

PENNON TRUSTEE LIMITED
ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2008

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PENNON TRUSTEE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 March 2008

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PENNON TRUSTEE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

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

PRINCIPAL ACTIVITY

The Company is the Corporate Trustee of the Pennon Group Qualifying Employee Share Ownership Trust

BUSINESS REVIEW

During the year ended 31 March 2008 the Company did not trade and incurred neither profit nor loss. The Directors recommend that no dividend be paid in respect of the year ended 31 March 2008 (2007 nil)

The Company had no activity in the year. The Directors are of the opinion that this will continue for the foreseeable future, and therefore the Company faces no risks or uncertainties

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served on the Board during the year were

R K Randall (resigned 30 June 2008)
K D Woodier

No Director has held any beneficial interest in the shares of the Company during the year

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 year.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS as adopted by the European Union,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

PENNON TRUSTEE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

- (a) So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each of the Directors has taken all the steps they ought to have taken individually as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed auditors of the Company in accordance with an elective resolution made under Section 386 of the Companies Act 2005 which continues in force under the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors.

ANNUAL GENERAL MEETING

Elective resolutions passed by the Company under Sections 252 and 366A of the Companies Act 1985, dispensing with the laying of accounts and reports before the Company in general meetings and dispensing with the holding of annual general meetings, remain in force under the Companies Act 2006.

By Order of the Board


M L HEELEY
Secretary

3/11/2008

PENNON TRUSTEE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENNION TRUSTEE LIMITED

We have audited the financial statements of Pennon Trustee Limited for the year ended 31 March 2008 which comprise the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Directors' responsibilities statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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.

PENNON TRUSTEE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENNON TRUSTEE LIMITED (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 March 2008,
- 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



PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors

31 Great George Street
BRISTOL
BS1 5QD

3/11/2008

PENNON TRUSTEE LIMITED

BALANCE SHEET
as at 31 March 2008

	Note	2008 £	2007 £
Current assets			
Cash and cash deposits		<u>2</u>	<u>2</u>
Shareholders' equity			
Share capital	3	<u>2</u>	<u>2</u>

The notes on pages 6 and 7 form part of these financial statements

The financial statements on pages 5 to 7 were approved by the Board of Directors and authorised for issue on 3 November 2008 and were signed on its behalf by



K D WOODIER
Director

PENNON TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Pennon Trustee Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Peninsula House, Rydon Lane, Exeter, EX2 7HR. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 1.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations, as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the main accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

At the date of approval of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8	"Operating segments"
IAS 1	"Presentation of financial statements" (revised)
IAS 23	"Borrowing costs" (revised)
IAS 27	"Consolidated and separate financial statements" (revised)
IFRIC 12	"Service concession arrangements"
IFRIC 13	"Customer loyalty programmes"
IFRIC 14	"IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"

None of these standards or interpretations will have an impact on the financial statements of the Company.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best assessment of the amounts, events or actions, actual results ultimately may differ from those estimates.

(b) **Audit fees and administration costs**

Audit fees and administration costs of the Company are paid by Pennon Group Plc.

PENNON TRUSTEE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Significant accounting policies (continued)

(c) **Income statement**

The Company has not traded during the current or the previous financial year. As a result no income statement is presented in these financial statements.

(d) **Cash flow statement**

There were no cash flows during the current or the previous financial year. As a result no cash flow statement is presented in these financial statements.

3 Share capital

	2008 £	2007 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called-up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

4 Directors' emoluments

The Directors received no emoluments for their qualifying services to the Company in the year (2007 nil).

5 Ultimate parent undertaking and related party transactions

The immediate and ultimate parent company and controlling party is Pennon Group Plc which is registered in England. Group financial statements are included in the Annual Report of Pennon Group Plc which is available from Peninsula House, Rydon Lane, Exeter, EX2 7HR.

There were no transactions with related parties in the year (2007 none).