 3	20 0
	<hr/>	<hr/>
18 Called up equity share capital		Group and Company
Authorised		
346,666,670 ordinary shares of 60p each	208 0	208 0
	<hr/>	<hr/>
Allotted and fully paid		
219,585,986 ordinary shares of 60p each	131 8	131 8
	<hr/>	<hr/>
19 Share premium account		Group and Company
Share premium	28 8	28 8
	<hr/>	<hr/>
20 Profit and loss account		
<i>Group</i>		
At 1 July	304 9	287 5
Profit attributable to shareholders	111 8	99 6
Dividends (note 7)	(146 0)	(91 2)
Foreign currency adjustment	0.1	0 2
Actuarial (losses) / gains net of taxation	(45.1)	8 8
	<hr/>	<hr/>
At 30 June	225 7	304 9
	<hr/>	<hr/>
<i>Company</i>		
At 1 July	6.9	8 2
Retained for the year	(1.8)	(1 3)
	<hr/>	<hr/>
At 30 June	5 1	6 9
	<hr/>	<hr/>

As permitted by Section 408 of the Companies Act 2006, a profit and loss account of the parent company is not presented. The profit attributable to the company in the year is £144.2m (2009 - £89.9m) after dividends from subsidiary companies of £144.6m (2009 - £85.9m)

21 Reconciliation of movements in equity shareholders' fund	Group		Company	
	30 06 10 £m	30 06 09 £m	30 06 10 £m	30 06 09 £m
At 1 July	465.5	448.1	167.5	168.8
Profit attributable to shareholders	111.8	99.6	144.2	89.9
Dividends (note 7)	(146.0)	(91.2)	(146.0)	(91.2)
Foreign currency adjustment	0.1	0.2	-	-
Actuarial (losses) / gains net of taxation	(45.1)	8.8	-	-
At 30 June	386.3	465.5	165.7	167.5

22 Reconciliation of operating profit to netcash inflow from operating activities	Year to	Year to
	30.06 10 £m	30 06 09 £m
Operating profit	221.7	208.2
Depreciation	102.2	95.0
Amortisation of grants and contributions	(1.0)	(0.9)
Provisions	(13.7)	(8.8)
Loss on disposal of fixed assets	0.6	2.9
(Increase) in stocks	(0.5)	(0.7)
(Increase) in debtors	(3.2)	(0.2)
(Decrease) in creditors	(1.2)	(8.9)
	304.9	286.6

23 Returns on investments and servicing of finance		
Interest received	2.2	13.8
Interest paid	(55.7)	(88.7)
Interest element of finance lease rentals	(1.5)	(4.0)
	(55.0)	(78.9)

24 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(107.4)	(211.1)
Sale of tangible fixed assets	0.9	0.9
Connection charges, grants and deferred income	5.6	5.4
	(100.9)	(204.8)

25 Financing		
Loans and finance leases received	109.2	198.0
Loans and finance leases repaid	(68.5)	(304.9)
	40.7	(106.9)

26 Movement in net debt

	1 July 2009 £m	Cash Flow £m	Non cash items £m	30 June 2010 £m
Short term cash investments	29.9	22.1	-	52.0
Cash at bank	5.5	(1.3)	-	4.2
Short term loans	(65.9)	(14.5)	-	(80.4)
Loans repayable after one year	(319.9)	27.4	-	(292.5)
Amounts owed by parent company	89.4	-	-	89.4
Finance leases repayable within one year	(4.9)	(0.7)	-	(5.6)
Finance leases repayable after one year	(70.6)	5.6	-	(65.0)
Bonds repayable after one year	(1,089.5)	(49.7)	(8.8)	(1,148.0)
	<u>(1,426.0)</u>	<u>(11.1)</u>	<u>(8.8)</u>	<u>(1,445.9)</u>

27 Financial instruments

Short term debtors and creditors have been excluded from the financial instrument disclosure other than £86.0m (2009 - £70.8m) of short term borrowings, £56.2m of short term cash (2009 - £35.4m), and £89.4m (2009 - £89.4m) of amounts owed by immediate parent company

The group has financed its activities through a combination of short term borrowings, long term loans and leases and bonds issued by a subsidiary company Wessex Water Services Finance Plc. At 30 June 2010 there were £100.0m (2009 - £90.0m) of undrawn facilities. There are no securities attributed to any of the borrowings.

a Interest rate and currency exposure

	Fixed rate borrowings 2010 £m	Floating rate borrowings 2010 £m	Total borrowings 2010 £m	Fixed rate borrowings 2009 £m	Floating rate borrowings 2009 £m	Total borrowings 2009 £m
Sterling	<u>1,148.0</u>	<u>297.9</u>	<u>1,445.9</u>	<u>1,089.5</u>	<u>336.5</u>	<u>1,426.0</u>

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

	Interest rate % 2010	Period years 2010	Interest rate % 2009	Period years 2009
Sterling	<u>3.7</u>	<u>31.1</u>	<u>3.8</u>	<u>32.5</u>

Floating rate borrowings with interest rates moving in line with LIBOR comprise £86.0m (2009 - £70.8m) of short term borrowings, £357.5m (2009 - £390.5m) of long term borrowings, £89.4m (2009 - £89.4m) owed by immediate parent company and £56.2m of short term debtors (2009 - £35.4m)

b Fair values

	Book value £m 2010	Fair value £m 2010	Book value £m 2009	Fair value £m 2009
Borrowings less than 1 year	29.8	29.8	35.4	35.4
Amounts owed by immediate parent company	(89.4)	(89.4)	(89.4)	(89.4)
Floating rate borrowings over 1 year	357.5	357.5	390.5	390.5
Fixed rate borrowings over 1 year	1,148.0	1,219.2	1,089.5	1,070.0
	<u>1,445.9</u>	<u>1,517.1</u>	<u>1,426.0</u>	<u>1,406.5</u>

Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between willing parties, other than a forced or liquidation sale

The fair value of short term and floating rate borrowings approximate to book value. The fair value of long term fixed rate borrowings has been calculated using market values or discounted cash flow techniques

28 Commitments

- a There were £0.1m of operating lease payments under leases on land and buildings due within the next year, which expire after 5 years (2009 – nil). There are no commitments under other operating leases
- b Capital expenditure contracted but not provided at 30 June 2010 was £35.5m (2009 - £49.2m)

29 Share based payments

YTL Power International Berhad (a subsidiary of the ultimate parent company YTL Corporation Berhad) operates a share option scheme “YTL Power ESOS” under which options were granted to employees of the group. The terms of the scheme are specified under the YTL Power ESOS (UK part) known as the “UK Plan”

The majority of options have been issued under terms approved by the Inland Revenue, the “Approved” scheme, but some have been issued to senior employees under an “Unapproved” scheme

The options are for ordinary shares of YTL Power International Berhad of Malaysian Ringgit RM0.50 each, and the exercise price and fair value of the ordinary shares are as follows

Granted – Ordinary shares of RM0.50 each	Vesting date	Expiry date	Exercise price RM	Fair value RM
13/12/2002 Unapproved	13/12/2005	29/11/2011	1.32	n/a
26/12/2002 Approved	26/12/2005	29/11/2011	1.39	n/a
12/12/2003 Unapproved	12/12/2006	29/11/2011	1.53	0.51
12/12/2003 Approved	12/12/2006	29/11/2011	1.70	0.34
16/05/2005 Unapproved	16/05/2008	29/11/2011	1.82	0.04
16/05/2005 Approved	16/05/2008	29/11/2011	2.02	0.01
07/08/2006 Unapproved	07/08/2009	29/11/2011	1.74	0.07
07/08/2006 Approved	07/08/2009	29/11/2011	1.93	0.01
20/08/2007 Unapproved	20/08/2010	29/11/2011	2.04	0.03
20/08/2007 Approved	20/08/2010	29/11/2011	2.27	0.00
26/06/2008 Unapproved	20/08/2010	29/11/2011	1.80	0.02
28/11/2008 Unapproved	28/11/2011	29/11/2011	1.61	0.22
28/11/2008 Approved	28/11/2011	29/11/2011	1.78	0.16

Under FRS 20 equity settled share-based payments are measured at the fair value at the date of the grant, and the fair value is expensed on a straight line basis through to the exercise date

For the options granted on 16 May 2005, 7 August 2006, 20 August 2007, 26 June 2008 and 28 November 2008 the fair value was calculated using a trinomial model. For the options granted on 12 December 2003 with an exercise date of 12 December 2006 the market price at the exercise date was used as the fair value. The options granted in 2002 did not fall within the scope of FRS 20 since they were exercisable prior to the adoption of the standard

The assumptions used in the calculation of the fair values from the trinomial model were as follows

Scheme	Weighted ave share price at grant RM	Expected volatility %	Expected option life years	Risk free rate %	Dividend yield %
16/05/2005 Unapproved	2.03	3.5	5	3.15	5.6
16/05/2005 Approved	2.03	3.5	3	2.91	5.6
07/08/2006 Unapproved	1.92	3.5	4	4.10	5.8
07/08/2006 Approved	1.92	3.5	3	4.06	5.8
20/08/2007 Unapproved	2.30	3.5	4	3.63	6.9
20/08/2007 Approved	2.30	3.5	3	3.60	6.9
26/08/2008 Unapproved	1.93	3.5	3	3.43	7.8
28/11/2008 Unapproved	1.85	21.0	3	3.23	7.3
28/11/2008 Approved	1.85	21.0	3	3.23	7.3

The following options were outstanding at 30 June 2009 and 2010

Granted – Ordinary shares of RM0 50 each	Outstanding at 30 June 2009	Granted	Forfeited	Exercised	Outstanding at 30 June 2010
13/12/2002 Unapproved	12,879,250	-	(100,000)	(3,145,500)	9,633,750
26/12/2002 Approved	4,389,500	-	-	(716,500)	3,673,000
12/12/2003 Unapproved	1,719,000	-	(560,000)	(525,000)	634,000
12/12/2003 Approved	1,518,000	-	-	(134,000)	1,384,000
16/05/2005 Unapproved	3,900,000	-	(100,000)	(54,600)	3,745,400
16/05/2005 Approved	4,344,000	-	(68,000)	(99,000)	4,177,000
07/08/2006 Unapproved	700,000	-	(200,000)	-	500,000
07/08/2006 Approved	4,844,000	-	(102,000)	(67,500)	4,674,500
20/08/2007 Unapproved	900,000	-	(100,000)	-	800,000
20/08/2007 Approved	3,360,000	-	(260,000)	-	3,100,000
26/06/2008 Unapproved	90,000	-	(10,000)	-	80,000
28/11/2008 Unapproved	6,560,000	-	(480,000)	-	6,080,000
28/11/2008 Approved	9,424,000	-	(114,000)	-	9,310,000
TOTAL	54,627,750	-	(2,094,000)	(4,742,100)	47,791,650

Of the above options 28,421,650 were exercisable at 30 June 2010. No charge is recognised in the profit and loss account for FRS 20 in either year, as it is not material to the financial statements.

30 Contingent liabilities and guarantees

Wessex Water Ltd has provided performance guarantees on behalf of SC Technology GmbH on the tendering for contracts, the maximum liability in respect of which, at 30 June 2010 was £0.3m (2009 - £0.3m)

31 Principal subsidiary companies and associated undertakings

a. Subsidiary companies

Wessex Water Ltd owns 100% of the issued ordinary share capital of each subsidiary company

Company	Country of incorporation and operation	Principal activities
Wessex Water Services Ltd	United Kingdom	Water supply and waste water services
SC Technology GmbH	Switzerland	Waste treatment processes
Wessex Water Services Finance Plc *	United Kingdom	Issue of bonds
Wessex Engineering & Construction Services Ltd	United Kingdom	Engineering services
Wessex Promotions Ltd	United Kingdom	Concert promotion
Wessex Water Enterprises Ltd	United Kingdom	Unregulated water and waste water services
GENECO Ltd **	United Kingdom	Waste water services

* 100% owned by Wessex Water Services Ltd

** 100% owned by Wessex Water Enterprises Ltd

Other subsidiary companies are dormant or not material to the group

b. Joint arrangements

Company	Class of shares	Proportion held	Principal activities
Bristol Wessex Billing Services Ltd	£1 ordinary	50%	Billing services

On 28 June 2001, Wessex Water Services Ltd and Wessex Water Ltd entered into a joint arrangement with Bristol Water Holdings Plc, under which the billing and customer services of both groups were transferred into a new company Bristol Wessex Billing Services Ltd

32 Related party transactions

There are no related party transactions requiring disclosure in these financial statements

33 Wessex Water Services Ltd - dividend policy

The policy adopted by the board of Wessex Water Services Ltd from 1 April 2006 was to declare dividends consistent with the company's performance and prudent management of the economic risk of the business

34 Ultimate parent company

The company is 100% owned by YTL Utilities (UK) Limited, a company incorporated in the United Kingdom whose registered address is 2 Lambs Passage, London EC1Y 8BB. 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 of YTL Corporation Berhad are available on request from this address.