

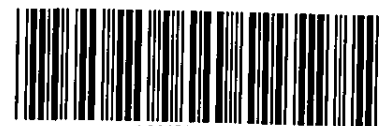
Dee Valley Water (Holdings) Limited

**Directors' report and financial
statements**

Registered number 04421854

31 March 2008

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Company Information

Directors	D J Guest Capita Trust Company Limited Capita Trust Corporate Services Limited
Secretary	D J Guest
Company number	04421854
Registered office	Packsaddle Wrexham Road Rhostyllen Wrexham LL14 4EH
Auditors	KPMG Audit Plc 8 Princes Parade Liverpool L3 1QH

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

Principal activities

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

Risks and uncertainties

The principal risk in the company is the carrying value of its investments in Dee Valley Water Plc which is dependent on the trading of that company

Results and dividends

The profit for the year was £ 2,298,000 (2007 £2,186,000) The Company paid a dividend for the year of £2,298,000 (2007 £2,186,000)

KPI's

There are no specific KPI's used to monitor the company

Directors and directors' interests

The directors who held office during the year were as follows

D J Guest
Capita Trust Company Limited
Capita Trust Corporate Services Limited

The directors have noted that the Directors' report within the Directors' report and financial statements for the year ended 31 March 2007 contained an incorrect listing of directors The above directors have served as directors for the full current and preceding years

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company and authorising directors to determine their remuneration is to be proposed at the forthcoming Annual General Meeting

By order of the board

D. J. Guest

DJ Guest
Director

Packsaddle
Wrexham Road
Rhostyllen
Wrexham
LL14 4EH

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 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 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



KPMG Audit Plc

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of Dee Valley Water (Holdings) Limited

We have audited the financial statements of Dee Valley Water (Holdings) Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 auditors' report to the members of Dee Valley Water (Holdings) Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 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

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KPMG Audit Plc *22/10/08*
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Other interest receivable and similar income			
Investment Income		<u>2,299</u>	<u>2,186</u>
Profit on ordinary activities before taxation	3	<u>2,299</u>	<u>2,186</u>
Profit on ordinary activities after taxation	7	<u><u>2,299</u></u>	<u><u>2,186</u></u>

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

Balance sheet
at 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Investment	<i>4</i>	46,000	46,000
		<hr/>	<hr/>
Net assets		46,000	46,000
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>5</i>	-	-
Share Premium account	<i>6</i>	46,000	46,000
Profit and loss account	<i>6</i>	-	-
		<hr/>	<hr/>
Shareholders' funds		46,000	46,000
		<hr/>	<hr/>

These financial statements were approved by the board of directors on behalf by

26/08/08

and were signed on its

D. J. Guest

DJ Guest
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Dee Valley Group Plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Dee Valley Group Plc, within which this Company is included, can be obtained from the address given in note 8

Investments

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than no that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet

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

Notes (continued)

2 Staff numbers and costs

There were no employees during the year apart from the directors. Director's remuneration was borne by a fellow subsidiary undertaking.

3 Taxation

	2008 £000	2007 £000
Domestic current year tax		
UK Corporation Tax	-	-
Total current tax	-	-
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	2,299	2,186
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007: 30%)	689	656
Effects of		
Dividends and distributions received	(689)	(656)
	-	-

Notes (continued)

4 Fixed assets

	Unlisted investment £000
<i>Cost</i>	
At 1 April 2007 & at 31 March 2008	46,000

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	%
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 as were as follows

	Capital and Reserves 2008 £000	Profit for the year 2008 £000
Dee Valley Water Plc	13,805	2,274

5 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
100 Ordinary of £1 each	100	100

6 Statements of movements on profit and loss accounts

	Share Premium Account £000	Profit and loss account £000
Balance at 31 March 2007	46,000	-
Profit for the year	-	2,299
Dividends	-	(2,299)
Balance at 31 March 2008	46,000	-

Notes *(continued)*

7 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial year	2,299	2,186
Dividends	(2,299)	(2,186)
	<hr/>	<hr/>
Opening shareholders' funds	46,000	46,000
	<hr/>	<hr/>
Closing shareholders' funds	46,000	46,000
	<hr/>	<hr/>

8 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent company is Chester Water Limited, 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, Rhosyllen, Wrexham, LL14 4EH