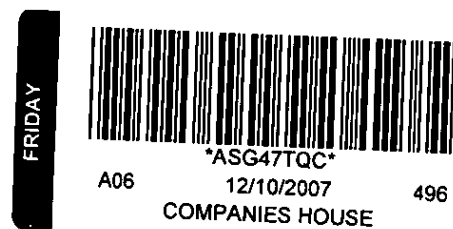


Kelda Group QUEST Trustees Limited

Report and Financial Statements

31 March 2007



Kelda Group QUEST Trustees Limited

Registered No 3847226

Directors

S D McFarlane

P J Hudson (resigned 27 April 2007)

Secretary

R C Hill

Auditor

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

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 2007

Principal activities and review of business developments

The principal activity of the company is to act solely as a trustee of the Kelda Group QUEST Trust. The company did not trade during the year, acting solely in its capacity as trustee. No dividend has been paid or proposed.

Future developments

The company will continue to act as trustee, with no other trade envisaged in the foreseeable future.

Principal risks and uncertainties

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

Key performance indicators

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

Directors and their interests

The directors of the company during the year ended 31 March 2007 are as listed on page 1. J C Downes resigned as secretary on 26 May 2006 and R C Hill was appointed as secretary on 26 May 2006.

There are no directors' interests in Kelda Group QUEST Trustees Limited requiring disclosure under the Companies Act 1985.

Directors' shareholdings

The interests of the directors holding office at 31 March 2007 in the shares of Kelda Group plc were

	<i>Ordinary shares at 31 March 2007</i>	<i>Ordinary shares at 1 April 2006</i>
S D McFarlane	1,122	2,436
P J Hudson	4,718	-

Options to acquire ordinary shares

The options of the directors holding office at 31 March 2007 in the shares of Kelda Group plc were

	<i>At 31 March 2006</i>	<i>Granted during year</i>	<i>Exercised during year</i>	<i>At 31 March 2007</i>	<i>Exercise price (p)</i>	<i>Market price at date of exercise (p)</i>	<i>Date options exercisable</i>
S D McFarlane	504	-	-	504	366	-	01/03/2007
	411	-	-	411	461	-	01/03/2008
	1,095	-	-	1,095	588	-	01/03/2011
	-	883	-	883	741	-	01/03/2012
P J Hudson	6,018	-	6,018	-	275	878.5	01/03/2007
	-	1,275	-	1,275	741	-	01/03/2010

Directors' report (continued)

The market price of the shares subject to these options at 31 March 2007 was 938 00p (2006 788 50p) ranging from 726 50p to 955 00p during the year. The aggregate gain on exercise of the share options during the year was £36,319 (2006 £8,458)

Long Term Incentive Plan for Kelda Group plc

	<i>31 March 2006</i>	<i>Granted during year</i>	<i>Vested during year</i>	<i>Lapsed during year</i>	<i>31 March 2007</i>	<i>Earliest Vesting Date</i>
P J Hudson	16,707	-	7,919	8,788	-	02/09/2006
	12,913	-	-	-	12,913	27/05/2007
	9,988	-	-	-	9,988	01/06/2008
	-	8,989	-	-	8,989	12/06/2009
S D McFarlane	6,241	-	2,958	3,283	-	02/09/2006
	5,359	-	-	-	5,359	27/05/2007
	4,146	-	-	-	4,146	01/06/2008
	-	3,731	-	-	3,731	12/06/2009

Details of the plan are set out in the Kelda Group plc Annual Report and Accounts 2007

Auditor

A resolution to appoint PricewaterhouseCoopers LLP as the company's auditor and to authorise the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting. The provision of audit services to the company was offered for tender in 2007. The audit committee of Kelda Group plc conducted the tender process and recommended to the board that a change of auditor from Ernst & Young LLP to PricewaterhouseCoopers was appropriate. The proposal is supported by the board.

Disclosure of information to the auditor

As at the date of this report, so 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 such steps as he or she should have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board



R C Hill
Secretary

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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 auditor's report

to the members of Kelda Group QUEST Trustees Limited

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Balance Sheet and the related notes 1 to 9. 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 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' responsibilities for preparing the annual report and 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 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.

In addition we 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.

Independent auditor's report

to the members of Kelda Group QUEST Trustees Limited (continued)

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 2007,
- 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


6 September 2007

Balance sheet

at 31 March 2007

	Notes	2007 £	2006 £
Current assets			
Debtors	5	1	1
		<u>1</u>	<u>1</u>
Net assets		<u>1</u>	<u>1</u>
 Capital and reserves			
Called up share capital	6	1	1
		<u>1</u>	<u>1</u>
Total equity shareholders' funds		<u>1</u>	<u>1</u>

The financial statements on pages 7 to 9 were approved by the board of directors and were signed on their behalf by



S D McFarlane

Director

3 September 2007

Notes to the financial statements

at 31 March 2007

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 the Companies Act 1985, except where otherwise stated in the notes to the accounts

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

2. Profit and loss account

The company has not traded during the year. Therefore, the company has made neither profits nor losses and no profit and loss account has been presented. The auditor's remuneration was borne by another group company (2006 £nil)

3. Directors' emoluments

The directors are employees of the ultimate parent company Kelda Group plc, and received no emoluments in respect of their services to the company (2006 £Nil)

4. Staff numbers

The average number of persons employed by the company during the year was nil (2006 nil)

5. Debtors

	2007	2006
	£	£
Amounts owed by parent undertaking	1	1
	<u> </u>	<u> </u>

6. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2007	2006	2007	2006
	£	£	£	£
Ordinary shares of £1 each	1,000	1,000	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. 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)

Notes to the financial statements

at 31 March 2007

8. 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

9. Ultimate parent undertaking

The immediate and ultimate parent undertaking and controlling party is Kelda Group plc, which 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