WESSEX WATER SERVICES FINANCE PLC

Accounts for the year to
30 June 2010

Registered in England and Wales No 3704265
DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

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

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

WWSL has a 25 year licence to provide water and waste water services in the South West of England. It has a statutory obligation to provide these services and the industry regulator OFWAT has an obligation to ensure that the Licencee can continue to trade, hence there is no considered to be a risk that WWSL as guarantor will default on its obligations.

The market and fair values of the bonds are disclosed in note 9.

PROFIT AND DIVIDEND

There was no profit in the year (2009 - 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 Harms - resigned 15 March 2010
M T Watts - appointed 16 March 2010

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

<table>
<thead>
<tr>
<th>Opening number</th>
<th>Exercise price</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>
</table>

There were no shares exercised in the year. 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.

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

WESSEX WATER SERVICES FINANCE PLC
DIRECTORS' RESPONSIBILITIES

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

Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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 SERVICES
FINANCE PLC

We have audited the financial statements of Wessex Water Services Finance Plc for the year ended 30 June 2010 set out on pages 4 to 8. 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 2, 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 website 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 company's affairs as at 30 June 2010 and of its result for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

[Signature]
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
### PROFIT AND LOSS ACCOUNT

For the year to 30 June 2010

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Year to 30 06 10</th>
<th>Year to 30 06 09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

#### Turnover

| Operating profit | 2 | - | - |

| Interest income | 3 | 50,344 | 73,233 |
| Interest expense | 3 | (50,344) | (73,233) |

Result for the year before and after taxation | 8 | - | - |

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 2010

<table>
<thead>
<tr>
<th>NOTE</th>
<th>30.06.10 £000</th>
<th>30.06.09 £000</th>
</tr>
</thead>
<tbody>
<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>21,071</td>
</tr>
<tr>
<td>Short term cash investments</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Debtors - amounts falling due after more than one year</td>
<td>4</td>
<td>1,147,961</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,169,045</td>
</tr>
<tr>
<td>Creditors - amounts falling due within one year</td>
<td>5</td>
<td>(21,071)</td>
</tr>
<tr>
<td>Net current assets (of which £1,147,961 falls due after more than one year)</td>
<td></td>
<td>1,147,974</td>
</tr>
<tr>
<td>Creditors - amounts falling due after more than one year</td>
<td>6</td>
<td>(1,147,961)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>13</td>
</tr>
</tbody>
</table>

### Capital and reserves

| | 30.06.10 £000 | 30.06.09 £000 |
| Called up equity share capital | 7 | 13 | 13 |
| Profit and loss account | 8 | - | - |
| **Equity shareholders’ funds** | 8 | 13 | 13 |

The accompanying notes are an integral part of this balance sheet
Registered in England and Wales No 3704265
These accounts were approved by the board of directors on 10 September 2010 and signed on its behalf by

M T Watts
Director
NOTES TO THE ACCOUNTS
For the year to 30 June 2010

1 Accounting policies
   a Basis of preparation

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

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

   b Taxation

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

   c Cash flow

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

   d Debt

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

   e Interest rate instruments

   Interest rate instruments 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 result

   There were no expenses incurred by the company in either year, audit fees of £1k (2009 - £1k) were borne by other group companies.

<table>
<thead>
<tr>
<th>Year to 30.06.10</th>
<th>Year to 30.06.09</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

3 Net Interest payable

   Interest payable
   On bond issues            50,344        73,233
   Interest (receivable)
   From parent company      (50,344)      (73,233)

   Net interest payable     -            -
4  Debtors

Debtors within one year

Interest receivable from parent company 21,071 20,959

Debtors over one year

Loans due from parent company 1,147,961 1,089,426

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

Interest payable 21,071 20,959

6  Creditors – amounts falling due after more than one year

Loans payable after 5 years 1,147,961 1,089,426

7  Called up equity share capital

Ordinary shares of £1 each

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

8  Profit and loss account and equity shareholders’ funds

Profit & Loss account Shareholders’ funds
£000 £000
At 1 July 2009 - 13
Result for the year - -
At 30 June 2010 - 13

9  Financial instruments

a  A loan repayable of £62,284k after 5 years is a £50,000k Index Linked Bond dated 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 2010 was £61,400k at market value (2009 – £52,300k), as was the fair value of the loan due from the parent company.

b  A loan repayable of £345,831k 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 2010 was £368,100k at market value (2009 – £329,500k), as was the fair value of the loan due from the parent company.
c A loan repayable of £198,108k 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 2010 was £204,300k at market value (2009 - £181,400k), as was the fair value of the loan due from the parent company.

d A loan repayable of £167,550k in more than 5 years is a £150,000k Index Linked Bond dated July 2006, of which £75,000k is repayable in July 2046 and £75,000k in July 2051, with an interest rate of 1.75% plus January inflation.

The fair value of the bond at 30 June 2010 was £188,300k at market value (2009 - £185,100k), as was the fair value of the loan due from the parent company.

e A loan repayable of £167,550k in more than 5 years is a £150,000k Index Linked Bond dated January 2007 repayable in July 2057, of which £75,000k has an interest rate of 1.369% plus January inflation and £75,000k has an interest rate of 1.374% plus January inflation.

The fair value of the bond at 30 June 2010 was £173,400k at market value (2009 - £161,600k), as was the fair value of the loan due from the parent company.

f A loan repayable of £155,637k in more than 5 years is a £150,000k Index Linked Bond dated November 2007 repayable in November 2058, of which £50,000k has an interest rate of 1.489% plus March inflation, £50,000k has an interest rate of 1.495% plus March inflation and £50,000k has an interest rate of 1.499% plus March inflation.

The fair value of the bond at 30 June 2010 was £172,600k at market value (2009 - £160,100k), as was the fair value of the loan due from the parent company.

g A loan repayable of £51,001k in more than 5 years is a £50,000k Index Linked Bond dated September 2009 repayable in June 2039, which has an interest rate of 2.186% plus November inflation.

The fair value of the bond at 30 June 2010 was £51,100k at market value, as was the fair value of the loan due from the parent company.

All the 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 maternal contingent liabilities at 30 June 2010 for which provision has not been made in these financial statements.

11 Related parties

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

12 Ultimate parent company

The immediate parent company is Wessex Water Services Ltd. The smallest group into which the financial statements of the company are consolidated is Wessex Water Ltd a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath BA2 7WW. The ultimate parent company is YTL Corporation Berhad, which is incorporated in Malaysia under the Companies Act 1965, whose registered address is Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia. Consolidated financial statements are available on request from both these addresses.

WESSEX WATER SERVICES FINANCE PLC 8