

# WESSEX WATER SERVICES FINANCE PLC

Accounts for the six months to  
30 June 2002

Registered in England and Wales No. 3704265



## DIRECTORS' REPORT

The directors present their report and accounts for the six months to 30 June 2002.

## 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

The profit for the six months to 30 June 2002 was nil (year to 31 December 2001 - 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

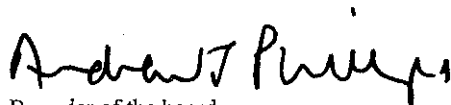
The directors of the company during the period were;

C F Skellett  
T K Harris

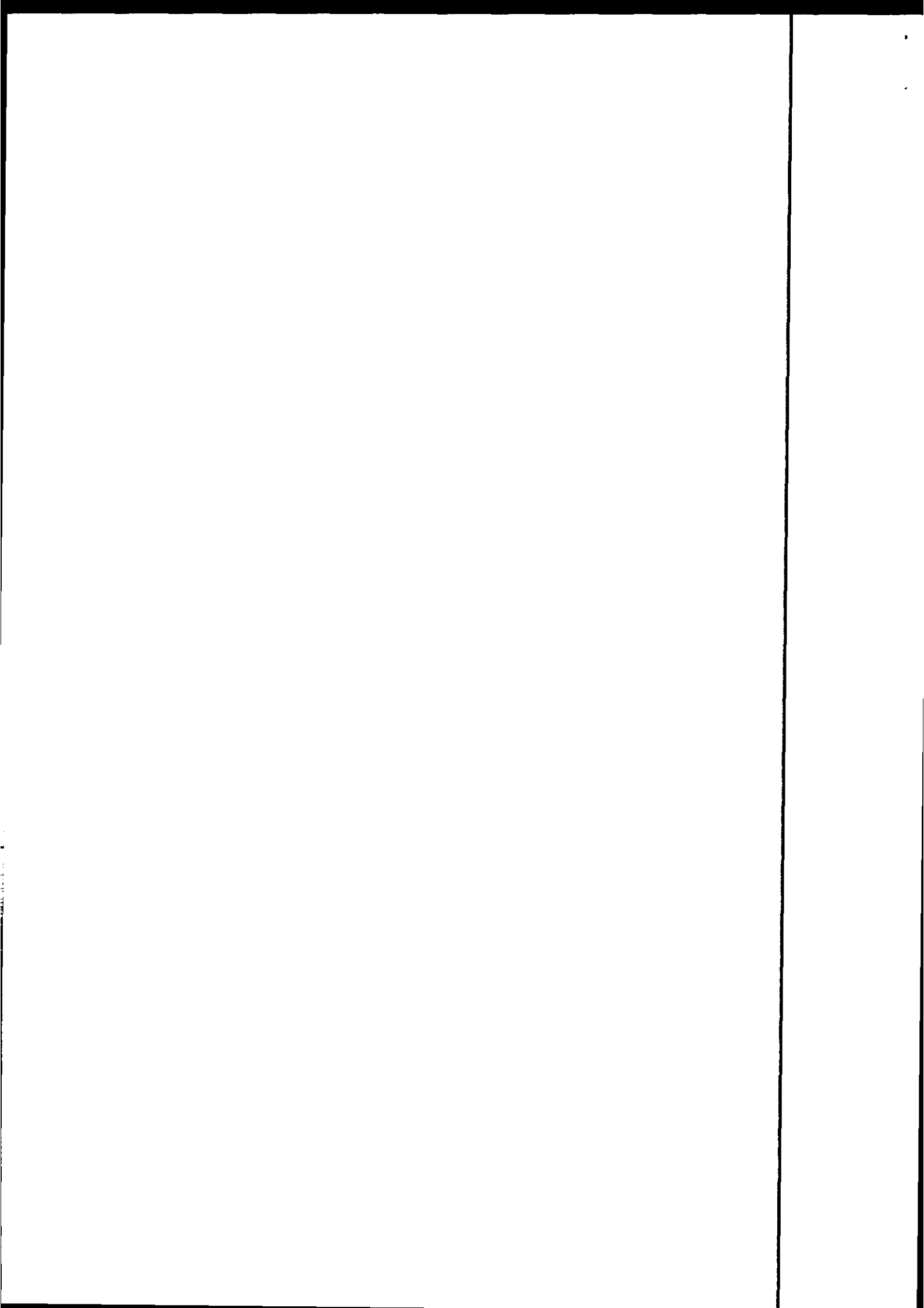
There are no interests in shares of group companies that are disclosable in these accounts.

## AUDITORS

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



By order of the board  
A J Phillips  
Company secretary  
11 October 2002



## 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.

### 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 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 company's circumstances, consistently applied and adequately disclosed.

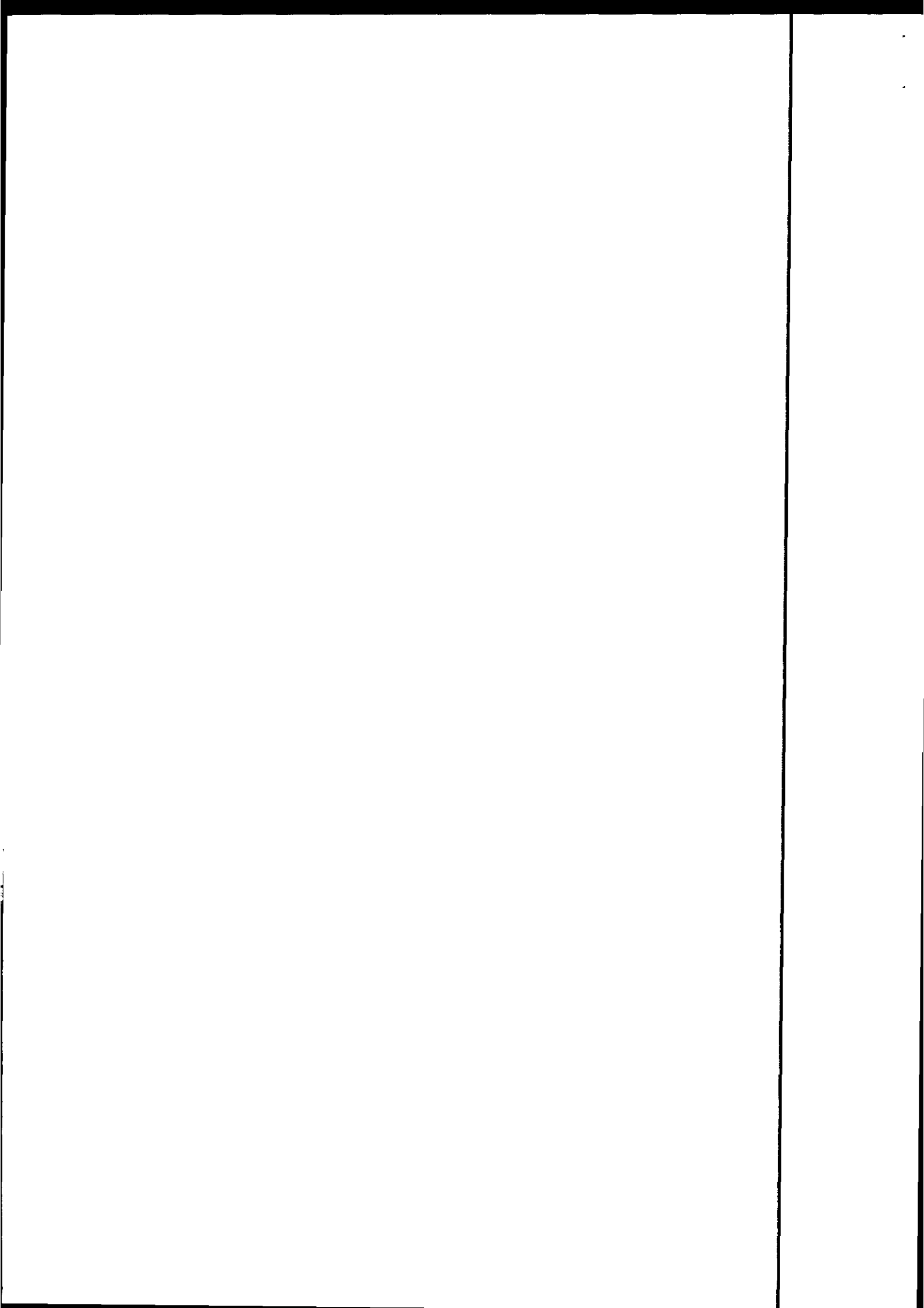
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 of the state of the company's affairs as at 30 June 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditors  
8 Salisbury Square  
London, EC4Y 8BB  
11 October 2002

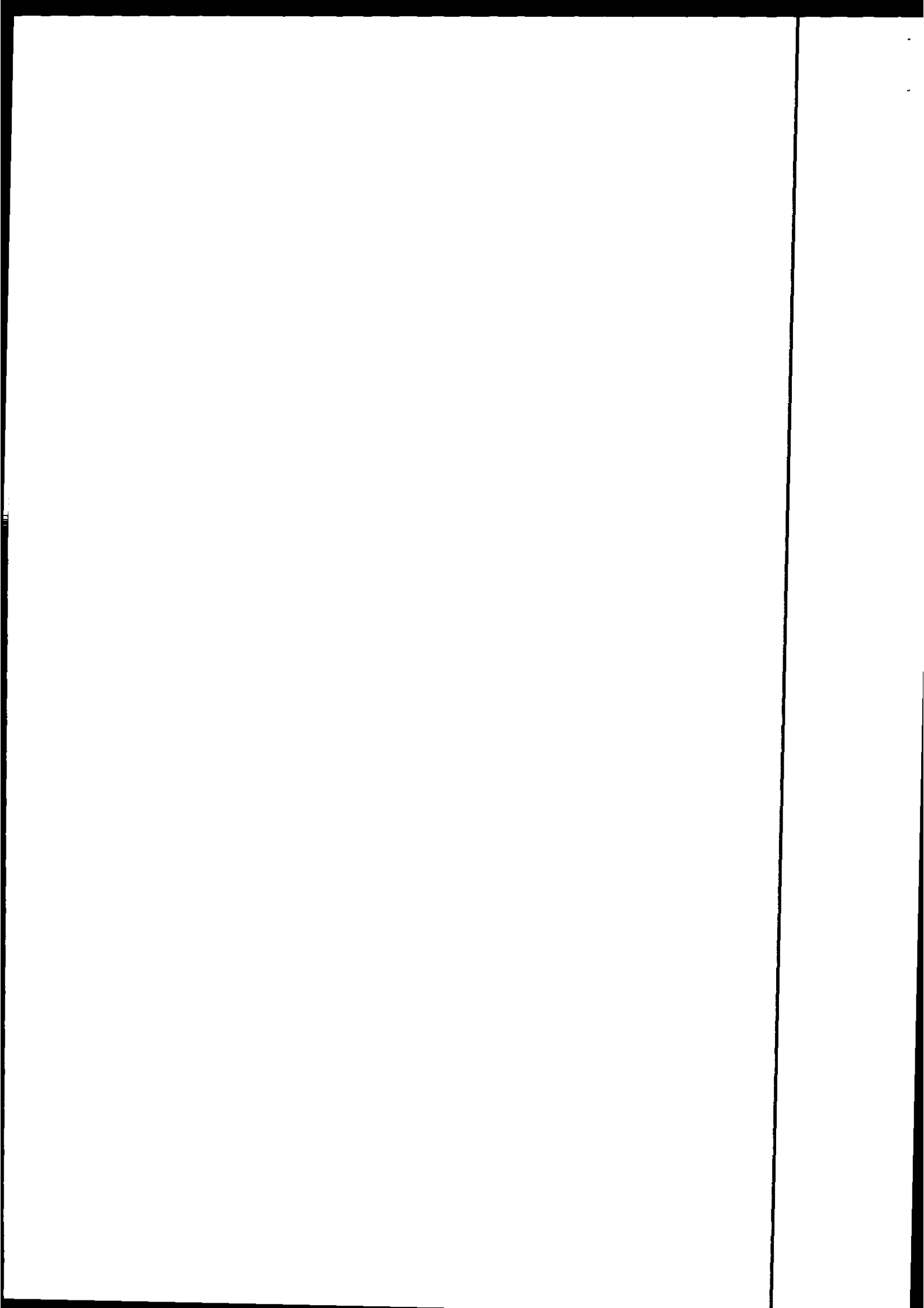


**PROFIT AND LOSS ACCOUNT**  
**For the six months to 30 June 2002**

	NOTE	6 months to 30.06.02 £m	12 months to 31.12.01 £m
Turnover		-	-
<b>Operating profit</b>	<b>2</b>	-	-
Interest income	3	9.9	18.1
Interest expense	3	(9.9)	(18.1)
<b>Profit on ordinary activities before taxation</b>		-	-
Taxation on profit on ordinary activities	4	-	-
<b>Transfer to reserves</b>	<b>9</b>	-	-

There were no recognised gains or losses other than the profit for the period.

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





**BALANCE SHEET**  
30 June 2002

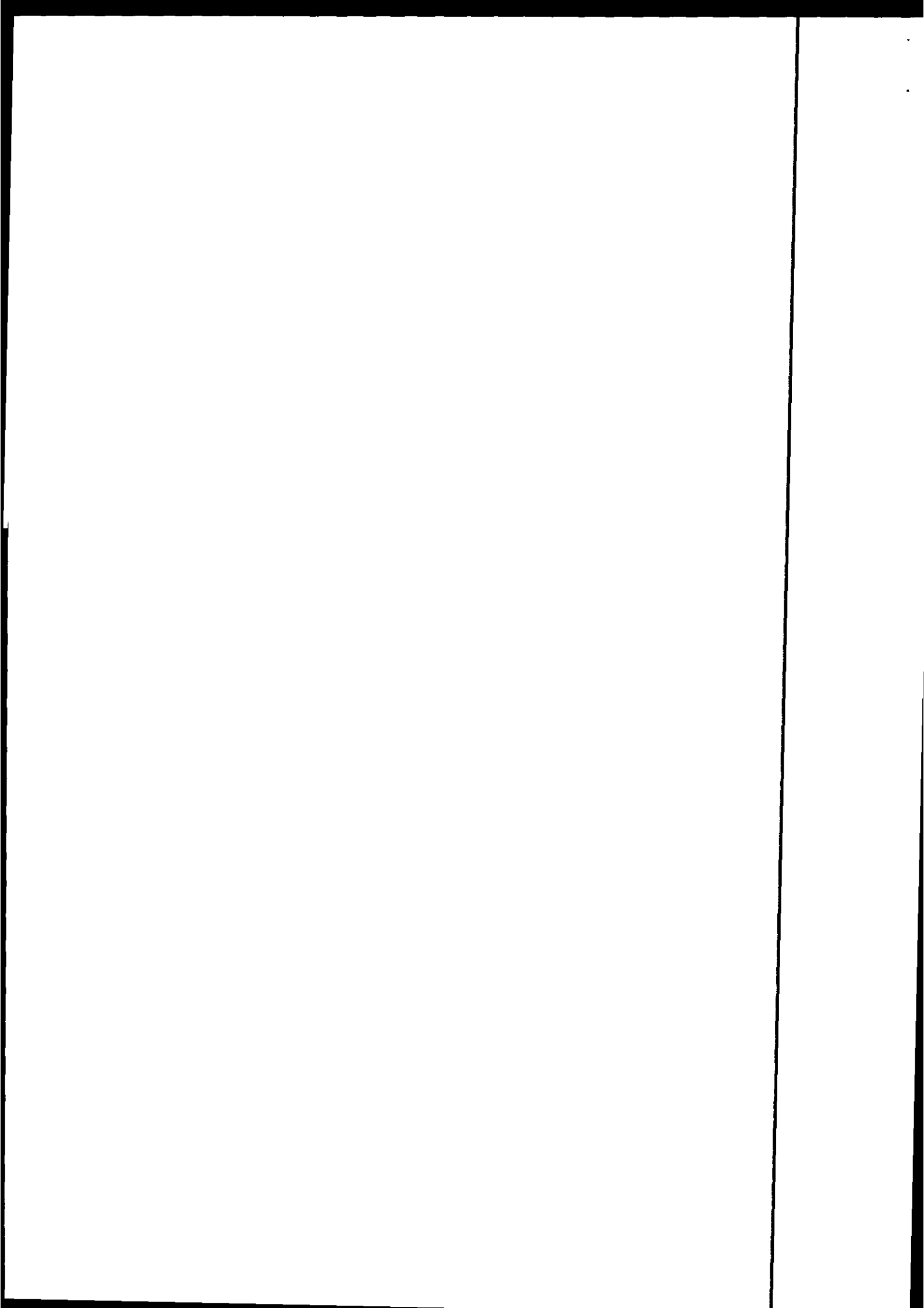
	NOTE	30.06.02 £m	31.12.01 £m
<b>Current assets</b>			
Debtors - amounts falling due within one year	5	4.5	10.5
Debtors - amounts falling due after more than one year	5	347.6	347.4
		<u>352.1</u>	<u>357.9</u>
Creditors - amounts falling due within one year	6	(4.5)	(10.5)
<b>Net current assets</b>		<u>347.6</u>	<u>347.4</u>
<b>Total assets less current liabilities</b>			
		347.6	347.4
Creditors - amounts falling due after more than one year	7	(347.6)	(347.4)
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up equity share capital	8	-	-
Profit and loss account	9	-	-
<b>Equity shareholders' funds</b>	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 11 October 2002 and signed on its behalf by:



T K Harris  
Director



**NOTES TO THE ACCOUNTS**  
**For the six months to 30 June 2002**

**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.

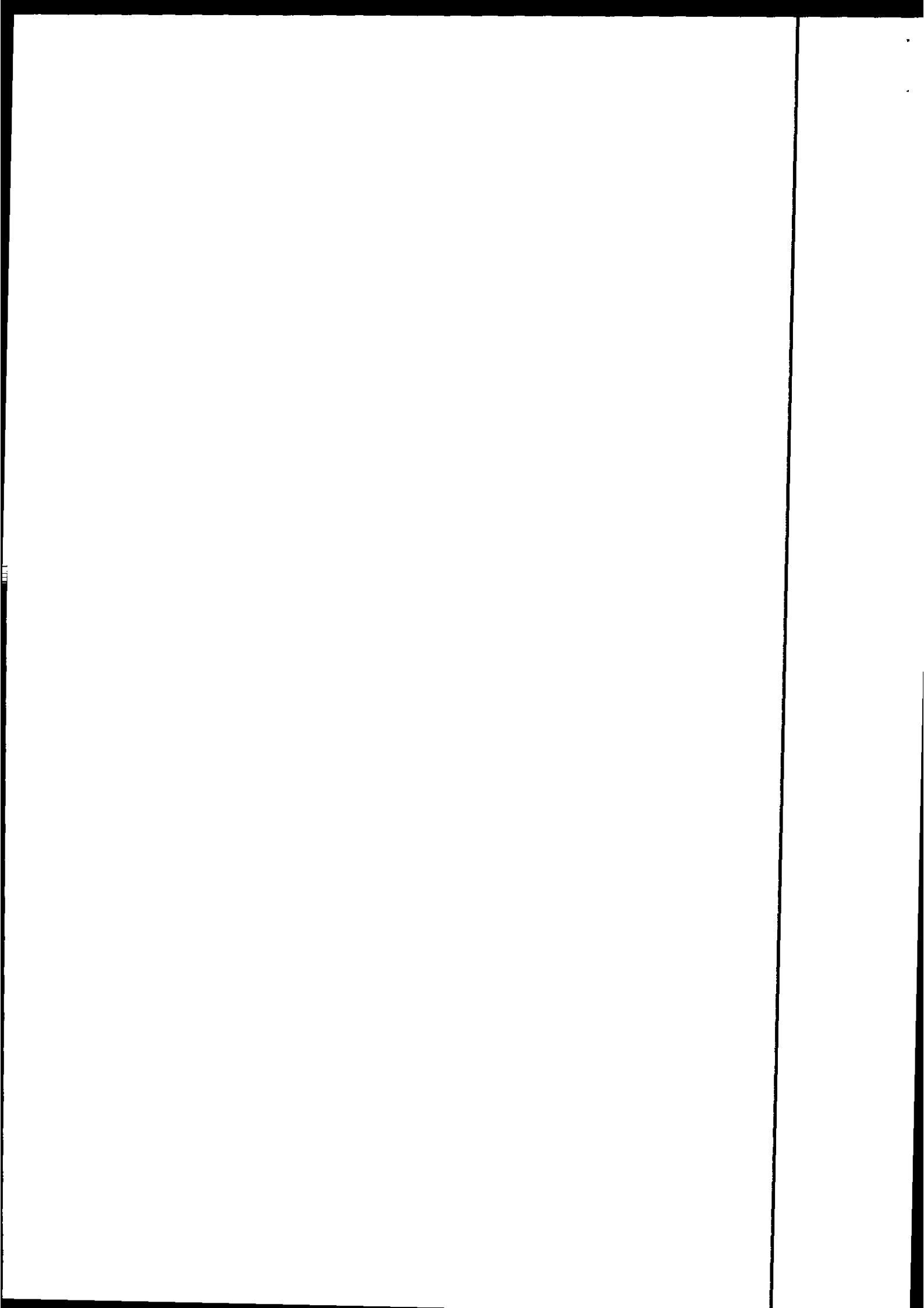
**e. Interest rate instruments**

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.

	6 months to 30.06.02 £m	12 months to 31.12.01 £m
<b>3 Net interest payable</b>		
Interest payable:		
On bond issues	9.9	18.1
Interest (receivable):		
From parent company	(9.9)	(18.1)
	<hr/>	<hr/>
Net interest payable	-	-
	<hr/> <hr/>	<hr/> <hr/>
<b>4 Taxation</b>		
<b>Taxation of profit on ordinary activities</b>		
UK corporation tax at 30%	-	-
	<hr/> <hr/>	<hr/> <hr/>



5	<b>Debtors</b>	<b>30.06.02</b>	<b>31.12.01</b>
		<b>£m</b>	<b>£m</b>
	<b>Debtors within one year</b>		
	Interest receivable from parent company	4.5	10.5
		<u>          </u>	<u>          </u>
	<b>Debtors over one year</b>		
	Loan due from parent company	347.6	347.4
		<u>          </u>	<u>          </u>

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

6	<b>Creditors – amounts falling due within one year</b>		
	Interest payable	4.5	10.5
		<u>          </u>	<u>          </u>

7	<b>Creditors – amounts falling due after more than one year</b>		
	Loan repayable after 5 years	347.6	347.4
		<u>          </u>	<u>          </u>

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

9	<b>Profit and loss account and equity shareholders' funds</b>		
		<b>Profit &amp; Loss account £m</b>	<b>Share- holders' funds £m</b>
	At 1 January 2002	-	-
	Transfer to reserves	-	-
		<u>          </u>	<u>          </u>
	At 30 June 2002	-	-
		<u>          </u>	<u>          </u>

**10 Financial instruments**

- a. A loan repayable of £297.6m 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.

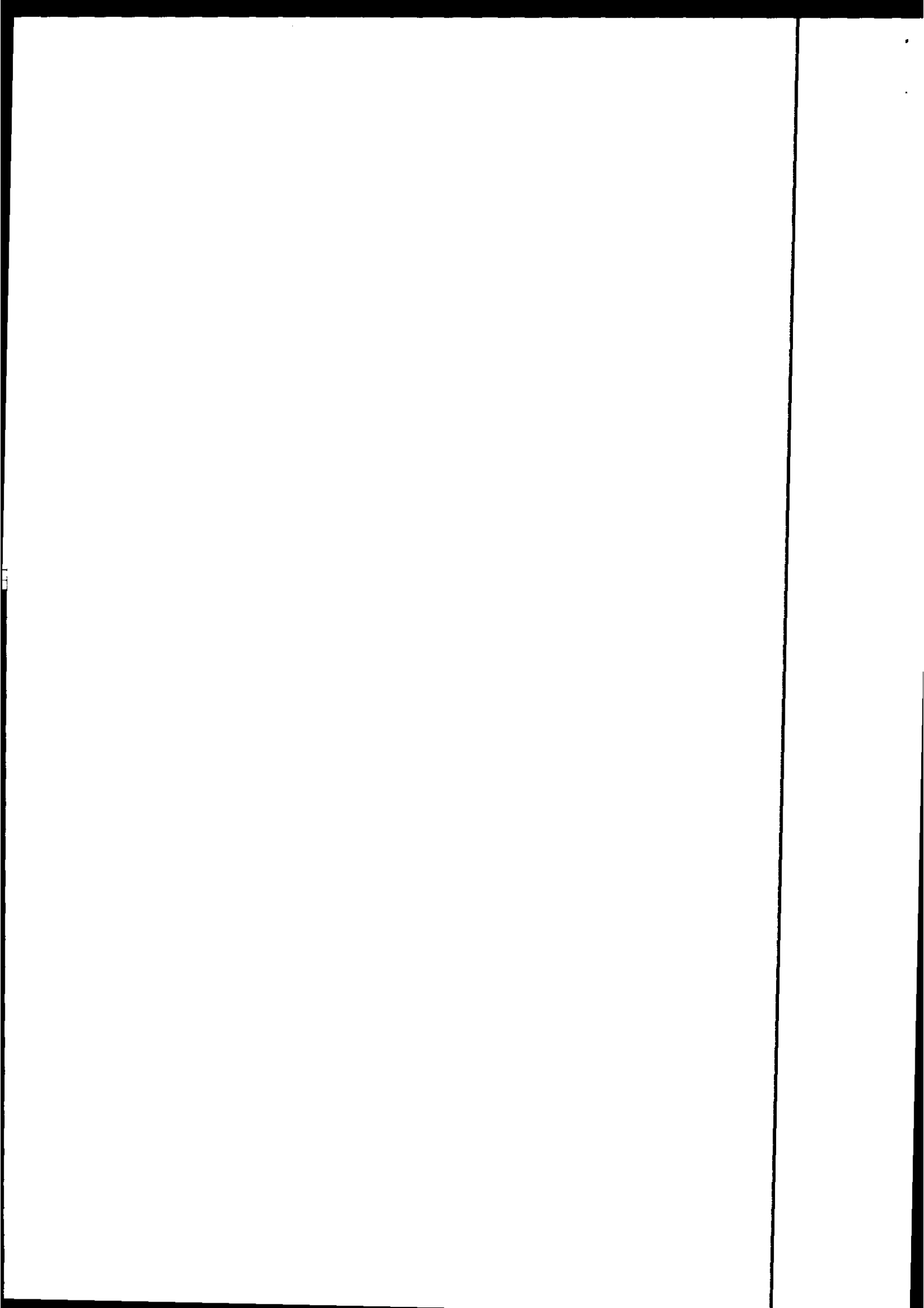
The fair value of the bond at 30 June 2002, the amount at which it could be exchanged in an arms length transaction between informed and willing parties other than a forced or liquidation sale, was £293.9m at market value (31 December 2001 - £286.5m). The fair value of the loan due from the parent company is also £293.9m (31 December 2001 - £286.5m).

- b. A loan repayable of £50.0m 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 2002 was £50.5m at market value (31 December 2001 - £44.9), 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 2002 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 Road, Claverton Down, Bath BA2 7WW. The ultimate parent company is YTL Corporation Berhad of Malaysia, a company quoted on the Kuala Lumpur stock exchange.

