

## BRISTOL WATER plc

### Announcement of interim results for the six months ended 30 September 2011

Bristol Water plc is a subsidiary of Bristol Water Holdings UK Ltd, which is owned by Capstone Infrastructure Corporation (70%) and Sociedad General de Aguas de Barcelona S.A. (Agbar) (30%).

Bristol Water plc supplies water to 1.16 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)
<b>Profit for 6 months to 30 September 2010</b>	<b>3.4</b>	<b>3.0</b>
<b>Significant changes between periods:</b>		
Increased turnover	4.1	3.0
Increased net interest costs	(1.9)	(1.4)
Competition Commission appeal costs	1.7	1.2
Increase in depreciation	(0.7)	(0.5)
All other changes	(0.5)	(0.5)
<b>Profit for 6 months to 30 September 2011</b>	<b>6.1</b>	<b>4.8</b>

### Summary

- Turnover has increased due to Competition Commission re-determination of K of 3.9% and RPI of 4.7%
- Competition Commission appeal costs incurred in 2010 not repeated in 2011
- Higher interest and indexation on debt £1.6m in respect of the new index-linked bond plus £0.5m on existing index-linked debt
- Capital investment £18.3m (30 September 2010: £9.8m) before grants and contributions
- Net debt, excluding irredeemable cumulative preference shares, of £182.1m – approximately 52% of projected Regulatory Capital Value at 31 March 2012

## **CHAIRMAN'S STATEMENT**

### **Introduction**

This is the second year of the current 5-year regulatory period to March 2015. During this time we remain firmly focused on meeting customer needs and delivering the outputs required by the re-determination.

We commenced the financial year having experienced a prolonged dry period during the winter months which continued during the spring and summer. We put in place a number of measures which successfully enabled us to protect supplies and avoid a hose pipe ban. Such measures included maximising the use of our more expensive river sources and engaging in a local advertising campaign to encourage our customers to use water wisely during this time.

On 5 October 2011, CSE Water UK Limited, the UK subsidiary of Capstone Infrastructure Corporation, a Canadian infrastructure company, purchased 70% of the equity of Agbar UK Limited (the then ultimate UK parent company of Bristol Water plc) from Agbar. Agbar UK Limited and Agbar entered into an Operational and Management Agreement allowing for the continued involvement of Agbar in providing enhanced continuity and stability for staff, customers and stakeholders. We welcome Capstone's infrastructure investment and management expertise and look forward to the new partnership.

### **Operational performance**

In our efforts to strengthen the resilience of our network and maintain excellent levels of service to our customers, we have invested £18.3m (before grants and contributions) in capital projects during the first half year. We expect the total level of investment for the year to increase significantly to approximately £70.0m. Now that we have substantially completed the planning and design work and established framework contracts where appropriate, we are well placed to accelerate our investment programme. The key projects which we will focus on include:

- a programme to replace poor condition water mains to reduce bursts;
- schemes to further 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 the recently announced results by Ofwat, the company was ranked 5<sup>th</sup> out of 21 companies in the industry for customer service performance in 2010/11, measured by the newly introduced Service Incentive Mechanism (SIM). We are working hard to ensure we build on this level of performance working closely with our partners.

### **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 increased by £4.4m to £12.9m. This increase is primarily due to an increase in turnover directly attributable to the increase in RPI of 4.7% at November 2010 and the allowed K factor of +3.9%. Operating costs have decreased slightly over the same period due to non-repeating costs in respect of the appeal to the Competition Commission offset by higher depreciation charges due to the increased asset base.

Net interest charges, excluding those related to retirement benefits and the preference share dividend, have increased by £1.9m in the period. This increase mainly reflects the impact of higher RPI on our indexed-linked debt and an increase in the underlying level of indexed-linked debt following the issuance of the £40.0m index linked bond in March 2011.

Profit before tax increased by £2.7m to £6.1m as a result of the changes noted above.

The overall tax charge represents 21% of the profit before taxation (six months to 30 September 2010: 12%; year ended 31 March 2011: 11%). The tax charge in the current period is lower than the standard rate of corporation tax of 26% due to the reduction in tax rates applicable from 1 April 2012, which was enacted on 4 July 2011. This has resulted in a credit to taxation which is mitigated by the effect of a drop in the discounting rates. The low effective tax rates in prior periods are also impacted by a series of corporation tax rate reductions.

Net debt, excluding the irredeemable preference shares, increased to £182.1m (31 March 2011: £180.4m). This debt level represents approximately 52% of the forecast Regulatory Capital Value at 31 March 2012. As a consequence of the appeal to the Competition Commission in 2010 we delayed the start to our investment programme. Our current profile of capital investment is lower than that reflected in RCV as notified by Ofwat. Our net debt level as a percentage of RCV is therefore lower than expected. This percentage will increase as our capital investment comes into line with Ofwat's expectations as we go through AMP5.

On 19 October 2011, Agbar UK Limited, the former UK ultimate parent company, changed its name to Bristol Water Holdings UK Limited.

## **CHAIRMAN'S STATEMENT CONTINUED**

### **Prospects**

In the Directors' Report within the company's Annual Report and Accounts 2011 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:

- a significant increase in the level of capital investment; and
- an increase in interest charges related to our index-linked debt.

### **Dividends**

During the period a first interim ordinary dividend of £1.5m was paid. This represents a return of the after-tax interest income of the intercompany loan with the former UK ultimate parent company, Agbar UK Limited (now called Bristol Water Holdings UK Limited), received during the period.

A second interim dividend of £4.0m in respect of the year ended 31 March 2012 has been approved for payment before 31 December 2011.

### **Board membership**

A Parsons, former Managing Director, retired from the business on 30 September 2011. On behalf of the company I want to thank Alan for his tremendous contribution to the success of the company during his 19 years of service.

Following the change in ownership on 5 October 2011, R Brito (executive director) retired from the Board but remains with the company as Operations Director. On 5 October 2011, the non-executive directors, J A Guijarro, M Cermeron, and J Valls retired from the Board. We thank them for their contribution to the business during their periods of appointment.

On 5 October 2011 we appointed P Bourdillon, M Bernstein, S Miller, M Smerdon and J Bittan to the Board.

**Moger Woolley**  
**Chairman**  
**24 November 2011**

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**PROFIT AND LOSS ACCOUNT**

For the six months ended 30 September 2011

		<b>Six months to 30 September 2011 (unaudited)</b>	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	Note	£m	£m	£m
<b>Turnover</b>	2	<b>54.4</b>	50.3	100.7
Operating costs	3	<u>(41.5)</u>	<u>(41.8)</u>	<u>(82.1)</u>
<b>Operating profit</b>		<b>12.9</b>	8.5	18.6
Other net interest payable and similar charges	4	(6.3)	(4.4)	(9.5)
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)	(0.4)
Net interest payable and similar charges		<u>(6.8)</u>	<u>(5.1)</u>	<u>(11.0)</u>
<b>Profit on ordinary activities before taxation</b>		<b>6.1</b>	3.4	7.6
Tax on profit on ordinary activities	5	(1.3)	(0.4)	(0.8)
<b>Profit on ordinary activities after taxation</b>		<u><b>4.8</b></u>	<u>3.0</u>	<u>6.8</u>
<b>Earnings per ordinary share</b>	6	<u><b>80.0p</b></u>	<u>50.0p</u>	<u>113.3p</u>

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 2011

		<b>Six months to 30 September 2011 (unaudited)</b>	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	Note	£m	£m	£m
Profit attributable to Bristol Water plc shareholders		<b>4.8</b>	3.0	6.8
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	10,11	<b>0.7</b>	3.0	1.4
Attributable deferred taxation	10,11	<b>(0.2)</b>	(0.8)	(0.4)
Change in the fair value of the interest rate swap	11	<b>(0.7)</b>	(0.6)	0.1
Attributable deferred taxation	11	<b>0.2</b>	0.2	-
<b>Total recognised gains for the period</b>		<u><b>4.8</b></u>	<u>4.8</u>	<u>7.9</u>

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

**Bristol Water plc ..... Interim Results**

**BALANCE SHEET**

30 September 2011

	Note	At 30 September 2011 (unaudited) £m	At 30 September 2010 (unaudited) £m	At 31 March 2011 £m
<b>Fixed assets</b>	7	<b>241.0</b>	243.7	240.7
<b>Investment – Loans to intermediate parent company</b>		<b>68.5</b>	68.5	68.5
<b>Current assets</b>				
Stocks		1.2	1.0	1.1
Debtors		28.5	26.9	22.3
Investments	8	77.3	26.3	77.3
Cash at bank and in hand	8	2.4	1.5	2.4
		<u>109.4</u>	<u>55.7</u>	<u>103.1</u>
Short-term borrowings	8	(3.2)	(2.8)	(2.8)
Other creditors		(27.0)	(25.1)	(25.3)
		<u>(30.2)</u>	<u>(27.9)</u>	<u>(28.1)</u>
<b>Net current assets</b>		<b>79.2</b>	27.8	75.0
<b>Total assets less current liabilities</b>		<b>388.7</b>	340.0	384.2
<b>Creditors: amounts falling due after more than one year</b>				
Borrowings and derivatives	8	(258.6)	(215.8)	(257.3)
<b>8.75% irredeemable cumulative preference shares</b>	8	<b>(12.5)</b>	(12.5)	(12.5)
<b>Deferred income</b>		<b>(9.6)</b>	(10.0)	(9.8)
<b>Provision for liabilities</b>	9	<b>(23.0)</b>	(22.2)	(22.3)
<b>Retirement benefit surplus</b>	10	<b>8.2</b>	8.7	7.6
<b>Net assets</b>		<b>93.2</b>	88.2	89.9
<b>Capital and reserves</b>				
Called-up share capital		6.0	6.0	6.0
Share premium		4.4	4.4	4.4
Other reserves		4.6	4.6	5.1
Profit and loss account		78.2	73.2	74.4
<b>Shareholders' funds</b>	11	<b>93.2</b>	88.2	89.9

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

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**CASH FLOW STATEMENT**

For the six months ended 30 September 2011

		Six months to 30 September 2011 (unaudited)	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	Note	£m	£m	£m
<b>Net cash inflow from operating activities</b>	13(a)	<u>22.1</u>	<u>19.4</u>	<u>49.0</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		2.2	2.0	4.2
Interest paid on term loans and debentures		(4.9)	(4.2)	(8.6)
Interest paid on finance leases		(0.3)	(0.3)	(0.3)
Dividends paid on 8.75% irredeemable cumulative preference shares		(0.5)	(0.5)	(1.1)
		<u>(3.5)</u>	<u>(3.0)</u>	<u>(5.8)</u>
<b>Taxation</b>				
Corporation tax paid		<u>(1.6)</u>	<u>(2.5)</u>	<u>(4.0)</u>
<b>Capital expenditure and investing activities</b>				
Purchase of tangible fixed assets		(15.0)	(11.2)	(24.4)
Contributions received		2.3	2.3	3.8
Proceeds on sale of fixed assets		-	-	0.2
Decrease/(increase) in cash deposits maturing after three months of balance sheet date		19.8	-	(46.8)
		<u>7.1</u>	<u>(8.9)</u>	<u>(67.2)</u>
<b>Equity dividends paid</b>		<u>(1.5)</u>	<u>(1.5)</u>	<u>(2.9)</u>
<b>Cash inflow/(outflow) before management of liquid Resources and financing</b>		<b>22.6</b>	<b>3.5</b>	<b>(30.9)</b>
<b>Management of liquid resources</b>				
Being increase in short-term deposits		<u>(19.8)</u>	<u>(1.3)</u>	<u>(5.5)</u>
<b>Financing</b>				
New term loan		-	-	39.5
Capital element of lease repayments		<u>(2.8)</u>	<u>(2.5)</u>	<u>(2.5)</u>
<b>(Decrease)/increase in cash</b>	13(b)	<b>-</b>	<b>(0.3)</b>	<b>0.6</b>
Cash, beginning of period		<u>2.4</u>	<u>1.8</u>	<u>1.8</u>
<b>Cash, end of period</b>		<u><b>2.4</b></u>	<u><b>1.5</b></u>	<u><b>2.4</b></u>

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 2011

**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 2011 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 2011, the company is not required to, and does not intend to, adopt IFRS for statutory reporting 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**

	<b>Six months to 30 September 2011 (unaudited)</b>	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	£m	£m	£m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets and including retirement benefit costs	6.5	7.0	12.3
Depreciation, net of amortisation of deferred income	15.5	14.9	29.9
Other operating costs	19.5	19.9	39.9
	<u>41.5</u>	<u>41.8</u>	<u>82.1</u>

**Note 4: Net interest payable and similar charges**

	<b>Six months to 30 September 2011 (unaudited)</b>	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	£m	£m	£m
Other net interest payable/(receivable) and similar charges/(income) relate to -			
Bank borrowings	0.5	0.5	1.0
Term loans and debentures:			
interest charges	4.2	3.7	7.5
indexation charge	3.8	2.2	4.9
Finance leases	0.1	0.1	0.3
	<u>8.6</u>	<u>6.5</u>	<u>13.7</u>
Less:			
Loan to Agbar UK Ltd – interest receivable	(2.0)	(2.0)	(4.0)
Other external investments and deposits	(0.3)	(0.1)	(0.2)
	<u>(2.3)</u>	<u>(2.1)</u>	<u>(4.2)</u>
Total other net interest payable and similar charges	6.3	4.4	9.5
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	0.4
	<u>6.8</u>	<u>5.1</u>	<u>11.0</u>

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**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2011

<b>Note 5:</b>	<b>Tax on profit on ordinary activities</b>	<b>Six months to 30 September 2011 (unaudited)</b>	<b>Six months to 30 September 2010 (unaudited)</b>	<b>Year to 31 March 2011</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
	The charge for taxation comprises -			
	<b>Current tax:</b>			
	Corporation tax at 26% (2010/11: 28%)	0.6	0.4	1.0
	Adjustment to prior periods	(0.1)	-	(0.1)
		<u>0.5</u>	<u>0.4</u>	<u>0.9</u>
	<b>Deferred tax:</b>			
	Current period movement	1.1	0.8	1.4
	Effect of reduction in tax rate	(1.5)	(1.5)	(3.0)
	Adjustment to prior periods	0.1	-	0.1
	Effect of discounting	1.1	0.7	1.4
	Total deferred tax	<u>0.8</u>	<u>-</u>	<u>(0.1)</u>
	<b>Total tax on profit on ordinary activities</b>	<u>1.3</u>	<u>0.4</u>	<u>0.8</u>

The overall tax charge represents 21% (six months to 30 September 2010: 12%; year ended 31 March 2011: 11%) 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 26% to 25% with effect from 1 April 2012. 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).

<b>Note 6:</b>	<b>Earnings per ordinary share</b>	<b>Six months to 30 September 2011 (unaudited)</b>	<b>Six months to 30 September 2010 (unaudited)</b>	<b>Year to 31 March 2011</b>
		<b>m</b>	<b>m</b>	<b>m</b>
	Earnings per share have been calculated as follows -			
	Earnings	£4.8	£3.0	£6.8
	Weighted average number of ordinary shares in issue	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>

<b>Note 7:</b>	<b>Fixed assets</b>	<b>Six months to 30 September 2011 (unaudited)</b>	<b>Six months to 30 September 2010 (unaudited)</b>	<b>Year to 31 March 2011</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
	The movement in fixed assets comprises -			
	Net book value, beginning of period	240.7	251.2	251.2
	Additions	18.3	9.8	23.9
	Disposals	-	-	(0.2)
	Grants and contributions	(2.3)	(2.3)	(3.8)
	Depreciation charge for period	(15.7)	(15.0)	(30.4)
	Net book value, end of period	<u>241.0</u>	<u>243.7</u>	<u>240.7</u>



**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2011

**Note 8: Net borrowings**

	<b>At 30 September 2011 (unaudited)</b>	At 30 September 2010 (unaudited)	At 31 March 2011
	<b>£m</b>	£m	£m
Net borrowings comprise -			
Debt due after one year, excluding 8.75% irredeemable cumulative preference shares	<b>258.6</b>	215.8	257.3
Current portion of debt	<b>3.2</b>	2.8	2.8
	<b>261.8</b>	218.6	260.1
Cash balances and investments	<b>(79.7)</b>	(27.8)	(79.7)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	<b>182.1</b>	190.8	180.4
8.75% irredeemable cumulative preference shares	<b>12.5</b>	12.5	12.5
Net borrowings	<b>194.6</b>	203.3	192.9

**Note 9: Provision for liabilities**

	<b>At 30 September 2011 (unaudited)</b>	At 30 September 2010 (unaudited)	At 31 March 2011
	<b>£m</b>	£m	£m
Deferred tax liability	<b>40.0</b>	41.4	40.3
Effect of discounting	<b>(14.2)</b>	(16.0)	(15.3)
Net provision, including deferred tax on retirement obligations	<b>25.8</b>	25.4	25.0
Less, attributable to retirement benefit obligations (note 10)	<b>(2.8)</b>	(3.2)	(2.7)
Net provision, excluding deferred tax on retirement benefit obligations	<b>23.0</b>	22.2	22.3

**Note 10: Retirement benefits**

Pension arrangements for the company's employees are partly 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 2011. However, the most recent estimate of the level of scheme funding at 31 March 2011, which considers long-term funding based on contribution rates and not FRS 17, indicated a funding deficit of approximately £2.9m. The triennial valuation of the level of scheme funding at 31 March 2011 is on-going.

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

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**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2011

**Note 10: Retirement benefits (continued)**

In summary, assets and liabilities under FRS 17 were:

	At 30 September 2011 (unaudited)	At 30 September 2010 (unaudited)	At 31 March 2011
	£m	£m	£m
Market value of section assets	156.5	147.1	149.5
Present value of liabilities	<u>(126.2)</u>	<u>(135.2)</u>	<u>(122.8)</u>
Surplus in the section	<u>30.3</u>	<u>11.9</u>	<u>26.7</u>
Amount not recognised due to asset recognition limit	(19.3)	-	(16.4)
Deferred taxation	<u>(2.8)</u>	<u>(3.2)</u>	<u>(2.7)</u>
Net retirement benefit surplus	<u>8.2</u>	<u>8.7</u>	<u>7.6</u>

**Note 11: Shareholders' funds**

	Six months to 30 September 2011 (unaudited)	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	£m	£m	£m
Movement in shareholders' funds -			
At beginning of period	89.9	84.9	84.9
Profit for the period	4.8	3.0	6.8
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	0.7	3.0	1.4
Attributable deferred taxation	(0.2)	(0.8)	(0.4)
Fair value of interest rate swap	(0.7)	(0.6)	0.1
Attributable deferred taxation	0.2	0.2	-
Ordinary dividends (note 12)	(1.5)	(1.5)	(2.9)
End of period	<u>93.2</u>	<u>88.2</u>	<u>89.9</u>

**Note 12: Ordinary dividends**

	Six months to 30 September 2011 (unaudited)	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	£m	£m	£m
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
Second interim dividend of 24.14 pence per share, approved by the Board on 17 March 2011	-	-	1.4
Dividends in respect of 2011/12:			
First interim dividend of 24.95 pence per share, approved by the Board on 22 September 2011	<u>1.5</u>	<u>-</u>	<u>-</u>
	<u>1.5</u>	<u>1.5</u>	<u>2.9</u>

A second interim dividend of £4.0m in respect of the year ended 31 March 2012 has been approved for payment before 31 December 2011.

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2011

**Note 13: Supplementary cash flow information**

	<b>Six months to 30 September 2011 (unaudited)</b>	Six months to 30 September 2010 (unaudited)	Year to 31 March 2011
	£m	£m	£m
<b>a) Reconciliation of operating profit to net cash inflow from operating activities -</b>			
Operating profit	12.9	8.5	18.6
Depreciation, net of amortisation of deferred income	15.5	14.9	29.9
Difference between pension charges and normal contributions	-	0.1	0.3
Cash flow from operations	<u>28.4</u>	<u>23.5</u>	<u>48.8</u>
Working capital movements:			
Stocks	(0.1)	-	(0.1)
Debtors	(5.8)	(3.8)	0.8
Creditors and provisions	(0.4)	0.2	0.4
Additional contributions to pension scheme	-	(0.5)	(0.9)
Net cash inflow from operating activities	<u>22.1</u>	<u>19.4</u>	<u>49.0</u>
<b>b) Reconciliation of net cash flow to movement in net borrowings -</b>			
(Decrease)/increase in net cash in the period	-	(0.3)	0.6
Cash used to repay borrowings	2.8	2.5	2.5
Cash from new borrowings	-	-	(39.5)
Cash from increase in short-term deposits	-	1.3	52.3
Decrease in net borrowings	<u>2.8</u>	<u>3.5</u>	<u>15.9</u>
Indexation of debt and amortisation of fees and premiums not affecting cash flow	(3.8)	(2.2)	(4.9)
Fair value of interest rate swap not affecting cash flow	(0.7)	(0.6)	0.1
Net borrowings, beginning of period, including 8.75% irredeemable cumulative preference shares	<u>(192.9)</u>	<u>(204.0)</u>	<u>(204.0)</u>
Net borrowings, end of period, including 8.75% irredeemable cumulative preference shares	<u>(194.6)</u>	<u>(203.3)</u>	<u>(192.9)</u>

**Note 14: Ultimate parent company and controlling party**

At the balance sheet date the ultimate parent company was considered by the directors to be Suez Environnement Company S.A, a company incorporated in France and partly owned by the French group GDF Suez.

The largest group in which the company is consolidated is Suez Environnement Company S.A. and copies of its consolidated annual report are available from Tour CB21, 16, Place de l'Iris, 92040 Paris, La Defense Cedex, France.

The smallest group in which the company is consolidated is Sociedad General de Aguas de Barcelona S.A. (Agbar), and copies of its consolidated annual report are available from Torre Agbar, Avda Diagonal, 211, Planta 20-08018, Barcelona, Spain.

***Bristol Water plc ..... Interim Results***

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2011

**Note 15: Post balance sheet events**

On 5 October 2011, CSE Water UK Limited, the UK subsidiary of Capstone Infrastructure Corporation, a Canadian infrastructure company, purchased 70% of the equity of Agbar UK Limited (the then ultimate UK parent company of Bristol Water plc) from Agbar.

The acquisition by CSE Water UK Limited has been communicated to Ofwat who have yet to start their standard 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.

On 19 October 2011, Agbar UK Limited, the former UK ultimate parent company, changed its name to Bristol Water Holdings UK Limited.

**Note 16: 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 2011

### **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  
24 November 2011

# **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 2011 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 16. 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 2011 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**  
24 November 2011  
Bristol, United Kingdom