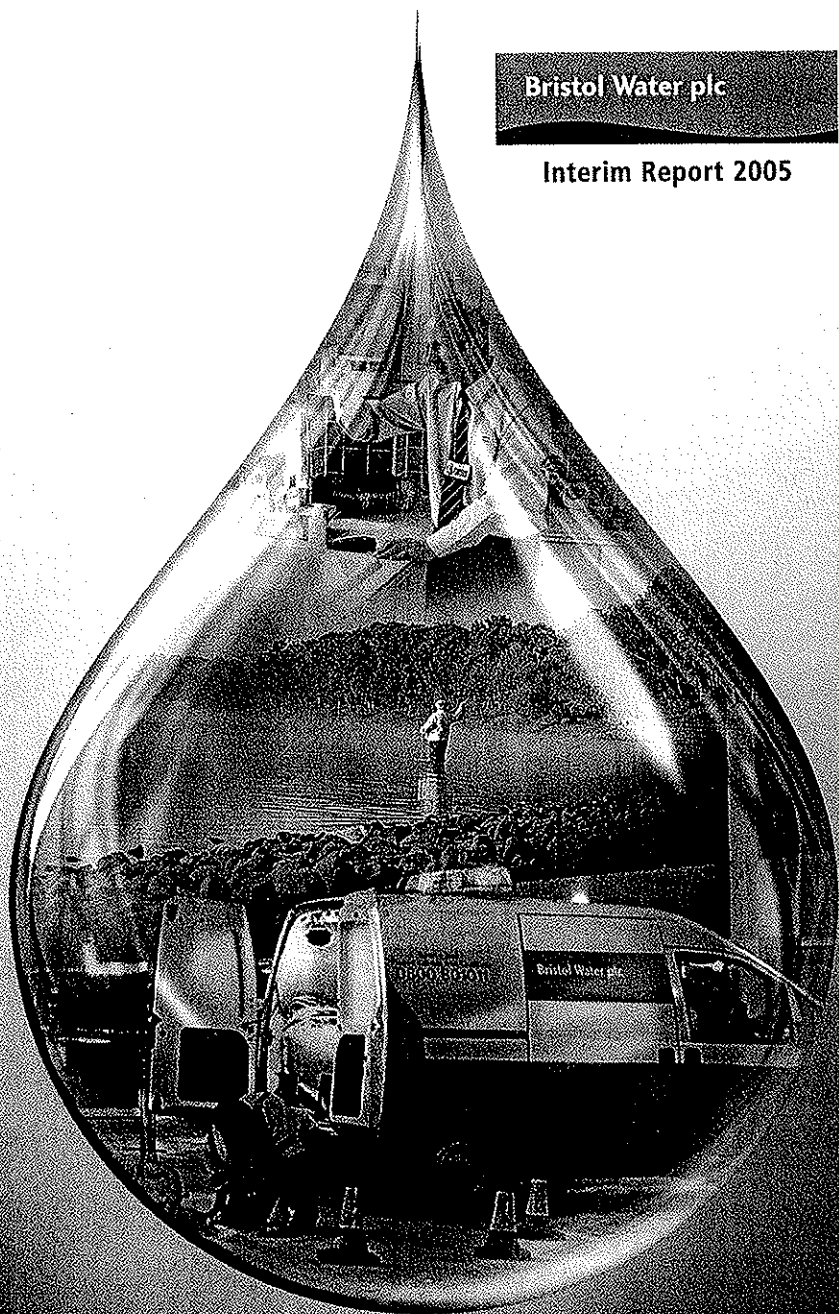


Bristol Water plc

Interim Report 2005



## Highlights

Six months ended 30 September	2005 (unaudited)	2004 (unaudited) (restated)	
	£m	£m	% change
Turnover	41.1	35.3	+17%
Operating profit	13.3	9.2	+44%
Profit before tax	10.8	6.4	+70%
Profit after tax	7.4	5.2	+42%
Regulatory Capital Value (RCV)*	235	229	
Net debt as percentage of RCV	71%	62%	
Earnings per ordinary share	113.8p	77.7p	+46%

- PBT £10.8m - 70% increase reflecting K factor of 13.8%
- Net capital investment of £7.7m in period
- Net debt of £167.3m – approximately 71% of forecast Regulatory Capital Value for 2005/06
- Results are reported under UK GAAP. Parent company has announced consolidated group results under IFRS
- Results for the previous period are restated to reflect full adoption of FRS17 and FRS21

\*Forecast year end RCV; 2004 RCV represents opening PR04 value

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

## 2 Chairman's statement

### Introduction

The company is in the first year of the new regulatory period covering the five years 2005-10 and is making good progress towards delivery of the required outputs and efficiency targets for the five-year period specified by Ofwat in its determination of the new price limits.

Financial performance in 2004/05 was adversely affected by a combination of expenses being incurred that were not provided for within allowed price limits, together with a provision for restructuring costs. The price limits for the new five-year period provide for most of these additional costs together with the financing of a substantial capital investment programme. The allowed price limit increase of 17.3% for the year, together with efficiency gains from the restructuring programme, has resulted in operating profit increasing by 44% to £13.3m.

During 2004/05 we initiated a programme to further improve the operational efficiency of the company. Over the past six months we have implemented a number of redundancies and arranged for the outsourcing of our laboratory services. We are continuing to seek further potential savings, where consistent with the maintenance of service standards and appropriate levels of risk.

Capital investment net of grants and contributions in the period amounted to £7.7m. A major focus during the period has been planning and initiation of projects for the five-year period and we anticipate a significant increase in net capital expenditure during the second half year.

A key scheme is the £20m project to improve the security of supply for customers in the northern part of our area. The first stages of this are progressing well and the overall scheme should be completed during 2007/08. We have also been working on two schemes to deal with deteriorating sources of raw water and are finalising two innovative solutions that will allow us to achieve the quality related objectives and also to streamline existing processes at two of our treatment plants.

Levels of service to customers remain extremely high, as reflected in Ofwat's assessment of levels of service and customer surveys.

At a national level there has been considerable publicity about drought conditions during the summer and the potential restriction of water supplies. In the Bristol area we suffered from low rainfall during both the important 2004/05 winter period and during this summer. This has led to reservoir levels being lower than normal, but still within normal control parameters. Heavy rainfall during October and early November meant that by the end of November reservoir levels had improved significantly to above normal levels. We are continuing, as always, to encourage customers to minimise the waste of water wherever possible, but have not sought to impose restrictions on use. The next 2-3 months rainfall remains important to ensure an adequate recharge of the reservoirs.

### Accounting standards

Bristol Water Group plc, the ultimate parent company, is also reporting its consolidated interim results today. These are being reported under International Financial Reporting Standards (IFRS). As previously indicated Bristol Water plc does not currently intend to adopt IFRS and therefore will continue to report under UKGAAP.

There have been a number of changes to UKGAAP in the period. The two significant changes for the company are FRS17 (Pension costs) and FRS21 (Events after the balance sheet date). The new standards have been adopted for the interim results and comparative figures for the previous year have been restated accordingly.

### Financing arrangements

Additional long-term index linked debt of £57m was successfully raised through the Artesian programmes arranged by The Royal Bank of Scotland. £21.5m was used to provide an intercompany loan to the ultimate parent company and £7m to make a special contribution to the defined benefit pension scheme. The remainder will be used to finance capital expenditure and debt maturities over the next two years. This 'pre-funding' is reflected in the relatively high cash at bank and on deposit of £39.4m at 30 September 2005.

The parent company then used the £21.5m loan plus other cash balances to finance a return of approximately £30m to shareholders, which was completed during July.

At 30 September 2005 the net debt was £167.3m representing approximately 71% of the forecast Regulatory Capital Value (RCV) at 31 March 2006. We anticipate maintaining a debt to RCV ratio in the range of 75% to 80% over the remainder of the five year regulatory period.

### Pensions

Pension arrangements for the majority of the company's employees are provided through the group's membership of the Water Companies Pension Scheme (WCPS), which provides defined benefits based on final pensionable pay. The pension sections were closed to new entrants a number of years ago and all new employees are offered stakeholder pension arrangements.

At 30 September 2005 the gross deficit, under FRS17 and included within the balance sheet, was £1.5m. This is £10.4m lower than the equivalent figure at 31 March 2005 reflecting the additional contribution of £7.0m made during the period together with favourable actuarial movements. The company has also agreed to make further additional contributions of £1.0m in each of the four years beginning April 2006 and £0.9m in 2010/11.

### Dividends

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

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

The Board declared a first interim dividend of £1.2m in respect of intercompany loan interest for the six months to 30 September 2005. This was paid in October. The Board has now declared a second interim dividend of £2.3m in respect of the base level of dividend for the six months to 30 September 2005, which will be paid on 8 December 2005.

### Conclusion

The company is well placed for the future.

Moger Woolley  
Chairman  
8 December 2005

## 4 Profit and loss account

For the six months ended 30 September 2005

	Note	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
Turnover	2	41.1	35.3	70.6
Operating costs		(27.8)	(26.1)	(52.6)
Exceptional operating costs		-	-	(1.7)
	3	<u>(27.8)</u>	<u>(26.1)</u>	<u>(54.3)</u>
<b>Operating profit</b>		<b>13.3</b>	<b>9.2</b>	<b>16.3</b>
Net interest payable	4	(2.9)	(3.2)	(6.6)
Interest in respect of retirement benefit obligations	4	0.4	0.4	0.8
<b>Profit on ordinary activities before taxation</b>		<b>10.8</b>	<b>6.4</b>	<b>10.5</b>
Taxation on profit on ordinary activities	5	(3.4)	(1.2)	(1.4)
<b>Profit on ordinary activities after taxation</b>		<b>7.4</b>	<b>5.2</b>	<b>9.1</b>
Dividends -	6			
On irredeemable preference shares (non-equity)		(0.5)	(0.5)	(1.1)
On ordinary shares (equity)		(6.5)	(4.5)	(7.3)
<b>Total dividends</b>		<b>(7.0)</b>	<b>(5.0)</b>	<b>(8.4)</b>
<b>Profit retained</b>		<b>0.4</b>	<b>0.2</b>	<b>0.7</b>
<b>Earnings per ordinary share</b>	7	<b>113.8p</b>	<b>77.7p</b>	<b>133.3p</b>
<b>Dividend per ordinary share</b>	6			
- declared or proposed in respect of the period		58.30p	47.15p	135.15p
- charged in the profit and loss account during the period		107.62p	74.27p	121.42p

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

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

# Statement of total recognised gains and losses 5

For the six months ended 30 September 2005

		Six months to 30 September 2005 (unaudited)	Six months to 30 September 2004 (unaudited) (restated)	Year to 31 March 2005 (restated)
	Note	£m	£m	£m
Profit attributable to Bristol Water plc ordinary shareholders		6.9	4.7	8.0
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	11	2.7	(0.6)	1.7
Attributable deferred taxation	11	(0.7)	0.2	(0.3)
<b>Total recognised gains for the period</b>		<b>8.9</b>	<b>4.3</b>	<b>9.4</b>

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

## 6 Balance sheet

30 September 2005

	Note	At 30 September 2005 (unaudited) £m	At 30 September 2004 (unaudited) (restated) £m	At 31 March 2005 (restated) £m
Fixed assets	8	194.5	194.5	195.6
Investment – Loans to ultimate holding company		68.5	47.0	47.0
Current assets				
Stocks		0.7	0.6	0.6
Debtors		21.4	20.8	18.5
Cash at bank and on deposit	9	39.4	11.9	12.0
		<u>61.5</u>	<u>33.3</u>	<u>31.1</u>
Creditors: amounts falling due within one year				
Short term borrowings	9	(4.0)	(5.4)	(3.7)
Other creditors		(19.5)	(17.6)	(17.6)
		<u>(23.5)</u>	<u>(23.0)</u>	<u>(21.3)</u>
Net current assets		<u>38.0</u>	<u>10.3</u>	<u>9.8</u>
Total assets less current liabilities		301.0	251.8	252.4
Creditors: amounts falling due after more than one year	9	(202.7)	(149.3)	(148.4)
Deferred income		(9.5)	(8.5)	(8.6)
Provisions for liabilities and charges	10	(18.2)	(15.6)	(16.8)
Retirement benefit obligations	11	(1.5)	(14.0)	(11.9)
Net assets		<u>69.1</u>	<u>64.4</u>	<u>66.7</u>
Capital and reserves				
Called up share capital		18.5	18.5	18.5
Share premium		4.4	4.4	4.4
Other reserves		5.8	5.8	5.8
Profit and loss account		40.4	35.7	38.0
Total shareholders' funds	12	<u>69.1</u>	<u>64.4</u>	<u>66.7</u>
Analysed as attributable to:				
Equity interests		56.6	51.9	54.2
Non-equity interests		12.5	12.5	12.5

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

Bristol Water plc Interim Results for the six months ended 30 September 2005

# Cash flow statement

For the six months ended 30 September 2005

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	Note	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
Net cash inflow from operating activities	13	11.4	15.6	34.1
<b>Returns on investments and servicing of finance</b>				
Net interest paid		(3.2)	(2.9)	(5.3)
Non-equity dividends paid		(0.6)	(0.6)	(1.7)
Net costs of issue of new loans		(1.1)	-	-
		<u>(4.9)</u>	<u>(3.5)</u>	<u>(7.0)</u>
Corporation tax paid		<u>(0.4)</u>	<u>(1.6)</u>	<u>(1.9)</u>
<b>Capital expenditure and investing activities</b>				
Purchase of fixed assets		(8.9)	(10.1)	(20.1)
Contributions received		1.8	2.0	3.7
Proceeds on disposal of fixed assets		-	0.1	-
Loan advanced to ultimate holding company		(21.5)	-	-
		<u>(28.6)</u>	<u>(8.0)</u>	<u>(16.4)</u>
Equity dividends paid		<u>(5.3)</u>	<u>(4.5)</u>	<u>(7.3)</u>
Cash (outflow)/inflow before management of liquid resources and financing		(27.8)	(2.0)	1.5
Management of liquid resources being (increase)/decrease in short term deposits		<u>(27.8)</u>	4.5	5.4
		<u>(55.6)</u>	2.5	6.9
<b>Financing</b>				
New term loans		57.0	-	-
Capital element of loan and lease repayments		(1.8)	(3.5)	(6.9)
		<u>55.2</u>	<u>(3.5)</u>	<u>(6.9)</u>
Decrease in cash	13	(0.4)	(1.0)	-
Cash, beginning of period		1.6	1.6	1.6
Cash, end of period		<u>1.2</u>	<u>0.6</u>	<u>1.6</u>

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

## 8 Notes to the interim results

For the six months ended 30 September 2005

### Note 1: Accounting policies

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985. The interim results, which have not been audited but have been reviewed by the company's auditors, have been prepared on the basis of the new accounting standards outlined below and where there are no changes, those accounting policies adopted by Bristol Water plc for the year ended 31 March 2005 as set out in the Annual Report and Accounts. Those accounts (on which the auditors gave an unqualified report) have been delivered to the Registrar of Companies.

During this period the company has adopted the following new Financial Reporting Standards (FRS) in its financial statements, insofar as they are applicable to the affairs of the company:

FRS17 – Retirement benefits  
FRS20 – Share based payments  
FRS21 – Events after the balance sheet date  
FRS22 – Earnings per share  
FRS23 – Effects of changes in foreign exchange rates  
FRS24 – Financial reporting in hyperinflationary economies  
FRS25 – Financial Instruments: Disclosure and presentation  
FRS26 – Financial Instruments: Measurement

The main effects of these changes are as follows:

FRS17: Full provision is made in these accounts for the deficit arising in the company's share of the Water Companies' Pension Scheme (WCPS), as further described in note 11. The effect of the change in accounting policy is:

- to increase profit after tax by £0.1m (six months ended 30 September 2004: £0.2m; year ended 31 March 2005: £0.3m)
- to increase/(decrease) total recognised gains and losses for the period by £2.1m (six months ended 30 September 2004: £(0.2)m; year ended 31 March 2005: £1.7m)
- to increase/(decrease) net assets as at 30 September 2005 by £1.7m (as at 30 September 2004: £(9.4)m; as at 31 March 2005: £(7.5)m)

FRS21: Dividends are now recognised, and charged against profits, at the time they are declared, rather than at the time they are proposed, or in respect of the years to which they relate. This decreases retained profit at 30 September 2005 by £3.0m (at 30 September 2004 by £1.6m and increases retained profit at 31 March 2005 by £0.8m). It also increases net assets as at 30 September 2005 by £2.3m (as at 30 September 2004: £2.8m; as at 31 March 2005: £5.3m).

As outlined in the company's Annual Report and Accounts for the year ended 31 March 2005, the company will not be adopting IFRS for its financial statements for the year ended 31 March 2006.

As a result of changes made in the Water Act 2003, revenue deficit contributions received on or after 1 April 2005 are credited to deferred income and amortised over a three year period.

# Notes to the interim results

For the six months ended 30 September 2005

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## Note 2: Turnover

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) £m	Year to 31 March 2005 £m
Turnover comprises -			
Metered water supply	15.7	13.1	26.2
Unmetered water supply	22.0	19.8	39.7
Other services	3.4	2.4	4.7
	<u>41.1</u>	<u>35.3</u>	<u>70.6</u>

## Note 3: Operating costs (including exceptional operating costs)

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets, and including retirement benefit costs arising under FRS17	6.2	5.7	13.1
Other operating expenses	13.1	13.2	26.6
Depreciation, net of amortisation of deferred income	8.5	7.2	14.6
	<u>27.8</u>	<u>26.1</u>	<u>54.3</u>

The depreciation charge for the six months to 30 September 2005 is stated after charging £0.2m accelerated depreciation in respect of plant planned to be taken out of service early as part of a capital project to meet quality obligations and streamlining of treatment processes (six months to 30 September 2004 and year to 31 March 2005: £Nil).

Exceptional operating costs of £1.7m, related to a restructuring programme to improve the operating efficiency of the company, are included in the total for 31 March 2005.

## 10 Notes to the interim results

For the six months ended 30 September 2005

### Note 4: Net interest payable

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
Net interest payable and similar charges comprise -			
Interest payable and similar charges	5.5	5.0	10.1
Interest income	(2.6)	(1.8)	(3.5)
	<u>2.9</u>	<u>3.2</u>	<u>6.6</u>
Net finance income in respect of retirement benefit obligations	(0.4)	(0.4)	(0.8)
	<u>2.5</u>	<u>2.8</u>	<u>5.8</u>

### Note 5: Taxation on profit on ordinary activities

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
The charge for taxation comprises -			
Current tax:			
Corporation Tax at 30%	1.9	1.0	1.0
Advance Corporation Tax written back	-	(0.6)	(1.5)
Adjustment to prior periods	-	0.6	1.7
Receipts in respect of group relief	-	-	1.0
Total current tax	<u>1.9</u>	<u>1.0</u>	<u>2.2</u>
Deferred tax:			
Current period movement	1.7	1.0	1.1
Adjustment to prior periods	-	(0.6)	(1.8)
Effect of discounting	(0.2)	(0.2)	(0.1)
Total deferred tax	<u>1.5</u>	<u>0.2</u>	<u>(0.8)</u>
Total taxation on profit on ordinary activities	<u>3.4</u>	<u>1.2</u>	<u>1.4</u>

# Notes to the interim results

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For the six months ended 30 September 2005

## Note 6: Dividends

	Six months to 30 September 2005 (unaudited)	Six months to 30 September 2004 (unaudited) (restated)	Year to 31 March 2005 (restated)
	£m	£m	£m
<b>8.75% Cumulative Preference Shares</b>			
Interim dividend paid 30 September	0.5	0.5	0.5
Final dividend paid 31 March	-	-	0.6
	<u>0.5</u>	<u>0.5</u>	<u>1.1</u>

### Ordinary shares

Dividend in respect of 2003/04:

Final dividend of 74.27 pence per share, approved at the Annual General Meeting on 19 July 2004	-	4.5	4.5
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Dividend in respect of 2004/05:

Interim dividend of 47.15 pence per share, approved by the Board on 7 December 2004	-	-	2.8
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Final dividend of 88.00 pence per share, approved at the Annual General Meeting on 18 July 2005

5.3	-	-
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Dividend in respect of 2005/06:

First interim dividend of 19.62 pence per share, approved by the Board on 29 September 2005	1.2	-	-
	<u>6.5</u>	<u>4.5</u>	<u>7.3</u>

Total dividend

<u>7.0</u>	<u>5.0</u>	<u>8.4</u>
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The Board has declared a second interim dividend of 38.68 pence per share, totalling £2.3m, in respect of the six months ended 30 September 2005. This will be paid on 8 December 2005. In accordance with FRS21 the second interim dividend is not recognised in these accounts as a liability.

## Note 7: Earnings per share attributable to ordinary shares

	Six months to 30 September 2005 (unaudited)	Six months to 30 September 2004 (unaudited) (restated)	Year to 31 March 2005 (restated)
	m	m	m
Earnings per share have been calculated as follows:			
Earnings	£6.9	£4.7	£8.0
Weighted average number of ordinary shares in issue	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>

## 12 Notes to the interim results

For the six months ended 30 September 2005

### Note 8: Movement in fixed assets

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) (restated) £m	Year to 31 March 2005 (restated) £m
The movement in fixed assets comprises -			
Net book value, beginning of period	195.6	193.8	193.8
Additions	9.1	10.1	20.3
Disposals	-	-	0.1
Grants and contributions	(1.4)	(2.0)	(3.7)
Depreciation	(8.8)	(7.4)	(14.9)
Net book value, end of period	<u>194.5</u>	<u>194.5</u>	<u>195.6</u>

### Note 9: Net debt

	At 30 September 2005 (unaudited) £m	At 30 September 2004 (unaudited) £m	At 31 March 2005 £m
Net debt comprises -			
Debt due after one year	202.7	149.3	148.4
Debt due within one year	4.0	5.4	3.7
Less cash balances and short term deposits	(39.4)	(11.9)	(12.0)
Net debt	<u>167.3</u>	<u>142.8</u>	<u>140.1</u>

### Note 10: Provisions for liabilities and charges

	At 30 September 2005 (unaudited) £m	At 30 September 2004 (unaudited) (restated) £m	At 31 March 2005 (restated) £m
Restructuring costs	0.9	-	1.7
Deferred tax (see below)	17.3	15.6	15.1
	<u>18.2</u>	<u>15.6</u>	<u>16.8</u>
<b>Deferred taxation provision</b>			
Deferred tax liability	31.1	29.3	28.7
Effect of discounting	(13.8)	(13.7)	(13.6)
Net provision	<u>17.3</u>	<u>15.6</u>	<u>15.1</u>

# Notes to the interim results

For the six months ended 30 September 2005

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## Note 11: Pensions

### Pension arrangements

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

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 plc and former Bristol Water plc employees who transferred to Bristol Wessex Billing Services Ltd. The majority of the section assets and liabilities relate to Bristol Water plc employees and ex-employees.

The company made a contribution of £7.0m to WCPS in July 2005. It has 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.

A triennial actuarial valuation of the section as at 1 April 2005 is currently being finalised by the scheme actuary.

### Accounting under FRS17 Retirement Benefits

FRS17 became mandatory for accounting periods starting on or after 1 January 2005, which for the company is the current year ending 31 March 2006.

In accordance with FRS17 actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses. Prior years have been restated accordingly.

In summary assets and liabilities were:

	30 September 2005 £m	30 September 2004 £m	31 March 2005 £m
Total fair value of assets	116.0	91.6	98.2
FRS17 value of liabilities	(117.5)	(105.6)	(110.1)
Gross retirement benefit liability before attributable deferred taxation	(1.5)	(14.0)	(11.9)

## 14 Notes to the interim results

For the six months ended 30 September 2005

### Note 12: Total shareholders' funds

	Six months to 30 September 2005 (unaudited)	Six months to 30 September 2004 (unaudited) (restated)	Year to 31 March 2005 (restated)
	£m	£m	£m
Movement in shareholders' funds -			
At beginning of period as previously reported:	68.9	69.3	69.3
Effect of adoption of FRS17	(7.5)	(9.2)	(9.2)
Effect of adoption of FRS21	5.3	4.5	4.5
At beginning of period as now restated	<u>66.7</u>	<u>64.6</u>	<u>64.6</u>
Profit on ordinary activities after taxation for the period	7.4	5.2	9.1
Actuarial gains/(losses) related to retirement benefit obligations	2.7	(0.6)	1.7
Deferred tax attributable to actuarial gains/losses	(0.7)	0.2	(0.3)
Dividends	(7.0)	(5.0)	(8.4)
End of period	<u>69.1</u>	<u>64.4</u>	<u>66.7</u>

### Note 13: Supplementary cashflow information

	Six months to 30 September 2005 (unaudited)	Six months to 30 September 2004 (unaudited) (restated)	Year to 31 March 2005 (restated)
	£m	£m	£m
a) Reconciliation of operating profit to net cash inflow from operating activities -			
Operating profit	13.3	9.2	16.3
Depreciation net of amortisation of deferred income	8.5	7.2	14.6
Cash flow from operations	<u>21.8</u>	<u>16.4</u>	<u>30.9</u>
Working capital movements	(3.4)	(0.8)	3.2
Additional contributions to pension scheme	(7.0)	-	-
Net cash inflow from operating activities	<u>11.4</u>	<u>15.6</u>	<u>34.1</u>

# Notes to the interim results

For the six months ended 30 September 2005

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## Note 13: Supplementary cashflow information

	Six months to 30 September 2005 (unaudited) £m	Six months to 30 September 2004 (unaudited) £m	Year to 31 March 2005 £m
<b>b) Reconciliation of net cash flow to movement in net debt -</b>			
Decrease in cash in the period	(0.4)	(1.0)	-
Cash used to repay borrowings	1.8	3.5	6.9
Cash from new borrowings	(57.0)	-	-
Costs of issue of new loans	1.1	-	-
Increase/(decrease) in short term deposits	27.8	(4.5)	(5.4)
(Increase)/decrease in net borrowings	<u>(26.7)</u>	<u>(2.0)</u>	<u>1.5</u>
Movement in net debt not affecting cash flow –			
indexation of existing debt	(0.5)	(0.5)	(1.3)
Net debt, beginning of period	<u>(140.1)</u>	<u>(140.3)</u>	<u>(140.3)</u>
Net debt, end of period	<u>(167.3)</u>	<u>(142.8)</u>	<u>(140.1)</u>

## Note 14: 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>.

# 16 Independent review report to Bristol Water plc

For the six months ended 30 September 2005

## Introduction

We have been instructed by the company to review the financial information, which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and related notes, for the six months ended 30 September 2005. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

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

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Review conclusion

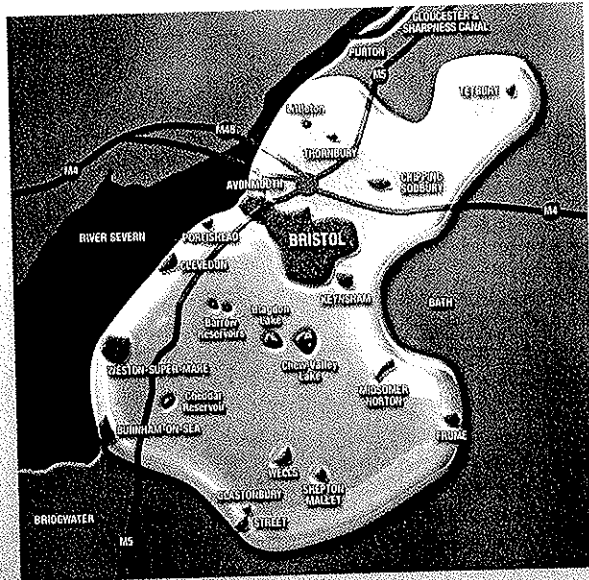
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Bristol  
8 December 2005

## Notes:

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

## BRISTOL WATER'S AREA OF SUPPLY



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