

BRISTOL WATER plc

Announcement of interim results for the six months ended 30 September 2008

Bristol Water plc is a subsidiary of Sociedad General de Aguas de Barcelona S.A.

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HIGHLIGHTS – REPORTED UNDER UK GAAP

Six months ended 30 September	2008 (unaudited) £m	2007 (unaudited) £m
Turnover	48.9	46.0
Operating profit	15.0	14.2
Profit before taxation	10.0	10.6
Profit after taxation	8.2	9.9
Regulatory Capital Value (RCV) – forecast year end	276	275
Net debt (excluding 8.75% irredeemable cumulative preference shares) as percentage of forecast RCV at year end	72%	68%

- **Operating profit £15.0m – 6% increase**
- **Profit before taxation £10.0m - 6% decrease reflecting higher interest costs and loan indexation**
- **Capital investment of £15.7m in the period**
- **Net debt, excluding irredeemable cumulative preference shares, of £197.4m – approximately 72% of projected RCV at 31 March 2009**

Bristol Water plc supplies water to over 1.1 million people and businesses in an area of almost 2,400 square kilometres centred on Bristol.

CHAIRMAN'S STATEMENT

Introduction

The recent publication of the Ofwat OPA (Overall Performance Assessment) for 2007/08 ranked Bristol Water plc in third position out of a total of 22 companies. During the first six months of the 2008/09 financial year, we have continued to provide an excellent service to our customers, maintaining our high standards.

We are heavily involved in the planning process for the next periodic review which sets our tariffs for the five years beginning April 2010.

We submitted a Draft Business Plan to Ofwat in August 2008 and will submit a Final Business Plan in April 2009.

Operational performance

We are only 18 months from the end of the current regulatory period 2005-10 and are continuing to make good progress towards delivery of the outputs required by Ofwat's determination of price limits for the current period. Three major capital schemes have been completed:

- A £24m project to improve the security of supply for a population of almost 200,000 in the northern and eastern parts of Bristol and surrounding areas. The new network has already been used twice since completion despite initial expectations that it would be rarely used. Such resilience schemes are vitally important to providing the service customers expect in a time of crisis, however it arises.
- A £14m project to upgrade our Banwell treatment works to improve its effectiveness in dealing with a range of different raw water qualities. The complexity of the new technology being used is challenging and finalisation of commissioning and optimisation continues although treated water has been put into supply for some time.
- A £7m project to construct a new treatment works to treat water from the River Axe.

In total, we invested £16m in capital projects during the period. We currently anticipate a total investment programme for the current 5-year regulatory period of about £180m (at current prices, before grants and contributions). This is broadly in line with Ofwat's assumptions.

We continue to meet our leakage target and our customer service performance remains at high levels with customer surveys consistently showing high satisfaction levels.

Financial performance

Operating profit for the period increased by £0.8m to £15.0m. Despite this increase, profit before tax has decreased to £10.0m (£0.6m reduction compared to same period last year).

Net interest charges, excluding those related to retirement benefits and the preference share dividend, increased by £0.8m to £4.4m. This mainly reflects the increase in net debt resulting from the financing of the capital expenditure programme and an increase in the inflation element of the charge related to our indexed-linked debt. In addition, a net interest charge totalling £0.1m has arisen in relation to retirement benefits compared with net interest income totalling £0.5m in the same period last year.

The tax charge of £1.8m represents an effective tax rate of 18% (2007: 7%). The charge in 2007/08 was net of a £1.7m gain due to a reduction in deferred tax liabilities (after discounting) following the reduction in corporation tax rates from April 2008.

Net debt, excluding the irredeemable preference shares, increased to £197.4m (31 March 2008: £196.6m) and represents approximately 72% of forecast Regulatory Capital Value at 31 March 2009. As previously indicated we currently anticipate that this ratio will remain between 70% and 80% for the period to 31 March 2010.

Prospects

In the Directors' Report and Business Review within the company's Annual Report and Accounts 2008 we set out a summary of the key risks and uncertainties facing the company. The main risk areas are operational problems, performance and regulatory requirements and developments. Financial factors are also unpredictable due to the present financial market turmoil and high volatility related to all main financial indicators. The company is well placed to face medium-term events but it is not immune to the severe financial market uncertainties.

The results for the second half of the year will include the following:

- An increase in energy costs.
- A significant increase in interest charges reflecting increased net debt and higher indexation charges related to our index-linked debt.
- Increased net debt to finance the continuing planned levels of capital investment.

The Board considers that the company has adequate financial resources to complete planned capital investment until at least the end of the current periodic review period.

Clearly the final determination from Ofwat in November 2009 in relation to future tariffs will play a significant role in the future of the company. We are now working on our final submission due in April 2009 where we will put forward proposals regarding the next five years. We currently envisage a capital programme at double current levels of spend to achieve a sustainable basis for providing the service that customers seek.

CHAIRMAN'S STATEMENT CONTINUED

Dividends

The company policy is to pay an annual level of ordinary dividends comprising:

- A base level reflecting the cost of capital allowed by Ofwat in the 5-year determination of price limits, adjusted to reflect actual gearing levels and where appropriate actual performance relative to Ofwat's assumptions.
- An amount equal to the post-tax interest receivable from Bristol Water Group Ltd (the ultimate UK parent company) in respect of intercompany loans.

During the period an interim ordinary dividend for 2008/09, in respect of the interest element of the intercompany loan, of £1.5m was paid.

A final dividend of £3.2m in respect of 2007/08 was approved at the last Annual General Meeting and has been accrued in these statements. It was paid on 28 October 2008.

A second interim ordinary dividend for 2008/09 in respect of the base level dividend of £2.7m was approved by the Board on 24 November 2008 and will be subsequently paid. In accordance with Financial Reporting Standard 21 "Events after the balance sheet date" this amount has not been provided for in the attached interim financial statements.

Board membership

In May 2008 Dr Arnold Bates retired as an executive director from the Board after 18 years with the company and we wish him all the best for his retirement. In July 2008 Manuel Cermeron left his executive director position in the company and is now a non-executive director. In September 2008, Trevor Smallwood retired from the Board as Deputy Chairman and independent non-executive director after 9 years service. We thank those who have recently left us for their excellent service to the company and wish them well for the future.

We welcome Robert Davis who has been appointed as an independent non-executive director on 24 November 2008

Moger Woolley
Chairman
28 November 2008

Bristol Water plc Interim Results

PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2008

		Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	Note	£m	£m	£m
Turnover	2	48.9	46.0	91.0
Operating costs	3	<u>(33.9)</u>	<u>(31.8)</u>	<u>(64.7)</u>
Operating profit		15.0	14.2	26.3
Net interest payable and similar charges	4	(4.4)	(3.6)	(8.4)
Dividends on 8.75% irredeemable cumulative preference shares		(0.5)	(0.5)	(1.1)
Interest in respect of retirement benefit scheme surplus		<u>(0.1)</u>	<u>0.5</u>	<u>1.1</u>
		<u>(5.0)</u>	<u>(3.6)</u>	<u>(8.4)</u>
Profit on ordinary activities before taxation		10.0	10.6	17.9
Taxation on profit on ordinary activities	5	(1.8)	(0.7)	(3.4)
Profit on ordinary activities after taxation		<u>8.2</u>	<u>9.9</u>	<u>14.5</u>
Earnings per ordinary share	6	<u>136.3p</u>	<u>164.5p</u>	<u>243.2p</u>
Dividend per ordinary share	12			
- declared or proposed in respect of the period		<u>77.62p</u>	<u>75.28p</u>	<u>152.28p</u>
- paid during the period		<u>24.27p</u>	<u>23.60p</u>	<u>198.78p</u>

All activities above relate to the continuing operations of the company.

The accompanying notes to the accounts form an integral part of this statement.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the six months ended 30 September 2008

		Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	Note	£m	£m	£m
Profit attributable to Bristol Water plc ordinary shareholders		8.2	9.9	14.5
Actuarial (losses) / gains recognised in respect of retirement benefit obligations	10,11	(0.4)	2.3	1.1
Attributable deferred taxation	10,11	0.1	(0.7)	(0.3)
Total recognised gains for the period		<u>7.9</u>	<u>11.5</u>	<u>15.3</u>

The accompanying notes to the accounts form an integral part of this statement.

Bristol Water plc Interim Results

BALANCE SHEET

30 September 2008

		At 30 September 2008 (unaudited)	At 30 September 2007 (unaudited)	At 31 March 2008
	Note	£m	£m	£m
Fixed assets	7	247.4	232.8	244.1
Investment – Loans to ultimate UK holding company		68.5	68.5	68.5
Current assets				
Stocks		1.0	0.9	0.9
Debtors		25.5	24.5	20.9
Other investments	8	24.4	17.5	21.3
Cash at bank	8	1.1	3.8	0.2
		<u>52.0</u>	<u>46.7</u>	<u>43.3</u>
Creditors: amounts falling due within one year				
Short term borrowings and derivatives	8	(17.2)	(11.7)	(16.9)
Ordinary dividends approved but not paid at period end	12	(3.2)	(6.0)	-
Other creditors		(26.5)	(25.4)	(26.2)
		<u>(46.9)</u>	<u>(43.1)</u>	<u>(43.1)</u>
Net current assets		<u>5.1</u>	<u>3.6</u>	<u>0.2</u>
Total assets less current liabilities		321.0	304.9	312.8
Creditors: amounts falling due after more than one year				
Borrowings	8	(205.7)	(195.2)	(201.2)
Other creditors		(0.2)	(0.3)	(0.4)
		<u>(205.9)</u>	<u>(195.5)</u>	<u>(201.6)</u>
8.75% irredeemable cumulative preference shares	8	(12.5)	(12.5)	(12.5)
Deferred income		(10.2)	(9.7)	(10.0)
Provision for deferred tax liabilities	9	(20.7)	(18.8)	(20.3)
Retirement benefit surplus, net of attributable deferred taxation	10	10.0	10.8	10.1
Net assets		<u>81.7</u>	<u>79.2</u>	<u>78.5</u>
Capital and reserves				
Called up share capital		6.0	6.0	6.0
Share premium		4.4	4.4	4.4
Other reserves		5.8	5.8	5.8
Profit and loss account		65.5	63.0	62.3
Shareholders' funds	11	<u>81.7</u>	<u>79.2</u>	<u>78.5</u>

The accompanying notes to the accounts form an integral part of this statement.

CASH FLOW STATEMENT

For the six months ended 30 September 2008

		Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	Note	£m	£m	£m
Net cash inflow from operating activities	13	<u>21.2</u>	<u>20.6</u>	<u>49.4</u>
Returns on investments and servicing of finance				
Interest received		2.6	2.8	5.6
Interest paid on term loans and debentures		(4.9)	(4.5)	(9.0)
Interest paid on finance leases		(0.9)	(0.5)	(1.0)
Dividends paid on 8.75% irredeemable cumulative preference shares		(0.5)	(0.5)	(1.1)
Net costs of issue of new loans		-	-	(0.2)
		<u>(3.7)</u>	<u>(2.7)</u>	<u>(5.7)</u>
Taxation				
Corporation tax paid		-	(0.4)	(2.1)
Capital expenditure and investing activities				
Purchase of tangible fixed assets		(17.2)	(26.6)	(50.5)
Contributions received		2.1	2.6	4.0
		<u>(15.1)</u>	<u>(24.0)</u>	<u>(46.5)</u>
Equity dividends paid		<u>(1.5)</u>	<u>(1.4)</u>	<u>(11.9)</u>
Cash inflow / (outflow) before management of liquid resources and financing		0.9	(7.9)	(16.8)
Management of liquid resources				
Being (increase) / decrease in short term deposits		<u>(3.1)</u>	<u>10.5</u>	<u>6.7</u>
Financing				
New term loans		5.0	-	20.0
Capital element of lease repayments		(1.9)	(1.6)	(2.5)
Loan repayments		-	-	(10.0)
		<u>3.1</u>	<u>(1.6)</u>	<u>7.5</u>
Increase / (decrease) in cash	13	0.9	1.0	(2.6)
Cash, beginning of period		0.2	2.8	2.8
Cash, end of period		<u>1.1</u>	<u>3.8</u>	<u>0.2</u>

The accompanying notes to the accounts form an integral part of this statement.

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 1: Accounting policies

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results, which have not been audited but have been reviewed by the company's auditors, have been prepared on the basis of the accounting policies adopted by Bristol Water plc for the year ended 31 March 2008 as set out in the Annual Report and Accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under S.237(2) or (3) of the Companies Act 1985.

As outlined in the company's Annual Report and Accounts for the year ended 31 March 2008, the company is not required to, and does not intend to, adopt IFRS until UK GAAP and IFRS are fully harmonised.

Note 2: Turnover

Turnover is wholly derived from water supply and related activities in the United Kingdom. The maximum level of prices the company may levy for the majority of water charges is controlled by the Water Services Regulation Authority (Ofwat) through the RPI +/- K price formula.

Note 3: Operating costs

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets and including retirement benefit costs	6.7	6.1	12.2
Other operating costs	16.7	15.8	32.8
Depreciation, net of amortisation of deferred income	10.5	9.9	19.7
	<u>33.9</u>	<u>31.8</u>	<u>64.7</u>

Note 4: Net interest payable and similar charges

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
Other net interest payable relates to -			
Bank borrowings	1.4	0.8	2.0
Term loans and debentures - interest charges	3.6	3.6	7.1
- indexation of principal	1.7	1.5	3.7
Finance leases	0.4	0.5	1.0
	<u>7.1</u>	<u>6.4</u>	<u>13.8</u>
Less:			
Interest receivable from loan to Bristol Water Group Ltd	(2.0)	(2.0)	(4.0)
Other external investments and deposits	(0.7)	(0.8)	(1.4)
	<u>(2.7)</u>	<u>(2.8)</u>	<u>(5.4)</u>
Total other net interest	<u>4.4</u>	<u>3.6</u>	<u>8.4</u>

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 5: Taxation on profit on ordinary activities

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
The charge for taxation comprises -			
Current tax:			
Corporation tax at 28% (30 September 2007 & 31 March 2008: at 30%)	1.4	1.6	2.4
Adjustments to prior periods	-	-	(0.2)
Total current tax	<u>1.4</u>	<u>1.6</u>	<u>2.2</u>
Deferred tax:			
Current period movement	1.6	1.5	3.1
Effect of corporation tax rate change	-	(2.6)	(2.6)
Effect of changes related to abolition of Industrial Buildings Allowances	-	(0.9)	(0.9)
Other adjustments to prior periods	-	-	0.2
Effect of discounting	<u>(1.2)</u>	<u>1.1</u>	<u>1.4</u>
Total deferred tax	<u>0.4</u>	<u>(0.9)</u>	<u>1.2</u>
Total taxation on profit on ordinary activities	<u>1.8</u>	<u>0.7</u>	<u>3.4</u>

The overall tax charge represents 18% (six months to 30 September 2007: 7%; year ended 31 March 2008: 19%) of the profit before taxation. The prior period charge is net of a £1.7m discounted gain (£3.5m gain before discounting) due to a reduction in corporation tax rates from April 2008 and the removal of industrial buildings allowance clawback provisions.

Note 6: Earnings per ordinary share

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	m	m	m
Earnings per share have been calculated as follows -			
Earnings	£8.2	£9.9	£14.5
Weighted average number of ordinary shares in issue	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>

Note 7: Fixed assets

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
The movement in fixed assets comprises -			
Net book value, beginning of period	244.1	218.7	218.7
Additions	15.7	26.3	49.6
Grants and contributions	(1.7)	(2.1)	(4.0)
Depreciation charge for period	<u>(10.7)</u>	<u>(10.1)</u>	<u>(20.2)</u>
Net book value, end of period	<u>247.4</u>	<u>232.8</u>	<u>244.1</u>

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 8: Net borrowings	At 30 September 2008 (unaudited)	At 30 September 2007 (unaudited)	At 31 March 2008
	£m	£m	£m
Net borrowings comprise -			
Debt due after one year, excluding 8.75% irredeemable cumulative preference shares	205.7	195.2	201.2
Current portion of debt	2.2	11.7	1.9
Current portion of bank loans	15.0	-	15.0
	222.9	206.9	218.1
Cash at bank and other investments	(25.5)	(21.3)	(21.5)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	197.4	185.6	196.6
8.75% irredeemable cumulative preference shares	12.5	12.5	12.5
Net borrowings	209.9	198.1	209.1
Note 9: Provision for deferred tax liabilities	At 30 September 2008 (unaudited)	At 30 September 2007 (unaudited)	At 31 March 2008
	£m	£m	£m
Deferred tax liability	39.8	37.6	38.8
Effect of discounting	(15.2)	(15.1)	(14.6)
Net provision, including deferred tax on retirement benefit surplus	24.6	22.5	24.2
Less, attributable to retirement benefit surplus	(3.9)	(3.7)	(3.9)
Net provision, excluding deferred tax on retirement benefit surplus	20.7	18.8	20.3

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 10: Retirement benefits

Pension arrangements for the majority of the company's employees are provided through the company's membership of the Water Companies' Pension Scheme (WCPS), which provides defined benefits based on final pensionable pay. Bristol Water plc's membership of WCPS is through a separate section of the scheme. The assets of the section are held separately from those of the company and are invested by discretionary fund managers appointed by the trustees of the scheme. The section has been closed to new entrants and all new eligible employees are offered membership of a stakeholder pension scheme.

In addition to providing benefits to employees and ex-employees of Bristol Water plc, the section provides benefits to employees and ex-employees of Bristol Water Holdings Limited and former Bristol Water plc employees who transferred to Bristol Wessex Billing Services Ltd. The majority of the section assets and liabilities relate to Bristol Water plc employees and ex-employees.

The company made a contribution of £7.0m to WCPS in July 2005 and also agreed to make additional contributions of £1.0m in each of the four years beginning 1 April 2006 and a further £0.9m in 2010/11. The amounts are in addition to the normal pension contributions required by the WCPS trustees.

In accordance with FRS 17 actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

In summary assets and liabilities under FRS 17 were:

	30 September 2008 (unaudited)	30 September 2007 (unaudited)	31 March 2008
	£m	£m	£m
Market value of section assets	133.1	135.4	138.5
Present value of liabilities	(118.5)	(112.3)	(121.9)
Surplus in the section	14.6	23.1	16.6
Restriction of surplus due to asset limit under FRS 17	(0.7)	(8.6)	(2.6)
	13.9	14.5	14.0
Deferred taxation	(3.9)	(3.7)	(3.9)
Net retirement benefit surplus	10.0	10.8	10.1

Note 11: Shareholders' funds

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
Movement in shareholders' funds -			
At beginning of period	78.5	75.1	75.1
Profit for the period	8.2	9.9	14.5
Actuarial (loss) / gains recognised in respect of retirement benefit surplus	(0.4)	2.3	1.1
Attributable deferred taxation	0.1	(0.7)	(0.3)
Ordinary dividends (note 12)	(4.7)	(7.4)	(11.9)
End of period	81.7	79.2	78.5

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 12: Ordinary dividends

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
• Dividends in respect of 2007/08:			
First interim dividend of 23.60 pence per share, approved by the Board on 28 September 2007	-	1.4	1.4
Second interim dividend of 51.68 pence per share, approved by the Board on 29 November 2007	-	-	3.1
Third interim dividend of 23.47 pence per share, approved by the Board on 27 March 2008	-	-	1.4
Final dividend of 53.35 pence per share, approved by the Board on 4 August 2008	3.2	-	-
• Dividends in respect of 2008/09:			
First interim dividend of 24.27 pence per share, approved by the Board on 26 September 2008	1.5	-	-
Final dividend of 100.03 pence per share, approved by the Board on 6 August 2007	-	6.0	6.0
	<u>4.7</u>	<u>7.4</u>	<u>11.9</u>

A second interim ordinary dividend for 2008/09 of 45.02 pence per share totalling £2.7m was approved by the Board on 24 November 2008 and will be subsequently paid. In accordance with Financial Reporting Standard 21 "Events after the balance sheet date" this amount has not been provided for in these interim financial statements.

Note 13: Supplementary cash flow information

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
a) Reconciliation of operating profit to net cash inflow from operating activities -			
Operating profit	15.0	14.2	26.3
Depreciation net of amortisation of deferred income	10.5	9.9	19.7
Difference between pension charges and normal contributions	0.2	0.2	0.6
Cash flow from operations	<u>25.7</u>	<u>24.3</u>	<u>46.6</u>
Working capital movements:			
Stocks	(0.1)	(0.1)	(0.1)
Debtors	(4.4)	(3.7)	(0.2)
Creditors and provisions	0.5	0.6	4.1
Additional contributions to pension scheme	(0.5)	(0.5)	(1.0)
Net cash inflow from operating activities	<u>21.2</u>	<u>20.6</u>	<u>49.4</u>

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2008

Note 13 continued:

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008
	£m	£m	£m
b) Reconciliation of net cash flow to movement in net borrowings -			
Increase / (decrease) in cash in the period	0.9	1.0	(2.6)
Cash used to repay borrowings	1.9	1.6	12.5
Cash from new borrowings	(5.0)	-	(20.0)
Net costs of issue of loans	-	-	0.2
Increase / (decrease) in other investments	3.1	(10.5)	(6.7)
	0.9	(7.9)	(16.6)
Increase / (decrease) in net borrowings	(1.7)	(1.4)	(3.7)
Movement in net debt not affecting cash flow			
Net borrowings, beginning of period, including 8.75% irredeemable cumulative preference shares	(209.1)	(188.8)	(188.8)
Net borrowings, end of period, including 8.75% irredeemable cumulative preference shares	(209.9)	(198.1)	(209.1)

Note 14: Suez / La Caixa acquisition of Sociedad General de Aguas de Barcelona S.A. (Agbar)

Agbar, incorporated in Spain, is the parent company of Bristol Water Group Limited; Bristol Water Group Limited is the parent company of Bristol Water plc incorporated in the United Kingdom.

In April 2007 Suez, La Caixa and their joint venture Hisusa undertook to make a bid for the entire share capital of Agbar.

The outcome of the mandatory bid has resulted in approximately 90.012% of the share capital of Agbar being currently controlled by the French group Suez and the Spanish savings bank La Caixa.

The outcome of this acquisition may change the identity of Bristol Water plc's ultimate holding company, which is currently considered to be Agbar for the purposes of Condition P of Bristol Water's Instrument of Appointment. Ofwat is being kept informed of material developments.

Note 15: Circulation

This interim announcement is being sent to all shareholders and debenture holders. Copies are available to the public from the company's registered office at PO Box 218, Bridgwater Road, Bristol, BS99 7AU and on the Bristol Water web site: <http://www.bristolwater.co.uk>.

DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

- These interim financial statements have been prepared in accordance with UK GAAP;
- The Chairman's statement includes a fair review of the information required to indicate important events during the first six months of the financial year and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

By order of the Board
S C Robson
 Secretary
 28 November 2008

INDEPENDENT REVIEW REPORT TO BRISTOL WATER PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the company intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
28 November 2008
Bristol, United Kingdom