BRISTOL WATER plc

Announcement of interim results for the six months ended 30 September 2010

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

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.

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FINANCIAL HIGHLIGHTS – REPORTED UNDER UK GAAP

	Pre - tax £m (unaudited)	Post - tax £m (unaudited)
Profit for 6 months to 30 September 2009	**14.7**	**10.7**
Significant changes between periods:		
Competition Commission appeal costs	**(1.4)**	**(1.0)**
Increase in depreciation	**(4.9)**	**(3.6)**
Change in debt indexation cost	**(5.4)**	**(3.9)**
Change in discounting of deferred tax	**-**	**(1.0)**
Reduction in future corporation tax rate	**-**	**1.5**
All other changes	**0.4**	**0.3**
Profit for 6 months to 30 September 2010	**3.4**	**3.0**

Summary

- **Stable underlying performance**
- **Competition Commission re-determination increased Ofwat's price limits**
- **Substantial increase in statutory accounts depreciation not yet reflected in regulatory accounts or prices**
- **More normal debt indexation charge in 2010 compared to a credit in 2009**
- **Tax charge affected by lower profits and credit to deferred tax for lower tax rates offset by reduction in discounting benefit**
- **Capital investment £9.8m (30 September 2009: £13.0m)**
- **Net debt, excluding irredeemable cumulative preference shares, of £190.8m – approximately 63% of projected Regulatory Capital Value at 31 March 2011**

CHAIRMAN'S STATEMENT

Introduction

In January 2010, the Board of Directors rejected the regulator Ofwat's determination of price limits for the period 2010-2015. The Board believed that the price limits were too low to complete the outputs required and that further outputs had been excluded that were in customers' best interests. Ofwat referred the company's rejection to the Competition Commission (''CC''). The CC announced its re-determination of price limits on 4 August 2010.

The revised price limits, or K factors (average price increases above inflation), set by the CC for the five-year period average 3.2% per annum in real terms. As price limits had already been set for the current year 2010/11, the revised price limits can only be applied from 1 April 2011. The revised K factors compound to 17.1% for the regulatory period 2010-2015 and are significantly higher than the 9.1% in the rejected Ofwat final determination. Average household bills (in current values) will increase to £180 per annum by 2014/15 i.e. approximately 50 pence per day per household. This compares to £168 per annum set by Ofwat. The CC has allowed for an extra £9m in operating expenses and £15m in capital expenditure within the regulatory period compared to Ofwat's assessment as well as deferring the obligation to invest approximately £6m.

Total capital expenditure (in current prices before grants and contributions) is expected to be approximately £260m for the regulatory period to 2015 compared to £180m in the previous five years. The regulatory capital value will increase by 30% in real terms over the period.

The company is pleased with the settlement in many respects, although in such a complex matter it is not surprising that the company does not agree with all of the CC's conclusions. For example, we believe customers have shown a willingness to pay more to secure a more resilient water supply system than that allowed by Ofwat or the CC.

The distraction and uncertainty of the CC appeal is now firmly behind us. The company is focused on delivering what is required by the price re-determination. For over 160 years, providing excellent service to customers has been at the heart of the company's ethos and we will strive to ensure this continues.

Operational performance

This is the first year of the new regulatory period 2010-2015. In total we invested £9.8m (before grants and contributions) in capital projects during the first half year. In the second half of the year we expect to invest at twice this rate. Capital expenditure in the current period has been constrained by the uncertainty over the investment that would ultimately be required by the CC. However, we have been focussing on planning, design and establishing contract frameworks for the significantly increased level of investment required and on those schemes where early completion is required. These include:

- a programme to replace poor condition water mains to reduce bursts;
- schemes to reduce leakage, including pressure reduction and active leakage control;
- a £14m programme to install ultra violet treatment at five treatment works; and
- a £15m main laying scheme to improve the resilience of supply in North Bristol.

In its October 2010 publication, Ofwat confirmed the company's Overall Performance Assessment for 2009/10 at 98% of the maximum score. We continue to meet our leakage target and our customer service performance and water quality compliance remain at high levels. The latest customer surveys continue to show high satisfaction levels.

Financial performance

The underlying operational financial performance was broadly similar to the comparative period except for the significant items described below.

Operating profit for the period decreased by £6.4m to £8.5m. This decrease is primarily due to the £1.4m costs in the current period for the appeal to the Competition Commission and a £4.9m increase in the depreciation charge on infrastructure assets. The projected infrastructure renewals expenditure is charged evenly against profits as depreciation for the statutory accounts over a five-year period (15 years for Ofwat's regulatory accounting and price setting purposes). The level of infrastructure renewals expenditure in the five years to March 2015 is estimated at £101m (in 2010/11 prices) compared to £52m (in outturn prices) in the previous five-year period.

Net interest charges, excluding those related to retirement benefits and the preference share dividend, changed from a credit of £0.8m in 2009 to a charge of £4.4m in 2010. This mainly reflects the impact of RPI changes on our indexed-linked debt which was negative in 2009 but returned to a more normal position in the current year.

Profit before tax decreased by £11.3m to £3.4m as a result of the higher depreciation charge, the costs of the Competition Commission appeal and higher debt indexation charges.

The overall tax charge represents 12% of the profit before taxation (six months to 30 September 2009: 27%; year ended 31 March 2010: 19%). The reduced tax charge includes the effect of the lower level of pre-tax profits and, within the computation of the deferred tax charge, the reduction in the corporation tax rate from 28% to 27% with effect from 1 April 2011 which has been partly offset by a reduction in discounting rates at the end of the current period.

CHAIRMAN'S STATEMENT CONTINUED

Net debt, excluding the irredeemable preference shares, decreased slightly to £190.8m (31 March 2010: £191.5m). This debt level represents approximately 63% of the forecast Regulatory Capital Value at 31 March 2011.

There have been no significant changes in respect of related party transactions disclosed in note 24 in the Annual Report and Accounts 2010.

Prospects

In the Directors' Report within the company's Annual Report and Accounts 2010 we set out a summary of the key risks and uncertainties facing the company. The key risks identified are operational problems, bad debts, performance requirements and regulatory developments, and financial factors.

We anticipate that the results for the second half of the year will include the following material effects:

- an increase in the proportion of customers who are metered;
- an increase in interest charges related to our index-linked debt; and
- a decrease in operating costs due to more favourable forward purchasing of energy.

Dividends

During the period an interim ordinary dividend of £1.5m was paid. This represents a return of the after-tax interest income of the intercompany loan with the UK parent company, Agbar UK Limited, received during the period.

Board membership

A Parsons, Managing Director, has stated he intends to retire from the business in 2011. Appropriate measures are in place to transfer his responsibilities as Managing Director to L Garcia, who has been Chief Executive since 1 April 2009. We have made some decisions to create the right executive board to run the business. As a result, on 23 November 2010 we appointed M King, formerly our director of regulation, as Regulatory Director and we have introduced R Brito as Operations Director (with effect from 1 January 2011). R Brito's current role is as Deputy General Manager and Technical Director of Macao Water Supply Company in China. Additionally three non-executive directors, M Navarro, a former Chief Executive, S Pellegri, a former Finance Director, and C Rozman have resigned from the board on 9 September 2010, 23 November and 23 November 2010 respectively.

Moger Woolley
Chairman
29 November 2010

PROFIT AND LOSS ACCOUNT
For the six months ended 30 September 2010

	Note	**Six months to 30 September 2010 (unaudited)**	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
		£m	£m	£m
Turnover	2	**50.3**	49.8	99.7
Operating costs	3	**(41.8)**	(34.9)	(71.8)
Operating profit		**8.5**	14.9	27.9
Profit on sale of assets		**-**	-	0.2
Other net interest (payable)/receivable and similar (charges)/income	4	**(4.4)**	0.8	(3.1)
Dividends on 8.75% irredeemable cumulative preference shares	4	**(0.5)**	(0.5)	(1.1)
Interest in respect of retirement benefit scheme surplus	4	**(0.2)**	(0.5)	(0.8)
Net interest payable and similar charges		**(5.1)**	(0.2)	(5.0)
Profit on ordinary activities before taxation		**3.4**	14.7	23.1
Tax on profit on ordinary activities	5	**(0.4)**	(4.0)	(4.5)
Profit on ordinary activities after taxation		**3.0**	10.7	18.6
Earnings per ordinary share	6	**50.0p**	178.3p	310.0p

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the six months ended 30 September 2010

	Note	**Six months to 30 September 2010 (unaudited)**	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
		£m	£m	£m
Profit attributable to Bristol Water plc shareholders		**3.0**	10.7	18.6
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	10,11	**3.0**	2.6	(0.4)
Attributable deferred taxation	10,11	**(0.8)**	(0.7)	0.1
Change in the fair value of the interest rate swap	11	**(0.6)**	0.4	0.1
Attributable deferred taxation	11	**0.2**	(0.1)	-
Total recognised gains for the period		**4.8**	12.9	18.4

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

BALANCE SHEET

30 September 2010

	Note	**At 30 September 2010 (unaudited)**	At 30 September 2009 (unaudited)	At 31 March 2010
		£m	£m	£m
Fixed assets	7	**243.7**	252.4	251.2
Investment – Loans to ultimate UK holding company		**68.5**	68.5	68.5
Current assets				
Stocks		**1.0**	1.0	1.0
Debtors		**26.9**	25.3	23.1
Investments	8	**26.3**	19.5	25.0
Cash at bank and in hand	8	**1.5**	0.4	1.8
		55.7	46.2	50.9
Creditors: amounts falling due within one year				
Short-term borrowings	8	**(2.8)**	(2.5)	(2.5)
Other creditors		**(25.1)**	(26.4)	(28.7)
		(27.9)	(28.9)	(31.2)
Net current assets		**27.8**	17.3	19.7
Total assets less current liabilities		**340.0**	338.2	339.4
Creditors: amounts falling due after more than one year				
Borrowings and derivatives	8	**(215.8)**	(214.2)	(215.8)
Other creditors		-	(0.1)	-
		(215.8)	(214.3)	(215.8)
8.75% irredeemable cumulative preference shares	8	**(12.5)**	(12.5)	(12.5)
Deferred income		**(10.0)**	(10.2)	(10.3)
Provision for liabilities	9	**(22.2)**	(25.0)	(22.2)
Retirement benefit surplus	10	**8.7**	8.3	6.3
Net assets		**88.2**	84.5	84.9
Capital and reserves				
Called-up share capital		**6.0**	6.0	6.0
Share premium		**4.4**	4.4	4.4
Other reserves		**4.6**	5.2	5.0
Profit and loss account		**73.2**	68.9	69.5
Shareholders' funds	11	**88.2**	84.5	84.9

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

CASH FLOW STATEMENT

For the six months ended 30 September 2010

	Note	**Six months to 30 September 2010 (unaudited)**	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
		£m	£m	£m
Net cash inflow from operating activities	13	**19.4**	21.7	48.0
Returns on investments and servicing of finance				
Interest received		**2.0**	2.2	4.2
Interest paid on term loans and debentures		**(4.2)**	(4.2)	(8.3)
Interest paid on finance leases		**(0.3)**	(0.9)	(0.9)
Dividends paid on 8.75% irredeemable cumulative preference shares		**(0.5)**	(0.5)	(1.1)
		(3.0)	(3.4)	(6.1)
Taxation				
Corporation tax paid		**(2.5)**	(0.7)	(2.8)
Capital expenditure and investing activities				
Purchase of tangible fixed assets		**(11.2)**	(13.6)	(24.6)
Contributions received		**2.3**	2.4	3.9
Proceeds on sale of fixed assets		**-**	0.2	0.2
		(8.9)	(11.0)	(20.5)
Equity dividends paid		**(1.5)**	(5.1)	(10.2)
Cash inflow before management of liquid resources and financing		**3.5**	1.5	8.4
Management of liquid resources				
Being increase in short-term deposits		**(1.3)**	(0.1)	(5.6)
Financing				
Capital element of lease repayments		**(2.5)**	(2.2)	(2.2)
Increase/(decrease) in cash	13	**(0.3)**	(0.8)	0.6
Cash, beginning of period		**1.8**	1.2	1.2
Cash, end of period		**1.5**	0.4	1.8

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

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2010

Note 1: Accounting policies

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. 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 2010 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.498 (2) or (3) of the Companies Act 2006. The accounting policies adopted in the preparation of these interim results are in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP). These interim results have also been prepared in accordance with the Accounting Standards Board Statement, 'Half-yearly Financial Reports'.

As outlined in the company's Annual Report and Accounts for the year ended 31 March 2010, 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 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets and including retirement benefit costs	**7.0**	6.3	12.7
Depreciation, net of amortisation of deferred income	**14.9**	10.0	38.1
Other operating costs	**19.9**	18.6	21.0
	41.8	34.9	71.8

Note 4: Net interest payable and similar charges

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2009
	£m	£m	£m
Other net interest payable/(receivable) and similar charges/(income) relate to -			
Bank borrowings	**0.5**	0.4	1.1
Term loans and debentures:			
interest charges	**3.7**	3.6	7.3
indexation charge/(credit)	**2.2**	(3.1)	(1.8)
Finance leases	**0.1**	0.4	0.6
	6.5	1.3	7.2
Less:			
Loan to Agbar UK Ltd – interest receivable	**(2.0)**	(2.0)	(4.0)
Other external investments and deposits	**(0.1)**	(0.1)	(0.1)
	(2.1)	(2.1)	(4.1)
Total other net interest payable/(receivable) and similar charges/(income)	**4.4**	(0.8)	3.1
Dividends on 8.75% irredeemable cumulative preference shares	**0.5**	0.5	1.1
Interest charge in respect of retirement benefit scheme surplus	**0.2**	0.5	0.8
	5.1	0.2	5.0

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2010

Note 5: **Tax on profit on ordinary activities**

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
The charge for taxation comprises -			
Current tax:			
Corporation tax at 28%	**0.4**	1.8	4.9
Deferred tax:			
Current period movement	**0.8**	2.5	1.8
Effect of reduction in tax rate	**(1.5)**	-	-
Effect of discounting	**0.7**	(0.3)	(2.2)
Total deferred tax	**-**	2.2	(0.4)
Total tax on profit on ordinary activities	**0.4**	4.0	4.5

The overall tax charge represents 12% (six months to 30 September 2009: 27%; year ended 31 March 2010: 19%) of the profit before taxation.

The overall tax charge includes the exceptional effect, on the deferred tax provision, of the reduction in the corporation tax rate from 28% to 27% with effect from 1 April 2011. The effect of this tax rate reduction is disclosed above on an undiscounted basis as a credit of £1.5m (discounted basis: credit of £0.9m).

The effective tax rate at 30 September 2010, excluding the effect of the reduction in the corporation tax rate, is 38%. This is significantly higher than in previous periods and results from a combination of two factors. The significant reduction in the profit before tax in the current period increases the proportionate effect of disallowable expenditure on the total tax rate. The remaining increase in the effective tax rate is a result of lower discount rates prevailing at the current period end.

Note 6: **Earnings per ordinary share**

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	m	m	m
Earnings per share have been calculated as follows -			
Earnings	**£3.0**	£10.7	£18.6
Weighted average number of ordinary shares in issue	**6.0**	6.0	6.0

Note 7: **Fixed assets**

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
The movement in fixed assets comprises -			
Net book value, beginning of period	**251.2**	251.7	251.7
Additions	**9.8**	13.0	24.4
Disposals	**-**	-	(0.1)
Grants and contributions	**(2.3)**	(2.1)	(3.3)
Depreciation charge for period	**(15.0)**	(10.2)	(21.5)
Net book value, end of period	**243.7**	252.4	251.2

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2010

Note 8: Net borrowings

	At 30 September 2010 (unaudited)	At 30 September 2009 (unaudited)	At 31 March 2010
	£m	£m	£m
Net borrowings comprise -			
Debt due after one year, excluding 8.75% irredeemable cumulative preference shares	**215.8**	214.2	215.8
Current portion of debt	**2.8**	2.5	2.5
	218.6	216.7	218.3
Cash balances and investments	**(27.8)**	(19.9)	(26.8)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	**190.8**	196.8	191.5
8.75% irredeemable cumulative preference shares	**12.5**	12.5	12.5
Net borrowings	**203.3**	209.3	204.0

Note 9: Provision for liabilities

	At 30 September 2010 (unaudited)	At 30 September 2009 (unaudited)	At 31 March 2010
	£m	£m	£m
Deferred tax liability	**41.4**	43.0	41.4
Effect of discounting	**(16.0)**	(14.8)	(16.7)
Net provision, including deferred tax on retirement obligations	**25.4**	28.2	24.7
Less, attributable to retirement benefit obligations (note 10)	**(3.2)**	(3.2)	(2.5)
Net provision, excluding deferred tax on retirement benefit obligations	**22.2**	25.0	22.2

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. The company'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 current and former employees.

In 2005/06, in connection with new financing and the return to shareholders by the then ultimate parent company, the company made a one-off contribution to WCPS of £7.0m. The company 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.

Pension assets and liabilities are recognised in financial statements in accordance with Financial Reporting Standard 17 'Retirement Benefits' (FRS 17). In applying this standard the Bristol Water section of WCPS has recorded a net surplus at 30 September 2010. However, the most recent estimate of the level of scheme funding at 31 December 2009, which considers long-term funding based on contribution rates and not FRS 17, indicated a funding deficit of approximately £14.0m. The next triennial valuation of the level of scheme funding is due at 31 March 2011.

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

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2010

Note 10: Retirement benefits continued:

In summary, assets and liabilities under FRS 17 were:

	At 30 September 2010 (unaudited)	At 30 September 2009 (unaudited)	At 31 March 2010
	£m	£m	£m
Market value of section assets	**147.1**	137.2	143.1
Present value of liabilities	**(135.2)**	(125.7)	(134.3)
Surplus in the section	**11.9**	11.5	8.8
Deferred taxation	**(3.2)**	(3.2)	(2.5)
Net retirement benefit surplus	**8.7**	8.3	6.3

Note 11: Shareholders' funds

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
Movement in shareholders' funds -			
At beginning of period	**84.9**	76.7	76.7
Profit for the period	**3.0**	10.7	18.6
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	**3.0**	2.6	(0.4)
Attributable deferred taxation	**(0.8)**	(0.7)	0.1
Fair value of interest rate swap	**(0.6)**	0.4	0.1
Attributable deferred taxation	**0.2**	(0.1)	-
Ordinary dividends (note 12)	**(1.5)**	(5.1)	(10.2)
End of period	**88.2**	84.5	84.9

Note 12: Ordinary dividends

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
Dividends in respect of 2008/09:			
Final dividend of 60.02 pence per share, approved by the Board on 3 August 2009	**-**	3.6	3.6
Dividends in respect of 2009/10:			
First interim dividend of 24.27 pence per share, approved by the Board on 16 September 2009	**-**	1.5	1.5
Second interim dividend of 61.69 pence per share, approved by the Board on 11 November 2009	**-**	-	3.7
Third interim dividend of 24.14 pence per share, approved by the Board on 22 March 2010	**-**	-	1.4
Dividends in respect of 2010/11:			
First interim dividend of 24.27 pence per share, approved by the Board on 27 September 2010	**1.5**	-	-
	1.5	5.1	10.2

NOTES TO THE INTERIM RESULTS
For the six months ended 30 September 2010

Note 13: Supplementary cash flow information

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year to 31 March 2010
	£m	£m	£m
a) Reconciliation of operating profit to net cash inflow from operating activities -			
Operating profit	**8.5**	14.9	27.9
Depreciation, net of amortisation of deferred income	**14.9**	10.0	21.0
Difference between pension charges and normal contributions	**0.1**	(0.2)	(0.3)
Cash flow from operations	**23.5**	24.7	48.6
Working capital movements:			
Stocks	**-**	-	0.1
Debtors	**(3.8)**	(3.7)	(1.5)
Creditors and provisions	**0.2**	1.2	1.8
Additional contributions to pension scheme	**(0.5)**	(0.5)	(1.0)
Net cash inflow from operating activities	**19.4**	21.7	48.0
b) Reconciliation of net cash flow to movement in net borrowings -			
(Decrease)/increase in net cash in the period	**(0.3)**	(0.8)	0.6
Cash used to repay borrowings	**2.5**	2.2	2.2
Cash from increase in short-term deposits	**1.3**	0.1	5.6
Decrease in net borrowings	**3.5**	1.5	8.4
Indexation not affecting cash flow	**(2.2)**	3.1	1.8
Fair value of interest rate swap not affecting cash flow	**(0.6)**	0.4	0.1
Net borrowings, beginning of period, including 8.75% irredeemable cumulative preference shares	**(204.0)**	(214.3)	(214.3)
Net borrowings, end of period, including 8.75% irredeemable cumulative preference shares	**(203.3)**	(209.3)	(204.0)

Note 14: Ultimate parent company and controlling party

Until June 2010 the ultimate parent company was considered by the Directors to be Sociedad General de Aguas de Barcelona S.A. (Agbar), a company incorporated in Spain.

On 8 June 2010 Suez Environnement S.A. (partly owned by the French group GDF Suez) increased their control of Agbar to 75%, and are now regarded as the ultimate parent company.

The takeover by Suez Environnement has been communicated to Ofwat who have concluded a public consultation on the identity of Bristol Water plc's ultimate holding company for the purposes of Condition P of the company's Instrument of Appointment. As a consequence of the takeover, certain updating licence changes for the ring-fencing parts of the licence have been proposed by Ofwat and agreed. There have been no changes to the conditions of the licence since that point.

Full disclosure of the affairs of the Agbar UK group of companies is made in the annual report of Agbar. Copies of its consolidated annual report are available from Torre Agbar, Avda. Diagonal, 211, Planta 20-08018, Barcelona, Spain.

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.

NOTES TO THE INTERIM RESULTS
For the six months ended 30 September 2010

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
29 November 2010

INDEPENDENT REVIEW REPORT TO BRISTOL WATER PLC

Introduction

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 2010 which comprises the profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and the 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our 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 has been prepared in accordance with the Accounting Standards Board Statement “Half-Yearly Financial Reports”.

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 enquiries, 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 2010 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement “Half-Yearly Financial Reports” and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Chartered Accountants and Registered Auditor
29 November 2010
Bristol, United Kingdom