WESSEX WATER SERVICES FINANCE PLC

Accounts for the year to
30 June 2006

Registered in England and Wales No. 3704265
DIRECTORS' REPORT

The directors present their report and accounts for the year to 30 June 2006.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDEND

There was no profit in the year (2005 - nil). The directors did not recommend the payment of a dividend in either year.

CHARITABLE DONATIONS

There were no charitable donations in either year.

DIRECTORS

The directors of the company during the year were:

C F Skellett
T K Harris

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

<table>
<thead>
<tr>
<th>Opening number</th>
<th>Exercise price RM</th>
<th>Date of grant</th>
<th>Exercise date</th>
<th>Expiry date</th>
<th>Grant</th>
<th>Exercise</th>
<th>Closing number</th>
</tr>
</thead>
<tbody>
<tr>
<td>TK Harris</td>
<td>2,000,000</td>
<td>1.32</td>
<td>13/12/2002</td>
<td>13/12/2005</td>
<td>30/11/2011</td>
<td>-</td>
<td>400,000</td>
</tr>
</tbody>
</table>

The market price of the shares exercised in the year was RM2.10 and the gain on exercise was RM312,000. There are no other interests in shares of group companies that are disclosable in these accounts.

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

In accordance with section 384 of the Companies Act 1985 a resolution to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the Annual General Meeting.

[Signature]

By order of the board
A J Phillips
Company secretary
19 September 2006
DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. Under Company law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Wessex Water Services Finance Plc for the year ended 30 June 2006, which
comprise the Profit and Loss Account, Balance Sheet and the related Notes to the Accounts. These financial statements have
been prepared under the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with section 233 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

As described in the Statement of Directors’ Responsibilities on page 2, the company’s directors are responsible for the
preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally
Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and
regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the
Directors’ Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed. We read the
Directors’ Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the
preparation of the financial statements, and of whether the accounting policies are appropriate to the company’s
circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in
order to provide us with sufficient evidence to give reasonable assurance that the 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, in accordance with UK Generally Accepted Accounting Practice, of
  the state of the company’s affairs as at 30 June 2006 and of its profit for the year then ended;

• the financial statements have been properly prepared in accordance with the Companies Act 1985; and

• the information given in the Directors’ Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants and Registered Auditor
100 Temple Street
Bristol
BS1 6AG
19 September 2006
PROFIT AND LOSS ACCOUNT
For the year to 30 June 2006

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Year to 30.06.06 £000</th>
<th>Year to 30.06.05 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>3</td>
<td>52,628</td>
</tr>
<tr>
<td>Interest expense</td>
<td>3</td>
<td>(52,628)</td>
</tr>
<tr>
<td>Profit on ordinary activities before and after taxation</td>
<td>8</td>
<td>-</td>
</tr>
</tbody>
</table>

There were no recognised gains or losses in either year other than the result in each year.

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

The accompanying notes are an integral part of this profit and loss account.
BALANCE SHEET
30 June 2006

<table>
<thead>
<tr>
<th>NOTE</th>
<th>30.06.06 £000</th>
<th>30.06.05 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors - amounts falling due within one year</td>
<td>4</td>
<td>22,997</td>
</tr>
<tr>
<td>Short term cash investments</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Debtors - amounts falling due after more than one year</td>
<td>4</td>
<td>896,918</td>
</tr>
<tr>
<td></td>
<td></td>
<td>919,928</td>
</tr>
<tr>
<td>Creditors - amounts falling due within one year</td>
<td>5</td>
<td>(22,997)</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>896,931</td>
</tr>
<tr>
<td>Creditors - amounts falling due after more than one year</td>
<td>6</td>
<td>(896,918)</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up equity share capital</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Equity shareholders’ funds</td>
<td>8</td>
<td>13</td>
</tr>
</tbody>
</table>

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

These accounts were approved by the board of directors on 19 September 2006 and signed on its behalf by:

T K Harris
Director
NOTES TO THE ACCOUNTS
For the year to 30 June 2006

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.

      In the financial statements the following new standards have been adopted for the first time:
      - FRS 21 ‘Events after the balance sheet date’
      - The presentation requirements of FRS 25 ‘Financial instruments: presentation and disclosure’; and
      - FRS 28 ‘Corresponding amounts’.

      None of the above standards has had a material impact on the financial statements.

   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.

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

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

   e. Interest rate instruments
      Interest rate instruments 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 year, audit fees were borne by other group companies.

<table>
<thead>
<tr>
<th></th>
<th>Year to 30.06.06</th>
<th>Year to 30.06.05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

   3 Net interest payable

      Interest payable:
      On bond issues ........................................... 52,628 45,019
      Interest (receivable):
      From parent company .................................... (52,628) (45,019)
      Net interest payable ..................................... - -
4 Debtors

Debtors within one year

Interest receivable from parent company

Debtors over one year

Loans due from parent company

The loans due from the parent company are the proceeds of the Bond Issues (see note 9) lent on to Wessex Water Services Ltd at the same terms as the bonds.

5 Creditors – amounts falling due within one year

Bank loans and overdrafts

6 Creditors – amounts falling due after more than one year

Loans payable in 2 – 5 years

Loans payable after 5 years

7 Called up equity share capital

Ordinary shares of £1 each:

Authorised – 50,000
Allotted, called up and fully paid – 13,000

8 Profit and loss account and equity shareholders’ funds

Profit & Loss account

Shareholders’ funds

At 1 July 2005

Transfer to reserves

At 30 June 2006

9 Financial instruments

a. A loan repayable of £299,021k in 2 – 5 years is a £300,000k 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 £100,000k 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 2006, 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 £303,500k at market value (2005 - £312,500k), as was the fair value of the loan due from the parent company.

b. A loan repayable of £55,098k after 5 years is a £50,000k 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 2006 was £63,900k at market value (2005 - £61,600k), as was the fair value of the loan due from the parent company.
c. A loan repayable of £345,118k in more than 5 years is a £350,000k Bond Issue dated October 2003 repayable in October 2033. It was a sterling borrowing at a fixed interest rate of 5.75%.

The fair value of the bond at 30 June 2006 was £374,000k at market value (2005 - £382,700k), as was the fair value of the loan due from the parent company.

d. A loan repayable of £197,681k in more than 5 years is a £200,000k Bond Issue dated March 2005 repayable in March 2028. It was a sterling borrowing at a fixed interest rate of 5.375%.

The fair value of the bond at 30 June 2006 was £200,900k at market value (2005 - £208,400k), as was the fair value of the loan due from the parent company.

All four 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 the same terms as the bond.

10 Contingent liabilities

There are no material contingent liabilities at 30 June 2006 for which provision has not been made in these accounts.

11 Related parties

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

12 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, 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 accounts are available on request from both these addresses.

13 Post balance sheet events

On 31 July 2006 the company issued a £150,000k index linked bond at an interest rate of 1.75% plus inflation repayable in July 2046 and July 2051. The proceeds were lent to Wessex Water Services Ltd on the same terms as the bond.