



# Yorkshire Water First Finance Limited

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Registered No: 2180720

## **Directors**

P Beaumont  
P J Hudson

## **Secretary**

R C Hill

## **Auditors**

Ernst & Young LLP  
Cloth Hall Court  
14 King Street  
Leeds  
LS1 2JN

## **Registered office**

Western House  
Halifax Road  
Bradford  
BD6 2SZ

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2006.

### Principal activities and review of business

The company is an investment holding company.

The company has not traded during the year, the profit being generated from interest received from another group company. The directors do not have an immediate intention of making further investments.

*Due to the nature of the business, there are no material risks or uncertainties which require disclosure.*

Due to the nature of the business, key performance indicators are not applicable.

### Results and dividends

The profit for the year after taxation amounts to £547,714 (2005: £545,439).

The directors paid an ordinary dividend during the year of £500,000 (2005 - £400,000).

### Directors' interests

The directors of the company during the year ended 31 March 2006 were as follows:

P Beaumont (appointed 1 October 2005)  
 P J Hudson  
 D J Brimblecombe (resigned 30 September 2005)

There are no directors' interests in the share capital of Yorkshire Water First Finance Limited requiring disclosure under Companies Act 1985.

The interests of the directors serving at the year end in the share capital of the ultimate holding company Kelda Group plc were as follows:

|            | <i>Ordinary shares<br/>at 1 April 2005<br/>or subsequent date<br/>of appointment</i> | <i>Ordinary shares<br/>at 31 March 2006</i> |
|------------|--|---|
| P Beaumont | 1,221  | 1,681                                       |

P J Hudson had no interest in the shares of Kelda Group plc, the ultimate parent undertaking, during the year.

### Directors' share options

|            | <i>At 1 April<br/>2005 or<br/>subsequent<br/>date of<br/>appointment</i> | <i>Granted<br/>during<br/>year</i> | <i>Lapsed<br/>during<br/>year</i> | <i>Exercised<br/>during<br/>year</i> | <i>At<br/>31 March<br/>2006</i> | <i>Exercise<br/>price<br/>(p)</i> | <i>Market price<br/>at date of<br/>exercise (p)</i> | <i>Date<br/>options<br/>exercisable</i> | <i>Date<br/>Options<br/>expire</i> |
|------------|--|------------------------------------|-----------------------------------|--------------------------------------|---------------------------------|-----------------------------------|---|---|------------------------------------|
| P Beaumont | 3,610  | -                                  | -                                 | -                                    | 3,610                           | 275                               | -   | 01.03.2007                              | 31.08.2007                         |
|            | 2,053  | -                                  | -                                 | -                                    | 2,053                           | 320                               | -   | 01.03.2008                              | 31.08.2008                         |
|            | 1,181  | -                                  | -                                 | 1,181                                | -                               | 320                               | 798.5   | 01.03.2006                              | 31.08.2006                         |
|            | 1,233  | -                                  | -                                 | -                                    | 1,233                           | 461                               | -   | 01.03.2008                              | 31.08.2008                         |
|            | -  | 636                                | -                                 | -                                    | 636                             | 588                               | -   | 01.03.2009                              | 31.08.2009                         |
| P J Hudson | 6,018  | -                                  | -                                 | -                                    | 6,018                           | 275                               | -   | 01.03.2007                              | 31.08.2007                         |

## Directors' report

### Directors' interests (continued)

#### Directors' share options (continued)

The market price of shares subject to these options at 31 March 2006 was 788.5p, (2005: 598.00p) and has ranged from 598.5p to 821.0p during the year. The aggregate gain on the exercise of the share options during the year was £5,651 (2005 - £nil).

#### Long-term incentive plan of Kelda Group plc

Interests of the directors in the plan are:

|            | <i>At 1 April 2005<br/>or subsequent date<br/>of appointment</i> | <i>Granted<br/>during<br/>year</i> | <i>Vested<br/>during<br/>year</i> | <i>Lapsed<br/>during<br/>year</i> | <i>At<br/>31 March<br/>2006</i> | <i>Earliest<br/>vesting<br/>date</i> |
|------------|--|------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--------------------------------------|
| P Beaumont | 1,522  | -                                  | 1,095                             | 427                               | -                               | 12.06.2005                           |
|            | 3,483  | -                                  | -                                 | -                                 | 3,483                           | 03.09.2006                           |
|            | 2,516  | -                                  | -                                 | -                                 | 2,516                           | 28.05.2007                           |
|            | -  | 2,608                              | -                                 | -                                 | 2,608                           | 01.06.2008                           |
| P J Hudson | 7,167  | -                                  | 5,160                             | 2,007                             | -                               | 12.06.2005                           |
|            | 16,707   | -                                  | -                                 | -                                 | 16,707                          | 03.09.2006                           |
|            | 12,913   | -                                  | -                                 | -                                 | 12,913                          | 28.05.2007                           |
|            | -  | 9,988                              | -                                 | -                                 | 9,988                           | 01.06.2008                           |

Details of the plan are set out in the group financial statements of Kelda Group plc.

#### Directors' statement as to disclosure of information to auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken steps, as he or she should have taken as a director, in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditors

Ernst & Young LLP will be reappointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

By order of the board

  
R C Hill

Secretary

 2006

## **Statement of directors' responsibilities in respect of the financial statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 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 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditors' report

to the members of Yorkshire Water First Finance Limited

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and loss account, Statement of total recognised gains and losses, Balance sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and that 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.

## 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 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.

*Ernst & Young LLP*  
Ernst & Young LLP

Registered Auditor  
Leeds

24 July 2006

## Profit and loss account

for the year ended 31 March 2006

|  | Notes | 2006<br>£ | 2005<br>£ |
|--|-------|-----------|-----------|
| Interest receivable                                  | 5     | 782,449   | 779,199   |
| <b>Profit on ordinary activities before taxation</b> | 2     | 782,449   | 779,199   |
| Tax on profit on ordinary activities                 | 6     | (234,735) | (233,760) |
| <b>Profit on ordinary activities after taxation</b>  |       | 547,714   | 545,439   |

## Statement of total recognised gains and losses

for the year ended 31 March 2006

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £547,714 for the year ended 31 March 2006 (2005 - £545,439).

## Balance sheet

at 31 March 2006

|   | Notes | 2006<br>£         | 2005<br>(restated)<br>£ |
|---|-------|-------------------|-------------------------|
| <b>Current assets</b>                                 |       |                   |                         |
| Debtors   | 7     | 16,684,020        | 16,635,331              |
| <b>Creditors:</b> amounts falling due within one year | 8     | (234,735)         | (233,760)               |
| <b>Net current assets</b>                             |       | <u>16,449,285</u> | <u>16,401,571</u>       |
| <b>Capital and reserves</b>                           |       |                   |                         |
| Called up share capital                               | 9     | 15,800,002        | 15,800,002              |
| Profit and loss account                               | 10    | 649,283           | 601,569                 |
| <b>Total equity shareholders' funds</b>               |       | <u>16,449,285</u> | <u>16,401,571</u>       |



P Beaumont

Director

*Not Joly* 2006



## Notes to the financial statements

at 31 March 2006

### 1. Accounting policies

#### *Basis of accounting*

The accounts of the Company are prepared under the historical cost convention in compliance with all applicable accounting standards (Financial Reporting Standards 'FRS', Statement of standard Accounting Practice 'SSAP' and Urgent Issues Task Force abstract 'UITF') and, except where otherwise stated in the notes to the accounts, with the Companies Act 1985.

The accounting policies have been reviewed in accordance with the requirements of FRS 18. The directors consider that the accounting policies set out below remain most appropriate to the company's circumstances, have been consistently applied and are supported by reasonable and prudent estimates and judgements.

#### *New accounting standards*

The Company has adopted the following accounting standards in the year:

#### *FRS 21 'Events after the Balance Sheet Date'*

FRS 21 changes the approach to dividends declared after the balance sheet date in respect of the year for which the accounts are prepared such that these dividends are no longer accrued for in the balance sheet. As a result of adopting FRS 21 the company's net assets at 1 April 2004 were increased by £400,000. The profit for the current year has reduced by £500,000 (2005 – increased by £100,000).

#### *Taxation*

The taxation charge in the profit and loss account is based on the profit for the year as adjusted for disallowable and non-taxable items using current rates and takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

### 2. Operating profit

Auditor's remuneration has been borne by another group company.

### 3. Directors' emoluments

All of the directors are employees, or directors, of other group undertakings and are remunerated by the relevant undertaking and received no emoluments in respect of their services to the company.

### 4. Staff numbers

The average number of persons employed by the company during the year was nil. (2005– nil)

### 5. Interest receivable

|   | 2006    | 2005    |
|---|---------|---------|
|   | £       | £       |
| Interest receivable from group undertakings | 782,449 | 779,199 |

## Notes to the financial statements

at 31 March 2006

### 6. Tax on profit on ordinary activities

|   | 2006<br>£      | 2005<br>£      |
|---|----------------|----------------|
| (a) The tax charge is made up as follows:   |                |                |
| <i>Current tax:</i>   |                |                |
| UK corporation tax  | 234,735        | -              |
| Group relief payable  | -              | 233,760        |
|   | <u>234,735</u> | <u>233,760</u> |
| (b) Factors affecting current tax charge:   |                |                |
| The tax assessed on the profit on ordinary activities for the year is in line with the standard rate of corporation tax in the UK of 30% (2005 - 30%), as detailed below: |                |                |
| Profits on ordinary activities before tax   | <u>782,449</u> | <u>779,199</u> |
| Profits on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2005 - 30%)  | <u>234,735</u> | <u>233,760</u> |
| Current tax charge for the year   | <u>234,735</u> | <u>233,760</u> |

### 7. Debtors

Amounts falling due within one year:

|                                    | 2006<br>£         | 2005<br>£         |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 16,684,018        | 16,635,329        |
| Called up share capital not paid   | 2                 | 2                 |
|                                    | <u>16,684,020</u> | <u>16,635,331</u> |

### 8. Creditors: amounts falling due within one year

|                 | 2006<br>£      | 2005<br>(restated)<br>£ |
|-----------------|----------------|-------------------------|
| Corporation Tax | <u>234,735</u> | <u>233,760</u>          |

## Notes to the financial statements

at 31 March 2006

### 9. Share capital

|   | 2006<br>£  | 2005<br>£  |
|---|------------|------------|
| Ordinary shares of £1 each:<br>Authorised | 25,000,000 | 25,000,000 |
| Allotted, called up and fully paid        | 15,800,000 | 15,800,000 |
| Called up share capital not paid          | 2          | 2          |
| Called up share capital                   | 15,800,002 | 15,800,002 |

### 10. Movement on reserves

|                                     | <i>Called up<br/>share capital</i><br>£ | <i>Profit and<br/>loss account</i><br>£ | <i>Total</i><br>£ |
|-------------------------------------|---|---|-------------------|
| At 1 April 2005 ( <i>restated</i> ) | 15,800,002                              | 601,569                                 | 16,401,571        |
| Retained profit for the year        | -                                       | 547,714                                 | 547,714           |
| Dividends approved and paid         | -                                       | (500,000)                               | (500,000)         |
| At 31 March 2006                    | 15,800,002                              | 649,283                                 | 16,449,285        |

### 11. Reconciliation of shareholders' funds

|                                     | 2006<br>£  | 2005<br>( <i>restated</i> )<br>£ |
|-------------------------------------|------------|----------------------------------|
| Shareholders' funds at 1 April      | 16,401,571 | 15,856,132                       |
| Adoption of FRS21                   | -          | 400,000                          |
| Shareholders' funds at 1 April      | 16,401,571 | 16,256,132                       |
| Profit attributable to shareholders | 547,714    | 545,439                          |
| Dividends approved and paid         | (500,000)  | (400,000)                        |
| Shareholders' funds at 31 March     | 16,449,285 | 16,401,571                       |

### 12. New Accounting Standards

FRS 21 - Events after the Balance Sheet Date

FRS 21 changes the approach to dividends declared after the balance sheet date in respect of the year in which the accounts are prepared such that these dividends are no longer accrued for in the balance sheet. As a result of adopting FRS 21 the company's net assets at 1 April 2004 were increased by £400,000. The retained profit for the current year has reduced by £500,000 (2005 increased by £100,000)

## Notes to the financial statements

at 31 March 2006

### 13. Cash flow statement

The company is a wholly owned subsidiary of Kelda Group plc and is included in the consolidated financial statements of Kelda Group plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

### 14. Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Kelda Group plc or investees of Kelda Group plc.

### 15. Ultimate parent undertaking

The company's immediate parent undertaking is Keyland Developments Limited, registered in England and Wales.

Kelda Group plc, which is registered in England and Wales, is the company's ultimate parent undertaking and controlling party and is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Kelda Group plc consolidated financial statements can be obtained from the Company Secretary at Western House, Halifax Road, Bradford, BD6 2SZ.