

Announcement of unaudited preliminary financial results for the year ended 31 March 2023

Bristol Water plc (the “Company”) announces its unaudited results for the twelve months ending 31 March 2023.

The Company’s interim financial results are set out below and can also be accessed via the Company’s website.

FINANCIAL PERFORMANCE

	2022/23 (10 months trading)	2021/22 (12 months trading) restated
Revenue	£109.0m	£125.5m
Underlying revenue ^{1,2}	£115.6m	£125.5m
Underlying (loss)/profit before tax ¹	(£3.8m)	£15.1m
Non-underlying items before tax ¹	(£20.9m)	(£0.1m)
(Loss)/profit before tax	(£24.7m)	£15.0m
Earnings per share		
Statutory loss per share	(336.7p)	(175.0p)

Highlights

- The full year results include the 10 months trading of Bristol Water plc as a statutory water undertaker, to the point of the statutory transfer which transferred its licence, trading, assets and liabilities to South West Water Limited on 1st February 2023. All comparators are for 12 months of trading.
- Post the statutory transfer, no transactions were recognised in the income statement except for those relating to the remaining preference shares, debentures and pension asset. Going forward remaining obligations relating to these will be met from matching intra-group contracted assets and related receipts.
- £115.6 million underlying Revenue – reduction reflecting 2 months fewer of trading, offset by increased tariffs in line with the regulatory mechanism.
- £3.8 million underlying loss before tax – reduction reflecting the near-term pressures on earnings from inflation driven power pricing and financing costs.
- Significant net non-underlying reduction in profits – delivering on our WaterShare+ commitments and cost resulting from the statutory transfer to South West Water Limited, including bond redemption costs and legal costs.
- Statutory loss per share of 336.7 pence includes significant non-underlying items. Statutory loss per share for 2021/22 was impacted by the significant non-underlying deferred tax charge in respect of the change in corporation tax rate.

¹ Non-underlying items are adjusted for by virtue of their size, nature or incidence to enable a full understanding of financial performance

² The Company’s statutory revenue for 2022/23 of £109m included non-underlying revenue reductions of £6.6m in respect of a customer bill credit under WaterShare+



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PERFORMANCE REPORT

On 1 February 2023, the merger of South West Water and Bristol Water completed with Bristol Water's operating licence transferring to South West Water Limited ('SWW'). As part of the transfer scheme, the trade and majority of assets and liabilities of Bristol Water plc ('BW') were transferred to SWW. SWW will continue to operate under the Bristol Water name in the area Bristol Water serves. From this date, the operating activities of BW ceased with only residual preference shares, debt and the pension surplus remaining in the company. Any commitments under these instruments are fully supported by interest bearing loans receivable from SWW. As a result of the above, the financial performance included in this announcement relates to 10 months of trade up to the point of the statutory transfer.

Revenue reduced in the year reflecting 2 months fewer of trading, offset by increased tariffs in line with the regulatory mechanism. Household demand continues to reduce as the number of people working from home after COVID-19 continues to reduce, and as a result Non-household demand continues to recover towards pre-COVID-19 levels.

Significant levels of inflation in the year resulted in a number of costs increasing markedly. Power prices increased significantly in the year, and while we were hedged to a high level in the first half of the year the second half resulted in cost around 50% higher than previous year. Chemicals prices also increased by around the same proportion (including secondary power increase effects).

In addition the very warm summer led to increased usage of the northern area of our supply region's resources, which require more power and chemical consumption, in order to maintain resilience to our supply.

As a result of the high levels of inflation over the last two years, our indexation costs remained high.

A number of non-underlying items have been incurred this year as a result of the statutory transfer. Customers were able to take advantage of the WaterShare+ scheme which led to £6.6 million being returned to customers as a bill credit or shares, and our index linked bond was redeemed resulting in a loss of £13.1 million.



BRISTOL WATER PLC
UNAUDITED PRELIMINARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

INCOME STATEMENT (UNAUDITED)

for the year ended 31 March 2023

	Notes	2023 £m	2022 Restated (note 4) £m
Revenue before non underlying items	5	115.6	125.5
Non underlying revenue	5	(6.6)	-
Total revenue		109.0	125.5
Operating costs excluding impairment losses on trade receivables	6	(84.6)	(88.8)
Impairment losses on trade receivables	6	(3.5)	(2.7)
Operating costs before non underlying items		(88.1)	(91.5)
Non underlying operating costs	6	(1.2)	(0.1)
Total net operating costs	6	(89.3)	(91.6)
Operating profit		19.7	33.9
Interest payable and similar charges before non underlying items	7	(34.0)	(22.8)
Interest receivable and similar charges before non underlying items	7	2.7	3.9
Non underlying interest payable and similar charges	7	(13.1)	-
Total net interest payable and similar charges	7	(44.4)	(18.9)
(Loss) / profit before tax		(24.7)	15.0
Taxation on profit on ordinary activities	8	4.5	(25.5)
Loss for the financial year		(20.2)	(10.5)
Loss per ordinary share	9	(336.7)p	(175.0)p

Substantially all of the Company's operations were discontinued in the year.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the year ended 31 March 2023

	Notes	2023 £m	2022 Restated (note 4) £m
Loss for the financial year		(20.2)	(10.5)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit and loss			
Actuarial loss on retirement benefit surplus		0.5	(1.0)
Remeasurement of defined benefit pension scheme restriction	8	(0.1)	0.4
Other comprehensive income/(loss) for the year, net of tax		0.4	(0.6)
Total comprehensive loss for the year		(19.8)	(11.1)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

at 31 March 2023

		2023	2022
		£m	Restated (note 4) £m
Non-current assets			
Property, plant and equipment		-	696.6
Intangible assets		-	12.7
Other investments - Loans to group undertakings		-	61.1
Other receivables		26.6	-
Retirement benefit surplus		8.2	8.1
		34.8	778.5
Current assets			
Inventory		-	1.9
Trade and other receivables	10	144.5	29.5
Current tax asset	10	0.7	-
Cash and cash equivalents		0.1	12.0
		145.3	43.4
Total assets		180.1	821.9
Non-current liabilities			
Lease liabilities		-	(1.1)
Deferred income tax liabilities		-	(99.6)
Borrowings and derivatives	11	(1.6)	(399.7)
8.75% irredeemable cumulative preference shares	11	(12.5)	(12.5)
Deferred income		-	(18.5)
Government grants		-	(0.3)
		(14.1)	(531.7)
Current liabilities			
Lease liabilities		-	(0.4)
Current portion of deferred income		-	(2.7)
Trade and other payables		(0.9)	(36.7)
Current tax liability		-	(1.3)
		(0.9)	(41.1)
Total liabilities		(15.0)	(572.8)
Net assets		165.1	249.1
Equity			
Called-up share capital		6.0	6.0
Share premium account		4.4	4.4
Other reserves		5.8	5.8
Retained earnings		148.9	232.9
Total Equity		165.1	249.1

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended 31 March 2023

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2021 (as restated) (note 4)	6.0	4.4	5.8	252.8	269.0
Loss for the year (as restated)	-	-	-	(10.5)	(10.5)
Other comprehensive loss for the year:					
Actuarial loss recognised in respect of retirement benefit obligations	-	-	-	(1.0)	(1.0)
Remeasurement of defined benefit pension scheme	-	-	-	0.4	0.4
Total comprehensive loss for the year	-	-	-	(11.1)	(11.1)
Ordinary dividends	-	-	-	(8.9)	(8.9)
Share based payments	-	-	-	0.1	0.1
Balance as at 31 March 2022 (restated) (note 4)	6.0	4.4	5.8	232.9	249.1
Balance as at 1 April 2022 (restated) (note 4)	6.0	4.4	5.8	232.9	249.1
Loss for the year	-	-	-	(20.2)	(20.2)
Other comprehensive income for the year:					
Actuarial profit recognised in respect of retirement benefit obligations	-	-	-	0.5	0.5
Remeasurement of defined benefit pension scheme	-	-	-	(0.1)	(0.1)
Total comprehensive loss for the year	-	-	-	(19.8)	(19.8)
Ordinary dividends	-	-	-	(64.3)	(64.3)
Share based payments	-	-	-	0.1	0.1
Balance as at 31 March 2023	6.0	4.4	5.8	148.9	165.1

The Board has not proposed a final dividend in respect of the financial year 2022/23 (2022: £nil).

CASH FLOW STATEMENT (UNAUDITED)

For the year ended 31 March 2023

		2023	2022
	Notes	£m	Restated (note 4) £m
Cash flows from operating activities			
(Loss)/profit before taxation		(24.7)	15.0
Adjustments for:			
Share based payments		0.1	0.1
Deferred income amortisation		(3.3)	(3.2)
Depreciation	6	21.4	25.0
Amortisation of intangibles	6	2.9	3.9
Difference between pension charges and contributions paid		0.6	0.9
Loss / (profit) on disposal of assets	6	0.1	(0.1)
Interest income	7	(2.4)	(3.6)
Interest expense	7	47.1	22.8
Pension interest income	7	(0.3)	(0.3)
(Increase) in inventory		(0.5)	(0.2)
Decrease/(increase) in trade and other receivables		0.5	(1.3)
Increase/(decrease) in trade and other creditors and provisions		9.5	(0.7)
Cash generated from operations		<u>51.0</u>	<u>58.3</u>
Interest paid		(21.4)	(12.4)
Corporation taxes paid		(1.6)	(1.9)
Contributions received		2.8	2.1
Net cash generated from operating activities		<u>30.8</u>	<u>46.1</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(40.7)	(40.4)
Proceeds from sale of fixed assets		-	0.2
Interest received	7	2.4	3.6
Repayment of intercompany loan receivable		61.1	-
Disposal of trade and assets	15	(5.1)	-
Net cash used in investing activities		<u>17.7</u>	<u>(36.6)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		81.1	11.0
Repayment of loans and borrowings		(75.8)	(9.0)
Payment of lease liabilities		(0.3)	(0.4)
Preference dividends paid	7	(1.1)	(1.1)
Equity dividends paid		(64.3)	(8.9)
Net cash used in financing activities		<u>(60.4)</u>	<u>(8.4)</u>
Net (decrease)/increase in cash and cash equivalents		(11.9)	1.1
Cash and cash equivalents, beginning of year		12.0	10.9
Cash and cash equivalents, end of year		<u>0.1</u>	<u>12.0</u>

Substantially all of the Company's operations were discontinued in the year.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Bristol Water plc is a public company, limited by shares, with irredeemable preference shares and debenture stock listed on the London Stock Exchange.

The Company is incorporated and domiciled in England, United Kingdom. The address of its registered office is Bridgwater Road, Bristol, BS13 7AT, England.

2 Basis of preparation

The unaudited financial statements of the Company are prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative instruments) measured at fair value and in accordance with UK adopted international financial reporting standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing 31 March 2023:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16; and
- Annual Improvements to IFRS Standards 2018-2020.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Going concern

The Company's licence, trade, assets and obligations were transferred to South West Water Limited as a going concern on 1 February 2023, the consideration being the net asset carrying value of £171.1m settled via an intercompany debtor. Post the statutory transfer, no transactions were recognised in the income statement except for those relating to the remaining preference shares, debentures, pension asset and intercompany loans. Going forward remaining obligations relating to these will be met from matching intra-group contracted assets and related receipts. The Company has received confirmation from Pennon Group plc that it will provide support to the Company should it be required, to meet its liabilities as they fall due for the foreseeable future. As a result, the Directors have concluded that the Company has adequate resources, or the reasonable expectation of raising further resources as required, to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

4 Change in accounting policies

As a result of the acquisition of the Company by Pennon Group Plc on 3 June 2021, the Company's accounting policies adopted for the statutory financial statements have been aligned with those of Pennon Group Plc. This note explains the impact of these accounting policies on the Company's financial statements.

Reconciliation of equity as at 1 April 2021 and 31 March 2022

	Note	31 March 2021 as originally presented £m	Change £m	31 March 2021 restated (unaudited) £m	31 March 2022 as originally presented £m	Change £m	31 March 2022 restated (unaudited) £m
Non-current assets							
Property, plant and equipment		682.9	-	682.9	696.6	-	696.6
Intangible assets		13.3	-	13.3	12.7	-	12.7
Investments		61.1	-	61.1	61.1	-	61.1
Deferred tax assets	B	5.9	(5.9)	-	7.9	(7.9)	-
Retirement benefit surplus		9.1	-	9.1	8.1	-	8.1
		<u>772.3</u>	<u>(5.9)</u>	<u>766.4</u>	<u>786.4</u>	<u>(7.9)</u>	<u>778.5</u>
Current assets							
Inventory		1.7	-	1.7	1.9	-	1.9
Trade and other receivables		29.6	-	29.6	29.5	-	29.5
Cash and cash equivalents		10.9	-	10.9	12.0	-	12.0
		<u>42.2</u>	<u>-</u>	<u>42.2</u>	<u>43.4</u>	<u>-</u>	<u>43.4</u>
Total assets		<u>814.5</u>	<u>(5.9)</u>	<u>808.6</u>	<u>829.8</u>	<u>(7.9)</u>	<u>821.9</u>
Non-current liabilities							
Lease liabilities		(1.5)	-	(1.5)	(1.1)	-	(1.1)
Deferred tax liabilities	B	(72.3)	(6.3)	(78.6)	(93.2)	(6.4)	(99.6)
Borrowings and derivatives 8.75% irredeemable cumulative preference shares		(379.2)	-	(379.2)	(399.7)	-	(399.7)
Deferred income	A	(12.5)	63.3	(19.6)	(12.5)	64.5	(12.5)
Government grants		(82.9)	-	(19.6)	(83.0)	-	(18.5)
		(0.3)	-	(0.3)	(0.3)	-	(0.3)
		<u>(548.7)</u>	<u>57.0</u>	<u>(491.7)</u>	<u>(589.8)</u>	<u>58.1</u>	<u>(531.7)</u>
Current liabilities							
Lease liabilities		(0.4)	-	(0.4)	(0.4)	-	(0.4)
Borrowings and derivatives		(9.0)	-	(9.0)	-	-	-
Deferred income	A	(1.8)	(0.9)	(2.7)	(1.9)	(0.8)	(2.7)
Trade and other payables		(35.3)	-	(35.3)	(38.0)	-	(38.0)
Provisions for liabilities		(0.5)	-	(0.5)			
		<u>(47.0)</u>	<u>(0.9)</u>	<u>(47.9)</u>	<u>(40.3)</u>	<u>(0.8)</u>	<u>(41.1)</u>
Total liabilities		<u>(595.7)</u>	<u>56.1</u>	<u>(539.6)</u>	<u>(630.1)</u>	<u>57.3</u>	<u>(572.8)</u>
Net assets		<u>218.8</u>	<u>50.2</u>	<u>269.0</u>	<u>199.7</u>	<u>49.4</u>	<u>249.1</u>
Equity							
Called-up share capital		6.0	-	6.0	6.0	-	6.0
Share premium account		4.4	-	4.4	4.4	-	4.4
Other reserves		5.8	-	5.8	5.8	-	5.8
Retained earnings	A,B	202.6	50.2	252.8	183.5	49.4	232.9
Total Equity		<u>218.8</u>	<u>50.2</u>	<u>269.0</u>	<u>199.7</u>	<u>49.4</u>	<u>249.1</u>

The impact of the above adjustments includes the correction of a presentational error whereby deferred tax assets should have been offset against deferred tax liabilities in line with IAS 12.

4 Change in accounting policies (continued)

Reconciliation of total comprehensive income for the year ended 31 March 2022

	Note	Year to 31 March 2022 as originally presented £m	Change £m	Year to 31 March 2022 restated (unaudited) £m
Revenue	A	124.2	1.3	125.5
Total operating costs		(91.6)	-	(91.6)
Operating profit		32.6	1.3	33.9
Net interest payable and similar charges		(18.9)	-	(18.9)
Profit on ordinary activities before taxation		13.7	1.3	15.0
Taxation on profit on ordinary activities	B	(23.4)	(2.1)	(25.5)
Loss for the year		(9.7)	(0.8)	(10.5)
Other comprehensive loss for the year, net of tax		(0.6)	-	(0.6)
Total comprehensive loss for the year		(10.3)	(0.8)	(11.1)

Notes to the reconciliation of equity as at 1 April 2021 and 31 March 2022 and total comprehensive loss for the year ended 31 March 2022

Developer contributions

The Company previously recognised all contributions received from developers in respect of network and other assets as deferred income and amortised this to revenue over a period of 60 years. This policy has been changed to align with the Pennon Group plc's policy as follows.

A Contributions relating to connections or alterations to the water network.

Where the performance obligation relates solely to a connection to the network, revenue is recognised at the point of connection when the customer is deemed to obtain control.

Contributions paid in advance where the connection has not yet completed are treated as a contract liability and are recognised in deferred income on the balance sheet.

As at 31 March 2022, £63.7m (1 April 2021: £62.4m) cumulative additional revenue has been recognised.

Revenues and profit before tax for the year ended 31 March 2023 was increased by £2.0m (31 March 2022, increased by £1.3m).

B Taxation

The adjustments per note A leads to different temporary taxation differences. In line with the Company's accounting policies, the Company has accounted for such differences and recognised the related net deferred tax and corporation tax liabilities.

At 31 March 2022, an increase in deferred tax liability of £14.3m (1 April 2021: £12.2m) was recognised, resulting in a reclassification from assets to liabilities on the balance sheet.

5 REVENUE	2023 £m	2022 Restated £m
Appointed income		
Household - measured	50.0	55.3
Household - unmeasured	36.1	40.9
Non-household - measured	22.2	22.2
Non-household – unmeasured	0.3	0.3
Contributions from developers	3.3	3.2
Third party services	1.8	1.4
Rental income	1.0	1.0
	114.7	124.3
Non-appointed income		
Recreations	0.5	0.7
Rental income	0.2	0.2
Other	0.2	0.3
	0.9	1.2
Underlying income	115.6	125.5
Non-Underlying income		
Watershare +	(6.6)	-
Total income	109.0	125.5

Appointed income is income earned under the Company's licence to supply water for the period until 1 February 2023 when the licence was transferred to SWW. Non-appointed income relates to activities that do not require a water supply licence. All revenue relates to the trade and assets transferred to SWW.

In the year, the Company offered Pennon Group plc's, its parent company, WaterShare+ scheme to its customers whereby customers could choose to accept a credit on their bill or take shares in Pennon Group plc. The value of the rebate equated to £13 per customer and the total value of £6.6 million was recognised in full as a non-underlying reduction to revenue in the year ended 31 March 2023. This item was non-underlying in nature given its individual size and its non-recurring nature.

6 OPERATING COSTS

(a) Operating costs include:

	2023	2022
	£m	Restated £m
Wages and salaries	19.0	22.2
Social security costs	2.1	2.4
Defined contribution scheme costs	2.2	2.2
Defined benefit scheme costs	0.4	0.9
Share-based payments	0.1	0.1
Total payroll cost	<u>23.8</u>	<u>27.8</u>
Less capitalised as tangible and intangible assets	(9.8)	(10.8)
Net staff costs	<u>14.0</u>	<u>17.0</u>
Inventory recognised as an expense	4.5	2.8
Depreciation of tangible assets including impairment		
On owned assets	21.0	24.5
On leased assets	0.4	0.5
Amortisation of intangible assets		
On owned assets	2.9	3.9
Other operating charges		
Auditor's remuneration	0.3	0.3
Loss / (profit) on disposal of tangible assets	0.1	(0.1)
Other charges less recoveries	<u>41.4</u>	<u>39.9</u>
Operating costs excluding impairment losses on trade receivables	<u>84.6</u>	<u>88.8</u>
Impairment of trade receivables	3.5	2.7
Total operating costs before non underlying items	<u>88.1</u>	<u>91.5</u>
Legal costs	1.0	-
Integration costs	0.2	-
Acquisition costs	-	0.1
Total non underlying items in the income statement	<u>1.2</u>	<u>0.1</u>
Total net operating costs	89.3	91.6

On 17 October 2022 the Company gave notice of redemption of the £40m bonds due to be repaid in March 2041. The bonds were redeemed as part of the statutory transfer of the Company's business to South West Water. Associated legal costs of c£1m were incurred in relation to the bond redemption. The redemption of the bonds is non-recurring and of a material value, hence the expense has been treated as non-underlying.

The Company incurred expenses of £0.2m relating to the integration and statutory transfer of the Company's trade, assets and obligations to South West Water. These costs are classified as non-underlying due to their non-recurring nature.

In the year ended 31 March 2022 costs were incurred in relation to the acquisition of the Company by Pennon Group plc and the resulting merger review by the Competition and Markets Authority.

6 OPERATING COSTS (continued)

(b) Employee details

The monthly average number of employees by activity, including Directors on a service contract, (on a full-time equivalents basis) during the year to 31 January 2023 was as follows. From the 1 February 2023 the Company has nil employees.

	2023	2022
	No.	No.
Water treatment and distribution	215	207
Support services	141	137
Administration	181	182
Non-appointed activities	14	14
	551	540

(c) Directors' emoluments

	2023	2022
	£m	£m
Aggregate emoluments of Directors, being remuneration, bonus, pension, LTIP and benefits in kind	0.7	1.1
	0.7	1.1

The highest paid Director during the year was Mr Karam.

(d) Independent auditors' remuneration

During the year the Company obtained the following services from the Company's auditors and its associates:

	2023	2022
	£'000	£'000
Fees payable for the audit of the Company's annual statutory financial statement	274.0	188.0
Fees payable for other services:		
services pursuant to legislation, principally assurance and audit of regulatory accounts and returns	-	45.0
Review of interim financial statements	20.0	31.0
Total non-audit fees	20.0	76.0

7 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £m	2022 £m
Interest payable and similar charges relate to:		
Bank borrowings	3.7	2.0
Term loans and debentures:		
Interest charges	9.4	10.4
Indexation	20.0	9.6
Leases	0.1	0.1
Capitalisation of borrowing cost	(0.9)	(0.4)
Dividends on 8.75% irredeemable cumulative preference shares	1.1	1.1
Loan from Pennon Group plc	0.6	-
	34.0	22.8
Less interest receivable and similar income:		
Interest income in respect of retirement benefit scheme	(0.3)	(0.3)
Interest income on intercompany loans	(2.4)	(3.6)
	(2.7)	(3.9)
Total underlying net interest payable and similar charges	31.3	18.9
Bond redemption costs	13.1	-
Total net interest payable and similar charges	44.4	18.9

Bonds with a carrying value of £59.2m were redeemed on 17 November 2022 for £72.3 million. The difference of £13.1m arising on early settlement was debited to finance costs in the year. The redemption of the bonds is non-recurring and of a material value, hence the debit has been treated as non-underlying.

The rate used to determine the amount of borrowing costs eligible for capitalisation was 8.7% (2022: 5.0%), which is the weighted average interest rate of applicable borrowings.

Dividends on the 8.75% irredeemable cumulative preference shares are payable at a fixed rate of 4.375% on 1 April and 1 October each year. Payment by the Company to the share registrars is made two business days earlier. The payments are classified as interest in accordance with IFRS 9.

8 TAXATION

	2023 £m	2022 Restated £m
Tax (income)/expense included in Income Statement		
Current tax:		
Corporation tax on profits for the year	0.4	1.3
Adjustment to prior years	(0.1)	3.3
Total current tax	0.3	4.6
Deferred tax:		
Origination and reversal of timing differences	(4.9)	1.6
Adjustment to prior years	0.1	(3.1)
Effect of change in UK corporation tax rate	-	22.4
Total deferred tax	(4.8)	20.9
Tax (income)/expense on (loss) / profit	(4.5)	25.5
Tax expense/(income) included in other comprehensive income/(loss)		
Remeasurement of post-employment benefit liability	0.1	(0.4)
Total tax expense/(income) included in other comprehensive income/(loss)	0.1	(0.4)

8 TAXATION (continued)

Reconciliation of the tax on profit on ordinary activities

The current tax rate for the year is lower than (2022: higher) the standard rate of tax. A reconciliation between tax (income)/expense and the product of accounting (loss)/profit multiplied by UK corporation tax rate is as follows:

	2023	2022
	£m	£m
(Loss)/Profit before tax	(24.7)	15.0
At statutory income tax rate of 19% (2022: 19%)	(4.7)	2.9
Adjustment in respect of prior years' current tax	0.1	3.3
Adjustment in respect of prior years' deferred tax	(0.1)	(3.1)
Non-deductible expenses for tax purposes:		
8.75% irredeemable cumulative preference share	0.2	0.2
Non-qualifying asset depreciation	0.1	0.1
Other	0.1	0.1
Capital expenditure tax depreciation super deduction allowances	(0.2)	(0.4)
	(4.5)	3.1
Effective tax rate before change in UK corporation tax rate	18.2%	20.7%
Effect of tax rate change on opening balances	-	22.4
Total taxation expense included in income statement	(4.5)	25.5
Effective tax rate after change in UK corporation tax rate	18.2%	170.0%

From 1 April 2021 to 31 March 2023, a "super-deduction" on qualifying plant and machinery equivalent to 130% of spend on expenditure relating to contracts entered into after 3 March 2021 is available in respect of qualifying expenditure. The Company incurs significant capital expenditure each year as it maintains and enhances its assets for the benefit of its customers, communities and the environment. The first year allowance on certain other types of assets, including long-life was boosted to 50% for the same period, again for contracts entered into after 3 March 2021. These enhanced allowances have increased capital allowance claims for the year and hence reduced the current tax charge for the year ended 31 March 2022. The tax credit was increased for the year ended 31 March 2023 for the same reason. There is also a consequently higher deferred tax liability and charge due to the additional capital allowance deductions.

9 LOSS PER ORDINARY SHARE

	2023	2022
	m	m
Basic loss per ordinary share have been calculated as follows:		
Loss attributable to ordinary shares	£20.2	£10.5
Weighted average number of ordinary shares	6.0	6.0
	336.7p	175.0p

As the Company has no obligation to issue further shares, disclosure of earnings per share on a fully diluted basis is not relevant.



10 TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:	2023 £m	2022 £m
Trade receivables	-	25.7
Less bad debt provision	-	(16.1)
	-	9.6
Amounts owed by group undertakings (a)	144.5	2.3
Other receivables	-	1.8
Prepayments and accrued income	-	15.8
Corporation tax	0.7	-
	145.2	29.5

As at 31 March 2022 £16.1m of trade receivables were considered impaired and were provided for.

The Company's policy is to consider the trade receivables impairment to be allocated on a collective basis and only impaired for the purposes of IFRS 7, 'Financial Instruments: Disclosures' when the loss can be specifically identified with the trade receivables. The Company is required to continue providing residential customers with water regardless of payment.

Other receivables at 31 March 2022 were not impaired.

(a) The current year amounts owed by group undertakings relate to amounts owed by the Company's parent company, South West Water Limited, as a result of the transfer of the Company's trade and assets. The amounts due are repayable on demand. The prior year balance included the sum of £0.4m in respect of amounts advanced to Bristol Wessex Billing Services Limited ("BWBSL"), a joint venture company between Bristol Water Holdings Limited ("BWH"), an intermediate parent company until 1 February 2023, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount had no fixed repayment date.

11 BORROWINGS AND DERIVATIVES

	2023 £m	2022 £m
Amounts falling due after more than one year but less than five years		
Bank and other term loans – secured	-	58.0
Net unamortised premiums arising on issue of term loans	-	0.3
	-	58.3
Amounts falling due after more than five years		
Bank and other term loans – secured	-	339.0
Net unamortised premiums arising on issue of term loans	-	0.8
	-	339.8
Irredeemable		
Debentures	1.6	1.6
8.75% irredeemable cumulative preference shares	12.5	12.5
	14.1	14.1
Total	14.1	412.2

None of the bank and other term loans included within creditors are payable in instalments.

Bonds with a carrying value of £59.2m were redeemed on 17 November 2022 for £72.3 million. The difference of £13.1m arising on early settlement was debited to finance costs in the year.

11 BORROWINGS AND DERIVATIVES (continued)

	Interest rate	Maturity	Total 2023 £m	Total 2022 £m
Non current loans and borrowings				
£42,000,000 bank loan	1.06%	21 Jun 2023	-	42.0
£16,000,000 bank loan	1.06%	2 Dec 2023	-	16.0
£50,000,000 bank loan	1.24%	14 Jun 2028	-	50.0
£25,000,000 bank loan	2.61%	24 Aug 2028	-	25.0
£91,109,686 indexed linked term loan	3.64%	30 Sept 2032	-	151.0
£57,500,000 term loan	6.01%	30 Sept 2033	-	57.5
£40,000,000 indexed linked term loan	2.70%	25 Mar 2041	-	55.5
Net unamortised premiums			-	1.1
£1,405,218 Consolidated debentures	4.00%	irredeemable	1.4	1.4
£36,740 perpetual debentures	4.25%	irredeemable	-	-
£54,875 perpetual debentures	4.00%	irredeemable	0.1	0.1
£72,900 perpetual debentures	3.50%	irredeemable	0.1	0.1
£12,500,000 cumulative preference shares	8.75%	irredeemable	12.5	12.5
Total non- current loans and borrowings			14.1	412.2

Borrowing facilities

Unutilised borrowing facilities are as follows:

	2023 £m	2022 £m
Expiring in June 2023	-	19.0
Expiring in December 2023	-	8.0
	-	27.0

The facilities are floating rate and incur non-utilisation fees at market rates.

12 COMMITMENTS

Capital commitments at 31 March 2023 contracted for but not provided were £nil (2022: £6.9m).

13 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

As at 31 March 2022 the immediate parent company for this entity was Bristol Water Core Holdings Limited ("BWCH"), a company incorporated in England and Wales. On 1 February 2023 the share capital of the Company was transferred to SWW, a subsidiary of Pennon Group plc. As a result SWW became the immediate parent company.

As at 31 March 2022 and 31 March 2023 the Directors considered the ultimate parent and controlling party to be Pennon Group plc.

The smallest and largest group in which the Company is consolidated is Pennon Group plc which is registered in England and copies of its consolidated annual report and accounts are available from Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

14. RELATED PARTY TRANSACTIONS

From 3 June 2021 related parties include members and joint ventures of the Pennon Water plc group of companies and key management personnel. Until 2 June 2021 related parties included members and joint ventures of the Bristol Water Group Limited group of companies; members of the iCON Infrastructure LLP group of companies; members of Itochu Corporation; and key management personnel.

The principal related parties are:

Pennon Group plc (“PG”), registered in England and Wales, whose year end is 31 March, and is the Company’s ultimate UK holding company.

SWW, the Company’s immediate parent, registered in England and Wales, whose year end is 31 March.

BWHUK, registered in England and Wales, whose year end is 31 March.

BWCH, registered in England and Wales, whose year end is 31 March.

BWBSL, registered in England and Wales, whose year-end is 31 March. The joint venture interest is held by Bristol Water Holdings Limited, an intermediate holding company within the BWHUK group of companies, which owns 100 class ‘B’ shares in the company, representing a holding of 50% of the voting and equity rights of the company. BWBSL is a joint venture undertaking between Bristol Water Holdings Limited and Wessex Water Services Limited, and provides meter reading, billing, debt recovery and customer contact management services to this Company and Wessex Water Services Limited, under a cost sharing arrangement.

Water 2 Business Limited (“W2B”), registered in England and Wales, whose year-end is 30 June. The interest is held by BWH Limited, an intermediate holding company, which owns 30 class ‘B’ shares in the company representing a holding of 30% of equity rights and 40% of voting rights of the company. W2B has a retail water and sewerage supply licence and provides retail water services to non-household customers.

Pennon Water Services Limited (“PWS”), registered in England and Wales, whose year-end is 31 March. The interest is held by PG, the ultimate parent company, which owns 80% of PWS. On 3 June 2021, following the acquisition by Pennon Group plc, PWS became a related party of the Company. PWS has a retail water and sewerage supply licence and provides retail water services to non-household customers.

Bristol Water Group Limited (“BWG”), registered in England and Wales, whose year end is 31 March, and until 2 June 2021 was the Company’s ultimate UK holding company. Following the acquisition by Pennon Group plc, BWG ceased to be a related party of the Company on 2 June 2021.

Trading transactions

During the year the Company entered into trading transactions with related parties totalling:

	Sales of goods and services		Purchases of goods and services	
	2023	2022	2023	2022
	£m	£m	£m	£m
Joint ventures and associates of the Pennon Group plc group				
BWBSL				
- management charges	-	-	2.5	2.8
- capital expenditure	-	-	0.3	0.2
- other recharges	-	-	0.1	0.1
W2B				
- non-household supply of water	16.2	16.7	-	-
PWS				
- non-household supply of water	0.9	0.6	-	-
	17.1	17.3	2.9	3.1

The current year amounts above relate to the period to 31 January 2023. The trade and assets of the Company were transferred to SWW on 1 February 2023. The prior year amounts above relating to PWS are for the period from 3 June 2021, when PWS became a related party of the Company, to 31 March 2022.

14. RELATED PARTY TRANSACTIONS (continued)

Non trading transactions

During the year BW received £nil (2022: £1.6m) from BWG for employee services to BWG relating to the sale of the business. At 31 March 2022 the balance was £nil.

At the year end the balances held with related parties were:

	Amounts due from		Amounts due to	
	2023 £m	2022 £m	2023 £m	2022 £m
Joint ventures and associates of the Bristol Water Group Limited group				
BWBSL	-	0.9	-	1.4
W2B	-	1.4	-	0.3
PWS	-	-	-	-
	-	2.3	-	1.7

The amounts outstanding at 31 March 2022 were unsecured and were settled in cash. The trade and assets of the Company were transferred to SWW on 1 February 2023.

15. DISCONTINUED OPERATIONS

On 1 February 2023 the trade and majority of assets and liabilities of the Company were transferred to SWW, the Company's parent company. Consideration for the transfer was settled via an intercompany debtor created as part of the transfer. Settlement of this intercompany debtor is expected in the year to 31 March 2024. The net assets transferred on the date of transfer are shown below.

Assets	£m
Property, plant and equipment	713.3
Intangible assets	13.6
Inventory	2.4
Trade and other receivables	29.1
Cash and cash equivalents	5.1
Total assets	<u>763.5</u>
Liabilities	
Borrowings	(423.9)
Leases	(1.2)
Deferred income	(20.6)
Government grants	(0.3)
Trade and other payables	(51.5)
Deferred tax liabilities	(94.9)
Total liabilities	<u>(592.4)</u>
Net assets disposed of	<u>171.1</u>
Net cash outflow arising on disposal	
Cash and cash deposits disposed of	(5.1)

16. CIRCULATION

This unaudited announcement is available on the Bristol Water website. Paper copies are also available from the Company's parent company's registered office at Peninsula House, Rydon Lane, Exeter EX2 7HR.