

**BRISTOL WATER HOLDINGS PLC
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

For further information:

Alan Parsons, Chief Executive
Andy Nield, Group Finance Director
Bristol Water Holdings plc

Tel: 0207 600 2288 (28 November)
Tel: 0117 953 6407 (thereafter)

Lulu Bridges
Tavistock Communications
Tel: 0207 600 2288

Jeremy Williams, Corporate Affairs
Bristol Water plc
Tel: 0117 953 6470 / 07831 453924

or contact:

Bristol Water Corporate Affairs on 0117 953 6470 during office hours or 07831 453924
or 07831 518964 at any time

Bristol Water Holdings contains one of the largest independent water supply companies in the country, providing around 300 million litres of water each day through 6,500 kilometres of mains. Bristol Water plc is responsible for supplying over one million people and businesses in an area of almost 2,400 square kilometres centred on Bristol.

The area served covers Bristol and surrounding parts of Somerset, Gloucestershire and Wiltshire.

In addition, the Group carries out a range of contracting and consulting services through its subsidiaries, Walter Lawrence Civil and Mechanical Limited and Bristol Water Services Limited.

HIGHLIGHTS

PROGRESSING ACCORDING TO PLAN

Six months ended 30 September	2002 (unaudited) £m	2001 Restated (unaudited) £m	% change
Group turnover			
Regulated water business	35.0	34.0	3 %
Other businesses	25.4	38.3	(34)%
Total group turnover	60.4	72.3	(17)%
Profit before tax			
Regulated water business	7.4	8.0	(6)%
Other businesses	0.6	0.9	(37)%
Total profit before tax	8.0	8.9	(10)%
Profit after tax	4.9	6.1	(21)%
Earnings per ordinary share			
Shares in issue	58.4p	76.0p	(23)%
Fully diluted	57.8p	75.6p	(24)%
Before application of FRS19 deferred tax:			
Profit after tax	6.6	6.9	(4)%
Earnings per ordinary share			
Shares in issue	82.1p	85.9p	(4)%
Fully diluted	81.3p	85.4p	(5)%
Interim dividend per ordinary share, net	20.8p	20.2p	3 %

¥ **Regulated water business**

- Profit before tax down by 6% - as anticipated due to relatively low RPI+K price increase of 1.9% together with increased financing and depreciation costs from continuing capital programme
- Net capital expenditure £9.1m
- High service levels maintained — rated third overall by Ofwat for 2001/02
- New venture with Wessex Water for joint billing of customers fully operational

¥ **Other businesses**

- Turnover 34% down reflects, as previously forecast, reduction in major pipeline contracts at Lawrence
- Profit before tax £0.6m, 7% of total
- Bristol Water Holdings/AWG consortium selected as British Waterways partner for Watergrid project

¥ **Taxation**

- Effective tax rate of 39% including non-cash adverse impact of discounting rate changes on deferred tax compared to positive impact in 2001/02 full year

¥ **Interim ordinary dividend increase of 3%**

CHAIRMAN'S STATEMENT

I am pleased to announce another good performance across the group in line with expectations. The regulated water company has delivered a good financial result whilst maintaining high levels of service to customers. Our other businesses have again delivered a positive contribution.

Overall Group results

In last year's Annual Report we signalled that the progressive build up of the regulated business's capital programme, with its consequent additional financing, depreciation and operating costs, together with the relatively low level of increase in charges under the RPI+K price limits of 1.9% would have a significant impact on profits. We also said that turnover at Lawrence, our contracting business, would reduce with a move to a more balanced order book.

Group turnover reduced by £11.9m (17%) to £60.4m. This includes an increase in regulated business turnover of £1.0m reflecting the RPI+K price increase, offset by a reduction in turnover from our other businesses of £12.9m primarily, as anticipated, at Lawrence.

Profit before tax reduced by £0.9m (10%) to £8.0m. This reflects a £0.6m (6%) reduction from the regulated water business to £7.4m, together with a reduction of £0.3m in the contribution from other businesses to a profit of £0.6m.

The group results include a total effective tax charge of some 39%. This includes a deferred tax charge of £1.8m (2001 - £0.7m) in addition to the underlying current tax charge of £1.4m. The deferred tax element is unusually high because of a reduction in the discount rates used to calculate our overall deferred tax liability. As required by FRS19, the discount rates applied are based on government gilts for relevant periods. The effect of the change in rates has been spread in relation to the expected total tax charge for the year, and essentially reverses a corresponding gain made in the second half of the previous year when discount rates increased. Before deferred tax, net profits declined by 4% to £6.6m.

On a fully diluted basis, earnings per share for the six months were 57.8p (2001 — 75.6p), a reduction of 24%. The equivalent figure before deferred tax was 81.3p (2001 — 85.4p), a 5% reduction.

Net debt increased by £4.3m in the period to £65.7m. Net gearing before the deferred tax provision has increased to 63% compared to 61% at 31 March 2002. Taking the deferred tax provision into account, net gearing increased to 75% from 72% at 31 March 2002. At 30 September 2002 the regulated water business had net debt of £75m representing approximately 43% of the average Regulatory Capital Value for 2002/03.

We have received the provisional results of the April 2002 actuarial review of our defined benefit pension schemes. As at April 2002, these show, measured on an ongoing actuarial basis, a net surplus of £5.7m. These schemes are closed to new entrants.

Interim dividend

We have declared a 3% increase in the interim dividend. This reflects the good underlying performance across the group. The interim dividend of 20.8 pence per ordinary share will be paid on 6 February 2003 to shareholders on the register on 6 January.

Bristol Water plc, our regulated water business

During the period we have continued to consolidate the considerable cost reductions made in recent years.

A major focus has been the continued development of the joint venture with Wessex Water to enable the two companies to issue combined bills to customers. The first joint bills for unmetered customers were issued in April 2002 with the first metered bills currently being issued. With the billing system now fully operational, this will allow us to achieve the significant planned efficiency savings during 2003, together with the provision of a simplified and improved service to customers. High standards of service to customers have been maintained throughout this complex process.

During the period, operating profits increased by 1% to £10.1m reflecting the permitted increase in charges to customers offset by the impact of inflation on costs.

In the next six months, operating costs are expected to increase during the winter operating conditions. Depreciation and interest costs will also increase further as a result of the continuing investment programme.

Capital investment, including infrastructure renewals, net of grants and contributions, in the period totalled £9.1m. Key projects included the installation of a barrier, to remove cryptosporidium oocysts, at the Chelvey water treatment works, bringing the total of smaller treatment works with such barriers to eight. We have recently commenced a £12m project for a major upgrade of our Barrow treatment plant, with completion planned for March 2004. In accordance with the Drinking Water Inspectorate's protocol, we have not yet commenced the lead pipe replacement programme that was incorporated in Ofwat's price determination, pending the results of orthophosphate dosing trials currently in progress. These are currently demonstrating substantial compliance with the standard that comes into force in 2013.

Ofwat have set out details of the planned Periodic Review process that will set price limits for the 5 years from 2005 to 2010. Ofwat's process will take almost two years to complete and the outcome will of course be important to the business.

We were pleased by our ranking in the recent Ofwat report on service levels by water companies in 2001/02. We were ranked third of all water companies in England and Wales and have been the most consistently highly rated company over the past few years. This recognises our commitment to the delivery of high levels of service to customers.

Other businesses

The overall result of a profit before tax of £0.6m is a reduction of £0.3m from the result reported at the same stage last year. Looking at the major businesses in turn:

Lawrence

Turnover was £28m, a £10m reduction from last year. As previously forecast this reflects the reduction in the level of major pipeline projects and the move to a more balanced portfolio of contracts. In line with the lower turnover level, profit before tax for the period was £0.4m (2001 - £0.7m).

Lawrence's relationship as one of Transco's tier 1 contractors has continued to develop well and we have made good progress on the gas pipeline projects including phase 2 of the Aberdeen pipeline. We have recently established a new subsidiary, Gas Design Consultancy Limited, to provide specialist design services to the gas industry. It has already received accreditation from Transco.

Overall order intake since April has been slower than anticipated, but the forward order book of £29m remains strong and balanced.

Bristol Water Services (BWS)

BWS is our international division providing network management services, specialising in leakage reduction.

Together with our joint venture partner, Premier Ayer Sdn Bhd, we are now 30 months into the nine year phase 2 Selangor project in Malaysia. This project for non-revenue water reduction is being carried out by our joint venture company PABW and continues to meet all performance targets, making a useful contribution to satisfying the increasing demands for water in Kuala Lumpur and surrounding areas.

The consultancy project that BWS and its consortium partners was awarded earlier this year, to identify performance indicators and best practice methodologies for leakage reduction across North America, is now well under way. At the same time we are evaluating other opportunities for our niche skills in the region.

BWS and its consortium partners have recently been awarded a prestigious £1m and eighteen month project by the European Agency for Reconstruction to assist in the restructuring and development of the water industry within Kosovo.

Overall, after adoption of a long-term contract profit recognition policy for the Selangor project, the division made a net contribution to pre-tax profits of £0.1m, after continued investment in marketing and business development.

Watergrid

We are pleased that the Bristol Water Holdings/AWG consortium has been selected as British Waterways partner for the Watergrid project. A new company, Water Grid Ltd, has been established as a national joint water supply venture between the public and private sectors. The aim is to provide industrial, commercial and property development customers with sustainable water solutions. Using the extensive canal and river network for the movement of water, Water Grid Ltd is seeking to serve multiple customer bases with bespoke water services and wastewater treatment facilities.

Water Grid Ltd has been formed between the Bristol Water Holdings/AWG consortium, British Waterways and the Government's PPP facilitator Partnerships UK. Both Bristol Water and AWG have effective 22.5% equity interests in the new venture.

With our long experience as the largest user of canal water for the purposes of water supply in the UK, this fits well with our core water skills-based strategy. Watergrid offers an opportunity for us to work with our partners to use our expertise in a wider market outside the immediate Bristol area.

Summary

The regulated water business has continued to deliver high quality services to customers while making further operational efficiency gains and putting in place key initiatives that will form the basis of future success. The full year result is expected to reflect an increase in operating costs during the winter operating conditions. Depreciation and interest costs will also increase further as a result of the continuing investment programme.

As previously highlighted the continued progressive build up of the regulated water business's capital programme together with the low level of permitted increases under the RPI+K price limits, with K's of 0% in 2003/04 and -1.9% in 2004/05, will have a significant impact on profits for those years.

The other businesses in the group continue to make a contribution to group profits, increasingly focussed on our core water skills.

Moger Woolley
Chairman
28 November 2002

GROUP PROFIT & LOSS ACCOUNT

		Six months to 30 September 2002 (unaudited)	Six months to 30 September 2001 (unaudited) Restated	Year to 31 March 2002
	Note	£000	£000	£000
Turnover including share of joint ventures	1	64,659	74,166	136,015
less: share of turnover of joint ventures		(4,296)	(1,827)	(6,897)
Group turnover		60,363	72,339	129,118
Operating costs	2	(49,928)	(61,608)	(110,252)
Group operating profit*		10,435	10,731	18,866
Share of joint venture operating profit/(loss)		(13)	(4)	157
Total operating profit: group and share of joint ventures		10,422	10,727	19,023
Profit on disposal of tangible fixed assets		36	319	753
Profit on disposal of businesses		50	-	23
Net interest payable	3	(2,502)	(2,190)	(4,224)
Profit on ordinary activities before taxation		8,006	8,856	15,575
Taxation	4	(3,139)	(2,713)	(3,525)
Profit on ordinary activities after taxation		4,867	6,143	12,050
Minority interests	5	(547)	(547)	(1,094)
Profit attributable to Bristol Water Holdings plc shareholders		4,320	5,596	10,956
Dividends on ordinary shares	5	(1,541)	(1,488)	(4,965)
Profit retained		2,779	4,108	5,991
Earnings per share	6			
On basis of shares in issue		58.4p	76.0p	148.7p
Fully diluted basis		57.8p	75.6p	147.5p
Earnings per share before application of FRS19 deferred tax				
On basis of shares in issue	6	82.1p	85.9p	166.3p
Fully diluted basis		81.3p	85.4p	164.9p
Dividend per ordinary share	5	20.8p	20.2p	67.2p

The profit on ordinary activities after taxation excludes a loss of £31,000 (2001 — Nil) in respect of the foreign exchange adjustment on the revaluation of the net assets of the group's foreign subsidiaries.

Details of restatements are set out in Note 1

SUMMARISED GROUP BALANCE SHEET

		At 30 September 2002 (unaudited) £000	At 30 September 2001 (unaudited) Restated £000	At 31 March 2002 £000
Fixed assets				
Intangible fixed assets		14	31	23
Tangible fixed assets	7	182,270	176,736	180,770
Investments in joint ventures -				
Share of gross assets		6,307	3,148	6,289
Share of gross liabilities		<u>(6,092)</u>	<u>(2,986)</u>	<u>(5,957)</u>
		<u>215</u>	<u>162</u>	<u>332</u>
Total fixed assets		<u>182,499</u>	<u>176,929</u>	<u>181,125</u>
Current assets				
Stocks		626	597	512
Debtors		27,712	30,412	21,447
Cash and term deposits	8	<u>17,850</u>	<u>28,216</u>	<u>24,513</u>
		<u>46,188</u>	<u>59,225</u>	<u>46,472</u>
Creditors: amounts falling due within one year				
Short term borrowings	8	1,636	2,361	3,138
Other creditors		<u>32,109</u>	<u>45,565</u>	<u>33,249</u>
		<u>33,745</u>	<u>47,926</u>	<u>36,387</u>
Net current assets		<u>12,443</u>	<u>11,299</u>	<u>10,085</u>
Total assets less current liabilities		<u>194,942</u>	<u>188,228</u>	<u>191,210</u>
Creditors: amounts falling due after more than one year	8	<u>(81,955)</u>	<u>(83,255)</u>	<u>(82,825)</u>
Accruals and deferred income		<u>(8,434)</u>	<u>(8,428)</u>	<u>(8,396)</u>
Provisions for liabilities and charges	9	<u>(16,681)</u>	<u>(13,700)</u>	<u>(14,926)</u>
Net operating assets		<u>87,872</u>	<u>82,845</u>	<u>85,063</u>
Shareholders funds	10	<u>75,372</u>	<u>70,345</u>	<u>72,563</u>
Minority interests		<u>12,500</u>	<u>12,500</u>	<u>12,500</u>
Capital employed		<u>87,872</u>	<u>82,845</u>	<u>85,063</u>

Details of restatements are set out in Note 1.

SUMMARISED GROUP CASH FLOW STATEMENT

		Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) Restated £000	Year to 31 March 2002 £000
	Note			
Net cash inflow from operating activities	11	9,586	15,022	29,671
Dividends received from joint ventures		129	-	-
Returns on investments and servicing of finance				
Net interest paid		(3,054)	(2,718)	(4,238)
Dividends paid to minorities		(547)	(547)	(1,094)
		(3,601)	(3,265)	(5,332)
Taxation paid		(1,378)	(944)	(2,183)
Capital expenditure and investing activities				
Purchase of tangible fixed assets		(10,751)	(14,513)	(26,444)
Contributions received		1,808	912	2,588
Proceeds from disposal of tangible fixed assets		464	459	957
		(8,479)	(13,142)	(22,899)
Acquisitions and disposals — net proceeds		50	-	113
Dividends paid on ordinary (equity) shares		-	-	(4,786)
Net cash outflow before management of liquid resources and financing		(3,693)	(2,329)	(5,416)
Management of liquid resources				
being decrease/(increase) in term deposits		3,000	(5,695)	(295)
Financing				
Issue of shares		61	10	345
New loans and leases		-	13,159	13,159
Capital element of loan and lease repayments		(3,031)	(3,702)	(4,653)
		(2,970)	9,467	8,851
(Decrease)/increase in cash	11	(3,663)	1,443	3,140
Cash, beginning of period		5,513	2,373	2,373
Cash, end of period		1,850	3,816	5,513

Details of restatements are set out in Note 1.

SEGMENTAL ANALYSIS

	Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) Restated £000	Year to 31 March 2002 £000
Turnover including share of joint ventures			
Water supply and related activities	35,038	34,025	68,013
Contracting and other services -			
Group	30,658	41,922	70,005
Joint ventures	4,296	1,827	6,897
Intra-group sales	(5,333)	(3,608)	(8,900)
Total	<u>64,659</u>	<u>74,166</u>	<u>136,015</u>
Total operating profit: group and share of joint ventures			
Water supply and related activities	10,075	9,995	17,741
Contracting and other services	347	732	1,282
Total	<u>10,422</u>	<u>10,727</u>	<u>19,023</u>
Profit before taxation			
Water supply and related activities	7,438	7,954	13,903
Contracting and other services	568	902	1,672
Total	<u>8,006</u>	<u>8,856</u>	<u>15,575</u>
Net assets employed			
Water supply and related activities	76,224	73,791	73,946
Contracting and other services	11,648	9,054	11,117
Total	<u>87,872</u>	<u>82,845</u>	<u>85,063</u>
Average number of employees (average full time equivalents)			
Water supply and related activities	428	446	430
Contracting and other services	492	603	510
Total	<u>920</u>	<u>1,049</u>	<u>940</u>

NOTES TO THE INTERIM RESULTS

Note 1: Accounting policies

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of s.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 Holdings plc for the year ended 31 March 2002 as set out in the Annual Report and Accounts. Those accounts (on which the auditors gave an unqualified report) have been delivered to the Registrar of Companies.

The accounts for the six months ended 30 September 2001 have been restated to reflect a change in the basis of recognition of turnover from metered supplies which was incorporated for the first time into the results for the year ended 31 March 2002. The impact of the restatement is to increase turnover by £234,000, increase profit after tax by £209,000, increase accrued income in the balance sheet by £2,199,000 and increase net assets after provision for tax by £1,979,000.

The 30 September 2001 results have been restated to treat capital expenditure of £433,000, payable on deferred terms, as a loan not affecting cash flow, in accordance with the treatment adopted for the 31 March 2002 results, rather than as working capital.

Note 2: Operating costs

	Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) £000	Year to 31 March 2002 £000
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets	12,412	15,066	26,796
Other operating expenses	30,348	39,566	69,463
Depreciation and amortisation	7,168	6,976	13,993
	<u>49,928</u>	<u>61,608</u>	<u>110,252</u>

Note 3: Interest payable

Interest payable and similar charges comprise -			
Interest payable and similar charges	2,964	2,877	5,531
Interest income	(462)	(687)	(1,307)
	<u>2,502</u>	<u>2,190</u>	<u>4,224</u>

NOTES TO THE INTERIM RESULTS (Continued)

Note 4: Taxation

	Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) Restated £000	Year to 31 March 2002 £000
The charge for taxation comprises -			
Current tax:			
Corporation tax at 30%	1,325	2,666	4,954
Adjustments to prior periods	55	-	(1,813)
Less Advance Corporation Tax set off	-	(783)	(1,027)
Foreign taxation	41	61	89
	<u>1,421</u>	<u>1,944</u>	<u>2,203</u>
Joint ventures	(37)	39	30
Total current tax	<u>1,384</u>	<u>1,983</u>	<u>2,233</u>
Deferred tax:			
Current period movement	821	(133)	(176)
Advance Corporation Tax movement	301	783	-
Adjustments to prior periods	291	-	2,851
Effect of discounting	342	80	(1,383)
Total deferred tax	<u>1,755</u>	<u>730</u>	<u>1,292</u>
Total tax on profit on ordinary activities	<u>3,139</u>	<u>2,713</u>	<u>3,525</u>

Included within the effect of discounting charge for the six months to 30 September 2002 is £793,000 relating to the effect of the change in discount rates since 31 March 2002, offset by other discounting movements of £451,000.

Note 5: Dividends

The minority interest represents the dividend payable on the 8.75% Irredeemable Preference Shares issued by the Company's principal subsidiary, Bristol Water plc.

The Board has declared an interim dividend of 20.8 pence (2001 - 20.2 pence) on each Ordinary Share amounting to £1,541,000 (2001 - £1,488,000), payable on 6 February 2003.

NOTES TO THE INTERIM RESULTS (Continued)

Note 6:	Earnings per share attributable to ordinary shares			
		Six months to 30 September 2002 (unaudited)	Six months to 30 September 2001 (unaudited) Restated	Year to 31 March 2002
		000	000	000
	Earnings per share have been calculated as follows:			
	Earnings	£4,320	£5,596	£10,956
	Earnings before application of FRS19 deferred tax	£6,075	£6,326	£12,248
	Weighted average number of ordinary shares	7,400	7,362	7,365
	Fully diluted weighted average number of ordinary shares	7,474	7,408	7,426
Note 7:	Movement in tangible fixed assets			
		Six months to 30 September 2002 (unaudited)	Six months to 30 September 2001 (unaudited)	Year to 31 March 2002
		£000	£000	£000
	The movement in tangible fixed assets comprises -			
	Net book value, beginning of period	180,770	171,554	171,554
	Additions	11,039	13,316	26,264
	Disposals	(428)	(115)	(201)
	Grants and contributions	(1,808)	(912)	(2,588)
	Depreciation	(7,303)	(7,107)	(14,259)
	Net book value, end of period	182,270	176,736	180,770
Note 8:	Net debt			
		At 30 September 2002 (unaudited)	At 30 September 2001 (unaudited)	At 31 March 2002
		£000	£000	£000
	Net debt comprises -			
	Debt due after one year	81,955	83,255	82,825
	Debt due within one year	1,636	2,361	3,138
	Less cash balances and short term deposits	(17,850)	(28,216)	(24,513)
	Net debt	65,741	57,400	61,450

NOTES TO THE INTERIM RESULTS (Continued)

Note 9: Provisions for liabilities and charges

	At 30 September 2002 (unaudited) £000	At 30 September 2001 (unaudited) £000	At 31 March 2002 £000
Deferred taxation provision			
Deferred tax liability	30,532	26,430	29,119
Effect of discounting	(13,851)	(12,730)	(14,193)
Net provision	<u>16,681</u>	<u>13,700</u>	<u>14,926</u>

Note 10: Shareholders funds

	Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) Restated £000	Year to 31 March 2002 £000
Movement in shareholders funds -			
Beginning of period	72,563	66,227	66,227
Issue of shares	61	10	345
Attributable profit for the period	4,320	5,596	10,956
Dividends	(1,541)	(1,488)	(4,965)
Foreign exchange translation difference	(31)	-	-
End of period	<u>75,372</u>	<u>70,345</u>	<u>72,563</u>

On 25 November 2002, the issued share capital of the Company comprises 7,262,856 Ordinary Shares and 141,430 Non-Voting Ordinary Shares.

NOTES TO THE INTERIM RESULTS (Continued)

Note 11: Supplementary cash flow information

	Six months to 30 September 2002 (unaudited) £000	Six months to 30 September 2001 (unaudited) Restated £000	Year to 31 March 2002 £000
a) Reconciliation of operating profit to net cash inflow from operating activities -			
Operating profit	10,435	10,731	18,866
Depreciation and amortisation	7,168	6,976	13,993
Cashflow from operations	<u>17,603</u>	<u>17,707</u>	<u>32,859</u>
Working capital movements	(8,017)	(2,685)	(3,188)
Net cash inflow from operating activities	<u>9,586</u>	<u>15,022</u>	<u>29,671</u>
b) Reconciliation of net cash flow to movement in net debt -			
(Decrease)/increase in cash in the period	(3,663)	1,443	3,140
Cash used to repay borrowings	3,031	3,702	4,653
Cash from new borrowings	-	(13,159)	(13,159)
Cash (inflow)/outflow from management of liquid resources	(3,000)	5,695	295
Increase in net borrowings arising from cashflows	<u>(3,632)</u>	<u>(2,319)</u>	<u>(5,071)</u>
New loans not affecting cashflow	(659)	(433)	(1,731)
Net debt, beginning of period	(61,450)	(54,648)	(54,648)
Net debt, end of period	<u>(65,741)</u>	<u>(57,400)</u>	<u>(61,450)</u>

Note 12: Pensions

We have received the provisional results of the April 2002 actuarial review of our defined benefit schemes. As at April 2002, these show, measured on an ongoing actuarial basis, a net surplus of £5.7m. These schemes are closed to new entrants.

We will be making the appropriate disclosures under FRS17, the new accounting standard on pensions in the full year accounts, and following recent ASB announcements we are reviewing the timing of full adoption of the standard.

Note 13: Circulation

This interim announcement is being sent to all shareholders. 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>

INDEPENDENT REVIEW REPORT TO BRISTOL WATER HOLDINGS PLC

Introduction

We have been instructed by the company to review the financial information, for the six months ended 30th September 2002, set out on pages 6 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.

PricewaterhouseCoopers
Chartered Accountants
Bristol
28 November 2002

Notes:

- (a) The maintenance and integrity of the Bristol Water group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.