

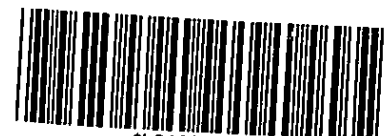
RECEIVED 19 OCT 2011

**YTL Utilities (UK) Limited Group**  
**CONSOLIDATED ACCOUNTS**

**For the year to 30 June 2011**

Registered number 04341837

WEDNESDAY



LD3 \*L316SYWH\* 02/11/2011 102  
COMPANIES HOUSE

## **Contents**

Directors' report	1
Independent auditor's report to the members of YTL Utilities (UK) Limited	12
Consolidated profit and loss account	13
Consolidated balance sheet	14
Company balance sheet	15
Statements of total recognised gains and losses and movements in shareholders' funds	16
Notes to the accounts	17

## Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2011

### PRINCIPAL ACTIVITIES

The company's principal activity is that of a holding company

The company's principal subsidiary Wessex Water Ltd, a holding company, owns 100% of the share capital of Wessex Water Services Ltd (WWSL), a regulated company licensed for the supply of clean water and treatment and disposal of waste water, operating in a region of 10,000 square kilometres in the south west of England. WWSL is the major trading entity in the group, and produces non statutory regulatory accounts for the industry regulator OFWAT for the 12 months to 31 March each year. Many of the operating statistics are also measured annually to March.

In addition to WWSL, Wessex Water Enterprises Ltd, a wholly owned subsidiary company, undertakes unregulated water and waste water activities in the Wessex Water region and SC Technology GmbH, a wholly owned subsidiary company in Switzerland, installs and operates sludge drying equipment with two major contracts in Holland.

### FINANCIAL AND OPERATIONAL REVIEW

#### *WESSEX WATER SERVICES LTD*

The last year brought new challenges to which Wessex Water, as always, responded positively and successfully. We continue to be one of the most efficient and profitable water and sewerage companies and the savings we have made over the past five years mean that customers' bills were £21, or 5%, lower in 2010-11 than they otherwise would have been.

Once again our compliance with drinking water standards exceeded 99.9% and compliance with sewage discharge consents continued to be 100%. Overall, Wessex Water provides the highest levels of service in the industry and we are the industry leader in Ofwat's new league table for overall customer satisfaction. Last year, 98% of customers who contacted us rated our service as either good or very good.

### HIGHLIGHTS

Over the past year (some indicators are measured for the regulatory year to March 2011) we have

- topped Ofwat's new league table for overall customer satisfaction
- seen 98% of customers who contacted us rating our service as either good or very good
- delivered all customer demands for water without restriction
- cut leakage and met our new leakage target despite the major increase in bursts caused by the very cold winters this year and last
- increased our renewable electricity generation by a further 16%
- saved 7% against regulatory expectations of operating expenditure
- been the first water company in the country to publish information that shows when storm overflows affecting bathing waters have been in use, through a new facility on our website
- gained recertification for PAS55, the independent asset management standard
- beaten our water efficiency target
- published initial results from the country's biggest trial of innovative metered tariff structures using smart meters
- received the Green Apple Award for our partners' programme, which supports environmental organisations in our region

### A SUSTAINABLE FUTURE

Recently the industry emphasis has been on reform, with the government promising to incorporate the findings of several reviews into a Water White Paper, and Ofwat looking at how it should set future price limits. Additionally, Defra has been reviewing regulation more generally, including David Gray's review of Ofwat and the Consumer Council for Water. We have engaged in the reform debate and are working to provide evidence to ensure the right decisions are reached for the future. This includes our research work on catchment management, including engagement with farmers and the National Farmers Union, our metering and tariffs study that has involved more than 6,000 customers, and research on affordability and debt.

The overall aim is a sustainable water sector that can deal with changes in population, water use and the climate

Based on our work to date we believe the following key areas are ready for reform

- fair and sustainable charging – we want to see a fair and sustainable charging system that makes water affordable for all and encourages customers to use it wisely
- long-term investment – the existing five-year price reviews must be set in the context of a longer term, 10-20 year investment plan with broad costings to bring greater continuity and enable the pace of investment to be set at an affordable rate
  - engaging with customers – customers should have the main say in how their water company is performing on a day-to-day basis and be able to influence prices and discretionary investment at price controls
- incentives for sustainable water options – incentives should be improved and refocused to encourage more sustainable approaches, such as catchment management, renewable energy and cross-border supplies
- funding new development – change is needed to ensure the infrastructure required to meet new demand is funded by those creating the extra demand
- integrated drainage and resilience – reform is required in the scope of ownership and responsibility for UK drainage assets to deliver an integrated approach and attract the necessary investment to accommodate future development and climate change

## PRINCIPAL RISKS AND UNCERTAINTIES

Over the past year we have taken our approach to risk management still further. A risk committee, comprising the executive directors, has reviewed the major risks to the business, the mitigations already in place and the potential for further mitigation to reduce risks. The board also reviews risk at least annually. The new price review period (AMP5) poses a number of uncertainties, notably

- continuing downward pressure on capital price inflation
- the potential impact of drought and more severe weather events
- worsening customer debt as a result of the fragile economy
- continuing uncertainty over pension deficits

We are managing and responding to these risks in a way that minimises the impact on our business and on our customers

We must also accommodate the transfer of private sewers in October 2011 and potential structural and/or legislative changes to the sector, including the separation of wholesale and retail activities. The transfer of private sewers is likely to result in an interim determination to cover the significant cost impacts, although clearly we are working to minimise these.

## DELIVERING FOR CUSTOMERS

### Customer service

This year we aimed to deliver the best service possible to all our customers. We lead Ofwat's new service incentive mechanism (SIM) independent survey of customer experience – the qualitative element of the mechanism. Our high satisfaction score owes much to prompt, warm voice telephone answering, rapid response, first time resolution of problems and keeping customers informed of what we are doing at all times.

Our quantitative SIM score has also improved and we were placed first in Ofwat's league table of water and sewerage companies.

Billing complaints fell by just under a half and total complaints were down by 39% as a result of our ongoing work to reduce service failures and a change in reporting to bring us into line with other companies.

We are making wider use of customer feedback and where this has identified hotspots we have changed our processes, improved customer information, or proposed changes to our systems.

Once again we retained our government standard Customer Service Excellence award for our approach to customer services. We continue to have the best overall package of customer guarantees in the industry.

### **Affordability, tariffs and debt recovery**

The continuing fragile economic climate and marked increase in unemployment over the year have together brought growing affordability problems. Last year we introduced a new credit management system which has allowed us to improve segmentation of our customer base, enabling more accurate targeting of customers and ultimately more productive and successful debt recovery.

Our commitment to work on affordability continues unabated and is reflected in our strong links to and partnership with the Citizens Advice Bureau (CAB). We have also formed a partnership with the Money Advice Trust, in particular National Debtline, and are advising customers keen to take a more self-help approach to use this service.

Around 7,000 customers continue to benefit from our Assist tariff, which enables those with the greatest difficulty in paying to make a modest contribution towards the costs of water and sewerage services. Our measures to help customers adopt an affordable payment routine have seen cash collection increase by 30% despite cutting charges by around 50%.

Similarly, our Restart schemes, designed to get customers who are having difficulty paying back on track, continue to work well and evidence suggests 14 out of 15 people on the schemes will not fall into arrears again.

We have now published the interim findings of our tariff trial to test the effectiveness and customer response to metering and to three different sophisticated metered tariffs. We found that fitting a meter when the occupier changes reduced customer demand for water by 17% without causing adverse customer reaction.

However, it is also clear that metering could result in a greater proportion of our charges falling on those with lower incomes and we believe measures need to be put in place:

- to protect low-income customers so that individually no-one has their basic water use rationed by ability to pay, and
- so that as a group they do not bear an additional burden in water charges overall.

Seasonal charging structures appear to encourage a further step change in water conserving behaviour and improve the affordability of charges compared to both flat-rate and rising block charging structures. However, such structures suffer from a perception problem and customers wrongly assume water companies are profiteering during the summer – particularly when the weather is dry.

To overcome this we want to:

- consider further the role that smart technology can play in allowing customers to engage with and feel in control of their water use and bill
- investigate the impact of more positive reward-based seasonal charging structures that operate at both individual and community levels
- and consider how customers may react to a choice of price structure.

We are continuing work on all of these issues through a new Smart Meter Community project in the south of our region.

### **Encouraging water efficiency**

While our customers have now enjoyed 34 consecutive years without hosepipe bans or other restrictions, we are working hard to encourage them to save water. This year we beat our target to help customers save one litre per property per day.

Over the year we have

- provided educational information for customers through our website and various publications (including leaflets and the customer magazine)
- provided educational classes and materials for schoolchildren, including our Waterwatch pack
- distributed free WaterSave packs, Save-a-Flushes and self audit packs
- promoted water saving devices such as water butts and other water saving devices through our online shop
- set up a partnership with housing associations to install EcoBETA dual flush devices in some of their properties
- promoted the benefits of saving water to our commercial customers
- improved our own use of water such as treatment process optimisation, leakage management and reducing water wastage in offices

We intend to continue with these measures throughout the next five years while additionally incorporating emerging technology and third-party initiatives

### **Customer consultation and engagement**

We undertook a wide range of customer consultation and engagement this year. These included our tracking and monthly satisfaction surveys, customer feedback cards, focus groups and research questionnaires related to our metering and tariffs study, and a range of public consultations, roadshows and workshops.

Our monthly satisfaction survey to March 2011 showed that of the 2,000 customers surveyed, 98% rated our overall service as good or very good. Alongside this our proactive calling, within 24 hours of us leaving site, of customers who had reported an operational problem also showed 98% rated our service as good or very good.

This year we have reviewed our stakeholder engagement and replaced our two customer liaison panels with three new ones – these cover customers and community, services and planning, and environment. The membership of each panel has been widened so, for example, the customer and community panel now includes representatives of key customer stakeholders such as the Consumer Council for Water, RNIB, RNID, Citizens Advice and Money Advice Trust as well as local councillors.

Our partnerships with local authorities and the Environment Agency (EA) continue to provide a forum for discussing and resolving any issues related to our services. They have proved particularly fruitful in the case of flooding where various bodies have differing responsibilities and working in partnership can deliver more favourable solutions than working in isolation.

### **DELIVERING CAPITAL INVESTMENT**

In the year to March 2011 we delivered gross capital expenditure of £115.3m (£109.0m net), which is 76% of the Final Determination allowance for the first year of AMP5. During that year we met all regulatory outputs required in our determination, while successfully moving to our workstream-based delivery process and also releasing the technical briefs to the workstream partners for much of the AMP programme. Furthermore, the Drinking Water Inspectorate reviewed all the AMP5 quality projects and was satisfied that project planning and progress is as expected. The EA has also signed off all year one outputs required under the National Environment Programme (NEP).

The capital underspend was due to a combination of changes to the five-year profile of spend and savings in capital delivery. The changes in profile were principally due to

- a slower start to investment in circumstances where we were not allowed an early-start programme
- the time taken to implement our new workstream procurement
- lower levels of customer-led investments, such as flooding and metering
- a review of our risk-based prioritisation to ensure we were targeting our investment in the right areas having overspent capital maintenance against determination in AMP4

In addition, there is continuing uncertainty around capital price inflation and this has a significant effect on our spend against determination.

## DELIVERING FOR THE ENVIRONMENT

We continue to do our best to protect the environment in all that we do. Our compliance with drinking water standards continues to exceed 99.9% and compliance with sewage discharge consents remains at 100%.

Once again our compliance with the EU's mandatory bathing water standards stands at 100% while compliance with the guideline, stricter, standard that will come into force in 2015, is 87.2%.

### **Drinking water**

Avoiding discoloured water problems remains a high customer priority and in AMP5 we have a major programme of mains rehabilitation to reduce the number of customer reports of discoloured water.

The work in the Bridgwater zone is well advanced and scheduled for completion in summer 2011 and we have also made good progress on design and procurement for the work in other zones.

Work has also begun at Sutton Bingham water treatment works, near Yeovil, to deal with deteriorating raw water quality due to pesticides, algae and manganese.

### **Quality and environmental programme**

We have made very good progress delivering the early phases of the AMP5 quality and environmental programme. Wherever possible we continue to be innovative by developing lowest whole-life cost sustainable solutions rather than building conventional end-of-pipe treatment.

#### *Catchment management*

Our catchment management activities have expanded to cover 15 catchments where nitrate or pesticide pollution is having an impact on raw water quality.

We now have a team of six professionals providing advice and working in partnership with farmers to help reduce the impact of agriculture on our aquifers and reservoirs. We continue to believe that dealing with the problem at source is a more sustainable and economic approach than energy and chemical intensive end-of-pipe treatment.

#### *Storm overflows*

We met all our year one obligations and have completed schemes to reduce pollution from storm overflows in Weymouth. We also installed equipment at 45 sites to record when combined sewer overflows are operating.

Our website now provides up-to-date information for sites that may affect water quality at designated bathing beaches.

#### *Bathing water directive*

Work has begun at Weston-super-Mare sewage treatment works on a £26m scheme to improve secondary treatment and storm storage to meet the requirements of the revised Bathing Water Directive. The improvement work will be completed two years in advance of the new bathing water directive and involves increasing the secondary treatment and ultraviolet disinfection capacity which will improve the quality of discharges from the works.

Work is also ongoing at Bishops Lydeard in Somerset to improve the quality of effluent discharged to the river.

#### *Environmental investigations*

We have a significant programme of investigations in AMP5 aimed at ensuring sound science is applied to the identification of possible future work and in addition are investigating the development of more sustainable solutions.

All investigations are progressing well and to programme These include

- investigating the impact of discharges from Wessex Water assets on bathing water quality in North Somerset
- trialling reed beds as a more sustainable process for phosphorus removal
- assessing the impact of discharges from Wessex Water assets and other sources on the nutrient levels in Poole Harbour, River Frome and Bere Stream, all of which are Sites of Special Scientific Interest (SSSI) in Dorset
- investigating the presence and fate of certain priority hazardous substances through different types of treatment processes

### **Biodiversity**

We have now exceeded the Defra Public Service Agreement target for our SSSI landholding 96% of our SSSIs are now either in favourable or unfavourable-recovering status We agreed with Natural England during the year to remove a number of very small parcels of land from the assessment and are working with them and our tenants to maintain our SSSI performance

The first year of phase 4 of our Biodiversity Action Plan partners programme is underway with £70,000 a year being divided among seven projects focusing on partnership working, science and research and specific biodiversity benefits that support our core business

Our innovation and technology forum continues to grow and prove successful at trialling ideas, equipment and technologies which may provide the treatment solutions of the future

### *Waste management*

We are continuing with efforts to improve waste management and recycling and have a waste and recycling forum with good representation from key staff across the company

### *Abstraction impact*

In order to reduce the environmental impact of our abstractions we have submitted licence variations to the Environment Agency for the Chitterne, Alton Pancras and Wimbleball sources These licence changes will formalise the revised source operations that have been in place for a number of years under the Statement of Intent process to protect river flows in the River Wylde and River Piddle catchments

### **Carbon management**

Carbon management and accounting is a fundamental part of our central aspiration to become a genuinely sustainable water company, reflected in our long-term goal to become carbon neutral

We continued with action to reduce our emissions through avoidance measures, energy efficiency and increasing renewable energy generation There are more than 300 efficiency projects in our energy management database, with an increasing number coming from the water production and supply side of our activities

As part of the pumping efficiency programme we have taken the WRc base pump optimisation tool and developed a focused programme to identify and rectify inefficient pumping plant and systems in all parts of the business Increased adoption of automated meter reading has helped to ensure that accurate data is available to identify problem sites early and minimise inefficient operation

An advanced process control system has been operating successfully at Holdenhurst sewage treatment works and is producing excellent power reduction results The possibility of adapting similar control principles at other sites is being investigated and further projects are likely to be implemented this year We have refurbished the aeration system at Weymouth sewage treatment works with significant power savings as a result

We are currently installing a micro turbine on one of our water supply sites and actively looking at the possibility of using solar-PV systems on some of our current buildings as part of our renewable energy generation portfolio

Our investment in advanced digestion and work to maximise biogas production continues to benefit our renewable energy production. Bristol sewage treatment works continues to export surplus electricity to the national grid when generation exceeds on-site demand.

## **DELIVERING THROUGH OUR ASSETS**

### **Asset management**

We are committed to maintaining our assets to ensure our infrastructure remains in best possible working order. We continue to strengthen our approach to risk and asset management, ensuring that risks are understood and managed throughout the business.

During the year we gained recertification for PAS55, the independent asset management standard. The auditor commented that “ [our] approach to risk has become well established across the business. Many of the processes are geared towards achieving an optimal combination of costs and risk mitigation ”

We have invested in extending a new work and asset management system across all parts of the business. This is enabling us to continue the development of our asset knowledge processes. Improvements have also been made using best practice from a number of sectors. And we have used PAS55 to ensure our processes are integrated throughout the company, and to continue developing our capability.

Using Ofwat’s serviceability toolkit we assess our serviceability as stable.

### **Water supply**

Planning for our water supply grid, a multi-purpose regional project that will be the largest ever carried out by the company, progresses well. It will include new trunk mains, new service reservoirs and new and refurbished pumping stations across Dorset, Somerset and Wiltshire. Construction is expected to start in 2013 and continue through to 2018.

Once complete it will

- improve the security of supply to customers, even in the event of a catastrophic source failure
- meet our customers’ demand for water over the next 25 years
- meet the reductions in abstraction licences required by the Environment Agency to improve flows in some rivers and protect their ecology
- deal with deteriorating raw water quality, particularly increasing concentrations of nitrates at some of our groundwater sources

### **Sewage flooding**

At the end of the first year of AMP5 there was a lower number of properties on the flooding registers than ever before. Our external flooding programme has also removed 36 properties or areas at risk of external flooding.

Our work with local councils on their development of surface water management plans continues and we have now signed data sharing agreements with nine of the 10 upper-tier authorities in our licence area who are developing plans.

### **Leakage**

Despite the prolonged sub-zero conditions and snow cover during December 2010 we have cut leakage from 74ML/d and met our new target of 71ML/d. This is despite the Boxing Day thaw which caused an unprecedented overnight increase in leakage with the instantaneous minimum night flow rising by 90ML/d – a doubling of leakage overnight. Following the thaw, we stepped up leakage detection significantly, doubling night work and weekends.

Our staff and contractors worked for a prolonged period in demanding conditions with the result that bursts and leaks were identified and repaired as quickly as possible. By the end of February minimum night flows had returned to November levels.

## **Financing new development**

We remain concerned over the way new development is financed. The principle of development being self-financing should be backed by a legal framework which ensures developers cannot connect to sewers where capacity is not available and they contribute their fair share of the costs of any necessary improvements to infrastructure.

## **First-time sewerage**

We have provided three communities with a public sewerage system for the first time and continued our work to identify and reduce the number of misconnections to the sewerage system that give rise to stream pollution.

## **Meeting demands**

We maintained supplies to customers throughout the year without restrictions for the 34th consecutive year and will not be imposing restrictions in the coming year.

At the start of 2011-12 water resources were lower than normal due to the dry winter, particularly in March and April, but still considerably above levels in 1975-76. Our resilience to drought is considerably better than in 1975-76 due to lower leakage and higher levels of metering.

Indications from our metering and tariff study suggest that metering considerably reduces peak demands, although the trial period has yet to cover a very dry summer.

We installed just under 9,000 meters which is broadly in line with our expectations in our business plan of 49,000 meters over the whole of the AMP.

Low levels of house building and commercial development resulted in relatively low demand for new distribution mains. Although there is some evidence of a recovery in new building, it remains to be seen whether this will be sustained bearing in mind the general economy and cutbacks in public sector investment.

A major pumping station upgrade has been completed at Newstead Road in Weymouth to increase capacity and improve the security of supply to Weymouth and Portland, including the site of the 2012 Olympic sailing events.

## **DELIVERING THROUGH OUR PEOPLE**

Over the past year the challenging economic and climatic conditions have proved not only how much the success of Wessex Water depends on its employees, but also that we have the best in the business. Throughout this period they have continued to provide outstanding service to our customers, in particular working for prolonged periods to deal with the sub-zero temperatures and then the subsequent thaw of December 2010.

During the year a package of terms and conditions, including a three-year pay deal, was agreed with the trade unions, staff and management.

## **Health and safety**

The health and safety of employees remains paramount and maintaining high standards is an essential measure of the successful operation of our business. Our health and safety team advise on health and safety policy, the development of company targets and monitoring compliance with company standards. Dedicated health and safety advisers work with the management teams responsible for individual business areas to ensure the safety of our employees and others, while promoting and maintaining the company's standards and strategy for health and safety.

There were 14 reportable incidents in 2010, which is below the five-year average of 22 but still higher than the 12 reportable incidents in 2009. The increase was caused by one occurrence of a reportable disease (hand arm vibration syndrome) and an increase in the number of injuries longer than three days from eight to nine.

## **Training**

Technical and regulatory training are our main training priorities and over the year there were 113 NVQs and approximately 200 individuals carried out plant and equipment training or reassessment

More than 400 people undertook a programme of best-practice training and managers delivered a series of toolbox talks to a total of 1,674 people across the company covering approximately 80 different subjects

During the year, as part of the Wessex Water Academy, we launched the Leadership Capability Programme in partnership with ACUA – Coventry University's business arm. The overall aim was to identify and develop our potential future leaders

## ***WESSEX WATER ENTERPRISES LTD***

The company generated turnover of £13.7m (£13.7m last year) from a number of unregulated activities in the Wessex Water Services Ltd region. The principal unregulated activities were treatment of organic waste, power generation, solicitors' searches and sale of industrial cooling water

## ***SC TECHNOLOGY GmbH***

Trading under the name Swiss Comb1 the turnover of the company for the year was £8.7m (down from £9.6m last year). The principal subsidiary in Holland operates two sludge drying plants and has long term contracts with two major customers

## **FINANCIAL PERFORMANCE**

Profit after tax increased by 9.5m from £110.3m to £119.8m for the reasons listed below

Turnover increased by £10.9m or 2.4% to £467.4m, mainly driven by the increase in the regulated turnover of WWSL

Operational costs excluding depreciation increased by £4.1m from £135.4m to £139.5m because of the upward cost pressures from debt collection, business rates and new standards. These increases were limited by savings made across a number of functions in WWSL and in particular in respect of power. Depreciation charges (including the infrastructure maintenance charge and the disposal of assets) have increased by £3.3m as a result of the ongoing investment programme and a £2.2m increase in the infrastructure maintenance charge

Net interest charges increased by £15.0m, from £64.4m to £79.4m because of inflation on index linked bonds in WWSL and an increase in the terms of a loan in YTL Utilities (UK) Ltd

There was a tax charge in the year of £29.1m, a decrease of £23.2m from £52.3m charged last year. Corporation tax increased by £1.2m, despite reduced profits, because of a reduction in capital allowances claimed as there was a special 40% rate in the prior year and the Industrial Buildings Allowance rate reduced from 2% to 1%. Deferred tax moved from a £20.1m charge last year to a £4.3m credit this year because of the reduction in tax rates from 28% to 26%

Under FRS 17 'Retirement Benefits' the pension deficit of £99.8m at the start of the year reduced to £71.8m at 30 June 2011, the increase in the liabilities of £20.2m being less than the £48.2m increase in asset values

The key performance indicators for WWSL are measured for the regulatory year to 31 March and are included in the Regulatory Accounts of WWSL that are available from Wessex Water Operations Centre, Claverton Down, Bath BA2 7WW

Group operating profit as a percentage of turnover was 48.8% (2010 – 49.7%) as costs increases were proportionately more than the increase in turnover, and interest cover (excluding pensions finance charge) decreased to 3.0 times (2010 – 3.7 times) as net interest costs increased substantially

## RESEARCH AND DEVELOPMENT

The group carried out research and development in support of existing activities to improve the reliability and effectiveness of water and waste water services

## MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings of the group exceeds the book values of these assets at 30 June 2011

## DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year and subsequently were as follows

Tiong Lay Yeoh \*  
Francis Sock Ping Yeoh \*  
Seok Kian Yeoh \*  
Seok Hong Yeoh \*  
Sock Siong Yeoh \*  
Seok Kah Yeoh \*  
John Gareth Jones  
Colin Frank Skellett

The following director has been granted ordinary share options of Malaysian Ringgit RM0 50 each in YTL Power International Berhad

	Opening number	Exercise price RM	Grant date	Exercise date	Expiry date	Grant	Exercise	Closing number
J G Jones	400,000	1 32	13/12/2002	13/12/2005	29/11/2011	-	(400,000)	-

The market price of the share options exercised in the year was RM2 2396 and the gain on exercise was RM367,840 There were no other interests in shares of group companies that are disclosable in these accounts During the year no director was materially interested in any contract with the company or with any of its subsidiaries

\* Shares held in YTL Power International Berhad and YTL Corporation Berhad are disclosed in the accounts of those companies

## DISCLOSURE OF INFORMATION TO THE AUDITOR

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 group's auditor is unaware, and each director has taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information

## EMPLOYMENT

The group offers equal opportunities to all applicants for employment Disabled people are considered for employment, training, career development and promotion on the basis of their aptitude and abilities, in common with all employees Employees who become disabled whilst employed by the group are actively encouraged to find appropriate employment within the group A high priority is given to employee communications which include team meetings, televisual communication, conferences and the wide availability of the company intranet

## SUSTAINABILITY AND THE ENVIRONMENT

WWSL has a sustainability vision that guides its progress towards being a sustainable water company The sustainability vision is reviewed bi-annually The company's sustainability panel monitors progress and discusses major issues of current and future concern

YTL Utilities (UK) group protects, conserves and improves the environment and operates in a socially responsible manner Working practices are continually revised as improved techniques and technologies become available The environment policy is reviewed annually

## **SUPPLIER PAYMENT POLICY**

The policy in respect of its suppliers is to agree the payment terms for transactions in advance and to make payments in accordance with those terms. At 30 June 2011, trade creditors in the principal trading subsidiary WWSL represented approximately 31 days trade purchases (2010 – 32 days). The group does not follow any specific external code or standard on payment policy.

## **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year £3,035,000 (2010 - restated to include payments to Citizens Advice Bureau - £2,567,000) was donated to UK charities.

## **CORPORATE GOVERNANCE**

WWSL is required, under Condition F of its Instrument of Appointment as a water and sewerage undertaker, to take account of the principles of good governance in the UK Corporate Governance Code as approved for the purposes of the Listings Rules of the Financial Services Authority. Details of compliance are shown in the annual accounts of WWSL whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

## **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 and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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

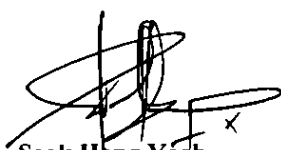
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

## **RE-APPOINTMENT OF AUDITOR**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board

  
Seok Hong Yeoh  
Director

2 Lambs Passage  
London  
EC1Y 8BB  
21 September 2011

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YTL UTILITIES (UK) LIMITED**

We have audited the financial statements of YTL Utilities (UK) Limited for the year ended 30 June 2011 set out on pages 13 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



AC Campbell-Orde (Senior Statutory Auditor)  
For and on behalf of KPMG Audit Plc,  
Statutory Auditor  
Chartered Accountants  
100 Temple Street  
Bristol, BS1 6AG

21 September 2011

## Consolidated profit and loss account

For the year ended 30 June 2011

	Note	2011 £m	2010 £m
<b>Turnover</b>			
Continuing operations	2	467.4	456.5
Raw materials and consumables		(27.8)	(31.7)
Staff costs	5	(42.6)	(43.4)
Depreciation and other amounts written off tangible and intangible fixed assets		(100.6)	(94.5)
Other operating charges		(69.1)	(60.3)
Profit / (loss) on disposal of fixed assets		0.1	(0.6)
Amortisation of grants and contributions		0.9	1.0
<b>Operating profit</b>	2	<b>228.3</b>	<b>227.0</b>
Interest payable and similar charges	6	(77.3)	(62.9)
Interest receivable	6	0.8	0.8
Other finance charge		(2.9)	(2.3)
<b>Profit on ordinary activities before taxation</b>	3	<b>148.9</b>	<b>162.6</b>
Tax on profit on ordinary activities	7	(29.1)	(52.3)
<b>Profit for the financial year</b>	22	<b>119.8</b>	<b>110.3</b>

The turnover and operating profit were generated from continuing activities

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

# Consolidated balance sheet

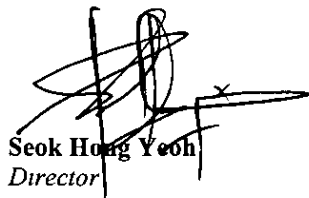
At 30 June 2011

	Note	2011 £m	2011 £m	2010 £m	2010 £m
<b>Fixed assets</b>					
Intangible assets	9		(98 8)		(106 5)
Tangible assets	10		2,087.4		2,071 9
			<u>1,988.6</u>		<u>1,965 4</u>
<b>Current assets</b>					
Stocks	12	6 8		5 7	
Debtors	13	115 6		111 8	
Cash at bank and in hand	14	2.2		57 1	
		<u>124 6</u>		<u>174 6</u>	
<b>Creditors - amounts falling due within one year</b>	15	<u>(171 2)</u>		<u>(195 3)</u>	
<b>Net current liabilities</b>	27		<u>(46 6)</u>		<u>(20 7)</u>
<b>Total assets less current liabilities</b>			<u>1,942.0</u>		<u>1,944 7</u>
<b>Creditors - amounts falling due after more than one year</b>	16		<u>(1,710.5)</u>		<u>(1,724 5)</u>
Provisions for liabilities and charges	18		(96 8)		(104 6)
Retirement benefit obligations	19		(54.3)		(73 0)
Grants and contributions	20		(18 5)		(19 3)
<b>Net assets</b>	2		<u>61.9</u>		<u>23 3</u>
<b>Capital and reserves</b>					
Called up share capital	21		-		-
Profit and loss account	22		61 9		23 3
<b>Equity shareholders' funds</b>			<u>61 9</u>		<u>23 3</u>

The accompanying notes are an integral part of this balance sheet

Registered number 04341837

These financial statements were approved by the board of directors on 21 September 2011 and were signed on its behalf by

  
Seok Hong Yeoh  
Director

**Company balance sheet**  
**At 30 June 2011**

	<i>Note</i>	<b>2011 £m</b>	<b>2011 £m</b>	<b>2010 £m</b>	<b>2010 £m</b>
<b>Fixed assets</b>					
Tangible fixed assets	10		0 1		0 1
Investments	11		351 3		351 3
			<u>351 4</u>		<u>351 4</u>
<b>Current assets</b>					
Debtors	13	44 1		0 6	
Cash at bank and in hand	14	1.0		0 9	
		<u>45.1</u>		<u>1 5</u>	
<b>Creditors - amounts falling due within one year</b>	15	<u>(101 7)</u>		<u>(100 5)</u>	
<b>Net current liabilities</b>	27		<u>(56.6)</u>		<u>(99 0)</u>
<b>Total assets less current liabilities</b>			<u>294.8</u>		<u>252 4</u>
<b>Creditors - amounts falling due after more than one year</b>	16		<u>(218 7)</u>		<u>(215 8)</u>
<b>Net assets</b>			<u>76.1</u>		<u>36 6</u>
<b>Capital and reserves</b>					
Called up share capital	21		-		-
Profit and loss account	22		76.1		36 6
<b>Equity shareholders' funds</b>			<u>76.1</u>		<u>36 6</u>

The accompanying notes are an integral part of this balance sheet

## Statement of total recognised gains and losses

For the year ended 30 June 2011

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Profit for the financial year	119.8	130.7	110.3	136.7
Foreign currency adjustment	(0.6)	-	0.1	-
Actuarial gains / (losses) net of taxation	10.6	-	(45.1)	-
<b>Total recognised gains since last annual report</b>	<b>129.8</b>	<b>130.7</b>	<b>65.3</b>	<b>136.7</b>

## Reconciliation of movements in shareholders' funds

For the year ended 30 June 2011

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Opening shareholders' funds	23.3	36.6	90.0	31.9
Profit for the financial year	119.8	130.7	110.3	136.7
Dividends (note 8)	(91.2)	(91.2)	(132.0)	(132.0)
Foreign currency adjustment	(0.6)	-	0.1	-
Actuarial gains / (losses) net of taxation	10.6	-	(45.1)	-
<b>Closing shareholders' funds</b>	<b>61.9</b>	<b>76.1</b>	<b>23.3</b>	<b>36.6</b>

## Notes

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared on a basis consistent with last year, under the historic cost convention, in accordance with applicable accounting standards in the United Kingdom and, except for the treatment of certain grants and contributions (see below) in accordance with the Companies Act 2006

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2011. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

#### *Negative goodwill*

Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale. On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after crediting the unamortised amount of any related negative goodwill.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets comprise infrastructure assets and other assets.

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls and infrastructure investigations and studies. Expenditure on infrastructure assets relating to enhancements of the network is treated as additions which are included at cost after deducting connection charges and grants.

The depreciation charge for infrastructure assets is the estimated level of average annual expenditure required to maintain the operating capability of the network based upon the company's independently certified asset management plan. No other depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings and operational structures	-	15 to 80 years
Plant, machinery and vehicles	-	3 to 30 years
Other assets	-	4 to 15 years

## **1 Accounting policies (continued)**

### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

### ***Grants and contributions***

Grants and contributions in respect of specific expenditure on non infrastructure fixed assets are treated as deferred income and recognised in the profit and loss account over the expected useful economic lives of the related assets (see note 20).

Grants and contributions relating to infrastructure assets have been deducted from the cost of those assets. This is not in accordance with the requirements of the Companies Act 2006 which requires assets to be stated at their purchase price or production cost, without deduction of grants and contributions which would be accounted for as deferred income. The departure from the requirements of the Act is, in the opinion of the directors, necessary to give a true and fair view. This is because infrastructure assets are not depreciated directly and accordingly the related grants and contributions would not be recognised through the profit and loss account. The effect on the value of fixed assets is disclosed in note 10.

### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### ***Post-retirement benefits***

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

The Group also operates a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account in the period to which they relate.

The parent company is not a member of either pension scheme.

### ***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

### ***Stocks and work in progress***

Stocks and work in progress are stated at cost less any diminution in value.

In respect of work in progress, costs include labour, materials and attributable overheads. Long term contract turnover and profit are recognised according to the value of work done. Where amounts received are different from the turnover recognised, they are included in debtors or creditors according to the circumstances of each individual contract.

## 1 Accounting policies (continued)

### *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

### *Financial instruments*

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance costs in respect of the accounting year and reduced by payments made in that year.

Finance costs of debt are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

Interest rate instruments may be used to hedge against interest rate movements on the group's external financing. Interest payable or receivable is accounted for on an accruals basis over the life of the hedge.

### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Income includes an estimate of the value of services provided between the last meter reading date and the year end. The group has chosen not to recognise as turnover the bills raised for customers who have a record of at least two years non payment.

### *Cash flow statement*

Under Financial Reporting Standard 1 (revised 1996), the group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the group in its own published consolidated financial statements.

## 2 Segmental information

Substantially all of the turnover, operating profit and net assets are derived from activities within the United Kingdom.

	Turnover	Operating profit	Net assets	Turnover	Operating profit	Net assets
	2011	2011	2011	2010	2010	2010
	£m	£m	£m	£m	£m	£m
Regulated	446.7	227.4	(14.2)	434.6	222.9	(13.3)
Unregulated	20.7	0.9	76.1	21.9	4.1	36.6
	<u>467.4</u>	<u>228.3</u>	<u>61.9</u>	<u>456.5</u>	<u>227.0</u>	<u>23.3</u>

Regulated activities arise from the trade of Wessex Water Services Ltd. Unregulated activities comprise the trade of SC Technology GmbH and Wessex Water Enterprises Ltd as well as the holding company activities of Wessex Water Ltd and YTL Utilities (UK) Ltd.

### 3 Profit on ordinary activities before taxation

	2011 £m	2010 £m
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Fees paid to the auditors	0.3	0.2
Depreciation	108.2	102.2
Hire of plant and machinery - rentals payable under operating leases	1.4	1.0
Research and development expenditure	0.1	0.1
<i>after crediting</i>		
Release of negative goodwill	7.7	7.6
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<i>Auditor's remuneration</i>		
Audit of these financial statements	25	24
Audit of financial statements of subsidiaries pursuant to legislation	222	205
Other services pursuant to legislation	10	6
	<b>257</b>	<b>235</b>

### 4 Remuneration of directors

#### *Total directors' remuneration*

Salary	544	533
Bonus	325	255
Benefits in kind	37	37
	<b>906</b>	<b>825</b>

The remuneration above is in respect of two executive directors (2010 – two). There were no contributions to pension schemes in respect of the directors.

#### *Remuneration of highest paid director*

Salary	390	382
Bonus	250	210
Benefits in kind	24	26
	<b>664</b>	<b>618</b>

The highest paid director had an accrued pension entitlement of £150,337 at 30 June 2011 (2010 - £143,542).

## 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees 2011	Number of employees 2010
Billing department	344	334
Other staff	1,674	1,727
	<u>2,018</u>	<u>2,061</u>

The aggregate payroll costs of these persons were as follows

	2011 £m	2010 £m
Wages and salaries	59.2	60.4
Social security costs	5.1	4.8
Other pension costs	2.5	6.3
	<u>66.8</u>	<u>71.5</u>

The aggregate payroll costs were charged as follows

Capital schemes	17.2	21.3
Infrastructure renewals expenditure	7.0	6.8
Staff costs	42.6	43.4
	<u>66.8</u>	<u>71.5</u>

## 6 Interest payable and similar charges

<i>Interest payable</i>		
On bank loans and overdrafts	66.4	55.9
On loan from parent company (note 16)	6.8	2.7
On loan from other group company (note 16)	2.9	2.8
Finance charges payable in respect of finance leases and hire purchase contracts	1.2	1.5
<i>Interest receivable</i>		
On loan to parent company	-	(0.2)
On short term deposits	(0.8)	(0.6)
	<u>76.5</u>	<u>62.1</u>

Interest on loan from parent company has not been paid, but has been rolled up and added to the principal. The interest rate on this loan varied between 5.9% and 6.1% (2010 – between 5.8% and 6.7%)

## 7 Taxation

Analysis of charge in the year	2011 £m	2011 £m	2010 £m	2010 £m
<i>Corporation tax</i>				
Current year corporation tax		36.0		34.5
Adjustments in respect of previous years		(2.6)		(2.3)
		<hr/>		<hr/>
Total corporation tax charge		33.4		32.2
		<hr/>		<hr/>
<i>Deferred tax – current year</i>				
Origination and reversal of timing differences	(15.0)		8.6	
Decrease in discount	9.6		6.6	
	<hr/>		<hr/>	
		(5.4)		15.2
<i>Deferred tax – prior year</i>				
Origination and reversal of timing differences	2.0		2.4	
(Increase) / decrease in discount	(0.9)		2.5	
	<hr/>		<hr/>	
		1.1		4.9
		<hr/>		<hr/>
Total deferred tax (credit) / charge		(4.3)		20.1
		<hr/>		<hr/>
Tax charge on profit on ordinary activities		29.1		52.3
		<hr/>		<hr/>
<i>Factors affecting the tax charge for the year</i>				
		2011 £m	2010 £m	
<i>Corporation tax reconciliation</i>				
Profit on ordinary activities before taxation		148.9	162.6	
		<hr/>	<hr/>	
Current tax at 27.5% (2010 – 28.0%)		40.9	45.5	
<i>Effects of</i>				
Expenses not deductible for tax purposes		0.9	0.7	
Capital allowances for the year less / (greater) than depreciation		2.0	(3.8)	
Adjustments in respect of previous years		(2.6)	(2.3)	
Goodwill amortisation		(2.1)	(2.2)	
Lease payment		(1.8)	(1.8)	
Subsidiary company profits		(0.1)	-	
Other timing differences		(3.8)	(3.9)	
		<hr/>	<hr/>	
Total corporation tax charge (see above)		33.4	32.2	
		<hr/>	<hr/>	

On 23 March 2011 the Chancellor announced the reduction in the corporation tax rate from 28% to 26% with effect from 1 April 2011. This change reduced the corporation tax rate to 27.5% for the year to June 2011 and reduced the deferred tax liability (note 18) and the deferred tax asset (note 19).

The Chancellor also announced a reduction in the corporation tax rate by 1% per annum to 23% by 1 April 2014, but these changes were not substantially enacted by 30 June 2011, and the impact has not been included above. Had this change been enacted at the balance sheet date the deferred tax provision (note 18) would have decreased by £13.2m to £83.5m, and the deferred tax asset (note 19) would have decreased by £2.2m to £16.5m.

## 8 Dividends

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Ordinary dividends	91.2	91.2	132.0	132.0
	<u>91.2</u>	<u>91.2</u>	<u>132.0</u>	<u>132.0</u>

In accordance with FRS 21 "Events after Balance Sheet Date" the final dividend for 2010/11 declared and paid in July 2011 of £23.1m was not recognised in these financial statements

## 9 Intangible fixed assets

Group	Negative goodwill £m
<i>Cost</i>	
At 1 July 2010	(168.3)
Additions	-
<b>At 30 June 2011</b>	<b>(168.3)</b>
<i>Amortisation</i>	
At 1 July 2010	61.8
Credited in the year	7.7
<b>At 30 June 2011</b>	<b>69.5</b>
<i>Net book value</i>	
<b>At 30 June 2011</b>	<b>(98.8)</b>
At 30 June 2010	(106.5)

## 10 Tangible fixed assets

	Freehold land and buildings	Infrastructure assets	Plant, machinery and vehicles	Office equipment	Payments on account and assets in course of construction	Group total
	£m	£m	£m	£m	£m	£m
<b>Group</b>						
<i><b>Cost or valuation</b></i>						
At 1 July 2010	583.5	1,066.2	923.6	102.0	34.6	2,709.9
Additions	1.5	46.5	31.1	3.8	48.6	131.5
Exchange differences	0.1	-	1.7	-	-	1.8
Transfers on commissioning	1.6	5.9	13.1	3.0	(23.6)	-
Disposals	(1.3)	-	(10.2)	(0.4)	-	(11.9)
Grants and contributions	-	(5.9)	-	-	-	(5.9)
<b>At 30 June 2011</b>	<b>585.4</b>	<b>1,112.7</b>	<b>959.3</b>	<b>108.4</b>	<b>59.6</b>	<b>2,825.4</b>
<i><b>Depreciation</b></i>						
At 1 July 2010	96.4	211.6	295.9	34.1	-	638.0
Charge for the year	13.7	34.3	54.8	5.4	-	108.2
Exchange differences	-	-	0.9	-	-	0.9
Disposals	(0.6)	-	(8.3)	(0.2)	-	(9.1)
<b>At 30 June 2011</b>	<b>109.5</b>	<b>245.9</b>	<b>343.3</b>	<b>39.3</b>	<b>-</b>	<b>738.0</b>
<i><b>Net book value</b></i>						
<b>At 30 June 2011</b>	<b>475.9</b>	<b>866.8</b>	<b>616.0</b>	<b>69.1</b>	<b>59.6</b>	<b>2,087.4</b>
At 30 June 2010	487.1	854.6	627.7	67.9	34.6	2,071.9

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls, and infrastructure investigations and studies

Other assets include furniture and fittings, laboratory and other equipment

The net book value of assets held under finance leases is £51.5m (2010 - £58.0m)

The depreciation charge for the year on assets held under finance leases is £6.5m (2010 - £6.4m)

The net book value of infrastructure assets at 30 June 2011 is stated after the deduction of grants and contributions amounting to £122.0m (2010 - £116.1m) in order to give a true and fair view (see note 1)

Included in the cost of infrastructure assets is £406.7m (2010 - £369.2m) of expenditure on maintaining the network charged to the infrastructure renewals provision in previous years, and £403.7m (2010 - £369.4m) of depreciation included in the profit and loss account as an infrastructure renewals charge in previous years

Included in freehold land and buildings above is an amount of £10.5m (2010 - £10.3m) in respect of land which is not depreciated

## 10 Tangible fixed assets continued

	Company Plant, machinery and vehicles £m
<i>Cost</i>	
At 1 July 2010	0.1
Additions	-
	<hr/>
<b>At 30 June 2011</b>	<b>0.1</b>
	<hr/>
<i>Depreciation</i>	
At 1 July 2010	-
Charge for the year	-
	<hr/>
<b>At 30 June 2011</b>	<b>-</b>
	<hr/>
<i>Net book value</i>	
<b>At 30 June 2011</b>	<b>0.1</b>
	<hr/>
At 30 June 2010	0.1
	<hr/>

## 11 Fixed asset investments

	Company Interests in subsidiary undertakings £m
<i>Cost</i>	
At 1 July 2010	351.3
Transfer to fixed assets	-
	<hr/>
<b>At 30 June 2011</b>	<b>351.3</b>
	<hr/>
<i>Provisions</i>	
At 1 July 2010	-
Movement	-
	<hr/>
<b>At 30 June 2011</b>	<b>-</b>
	<hr/>
<i>Net book value</i>	
<b>At 30 June 2011</b>	<b>351.3</b>
	<hr/>
At 30 June 2010	351.3
	<hr/>

The principal undertakings, in which the group or company interest at the year end is 10% or more, are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held Group	Class and percentage of shares held Company
<b>Subsidiary undertakings</b>				
Wessex Water Limited	United Kingdom	Water supply and waste water services	- 60p ordinary shares, 100%	
Wessex Water Services Limited	United Kingdom	Water supply and waste water services	£1 ordinary shares, 100%	-
YTL Events Limited	United Kingdom	Event promotions	- £1 ordinary share, 100%	
SC Technology GmbH	Switzerland	Waste treatment processes	CHF 1,000 ordinary shares, 100%	-
Wessex Water Services Finance Plc	United Kingdom	Issue of bonds	£1 ordinary shares, 100%	-
GENECO Limited	United Kingdom	Waste water services	£1 ordinary shares, 100%	-
Wessex Engineering & Construction Services Limited	United Kingdom	Engineering services	£1 ordinary shares, 100%	-
Wessex Water Enterprises Limited	United Kingdom	Water supply and waste water services	£1 ordinary shares, 100%	-
Wessex Promotions Limited	United Kingdom	Concert promotion	£1 ordinary shares 100%	-
<b>Joint Arrangements</b>				
Bristol Wessex Billing Services Limited	United Kingdom	Billing services	£1 ordinary A shares, 50%	-

## 12 Stocks

	Group 2011 £m	Group 2010 £m
Raw materials and consumables	2 9	2 6
Work in progress	3 9	3 1
	<b>6.8</b>	<b>5 7</b>

## 13 Debtors

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Trade debtors	48 8	-	45 6	-
Amounts owed by group undertakings	-	44.1	-	0 6
Other debtors	3 0	-	-	-
Prepayments and accrued income	63 8	-	66 2	-
	<b>115 6</b>	<b>44 1</b>	<b>111 8</b>	<b>0 6</b>

Amounts owed by group undertakings comprised amounts due to the company from Wessex Water Ltd of £44 1m including a dividend of £43 5m (2010 - £0 6m with no dividend)

**14 Cash at bank and in hand**

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Short-term cash deposits	-	-	52.0	-
Cash at bank	2.2	1.0	5.1	0.9
	<u>2.2</u>	<u>1.0</u>	<u>57.1</u>	<u>0.9</u>

£48.0m of short-term deposits in the prior year matured within 1 month and £4.0m within 3 months

**15 Creditors: amounts falling due within one year**

Loans repayable	5.5	-	80.4	-
Obligations under finance leases	35.6	-	5.6	-
Trade creditors	12.7	-	3.3	-
Amounts owed to parent undertaking	0.1	0.1	0.2	0.2
Amounts owed to subsidiary undertaking	-	99.3	-	99.2
Amounts owed to fellow subsidiary undertaking	1.6	1.6	0.6	0.6
Amounts owed to associate companies	0.4	-	0.4	-
Taxation and social security	21.2	-	21.4	-
Other creditors	3.1	-	3.2	-
Accruals	91.0	0.7	80.2	0.5
	<u>171.2</u>	<u>101.7</u>	<u>195.3</u>	<u>100.5</u>

**16 Creditors: amounts falling due after more than one year**

Bonds	1,169.0	-	1,150.0	-
Other loans	292.4	-	292.5	-
Obligations under finance leases	29.4	-	65.0	-
Loans from group undertakings	218.7	218.7	215.8	215.8
Other creditors	1.0	-	1.2	-
	<u>1,710.5</u>	<u>218.7</u>	<u>1,724.5</u>	<u>215.8</u>

**Obligations under finance leases are repayable**

In more than 1 year, but no more than 2 years	3.6	6.3
In more than 2 years, but no more than 5 years	13.3	24.0
In more than 5 years	12.5	34.7
	<u>29.4</u>	<u>65.0</u>

There are two loans from group undertakings. The first is from YTL Utilities Finance Ltd with a principal sum of £169.9m (2010 – £169.9m). Interest is payable at LIBOR plus 3.0%, and the loan is repayable on 1 July 2013. The second of £48.8m (2010 - £45.9m) is from a holding company YTL Utilities Limited and only comprises rolled up interest. Under the terms of the loan agreement, signed on 15 May 2002 for a maximum of £120m, interest is results dependent, in that whilst the interest is agreed on a quarterly basis, no interest is treated as having accrued unless on certain specified quarterly dates the company has sufficient distributable profits.

To the extent that the company does have sufficient distributable profits, the interest that accrues forms a separate amount owing to YTL Utilities Limited which is payable on such date as the company elects, or to the extent then outstanding, on 31 October 2020. Interest is payable at LIBOR plus 5.0%.

The bonds were issued by a subsidiary company Wessex Water Services Finance Plc as follows

	Group 2011 £m	Group 2010 £m
Bond at 5.375% repayable in March 2028	198.2	198.1
Bond at 5.75% repayable in October 2033	346.0	345.8
<i>Index linked bonds</i>		
At 3.52% plus inflation repayable in July 2023	65.6	64.3
At 2.186% plus inflation repayable in June 2039	54.3	51.0
At 1.75% plus inflation repayable in July 2046	85.5	83.8
At 1.75% plus inflation repayable in July 2051	85.6	83.8
At 1.369% plus inflation repayable in July 2057	85.6	83.8
At 1.374% plus inflation repayable in July 2057	85.6	83.8
At 1.489% plus inflation repayable in November 2058	54.2	51.9
At 1.495% plus inflation repayable in November 2058	54.2	51.9
At 1.499% plus inflation repayable in November 2058	54.2	51.8
	<u>1,169.0</u>	<u>1,150.0</u>

## 17 Financial instruments

Short term debtors and creditors have been excluded from the financial instrument disclosures below other than £2.2m (2010 - £57.1m) of cash in hand and £41.1m (2010 - £86.0m) of short term borrowings

The group has financed its activities through a combination of short term borrowings, long term loans and leases, bonds issued by a subsidiary company Wessex Water Services Finance Plc and loans from group undertakings

### Analysis of net debt

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Cash at bank and in hand	(2.2)	(1.0)	(57.1)	(0.9)
Due on demand, one year or less	41.1	-	86.0	-
Due between one and two years	54.0	-	6.7	-
Due between two and five years	285.2	169.9	246.0	169.9
Due in five years or more	1,370.3	48.8	1,470.6	45.9
	<u>1,748.4</u>	<u>217.7</u>	<u>1,752.2</u>	<u>214.9</u>

### Amounts repayable in more than five years

Loans	201.3	48.8	320.6	45.9
Bonds	1,169.0	-	1,150.0	-
	<u>1,370.3</u>	<u>48.8</u>	<u>1,470.6</u>	<u>45.9</u>

### Interest rate and currency exposure

	Fixed rate borrowings 2011 £m	Floating rate borrowings 2011 £m	Total 2011 £m	Fixed rate borrowings 2010 £m	Floating rate borrowings 2010 £m	Total 2010 £m
Sterling	<u>1,169.0</u>	<u>579.4</u>	<u>1,748.4</u>	<u>1,150.0</u>	<u>602.2</u>	<u>1,752.2</u>

The average interest rates and average period to maturity of the fixed rate borrowings are as follows

	Interest rate 2011 %	Period 2011 Years	Interest rate 2010 %	Period 2010 Years
Sterling	3.8	30.6	3.7	31.1

Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between willing parties, other than a forced or liquidation sale

	Book value 2011 £m	Fair value 2011 £m	Book value 2010 £m	Fair value 2010 £m restated
Borrowings less than 1 year	38.9	38.9	28.9	28.9
Floating rate borrowings over 1 year	540.5	540.5	573.3	573.3
Fixed rate borrowings over 1 year	1,169.0	1,284.8	1,150.0	1,219.2
	<u>1,748.4</u>	<u>1,864.2</u>	<u>1,752.2</u>	<u>1,821.4</u>

# 18 Provisions for liabilities and charges

	Deferred taxation £m	Restructuring costs £m	Total £m
<b>Group</b>			
At 1 July 2010	104.2	0.4	104.6
Provided in year	-	0.7	0.7
Utilised during year	-	(1.0)	(1.0)
Origination and reversal of timing differences	(16.2)	-	(16.2)
Increase in discount	8.7	-	8.7
	<u>96.7</u>	<u>0.1</u>	<u>96.8</u>
<b>At 30 June 2011</b>			

The restructuring costs provision is in respect of a redundancy programme announced by WWSL

The elements of deferred taxation are as follows

	2011 £m	2010 £m
Difference between accumulated depreciation / amortisation and capital allowances	274.1	290.5
Other timing differences	(0.6)	(0.8)
	<u>273.5</u>	<u>289.7</u>
Undiscounted provision		
Discount	(176.8)	(185.5)
	<u>96.7</u>	<u>104.2</u>
Discounted provision		

## 19 Pension scheme

	2011 £m	2010 £m
FRS 17 pension liability (see below)	71.8	99.8
FRS 17 deferred tax asset	(18.7)	(27.9)
Unfunded and compensatory added years pension	1.2	1.1
	<u>54.3</u>	<u>73.0</u>

The Wessex Water Ltd group operates the Wessex Water Pension Scheme (WWPS) providing benefits based on final pensionable pay. Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The latest actuarial valuation for WWPS was undertaken at 31 December 2010. The assumptions which have the most significant effect on the results of a valuation are those relating to the discount rate for scheme liabilities and the rate of increase in salaries and pensions. It was assumed that the pre retirement discount rate would be 6.3% and the post retirement discount rate would be 5.3%, that salary increases would be 3.5% in year 1, 3.0% in years 2 and 3 and 4.3% thereafter and that present and future pensions would increase between 2.2% and 3.3% per annum. The market value of the WWPS assets as at 31 December 2010 was £345.3m which represented 81.2% of the actuarial value of the accrued benefits of £425.2m, a deficit of £79.9m. The next actuarial valuation will be at 31 December 2013.

In response to this valuation the company has agreed to pay additional annual contributions of £8.6m per annum at 31 March 2012, and at 31 March for a further 9 years.

The total pension cost for the year under FRS 17, including amounts set aside for early retirees and other finance income, was £8.0m (2010 - £10.6m). Actuarial gains and losses have been recognised in the period in which they occur through the Statement of Total Recognised Gains and Losses.

Liabilities for an unfunded arrangement and a compensatory payment for added years' service are held outside the defined benefit scheme. No employees of the company are members of the group scheme.

Following the UK Government's announcement in summer 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The effect of this change on the benefits provided by the Wessex Water Pension Scheme is that MIS members receive CPI inflation increases in deferment and payment, and that post 88 GMP increases in payment are based on CPI inflation up to 3% each year. Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. The reduction has been recognised as an assumption change on 30 June 2011.

The actuarial valuation described above was updated as at 30 June 2011 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value. The major assumptions used by the actuary in this valuation were:

	2011	2010
Rate of increase in salaries – short term	3.1% to 3.5%	3.3%
Rate of increase in salaries – long term	4.4%	3.3%
Rate of increase in pensions in payment	2.7% or 3.3%	3.2%
Rate of increase in pensions in payment – reduced level members	2.2%	2.2%
Discount rate	5.6%	5.4%
Inflation assumption - RPI	3.6%	3.3%
Inflation assumption - CPI	2.7%	-

The mortality assumptions are based upon recent actual mortality experience of members within the scheme, and the assumptions also allow for future mortality improvements. The assumptions are that a member currently aged 60 will live, on average, for a further 27.0 years after retirement if they are male, and for a further 28.7 years if they are female. For a member who retires in 2031 at age 60 the assumptions are that they will live, on average, for a further 28.5 years after retirement if they are male, and a further 30.3 years if they are female.

**The value of the assets and liabilities were as follows:**

	2011 £m	2010 £m
Equities	170.6	141.5
Property	23.7	20.1
Government bonds	146.7	125.5
Corporate bonds	18.4	9.8
Cash	0.4	14.7
	<hr/>	<hr/>
Total fair value of the assets	359.8	311.6
Present value of defined benefit obligations	(431.6)	(411.4)
	<hr/>	<hr/>
Deficit in the scheme	(71.8)	(99.8)
	<hr/>	<hr/>

**The expected rates of returns were as follows:**

	%	%
Equities	8.3	8.3
Property	8.0	8.8
Government bonds	4.3	4.3
Corporate bonds	5.0	5.3
Cash	1.5	0.8
	<hr/>	<hr/>
	6.5	6.3
	<hr/>	<hr/>

*Narrative description of the basis used to determine expected value*

Wessex Water Services Ltd employs a building block approach in determining the long-term rate of return on pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return of each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation of the scheme as at 30 June 2011.

**Analysis of profit and loss charge**

	2011 £m	2010 £m
Current service cost	9.9	7.9
Past service cost	(4.8)	0.4
Interest cost	22.0	19.9
Expected return on scheme assets	(19.1)	(17.6)
	<hr/>	<hr/>
Expense recognised in profit and loss account	8.0	10.6
	<hr/>	<hr/>

**Changes to the present value of defined benefit obligations during the year**

Opening present value of defined benefit obligations	411.4	323.6
Current service cost	9.9	7.9
Interest cost	22.0	19.9
Contributions by scheme participants	0.6	0.9
Actuarial losses on scheme liabilities	8.0	73.4
Net benefits paid out	(15.5)	(14.7)
Past service cost	(4.8)	0.4
	<hr/>	<hr/>
Closing present value of defined benefit obligations	431.6	411.4
	<hr/>	<hr/>

## Changes to the fair value of scheme assets during the year

	2011 £m	2010 £m
Opening fair value of scheme assets	311.6	277.7
Expected return on scheme assets	19.1	17.6
Actuarial gains on scheme assets	24.7	10.8
Contributions by the employer	19.3	19.3
Contributions by scheme participants	0.6	0.9
Net benefits paid out	(15.5)	(14.7)
	<hr/>	<hr/>
Closing fair value of scheme assets	359.8	311.6
	<hr/>	<hr/>

## Actual return on scheme assets

Expected return on scheme assets	19.1	17.6
Actuarial gains on scheme assets	24.7	10.8
	<hr/>	<hr/>
Actual return on scheme assets	43.8	28.4
	<hr/>	<hr/>

## Analysis of amounts recognised in Statement of Total Recognised Gains and Losses

Total actuarial gains / (losses)	16.7	(62.6)
	<hr/>	<hr/>
Cumulative amount of losses recognised	(92.7)	(109.4)
	<hr/>	<hr/>

## History of asset values, defined benefit obligations, deficit in the scheme and experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	359.8	311.6	277.7	295.1	289.5
Present value of scheme liabilities	(431.6)	(411.4)	(323.6)	(358.6)	(334.2)
Deficit in scheme	(71.8)	(99.8)	(45.9)	(63.5)	(44.7)
Experience gains / (losses) on scheme assets	24.7	10.8	(45.7)	(19.6)	5.4
Experience gains / (losses) on scheme liabilities	0.8	2.8	10.5	(5.2)	(4.9)

## 20 Grants and contributions

	Group £m
At 1 July 2010	19.3
Received in year	0.1
Less amortisation	(0.9)
	<hr/>
At 30 June 2011	18.5
	<hr/>

## 21 Called up share capital

	2011 £	2010 £
<b>Group and Company</b>		
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

## 22 Profit and loss account

	Group £m	Company £m
At 1 July 2010	23.3	36.6
Retained profit for the year	119.8	130.7
Dividends (note 8)	(91.2)	(91.2)
Actuarial gains net of taxation	10.6	-
Foreign currency adjustments	(0.6)	-
	<hr/>	<hr/>
<b>At 30 June 2011</b>	<b>61.9</b>	<b>76.1</b>
	<hr/>	<hr/>

## 23 Contingent liabilities

The group has provided performance guarantees on behalf of SC Technology GmbH on the tendering for contracts, the maximum liability in respect of which at 30 June 2011 was £0.3m (2010 - £0.3m)

## 24 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	Group 2011 £m	Company 2011 £m	Group 2010 £m	Company 2010 £m
Contracted	65.2	-	35.5	-
	<hr/>	<hr/>	<hr/>	<hr/>

## 25 Share based payments

YTL Power International Berhad (a subsidiary of the ultimate parent company YTL Corporation Berhad) operates a share option scheme "YTL Power ESOS" under which options were granted to employees of the group. The terms of the scheme are specified under the YTL Power ESOS (UK part) known as the "UK Plan". The majority of options have been issued under terms approved by the Inland Revenue, the "Approved" scheme, but some have been issued to senior employees under an "Unapproved" scheme.

The following options were outstanding at 30 June 2010 and 2011

Granted – Ordinary shares of RM0 50 each	Outstanding at 30.06.2010	Granted	Forfeited	Exercised	Outstanding at 30.06.2011
13/12/2002 Unapproved	9,633,750	-	(100,000)	(1,850,000)	7,683,750
26/12/2002 Approved	3,673,000	-	-	(845,000)	2,828,000
12/12/2003 Unapproved	634,000	-	-	-	634,000
12/12/2003 Approved	1,384,000	-	(34,000)	(370,000)	980,000
16/05/2005 Unapproved	3,745,400	-	-	(485,500)	3,259,900
16/05/2005 Approved	4,177,000	-	(34,000)	(635,000)	3,508,000
07/08/2006 Unapproved	500,000	-	-	-	500,000
07/08/2006 Approved	4,674,500	-	(170,000)	(408,850)	4,095,650
20/08/2007 Unapproved	800,000	-	-	-	800,000
20/08/2007 Approved	3,100,000	-	(204,000)	(27,000)	2,869,000
26/06/2008 Unapproved	80,000	-	-	-	80,000
28/11/2008 Unapproved	6,080,000	-	(360,000)	-	5,720,000
28/11/2008 Approved	9,310,000	-	(250,000)	-	9,060,000
<b>TOTAL</b>	<b>47,791,650</b>	<b>-</b>	<b>(1,152,000)</b>	<b>(4,621,350)</b>	<b>42,018,300</b>

Of the above options 27,238,300 were exercisable at 30 June 2011. A charge of £0.2m was recognised in the profit and loss account for FRS 20.

The options are for ordinary shares of YTL Power International Berhad of Malaysian Ringgit RM0.50 each, and the exercise price and fair value of the ordinary shares are as follows:

Granted – Ordinary shares of RM0 50 each	Vesting date	Expiry date	Exercise price RM	Fair value RM
13/12/2002 Unapproved	13/12/2005	29/11/2011	1.32	n/a
26/12/2002 Approved	26/12/2005	29/11/2011	1.39	n/a
12/12/2003 Unapproved	12/12/2006	29/11/2011	1.53	0.51
12/12/2003 Approved	12/12/2006	29/11/2011	1.70	0.34
16/05/2005 Unapproved	16/05/2008	29/11/2011	1.82	0.04
16/05/2005 Approved	16/05/2008	29/11/2011	2.02	0.01
07/08/2006 Unapproved	07/08/2009	29/11/2011	1.74	0.07
07/08/2006 Approved	07/08/2009	29/11/2011	1.93	0.01
20/08/2007 Unapproved	20/08/2010	29/11/2011	2.04	0.03
20/08/2007 Approved	20/08/2010	29/11/2011	2.27	0.00
26/06/2008 Unapproved	20/08/2010	29/11/2011	1.80	0.02
28/11/2008 Unapproved	28/11/2011	29/11/2011	1.61	0.22
28/11/2008 Approved	28/11/2011	29/11/2011	1.78	0.16

Under FRS 20 equity settled share-based payments are measured at the fair value at the date of the grant, and the fair value is expensed on a straight line basis over the vesting period. For the options granted on 16 May 2005, 7 August 2006, 20 August 2007, 26 June 2008 and 28 November 2008 the fair value was calculated using a trinomial model. For the options granted on 12 December 2003 with an exercise date of 12 December 2006 the market price at the exercise date was used as the fair value. The options granted in 2002 did not fall within the scope of FRS 20 since they were exercisable prior to the adoption of the standard.

The assumptions used in the calculation of the fair values from the trinomial model were as follows

Scheme	Weighted ave share price at grant RM	Expected volatility %	Expected option life years	Risk free rate %	Dividend yield %
16/05/2005 Unapproved	2.03	3.5	5	3.15	5.6
16/05/2005 Approved	2.03	3.5	3	2.91	5.6
07/08/2006 Unapproved	1.92	3.5	4	4.10	5.8
07/08/2006 Approved	1.92	3.5	3	4.06	5.8
20/08/2007 Unapproved	2.30	3.5	4	3.63	6.9
20/08/2007 Approved	2.30	3.5	3	3.60	6.9
26/06/2008 Unapproved	1.93	3.5	3	3.43	7.8
28/11/2008 Unapproved	1.85	21.0	3	3.23	7.3
28/11/2008 Approved	1.85	21.0	3	3.23	7.3

## 26 Related party disclosures

Inter company loan transactions are disclosed in notes 6, 13, 15 and 16 and directors remuneration in note 4

## 27 Going concern

The company and group have net current liabilities at 30 June 2011. The directors have considered the financial position of the company and group and concluded that they will be able to meet their liabilities for a period of at least 12 months following the approval of these financial statements. The principal trading subsidiary Wessex Water Services Ltd has confirmed that it will have access to new funds. Wessex Water Services Ltd has a 25 year Licence to provide water and waste water services in South West England. It has a statutory obligation to provide these services and the industry regulator OFWAT has an obligation to ensure that the Licensee can continue to trade.

## 28 Ultimate parent company and parent undertaking of larger group

The company is controlled by YTL Utilities Holdings Ltd, the immediate holding company. The ultimate controlling party is YTL Corporation Berhad, the ultimate holding company.

The largest group in which the results of the company are consolidated is that headed by YTL Corporation Berhad incorporated in Malaysia. The smallest group in which they are consolidated is that headed by YTL Power International Berhad, incorporated in Malaysia. The consolidated financial statements of these groups are available to the public and can be obtained from Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.