



## BRISTOL WATER plc

Announcement of interim results for the six months ended 30 September 2007

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

**For further information:**

Alan Parsons, Managing Director  
Bristol Water plc

Tel: 0117 953 6407

or contact:

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

### HIGHLIGHTS – REPORTED UNDER UK GAAP

Six months ended 30 September	2007 (unaudited) £m	2006 (unaudited) £m
Turnover	46.0	43.3
Operating profit	14.2	14.0
Profit before taxation	10.6	12.1
Profit after taxation	9.9	9.7
Regulatory Capital Value (RCV) – forecast year end	275	256
Net debt (excluding 8.75% irredeemable cumulative preference shares) as percentage of forecast RCV at year end	68%	67%

- Operating profit £14.2m – 1% increase
- Profit before taxation £10.6m - 12% decrease reflecting higher interest costs
- Capital investment of £26.3m in period
- Net debt, excluding irredeemable cumulative preference shares, of £185.6m – approximately 68% of projected RCV at 31 March 2008

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

## **CHAIRMAN'S STATEMENT**

### **Introduction**

The summer floods in Gloucestershire were the focus of considerable media attention. Services to our customers were not affected by the events and we were pleased that we were able to provide considerable practical support to Severn Trent who were at the centre of the crisis.

This event clearly demonstrates how important it is for the water industry to have robust and resilient infrastructure and operating systems. This will be an important factor in the next Ofwat price review, which will result in the setting of price limits for the 5-year period 2010/11 to 2014/15. The first major milestone in the process is the submission to Ofwat in December 2007 of a strategic direction statement setting out our vision and outline plans for the next 25 years.

### **Operational performance**

We are now at the mid point of the current 5 year regulatory period 2005-10 and are continuing to make good progress in the delivery of the outputs required by Ofwat's determination of price limits for the period. Three major capital schemes are nearing completion:

- A £24m project to improve the security of supply for a population of almost 200,000 in the northern and eastern parts of Bristol and surrounding areas. This scheme would have helped to deal with the types of problems experienced in Gloucestershire during this summer's flooding.
- A £11m project to upgrade our Banwell treatment works to improve its effectiveness in dealing with a range of different raw water qualities.
- A £7m project to construct a new treatment works to treat water from the River Axe.

In total, we invested £26m in capital projects during the period. We currently anticipate a total investment programme for the 5-year regulatory period of about £172m (in current prices, before grants and contributions). This is broadly in line with Ofwat's assumptions.

Our customer service performance remains at high levels with customer surveys consistently showing high satisfaction levels.

### **Application for an interim determination of K (IDOK)**

In 2004 Ofwat set price limits for all English and Welsh water companies for five years ended 31 March 2010. The price limits were based on a very detailed analysis of the costs and investments that companies were expected to incur to deliver services to customers.

When setting price limits, Ofwat identified a number of uncertainties where, if the original assumptions proved to be wrong, price limits could be reviewed by an interim determination. In three of these areas Bristol Water is experiencing significant increases in costs arising from:

- A higher number of domestic customers opting for a free meter
- An increase in the level of bad debts i.e. customers not paying their bills
- Water abstraction charges levied by the Environment Agency

During September we therefore applied to Ofwat for a change to the original price limits for the next two years.

Ofwat have considered our application and issued their draft determination at the beginning of November. There is now a period of public consultation and discussion between Ofwat and the company. Ofwat has stated it will issue its final determination by no later than 14 December.

Ofwat's draft determination proposes real price increases (K's) of 4.6% for 2008/09 and minus 2.0% for 2009/10 compared to the original price limits of 0.7% in 2008/09 and minus 2.3% in 2009/10.

We are pleased that Ofwat have recognised that we are experiencing extra costs in specific areas outside our control. We have confirmed to Ofwat that in overall terms the draft determination is acceptable but have proposed an alternative profile achieving the same recovery of costs with real price increases of approximately 3.6% in 2008/09 and nil in 2009/10.

Our current average annual domestic water supply bill is some 6% lower than the average bill for English and Welsh companies and significantly lower than the average bills of some of our nearest neighbours. Even with the new proposed price limits our average bill would increase in real terms to only around £144 by 2009/10 and represents excellent value for the services we provide to customers.

### **Financial performance**

Operating profit for the period increased by £0.2m to £14.2m. The average 5.4% increase in charges to customers under the approved price limits was more than offset by inflation on operating costs including the impact of increased energy cost and additional depreciation related to the capital investment programme.

Energy costs increased by £1.1m reflecting the impact of a price increase in line with general market movements of approximately 65% in October 2006. New contracts apply from October 2007 and prices are approximately 20% lower than those for October 2006.

Net interest charges, excluding those related to retirement benefits and the preference share dividend, increased by £1.3m to £3.6m. This mainly reflects the increase in net debt resulting from the financing of the capital expenditure programme and an increase in the inflation element of the charge related to our indexed linked debt.

Profit before tax reduced by £1.5m to £10.6m.

The tax charge of £0.7m represents an effective tax rate of 7% (2006: 20%). The charge is net of a £1.7m gain due to a reduction in deferred tax liabilities (after discounting) following the reduction in corporation tax rates from April 2008 and other changes confirmed in the Finance Act 2007.

Net debt, excluding the irredeemable preference shares, increased to £185.6m (31 March 2007 £176.3m) and represents approximately 68% of forecast Regulatory Capital Value at 31 March 2008. As previously indicated we currently anticipate that this ratio will increase to between 70% and 80% for the remainder of the 5-year regulatory period ending in March 2010.

## Prospects

In the Directors' report and business review within the company's Annual Report and Accounts 2007 we set out a summary of the key risks and uncertainties that the company faces. The main risk areas are operational problems and performance, regulatory requirements and developments and financial factors.

The results for the second half of the year will include the following:

- A reduction in energy costs in line with the new contracts.
- An increase in interest charges reflecting increased net debt and higher indexation charges related to our index linked debt (1.6% in the six months to 30 September 2007, 2.2% in the six months to 31 March 2008).
- Increased debt to finance the continuing planned high levels of capital investment.

## Dividends

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

- A base level reflecting the cost of capital allowed by Ofwat in the 5-year 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 Bristol Water Group Ltd (the ultimate UK parent company) in respect of intercompany loans.

During the period an interim ordinary dividend for 2007/08 in respect of the intercompany loan interest element of £1.4m was paid.

A final dividend of £6.0m in respect of 2006/07 was approved at the Annual General Meeting and accrued in these statements. It was paid on 25 October 2007.

A second interim ordinary dividend for 2007/08 in respect of the base level dividend of £3.1m was approved by the Board on 29 November 2007 and will be paid during the first quarter of 2008.

## Board membership

In September, Tony Harding joined the Board as a non-executive director. Tony is a senior executive with Suez Environment (the largest shareholder in Agbar) and has extensive water sector experience including previous positions as Managing Director of Northumbrian Water and Essex & Suffolk Water.

Andy Nield leaves the Board as these interim accounts are issued. He has made a substantial contribution to the development of the company and the wider Bristol Water Group. He has been involved in all major corporate transactions in his seven years with us. We thank him for his excellent contribution and wish him well for the future. Stefano Pellegrini has been appointed to take his place as Finance Director.

**Moger Woolley**  
**Chairman**  
**29 November 2007**

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

**PROFIT AND LOSS ACCOUNT**

For the six months ended 30 September 2007

		<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	Note	£m	£m	£m
<b>Turnover</b>	2	<b>46.0</b>	43.3	86.3
Operating costs	3	<u>(31.8)</u>	<u>(29.3)</u>	<u>(61.1)</u>
<b>Operating profit</b>		<b>14.2</b>	14.0	25.2
Dividends on 8.75% irredeemable cumulative preference shares		<b>(0.5)</b>	(0.5)	(1.1)
Interest in respect of retirement benefit surplus		<b>0.5</b>	0.9	1.5
Other net interest payable	4	<u>(3.6)</u>	<u>(2.3)</u>	<u>(6.7)</u>
		<u>(3.6)</u>	<u>(1.9)</u>	<u>(6.3)</u>
<b>Profit on ordinary activities before taxation</b>		<b>10.6</b>	12.1	18.9
Taxation on profit on ordinary activities	5	<u>(0.7)</u>	<u>(2.4)</u>	<u>(2.5)</u>
<b>Profit on ordinary activities after taxation</b>		<u><b>9.9</b></u>	<u>9.7</u>	<u>16.4</u>
<b>Earnings per ordinary share – basic and diluted</b>	6	<u><b>164.5p</b></u>	<u>160.5p</u>	<u>273.0p</u>
<b>Dividend per ordinary share</b>	12			
- declared or proposed in respect of the period		<u><b>75.28p</b></u>	<u>23.60p</u>	<u>147.10p</u>
- paid during the period		<u><b>23.60p</b></u>	<u>81.62p</u>	<u>105.09p</u>

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the six months ended 30 September 2007

		<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	Note	£m	£m	£m
Profit attributable to Bristol Water plc ordinary shareholders		<b>9.9</b>	9.7	16.4
Actuarial gains recognised in respect of retirement benefit surplus	10,11	<b>2.3</b>	1.1	4.8
Attributable deferred taxation	10,11	<b>(0.7)</b>	(0.3)	(1.3)
Deferred tax asset reversal upon closure of equity-settled share based payment scheme		-	-	(0.6)
<b>Total recognised gains for the period</b>		<u><b>11.5</b></u>	<u>10.5</u>	<u>19.3</u>

The accompanying notes to the accounts form an integral part of these statements.

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

**BALANCE SHEET**

30 September 2007

		At 30 September 2007 (unaudited)	At 30 September 2006 (unaudited)	At 31 March 2007
	Note	£m	£m	£m
<b>Fixed assets</b>	7	<b>232.8</b>	207.2	218.7
<b>Investment – Loans to ultimate UK holding company</b>		<b>68.5</b>	68.5	68.5
<b>Current assets</b>				
Stocks		0.9	0.7	0.8
Debtors		24.5	23.0	20.8
Other investments	8	17.5	31.9	28.0
Cash at bank	8	3.8	1.6	2.8
		<u>46.7</u>	<u>57.2</u>	<u>52.4</u>
<b>Creditors: amounts falling due within one year</b>				
Short term borrowings	8	(11.7)	(2.4)	(2.5)
Ordinary dividends approved but not paid at period end	12	(6.0)	-	-
Other creditors		(25.7)	(21.9)	(24.1)
		<u>(43.4)</u>	<u>(24.3)</u>	<u>(26.6)</u>
<b>Net current assets</b>		<u>3.3</u>	<u>32.9</u>	<u>25.8</u>
<b>Total assets less current liabilities</b>		<b>304.6</b>	308.6	313.0
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(195.2)</b>	(203.1)	(204.6)
<b>8.75% irredeemable cumulative preference shares</b>	8	<b>(12.5)</b>	(12.5)	(12.5)
<b>Deferred income</b>		<b>(9.7)</b>	(10.0)	(9.4)
<b>Provision for deferred tax</b>	9	<b>(18.8)</b>	(19.8)	(19.7)
<b>Retirement benefit surplus, net of attributable deferred taxation</b>	10	<b>10.8</b>	4.5	8.3
<b>Net assets</b>		<u>79.2</u>	<u>67.7</u>	<u>75.1</u>
<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		5.8	5.8	5.8
Profit and loss account		63.0	51.5	58.9
<b>Shareholders' funds</b>	11	<u>79.2</u>	<u>67.7</u>	<u>75.1</u>

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

**CASH FLOW STATEMENT**

For the six months ended 30 September 2007

		<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	Note	£m	£m	£m
<b>Net cash inflow from operating activities</b>	13	<u>20.6</u>	<u>18.0</u>	<u>42.6</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		2.8	3.1	6.0
Interest paid on term loans and debentures		(4.5)	(3.8)	(8.7)
Interest paid on finance leases		(0.5)	(1.2)	(1.0)
Dividends paid on 8.75% irredeemable cumulative preference shares		(0.5)	(0.5)	(1.1)
		<u>(2.7)</u>	<u>(2.4)</u>	<u>(4.8)</u>
<b>Corporation tax paid</b>		<u>(0.4)</u>	<u>(0.3)</u>	<u>(1.0)</u>
<b>Capital expenditure and investing activities</b>				
Purchase of fixed assets		(26.6)	(17.3)	(41.2)
Contributions received		2.6	1.6	3.5
		<u>(24.0)</u>	<u>(15.7)</u>	<u>(37.7)</u>
<b>Equity dividends paid</b>		<u>(1.4)</u>	<u>(4.9)</u>	<u>(6.3)</u>
<b>Cash outflow before management of liquid resources and financing</b>		<u>(7.9)</u>	<u>(5.3)</u>	<u>(7.2)</u>
<b>Management of liquid resources</b>				
Being decrease in other investments		<u>10.5</u>	<u>7.6</u>	<u>11.5</u>
<b>Financing</b>				
Capital element of lease repayments		(1.6)	(1.4)	(2.2)
Payments in respect of swap liability		-	(0.3)	(0.3)
		<u>(1.6)</u>	<u>(1.7)</u>	<u>(2.5)</u>
<b>Increase in cash</b>	13	<u>1.0</u>	<u>0.6</u>	<u>1.8</u>
Cash, beginning of period		<u>2.8</u>	<u>1.0</u>	<u>1.0</u>
<b>Cash, end of period</b>		<u>3.8</u>	<u>1.6</u>	<u>2.8</u>

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

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

**Note 1: Accounting policies**

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results, which have not been audited but have been reviewed by the company's auditors, have been prepared on the basis of the accounting policies adopted by Bristol Water plc for the year ended 31 March 2007 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.237(2) or (3) of the Companies Act 1985.

As outlined in the company's Annual Report and Accounts for the year ended 31 March 2007, the company does not currently 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**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	<b>£m</b>	£m	£m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets, and including retirement benefit costs and equity-settled share based payments	<b>6.1</b>	5.7	11.2
Other operating costs	<b>15.8</b>	14.6	31.0
Depreciation, net of amortisation of deferred income	<b>9.9</b>	9.0	18.9
	<b><u>31.8</u></b>	<u>29.3</u>	<u>61.1</u>

**Note 4: Other net interest payable**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	<b>£m</b>	£m	£m
Other net interest payable relates to -			
Bank borrowings	<b>0.8</b>	0.8	1.6
Term loans and debentures - interest charges	<b>3.6</b>	3.5	7.1
- indexation of principal	<b>1.5</b>	0.5	2.9
Finance leases	<b>0.5</b>	0.5	1.0
	<b><u>6.4</u></b>	<u>5.3</u>	<u>12.6</u>
Less:			
Interest receivable from loan to Bristol Water Group Ltd	<b>(2.0)</b>	(2.0)	(4.0)
Other external investments and deposits	<b>(0.8)</b>	(1.0)	(1.9)
	<b><u>(2.8)</u></b>	<u>(3.0)</u>	<u>(5.9)</u>
Total other net interest	<b><u>3.6</u></b>	<u>2.3</u>	<u>6.7</u>

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

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

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
The charge for taxation comprises -			
<b>Current tax:</b>			
Corporation tax at 30%	1.6	1.9	2.4
Advanced Corporation Tax (ACT) previously recovered now written off	-	-	0.5
Adjustments to prior periods	-	(0.2)	(1.1)
<b>Total current tax</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>
<b>Deferred tax:</b>			
Current period movement	1.5	1.8	2.7
Adjustment to prior periods following changes made in Finance Act 2007	(3.5)	-	-
Other adjustments to prior periods	-	-	0.7
Effect of discounting	1.1	(1.1)	(2.7)
<b>Total deferred tax</b>	<b>(0.9)</b>	<b>0.7</b>	<b>0.7</b>
<b>Total taxation on profit on ordinary activities</b>	<b>0.7</b>	<b>2.4</b>	<b>2.5</b>

The overall tax charge represents 7% (six months to 30 September 2006: 20%; year ended 31 March 2007: 13%) of the profit before taxation. The charge is net of a £1.7m discounted gain (£3.5m gain before discounting) due to a reduction in deferred tax liabilities following the reduction in corporation tax rates from April 2008 and the removal of the industrial buildings allowance clawback provisions. Both of the changes were confirmed in the Finance Act 2007.

**Note 6: Earnings per ordinary share – basic and diluted**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	m	m	m
Earnings per share have been calculated as follows -			
Earnings	£9.9	£9.7	£16.4
Weighted average number of ordinary shares in issue	6.0	6.0	6.0

**Note 7: Fixed assets**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
The movement in fixed assets comprises -			
Net book value, beginning of period	218.7	197.0	197.0
Additions	26.3	20.8	45.5
Grants and contributions	(2.1)	(1.2)	(4.9)
Depreciation	(10.1)	(9.4)	(18.9)
<b>Net book value, end of period</b>	<b>232.8</b>	<b>207.2</b>	<b>218.7</b>

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**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

**Note 8: Net borrowings**

	At 30 September 2007 (unaudited)	At 30 September 2006 (unaudited)	At 31 March 2007
	£m	£m	£m
Net borrowings comprise -			
Debt due after one year, excluding 8.75% irredeemable cumulative preference shares	195.2	203.1	204.6
Current portion of debt	11.7	2.4	2.5
	<u>206.9</u>	<u>205.5</u>	<u>207.1</u>
Cash at bank and other investments	<u>(21.3)</u>	<u>(33.5)</u>	<u>(30.8)</u>
Net borrowings excluding 8.75% irredeemable cumulative preference shares	185.6	172.0	176.3
8.75% irredeemable cumulative preference shares	12.5	12.5	12.5
Net borrowings	<u>198.1</u>	<u>184.5</u>	<u>188.8</u>

**Note 9: Provision for deferred tax**

	At 30 September 2007 (unaudited)	At 30 September 2006 (unaudited)	At 31 March 2007
	£m	£m	£m
Deferred tax liability	37.6	36.0	38.7
Effect of discounting	(15.1)	(14.3)	(16.0)
	<u>22.5</u>	<u>21.7</u>	<u>22.7</u>
Net provision, including deferred tax on retirement benefit surplus	22.5	21.7	22.7
Less, attributable to retirement benefit surplus	(3.7)	(1.9)	(3.0)
Net provision, excluding deferred tax on retirement benefit surplus	<u>18.8</u>	<u>19.8</u>	<u>19.7</u>

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

**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. 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 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 employees and ex-employees.

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

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

In summary assets and liabilities under FRS 17 were:

	<b>30 September 2007 (unaudited)</b>	30 September 2006 (unaudited)	31 March 2007
	£m	£m	£m
Market value of section assets	<b>135.4</b>	126.3	131.3
Present value of liabilities	<b>(112.3)</b>	(119.9)	(120.0)
Surplus in the section	<u><b>23.1</b></u>	<u>6.4</u>	<u>11.3</u>
Restriction of surplus due to asset limit under FRS 17	<b>(8.6)</b>	-	-
	<b>14.5</b>	6.4	11.3
Deferred taxation	<b>(3.7)</b>	(1.9)	(3.0)
Net retirement benefit surplus	<u><b>10.8</b></u>	<u>4.5</u>	<u>8.3</u>

**Note 11: Shareholders' funds**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Movement in shareholders' funds -			
At beginning of period	<b>75.1</b>	62.1	62.1
Profit for the period	<b>9.9</b>	9.7	16.4
Actuarial gains recognised in respect of retirement benefit surplus	<b>2.3</b>	1.1	4.8
Attributable deferred taxation	<b>(0.7)</b>	(0.3)	(1.3)
Ordinary dividends (note 12)	<b>(7.4)</b>	(4.9)	(6.3)
Deferred tax asset written off upon closure of equity-settled share based payment scheme	-	-	(0.6)
End of period	<u><b>79.2</b></u>	<u>67.7</u>	<u>75.1</u>

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

**Note 12: Ordinary dividends**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
• Dividends in respect of 2005/06:			
Fourth interim and final dividend of 58.02 pence per share, approved by the Board on 16 May 2006	-	3.5	3.5
• Dividend in respect of 2006/07:			
First interim dividend of 23.60 pence per share, approved by the Board on 28 September 2006	-	1.4	1.4
Second interim dividend of 23.47 pence per share, approved by the Board on 22 March 2007	-	-	1.4
Final dividend of 100.03 pence per share, approved at the Annual General Meeting 6 August 2007	<b>6.0</b>	-	-
• Dividend in respect of 2007/08:			
First interim dividend of 23.60 pence per share, approved by the Board on 27 September 2007	<b>1.4</b>	-	-
	<u><b>7.4</b></u>	<u>4.9</u>	<u>6.3</u>

A final dividend in respect of 2006/07 of 100.03 pence per share, totalling £6.0m, was approved at the Annual General Meeting on 6 August 2007 and paid on 25 October 2007.

A second interim ordinary dividend for 2007/08 of 51.68 pence per share totalling £3.1m was approved by the Board on 29 November 2007 and will be paid in the first quarter of 2008. In accordance with FRS 21 this dividend is not recognised in these accounts as a liability.

**Note 13: Supplementary cash flow information**

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
<b>a) Reconciliation of operating profit to net cash inflow from operating activities -</b>			
Operating profit	<b>14.2</b>	14.0	25.2
Depreciation net of amortisation of deferred income	<b>9.9</b>	9.0	18.9
Difference between pension charges and normal contributions	<b>0.2</b>	0.4	0.5
Cash flow from operations	<u><b>24.3</b></u>	<u>23.4</u>	<u>44.6</u>
Working capital movements			
Stocks	<b>(0.1)</b>	-	(0.1)
Debtors	<b>(3.7)</b>	(4.0)	(1.8)
Creditors and provisions	<b>0.6</b>	(1.0)	0.9
Additional contributions to pension scheme, including payments in respect of staff retiring early due to restructuring programme	<b>(0.5)</b>	(0.4)	(1.0)
Net cash inflow from operating activities	<u><b>20.6</b></u>	<u>18.0</u>	<u>42.6</u>

**NOTES TO THE INTERIM RESULTS**

For the six months ended 30 September 2007

	<b>Six months to 30 September 2007 (unaudited)</b>	Six months to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
<b>b) Reconciliation of net cash flow to movement in net borrowings -</b>			
Increase in cash in the period	1.0	0.6	1.8
Cash used to repay borrowings	1.6	1.7	2.5
Decrease in other investments	<b>(10.5)</b>	(7.6)	(11.5)
	<hr/>	<hr/>	<hr/>
Increase in net borrowings	<b>(7.9)</b>	(5.3)	(7.2)
Movement in net debt not affecting cash flow	<b>(1.4)</b>	(0.5)	(2.9)
Net borrowings, beginning of period, including 8.75% irredeemable cumulative preference shares	<b>(188.8)</b>	(178.7)	(178.7)
	<hr/>	<hr/>	<hr/>
Net borrowings, end of period, including 8.75% irredeemable cumulative preference shares	<b>(198.1)</b>	(184.5)	(188.8)

**Note 14:** Costs related to a director leaving will be reimbursed by the ultimate UK parent company.

**Note 15: Suez / La Caixa acquisition of Agbar**

At 31 March 2007 approximately 49.7% of the share capital of Agbar was controlled by the French group Suez and the Spanish bank La Caixa. In April 2007 Suez, La Caixa and their joint venture Hisusa undertook to make a bid for the entire share capital of Agbar. They had secured a further 6.7% through an irrevocable undertaking; this 6.7% interest was acquired on 21 November, giving Suez and La Caixa a 56.4% stake in Agbar, at which time Suez and La Caixa declared that as a consequence of the mandatory bid they would exercise joint control over Agbar. The corresponding mandatory bid over 100% of shares in Agbar still requires authorisation by the Spanish Securities Regulator.

The outcome of this acquisition and the subsequent mandatory bid may change the identity of Bristol Water plc's ultimate holding company, which is currently considered to be Agbar for the purposes of Condition P of Bristol Water's Instrument of Appointment. Ofwat are being kept informed of material developments.

**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>.

**DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has 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 condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the financial year.

By order of the Board  
S C Robson  
Secretary  
29 November 2007

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

### **INDEPENDENT REVIEW REPORT TO BRISTOL WATER PLC**

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 2007 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and 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 International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review 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 have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

#### **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 inquiries, 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 accompanying interim financial information is not prepared, in all material respects, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

#### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
29 November 2007  
Bristol, UK