

WESSEX WATER SERVICES FINANCE PLC

Accounts for the year to
30 June 2003

Registered in England and Wales No. 3704265

DIRECTORS' REPORT

The directors present their report and accounts for the year to 30 June 2003.

PRINCIPAL ACTIVITIES

The sole activity of the company is to issue bonds, the proceeds of which are lent to the parent company.

PROFIT AND DIVIDEND

There was no profit in the year (6 months to June 2002 - nil). The directors did not recommend the payment of a dividend in either period.

CHARITABLE DONATIONS

There were no charitable donations in either period.

DIRECTORS

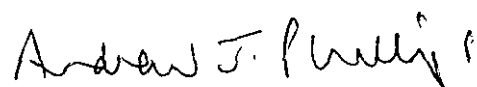
The directors of the company during the year were;

C F Skellett
T K Harris

T K Harris was granted 1,000,000 ordinary share options of Malaysian Ringgit RM1.00 each in YTL Power International Berhad on 13 December 2002. The share option price was RM2.64 and the options are exercisable between 13 December 2005 and 12 December 2012. There are no other interests in shares of group companies that are disclosable in these accounts.

AUDITORS

A resolution to re-appoint KPMG Audit Pte as auditors of the company will be proposed at the Annual General Meeting.



By order of the board
A J Phillips
Company secretary
26 September 2003

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the company's profit or loss for the period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WESSEX WATER SERVICES FINANCE PLC

We have audited the financial statements on pages 3 to 7.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

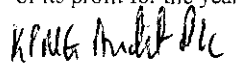
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
26 September 2003

PROFIT AND LOSS ACCOUNT
For the year to 30 June 2003

	NOTE	Year to 30.06.03 £m	6 months to 30.06.02 £m
Turnover		-	-
Operating profit	2	-	-
Interest income	3	19.7	9.9
Interest expense	3	(19.7)	(9.9)
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities	4	-	-
Transfer to reserves	9	-	-

There were no recognised gains or losses in either period other than the profit in each period.

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

BALANCE SHEET
30 June 2003

	NOTE	30.06.03 £m	30.06.02 £m
Current assets			
Debtors - amounts falling due within one year	5	5.3	4.5
Debtors - amounts falling due after more than one year	5	348.6	347.6
		<u>353.9</u>	<u>352.1</u>
Creditors - amounts falling due within one year	6	(5.3)	(4.5)
Net current assets		<u>348.6</u>	<u>347.6</u>
Total assets less current liabilities		348.6	347.6
Creditors - amounts falling due after more than one year	7	(348.6)	(347.6)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up equity share capital	8	-	-
Profit and loss account	9	-	-
Equity shareholders' funds	9	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of this balance sheet.

These accounts were approved by the board of directors on 26 September 2003 and signed on its behalf by:



T K Harris
Director

NOTES TO THE ACCOUNTS
For the year to 30 June 2003

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 company has adopted all applicable accounting standards up to and including FRS19 "Deferred Tax".

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 the provision of FRS1.(revised) the company has not prepared a cash flow statement because Wessex Water Ltd a parent company, which is incorporated in England, prepares consolidated accounts which include the accounts of the company and which contain a cash flow statement.

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 period and reduced by payments made in the period.

e. Interest rate instruments

Interest rate instruments are 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 profit

There were no expenses incurred by the company in either period, audit fees were borne by other group companies.

	Year to 30.06.03 £m	6 months to 30.06.02 £m
3 Net interest payable		
Interest payable:		
On bond issues	19.7	9.9
Interest (receivable):		
From parent company	(19.7)	(9.9)
	<hr/>	<hr/>
Net interest payable	-	-
	<hr/> <hr/>	<hr/> <hr/>
4 Taxation		
Taxation on profit on ordinary activities		
UK corporation tax at 30%	-	-
	<hr/> <hr/>	<hr/> <hr/>

5	Debtors	30.06.03	30.06.02
		£m	£m
	Debtors within one year		
	Interest receivable from parent company	<u>5.3</u>	<u>4.5</u>
	Debtors over one year		
	Loans due from parent company	<u>348.6</u>	<u>347.6</u>

The loans due from the parent company are the proceeds of the Bond issues (see note 10) lent on to Wessex Water Services Ltd at the same terms as the bonds.

6	Creditors – amounts falling due within one year		
	Interest payable	<u>5.3</u>	<u>4.5</u>

7	Creditors – amounts falling due after more than one year		
	Loans repayable after 5 years	<u>348.6</u>	<u>347.6</u>

8	Called up equity share capital		
	Ordinary shares of £1 each:		
	Authorised – 50,000	-	-
	Allotted, called up and fully paid – 13,000	-	-

9	Profit and loss account and equity shareholders' funds	Profit & Loss account	Shareholders' funds
		£m	£m
	At 1 July 2002	-	-
	Transfer to reserves	-	-
	At 30 June 2003	<u>-</u>	<u>-</u>

10 Financial instruments

- a. A loan repayable of £298.0m after 5 years is a £300.0m Bond Issue dated 30 March 1999 repayable on 30 March 2009. It was a sterling borrowing at a fixed interest rate of 5.875%. In March 2001 £100.0m was converted to a variable rate Bond with the same redemption rate. The balance outstanding is after deducting fees and discount.

The fair value of the bond at 30 June 2003, the amount at which it could be exchanged in an arms length transaction between informed and willing parties other than a forced or liquidation sale, was £319.0m at market value (30 June 2002 - £293.9m). The fair value of the loan due from the parent company is also £319.0m (30 June 2002 - £293.9m).

- b. A loan repayable of £50.6m after 5 years is a £50.0m Index Linked Bond dated 10 December 2001 repayable in July 2023, with an interest rate of 3.52% plus November inflation. The fair value of the bond at 30 June 2003 was £54.6m at market value (30 June 2002 - £50.5m), as was the loan due from the parent company.

Both transactions were in the name of Wessex Water Services Finance Plc, guaranteed by Wessex Water Services Ltd the parent company, to whom the proceeds were lent on similar terms to the bond.

11 Contingent liabilities

There are no material contingent liabilities at 30 June 2003 for which provision has not been made in these accounts.

12 Related parties

There are no related party transactions requiring disclosure in these accounts.

13 Ultimate parent company

The immediate parent company is Wessex Water Services Ltd. The smallest group into which the accounts 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 of Malaysia, a company quoted on the Kuala Lumpur stock exchange.