

Company Registration No. 04421854 (England and Wales)

**DEE VALLEY WATER (HOLDINGS) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**



***Saffery Champness***  
CHARTERED ACCOUNTANTS

# **DEE VALLEY WATER (HOLDINGS) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	D J Guest Capita Trust Company Limited A W Gower
<b>Secretary</b>	D J Guest
<b>Company number</b>	04421854
<b>Registered office</b>	Packsaddle Wrexham Road Rhostyllen Wrexham LL14 4EH
<b>Auditors</b>	Saffery Champness Lion House Red Lion Street London WC1R 4GB

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# **DEE VALLEY WATER (HOLDINGS) LIMITED**

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## **DEE VALLEY WATER (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006**

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

#### **Principal activities and review of the business**

The principal activity of the company was that of a holding company.

#### **Results and dividends**

The results for the year are set out on page 5.

An interim dividend of £713,354 (2005 - £694,826) was paid on 6 January 2006. A final dividend of £1,445,237 (2005 - £1,389,651) is proposed and, if approved, will be paid on 3 August 2006. The aggregate dividends charged to equity during the year amounts to £2,103,005 (Restated 2005 - £2,061,316) excluding proposed dividends that have yet to be approved by the balance sheet date.

#### **Directors**

The following directors have held office since 1 April 2005:

D J Guest  
Capita Trust Company Limited  
A W Gower

#### **Directors' interests**

None of the directors have any beneficial interest in the share capital of the company. The directors beneficial interests in the share capital of the parent company, Dee Valley Group plc, are disclosed within those accounts.

No director has any rights to subscribe for shares in, or debentures of the company.

#### **Taxation status**

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

## **DEE VALLEY WATER (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2006**

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#### **Directors' responsibilities**

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 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;
- 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.

#### **Statement of disclosure to auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



D J Guest  
**Director**  
16 June 2006

## **DEE VALLEY WATER (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEE VALLEY WATER (HOLDINGS) LIMITED**

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We have audited the financial statements on pages 5 to 10. These financial statements have been prepared in accordance with the accounting policies set out therein.

#### **Respective responsibilities of the 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 United Kingdom Accounting Standards (United Kingdom 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).

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.

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 transactions with the company 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 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.

**DEE VALLEY WATER (HOLDINGS) LIMITED**

**INDEPENDENT AUDITORS' REPORT (continued)  
TO THE MEMBERS OF DEE VALLEY WATER (HOLDINGS) LIMITED**

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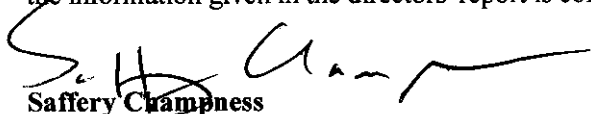
**Opinion**

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; and

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.



**Saffery Champness**

16 June 2006

Chartered Accountants  
Registered Auditors

Lion House  
Red Lion Street  
London  
WC1R 4GB

**DEE VALLEY WATER (HOLDINGS) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2006**

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	Notes	2006 £	2005 £
<b>Operating loss</b>		-	-
Investment income	2	2,103,005	2,061,316
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		2,103,005	2,061,316
Tax on profit on ordinary activities	3	-	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>	7	2,103,005	2,061,316
		<hr/>	<hr/>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.



**DEE VALLEY WATER (HOLDINGS) LIMITED****BALANCE SHEET  
AS AT 31 MARCH 2006**

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Investments	4	46,000,000		46,000,000	
<b>Current assets</b>					
Debtors	5	<u>1</u>		<u>1</u>	
<b>Net current assets</b>			1		1
<b>Total assets less current liabilities</b>		<u>46,000,001</u>		<u>46,000,001</u>	
<b>Capital and reserves</b>					
Called up share capital	6		100		100
Share premium account	7	45,999,901		45,999,901	
<b>Shareholders' funds - equity interests</b>	8	<u>46,000,001</u>		<u>46,000,001</u>	

The notes on pages 7 to 10 form part of these financial statements.

The financial statements were approved by the board on 16 June 2006

*D J. Guest*

D J Guest  
Director

## DEE VALLEY WATER (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

#### 1 Accounting policies

##### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

##### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

##### 1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

##### 1.4 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Dee Valley Group plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

##### 1.5 Dividends

The accounting policy in respect of proposed dividends, payable and receivable, has been changed to reflect the requirements of FRS 21: Events after the balance sheet date. As a result of this change a prior period adjustment has been made in respect of the proposed dividend, payable and receivable, at 31 March 2005 of £1,389,651. The creditor and the corresponding debtor at 31 March 2005 have been cancelled. The dividend payable has been debited to equity in the current year and the dividend receivable has been included within investment income in the current year.

2 Investment income	2006 £	2005 £
Income from shares in group undertakings	2,103,005	2,061,316
	<u>2,103,005</u>	<u>2,061,316</u>
3 Taxation	2006	2005
Current tax charge	-	-
	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	2,103,005	2,061,316
	<u>2,103,005</u>	<u>2,061,316</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	630,902	618,395
	<u>630,902</u>	<u>618,395</u>
Effects of:		
Dividends and distributions received	(630,902)	(618,395)
	<u>(630,902)</u>	<u>(618,395)</u>

**DEE VALLEY WATER (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2006****4 Fixed asset investments**

	Shares in group undertakings
	£
<b>Cost</b>	
At 1 April 2005 & at 31 March 2006	<u>46,000,000</u>

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
Dee Valley Water plc	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2006 £	Profit for the year 2006 £
Dee Valley Water plc	<u>8,824,050</u>	<u>4,449,661</u>

The directors are of the opinion that the value of the assets of the Company consisting of shares in the subsidiary undertaking is not less than the amount at which they are included in the Company's balance sheet.

<b>5 Debtors</b>	<b>2006</b> £	<b>2005</b> £
Called up share capital not paid	<u>1</u>	<u>1</u>

**DEE VALLEY WATER (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2006**

<b>6</b>	<b>Share capital</b>	<b>2006 £</b>	<b>2005 £</b>
	<b>Authorised</b>		
	100 Ordinary of £1 each	<u>100</u>	<u>100</u>
	<b>Allotted, called up and fully paid</b>		
	100 Ordinary of £1 each	<u>100</u>	<u>100</u>
<b>7</b>	<b>Statement of movements on reserves</b>		
		<b>Share premium account £</b>	<b>Profit and loss account £</b>
	Balance at 1 April 2005	45,999,901	-
	Profit for the year	-	2,103,005
	Dividends		(2,103,005)
	Balance at 31 March 2006	<u>45,999,901</u>	<u>-</u>
<p>The directors have proposed a final dividend for the year ended 31 March 2006 amounting to £1,445,237. this dividend has not been accounted for within the current year financial statements as it has yet to be approved.</p>			
<b>8</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2006 £</b>	<b>2005 £</b>
	Profit for the financial year	2,103,005	2,061,316
	Dividends	<u>(2,103,005)</u>	<u>(2,061,316)</u>
	Net depletion in shareholders' funds	-	-
	Opening shareholders' funds	<u>46,000,001</u>	<u>46,000,001</u>
	Closing shareholders' funds	<u>46,000,001</u>	<u>46,000,001</u>

**9** **Contingent liabilities**

The company has given security by way of a first fixed and floating charge over the company's assets in respect of an index-linked loan raised by its subsidiary undertaking, Dee Valley Water plc. In the event of default the interest and capital are guaranteed by Financial Security Assurance Limited.

At 31 March 2006, the loan outstanding was £38,795,068 (2005 - £37,705,092).

## **DEE VALLEY WATER (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2006**

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#### **10 Employees**

##### **Number of employees**

There were no employees during the year apart from the directors.

#### **11 Control**

The immediate parent company is Chester Water plc, a company registered in England and Wales.

The Directors regard Dee Valley Group plc, a company registered in England and Wales, as being the Company's ultimate holding company.

Dee Valley Group plc prepares group financial statements and copies can be obtained from The Company Secretary, Dee Valley Group plc, Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH.

#### **12 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.