

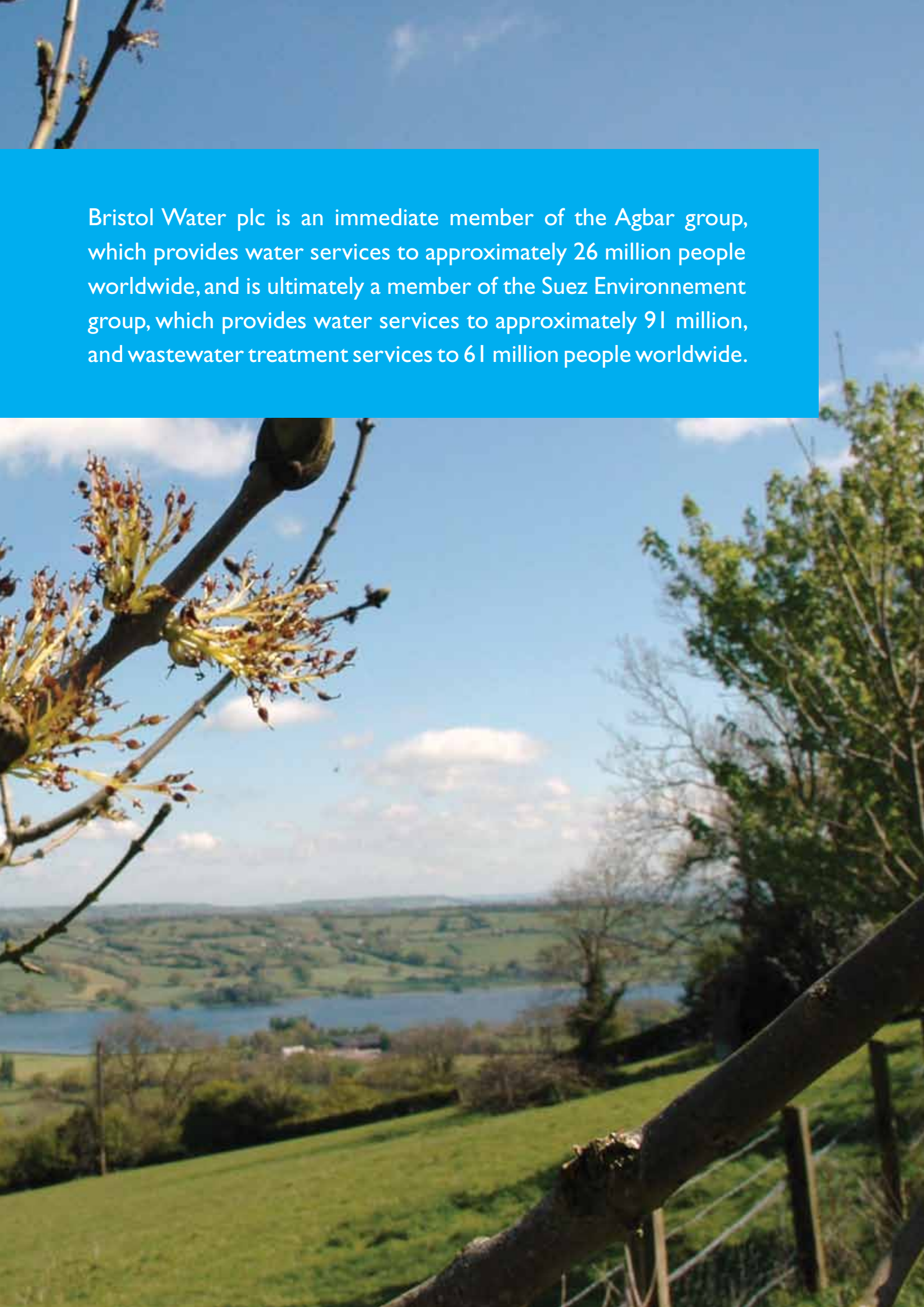
ANNUAL REPORT & ACCOUNTS

2011

A decorative graphic in the top right corner of the page showing a splash of water with bubbles and droplets, rendered in a light blue, semi-transparent style.

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A scenic landscape photograph showing a wide valley with a large lake in the distance. The foreground features a green grassy slope and a wooden fence. A tree branch with small, reddish-brown buds is visible on the left side. The sky is blue with scattered white clouds. A solid blue rectangular box is overlaid on the top portion of the image, containing white text.

Bristol Water plc is an immediate member of the Agbar group, which provides water services to approximately 26 million people worldwide, and is ultimately a member of the Suez Environnement group, which provides water services to approximately 91 million, and wastewater treatment services to 61 million people worldwide.

Financial Highlights

Profit for year ended 31 March 2010

Significant changes between periods:

Increase in depreciation charge on infrastructure assets

Change in debt indexation cost

Change in discounting of deferred tax

Reduction in future corporation tax rate

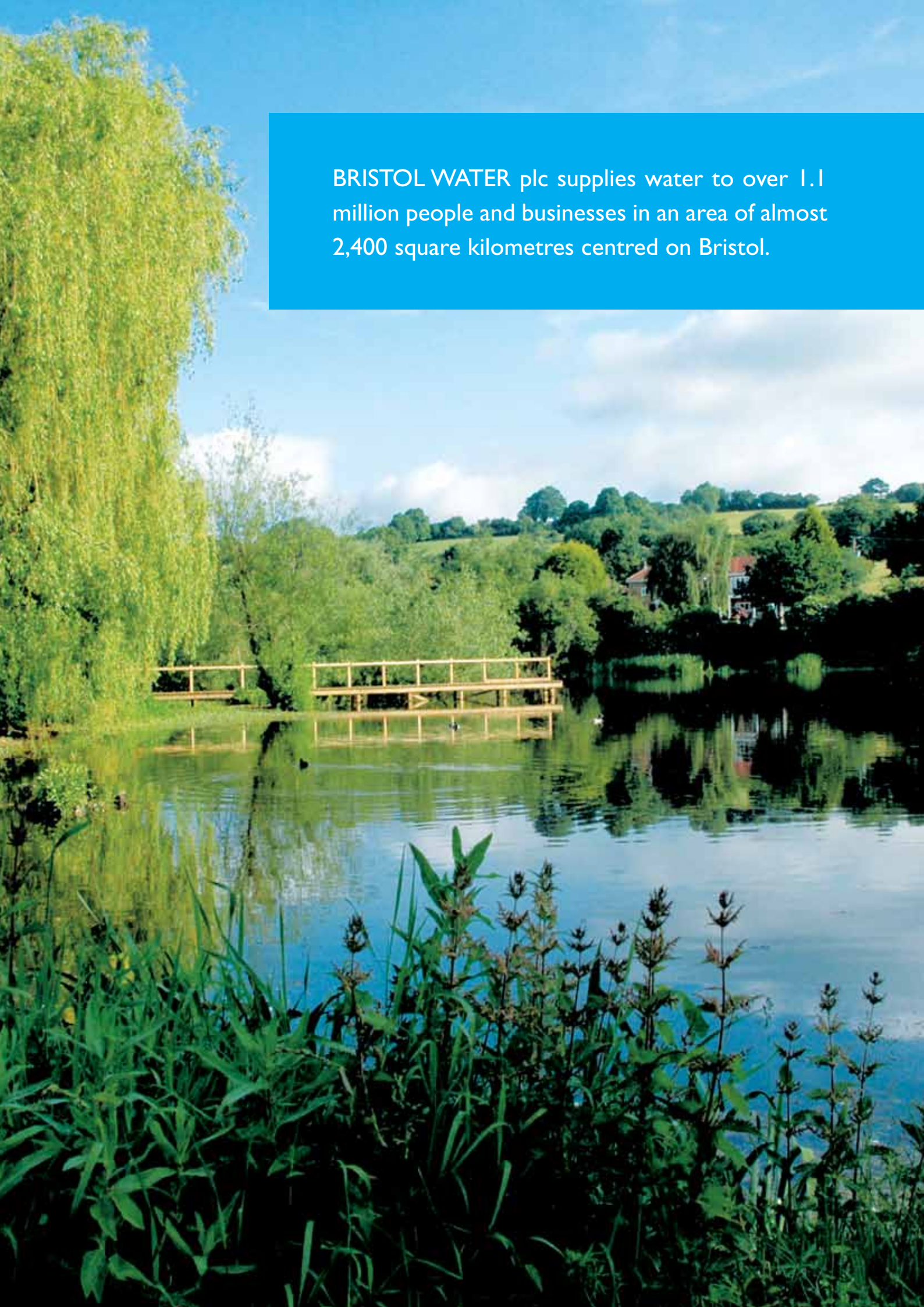
All other changes

Profit for year ended 31 March 2011

Pre - tax	Post - tax
£m	£m
23.1	18.6
(10.1)	(7.3)
(6.7)	(4.8)
-	(3.6)
-	3.0
1.3	0.9
7.6	6.8

Summary

- Stable underlying performance
- Substantial increase in statutory accounts depreciation on infrastructure assets not yet reflected in regulatory accounts or prices
- More normal debt indexation charge in 2011 compared to a credit in 2010
- Tax charge affected by lower profits and credit to deferred tax for lower tax rates offset by reduction in discounting benefit

A scenic landscape featuring a calm body of water, a wooden walkway, and lush greenery. On the left, a large weeping willow tree hangs over the water. In the center, a wooden walkway with railings extends across the water. The background shows a line of trees and a small building on a hill. The sky is blue with some clouds. In the foreground, there are green plants with small flowers.

BRISTOL WATER plc supplies water to over 1.1 million people and businesses in an area of almost 2,400 square kilometres centred on Bristol.



Chairman's Statement

Introduction

It has been one of the most unusual years in the company's long history. As previously reported, the Board rejected Ofwat's price limits (and related obligations) for the five years to March 2015 and hence considerable effort went into dealing with the referral to the Competition Commission ("CC"). Until the extent of the required capital programme was clear, the company was restricted in commencing projects and in the raising of necessary long-term debt. The business also had to deal with both one of the severest Decembers and driest years in the company's history.

I am delighted to report the company has fared well in meeting these challenges and is well set for the future, having maintained excellent customer service during the year.

Price Limits to 2015

2010/11 was the first year of the current regulatory period. The company operated on the 0.6% real price increase previously allowed by Ofwat. The CC amended Ofwat's subsequent K factors to 3.9%, 3.9%, 3.9% and 3.8% for the remaining four years and clarified the outputs required in respect of these price limits.

The CC allowed Bristol Water one of the highest increases in cumulative price limits and regulatory capital value in the industry albeit average prices in 2015 will be only just above industry averages. The scale of the K factors reflects the significant increase in allowed capital expenditure. Some £250m in current prices, net of contributions, will be invested over the period. The CC recognised the need for a significant increase in maintenance expenditures in order to ensure the company assets remain in a state of stable serviceability.

To assist in balancing the relationship between water available for supply and expected demand in the most cost efficient way, the CC confirmed Ofwat's agreement to the company's proposed 10% reduction in leakage by the end of the period.

The programme of outputs confirmed by the CC's determination is challenging but, in the opinion of the Board, deliverable. Already the company has raised new long term funding inside the CC's cost assumptions. Although the referral process was a significant cost and distraction for management, the Board is clear that the company, and its customers, will benefit.

Operational performance

Required outputs for the period were uncertain pending the conclusion of the CC referral and so the capital programme was prioritised on areas where work was essential. However the opportunity was taken to invest in design works for expected schemes. As a result the expenditure in the year of nearly £24m before contributions will grow substantially in 2011/12 and later years.

There was a severe cold period throughout most of December and a rapid thaw at Christmas time. Although this caused chaos in some parts of the UK, our established Severe Weather Taskforce planned ahead and delivered exemplary service to our customers. Despite large numbers of bursts, the average time customers were without water was reduced compared to the previous cold period in January 2010. Additional resource was employed by internal re-prioritisation of jobs and through contractors to keep repair times to a minimum. Additional leakage detection activity meant the company outperformed its reduced leakage target.

Rainfall in the catchments of our reservoirs for the year to March 2011 was only 71% of the long term average. The Company responded by utilising its river sources to a higher degree to maintain reservoir reserves. At the year-end, reservoir levels stood at 85% at a time when the company objective is to have them full. Further dry weather has meant that the maximum use of the more expensive river sources continues. The company has a programme of steps to minimise the risk of supply restrictions and has carried out 32 actions to protect supplies. These include a significant increase in making customers aware of the unusually dry period that has been experienced. At this time, the Board does not anticipate any supply restrictions this summer.

Water quality compliance was maintained at a very high standard throughout the year. Customer service performance remains at high levels with surveys consistently showing high customer satisfaction. The company has retained a strong focus on environmental management and working with the communities we serve, as described in the Directors' Report.

The company is re-designing certain operational processes to seek operating efficiencies in future years.

Financial performance

Financial performance is discussed fully on pages 10 to 12. In summary, there has been a stable underlying performance. The determination by the CC has resulted in a £10m increase in the depreciation charge on infrastructure assets compared to 2010 of which only an element will be reflected in price limits in the current five year regulatory period (and none at all in the 2010/11 year). The indexation of inflation-linked debt returned to a more normal charge following the credit in the previous period.

Net debt fell modestly due to the constrained capital expenditure and temporary reduction in dividend payments. As a result the ratio of net debt to Ofwat's regulatory capital value was unusually low at 31 March 2011 at 58%.

For the first time, the company directly approached the financial markets issuing a £40m index linked, 30 year bond which was rated Baa1 by Moody's. This financing will contribute significantly to the delivery of the agreed capital programme.

Dividends

Dividend policy is described on page 12. During the year £2.9m dividends were paid representing the return of post-tax interest receivable on loans to the UK ultimate parent company. No 'base' dividend was paid or is proposed to preserve cash within the business. However, from next year, we expect to return to our normal practice of paying our shareholders a base level dividend reflecting the cost of capital allowed in the 5-year determination of price limits, adjusted to reflect actual gearing levels and where appropriate actual performance relative to regulatory assumptions.

Dividends continue to be paid on the irredeemable preference shares and are treated as interest under the appropriate accounting rules.

Prospects

The key risks to the company are regulatory requirements and developments, operational events and performance problems. The company is well placed to face the near future events but it is not immune from the financial market uncertainties in the medium term, which have the potential to impact its ability to obtain appropriate financing to deliver the current and future capital programmes.

We expect that the results for the year ended 31 March 2012 may include the following material effects:

- an approximate 8.6% increase in prices due to RPI and 'K' factor;
- an increase in the proportion of customers who are metered;
- an increase in chemical and power costs;
- the potential for an increase in bad debts; and
- an increase in interest charges and related indexation arising from the £40m index-linked bond issued during the current year.

Board membership

Alan Parsons, previous Managing Director, stated his intention to retire from the business on 30 September 2011. His responsibilities as Managing Director have been transferred to Luis García, who has been the Chief Executive since 1 April 2009. We also decided to further enhance the executive board. On 23 November 2010 we appointed Mike King, formerly our director of regulation, as Regulatory Director and on 1 January 2011 we appointed Robert Brito as Operations Director.

We also welcome Jordi Valls who was appointed as a non-executive director on 29 March 2011.

Three non-executive directors, Manuel Navarro, former Chief Executive, Stefano Pellegrini, former Finance Director, and Ciril Rozman have resigned from the board on 9 September 2010, 23 November 2010 and 23 November 2010 respectively. We thank them for their contribution and support whilst they have been with us.

Thanks

As I have referred to above it has been an exceptional year. All of our staff have contributed to the normal running of the company's business but this year there has been a tremendous effort in dealing with the Competition Commission referral, raising new funding and dealing with the challenges and inconvenience of the harsh winter operating conditions that affected many of our staff's Christmas holiday period. The Board's sincere thanks go to all staff, and to our contractors, for their commitment that helped ensure an excellent service to customers.

Moger Woolley
Chairman
31 May 2011



The company's objective -

‘to provide a highly reliable supply of water of excellent quality, delivered in a sustainable and affordable way’.

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

The principal activities of the company comprise supply of water and related services to a population of over 1.1 million people and businesses in an area of almost 2,400 square kilometres centred on Bristol.

Business strategy and objectives

The company's objective is **'to provide a highly reliable supply of water of excellent quality, delivered in a sustainable and affordable way'**.

To achieve this objective the company's key tasks are to:

- provide a safe and reliable supply of water
- deliver comprehensive high quality service
- create value by operating as efficiently as possible and outperforming regulatory targets
- act in a reasonable and sustainable manner
- make the company a great place in which to work.

The company is a regulated business and subject to economic regulation by the Water Services Regulation Authority ("Ofwat") through a price cap mechanism, whereby the prices the company can charge for the majority of its services are limited to increases in inflation plus or minus a K factor

(RPI+/-K). Price limits, the 'K' factors, are currently reviewed every five years. The result of the last review, covering the five years 2010-15, was announced in November 2009 and was rejected by the company, primarily on the grounds that price limits were too low for the outputs required. As required by the relevant legislation, Ofwat referred the company's rejection to the Competition Commission ("CC"). The CC announced its re-determination of price limits on 4 August 2010.

The water industry is essentially a monopoly but the Government, through Ofwat, is progressively seeking to open up competition within the industry for large industrial and commercial customers and greenfield domestic developments. To date, competition has had no significant impact on either the company or the rest of the industry. Ofwat is reviewing the way it regulates the water industry in future. We continue to monitor future developments.

The water industry is subject to a range of UK and EU legislation, with operational and service standards being tightened on a regular basis. The company's performance is monitored by three main regulators - Ofwat for levels of service to customers, the Environment Agency (EA) for environmental protection, and the Drinking Water Inspectorate (DWI) for drinking water quality.



Business review

We have completed the first year of the current regulatory period 2010-15 and are working towards the delivery of the required outputs and efficiency targets assumed in the CC's final determination of price limits in August 2010.

Financial performance

Key financial highlights

	2011	2010
	£m	£m
Turnover	100.7	99.7
EBITDA	48.5	48.9
Operating profit	18.6	27.9
Net finance costs	(11.0)	(5.0)
Profit before tax	7.6	23.1
Taxation	(0.8)	(4.5)
Profit after tax	6.8	18.6
Capital investment before grants & contributions	23.9	24.4
Net debt (excluding 8.75% irredeemable cumulative preference shares) at 31 March	180.4	191.5
Ratio of net debt (excluding 8.75% irredeemable cumulative preference shares) to Regulatory Capital Value (RCV)	58%	70%

The company continues to report under UK GAAP.

Turnover increased by £1m to £100.7m and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") decreased by £0.4m to £48.5m. However operating profit decreased by £9.3m to £18.6m during the year. The decrease in operating profit was primarily driven by an increase of £10.1m in the company's depreciation charge on infrastructure assets. The projected infrastructure renewals expenditure is charged evenly against profits as depreciation for statutory accounts purposes over a five-year period, whereas Ofwat uses 15 years for regulatory accounting and price setting purposes. The level of infrastructure renewals expenditure in the five years to March 2015 is estimated at £103m (in 2010/11 prices) compared to £52m (in outturn prices) in the previous five-year period.

The profit before and after tax results were also affected significantly by a movement to a cost of £4.9m from a previous

benefit of £1.8m arising from RPI movements on the indexation of index-linked debt.

The tax charge of £0.8m represents an effective tax rate of 11% (2010: 19%). The principal reason for the effective tax rate being lower than the standard corporation tax rate (28%) is the recognition of the reduction in tax rate to 26% as of 1 April 2011, which reduces the deferred tax liability by £1.8m on a discounted basis. This reduction is recognised in full within the deferred tax charge included in the profit and loss account.

The level of capital investment and the ratio of net debt to RCV are lower than previously projected due to deferral of some capital schemes as a result of the referral to the CC of the price limits for the regulatory period 2010-2015.

BUSINESS REVIEW (continued)

Treasury

Net cash flow and its utilisation was similar to the previous year other than £40m of index-linked debt repayable in 2041 which was raised during the year, and dividend payments which were reduced.

On 25 March, the company received the net proceeds of £39.8m from issuing an index-linked bond at 2.701% interest rate, maturing in 2041. This bond is listed on the London Stock Exchange and Moody's have issued a public rating of Baa1.

Net interest charges and indexation in the year totalled £11.0m (2010: £5.0m) and were covered 1.7 times (2010: 5.6 times) by operating profit; a significant change due to the impact of an RPI increase on index-linked debt compared to an indexation credit in the previous year.

At 31 March 2011 gross debt excluding the 8.75% irredeemable cumulative preference shares was £260.1m (2010: £218.3m) reflecting the issue of the £40m index-linked bond immediately prior to the year end. Approximately 58% of this debt is index-linked and 28% is at fixed rates; the index-linked element is hedged by the company's largely index-linked revenue base.

The company's policy is to maintain a balanced debt portfolio with mainly long dated maturities reflecting the long-term nature of the company's asset base.

The company maintains cash balances and committed credit facilities to meet foreseeable cash flow requirements.

Net debt including the 8.75% irredeemable cumulative preference shares decreased to £192.9m from £204.0m at 31 March 2010.

At the year-end net debt excluding the 8.75% irredeemable cumulative preference shares was £180.4m (2010: £191.5m), representing approximately 58% (2010: 70%) of Regulatory Capital Value. This is lower than previously projected due to deferral of some capital schemes as a result of the referral to the CC of the price limits for the regulatory period 2010-2015.

This is a key ratio, which is effectively replicated within the company's banking covenants. The range that the company expects to operate within provides a headroom margin to meet adverse impacts from risks and uncertainties.

Pensions

Pension arrangements for employees are partly provided through membership of the Water Companies' Pension Scheme (WCPS), which provides defined benefits based on final pensionable pay. The company has a separate section within WCPS for the regulated water business. The Bristol Water section was closed to new employees a number of years ago. Since that closure all new employees are offered membership of a stakeholder pension scheme.

At 31 March 2011 the gross surplus before tax under FRS17 of the company's section of WCPS was £10.3m.

In July 2010, the government announced that it would in future use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as the basis for determining the statutory minimum percentage increase for revaluation and indexation in the Pension Increase (Review) Order. As further explained in note 23, commencing 31 March 2011 the CPI basis has been used for the calculation of pension scheme related amounts in respect of the future pension increases.

The most recent triennial valuation of the pension scheme was completed at 1 April 2008. The next triennial valuation of the pension scheme is due to be completed later this year. In recognition of the additional contributions being made, the company has kept the minimum level of regular contributions at 21% for the main sub-section, and 10% for the alternative benefits sub-section, of the relevant payroll costs.



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 Agbar UK Ltd (the ultimate UK parent company) in respect of inter-company loans.

During the year the following interim dividends have been paid in respect of the 2011 financial year:

- First interim for the inter-company loan interest element of £1.5m paid in September 2010
- Second interim for the inter-company loan interest element of £1.4m paid in March 2011.

The Board has not proposed a final dividend in respect of the year ended 31 March 2011 (31 March 2010: nil). However, from next year, the board expects to return to its normal practice of paying shareholders a base level dividend.

In addition, annual dividends of £1.1m (2010: £1.1m) continued to be paid on the irredeemable preference shares. The irredeemable preference shares are shown as debt in the balance sheet, and the dividend is therefore shown as finance cost in the profit and loss account.

Capital structure

Details of the issued share capital are shown in notes 14 and 19. The company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the company's share capital and all issued shares are fully paid. The Articles of Association themselves may be amended by special resolution of the shareholders.

Under its Articles of Association and the Companies Acts, the company has in issue 5,998,025 ordinary shares as disclosed in note 19. All the ordinary shares are owned by Bristol Water Core Holdings Ltd, which is itself a wholly owned subsidiary within Agbar UK group. In addition, the company has in issue 12,500,000 8.75% irredeemable cumulative preference shares of £1 each, details of which are disclosed in note 14.



Non-financial performance

The company uses a comprehensive system of Key Performance Indicators (KPIs) to monitor non-financial performance throughout the year. Key measures of performance include:

Years to 31 March

	2010	2009
Performance measures		
Ofwat overall performance assessment (OPA):		
OPA score (out of 288)	282	279
OPA ranking (out of 21 companies)	9th	10 th
Customer satisfaction survey	85%	84%

OPA was replaced by the new Ofwat Service Incentive Mechanism (SIM) introduced from 1 April 2010. The company was ranked sixth position in the industry in the customer survey element of the SIM assessment. The overall SIM ranking will be published by Ofwat later this year.

The English and Welsh water companies operate to very high quality and service levels and relatively small differences in performance can have a significant impact on the Ofwat performance measures.

	Units	Notes	2011	2010
Environment				
Excavated materials sent to recycling facilities	Tonnes		16,391	24,903
Average energy used to supply 1 ML of water	KwH	1, 2	826	767
Emission of greenhouse gases in total to supply 1 ML of water	Tonnes of CO ₂ e	1, 2, 3	0.471	0.410
Compliance with EA abstraction licences			100%	100%
Status of SSSIs – percentage favourable			100%	100%
Social				
Security of supply index			100%	100%
Water quality compliance		4, 5	99.97%	99.98%
Employees				
Turnover rate			3.8%	3.0%
Accidents reportable to HSE	No.	4	-	6
Assets				
Percentage of properties with interruptions to supply greater than six hours			0.16%	0.37%
Loss of water from supply network	MLD	6	50.2	52.8

Notes: 1 ML = mega litres (1 mega litre = 1000 cubic metres).

2 The increase in energy and associated CO₂ in 2011 is due to the lack of rainfall during the year, which required the company to make greater use of water from the Gloucester-Sharpsness canal. This source requires more energy to treat and supply than other sources which are available during periods of normal rainfall.

3 CO₂e refers to “CO₂ equivalent” meaning that all emissions have been accounted for in a standard format.

4 Based on 12 months to 31 December ending in the relevant accounting period.

5 Water quality is based on mean zonal compliance data.

6 MLD = megalitres per day.



Going concern

In assessing the going concern basis, the directors have considered the cash flow and financial ratios projections of the company for the foreseeable future which show that the company is fully funded to meet its existing obligations.

The key risks to the company are regulatory requirements and developments, operational events and performance problems. The company is well placed to face the near future, with cash and cash deposits of £79.7m and the £30m unutilised committed borrowing facility.

The company is not immune from the severe financial market uncertainties in the medium term, which have the potential to impact its ability to obtain appropriate financing to deliver the current and future capital programmes.

The directors report that, after making enquiries, they have concluded that the company has adequate resources or the reasonable expectation of raising further resources as required, to continue in operation for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Risk and uncertainty

The key risks and uncertainties that the company faces include:

Operational

- contamination or interruption of water resources and/or supplies;
- failure of key assets to maintain expected outputs, adversely affecting the ability to maintain supplies to customers;
- climate/weather pattern change affecting resource availability and/or customer demand;
- retention and recruitment of key staff; and
- serious health and safety related accidents.

Regulatory

- failure to meet existing regulatory requirements which could result in penalties or enforcement action by Ofwat, the EA or the DWI;

- increased costs of meeting regulatory requirements;
- impact of legislative changes including those related to environmental or drinking water quality requirements;
- significant development of competition within the water sector; and
- impact of future periodic and/or interim determinations of price limits by Ofwat.

Financial

- loss of major customers as a result of closure of their facilities;
- pensions - funding requirements of the scheme are subject to a range of factors including longevity assumptions, investment allocation and investment returns. Additionally changes in pension regulations could have a significant impact on future company contributions;
- worsening debt collection experience, particularly in relation to household debt, giving rise to increasing levels of bad debts;
- inflation or deflation affecting operating costs, the capital investment programme and index-linked debt;
- failure to meet banking covenants;
- future increases in energy prices;
- changes in the taxation regime; and
- financial markets turmoil impacting the ability to raise additional future financing.

The company has a range of risk management strategies to mitigate the impact of these risks and uncertainties. For certain limited events it would be able to seek from Ofwat an increase in price limits to meet additional costs that could not have been avoided by prudent management action.

Financial risk management policies are further discussed in note 16 to the financial statements.

Directors and their interests

The directors who served during the year were:

J M Woolley, *Chairman*

L García, *Chief Executive*

A Parsons, *Managing Director until 23 November 2010, now an Executive director*

M Anglada, *Finance Director*

M King, *Executive director from 23 November 2010*

R Brito, *Executive director from 1 January 2011*

S Pellegrini, *Non-Executive (resigned on 23 November 2010)*

P McIlwraith, *Non-Executive*

C J Curling, *Non-Executive*

R Davis, *Non-Executive*

J A Guijarro, *Non-Executive*

C Rozman, *Non-Executive (resigned on 23 November 2010)*

M Navarro, *Non-Executive (resigned on 9 September 2010)*

M Cermerón, *Non-Executive*

A J Harding, *Non-Executive*

J Valls, *Non-Executive from 29 March 2011*

Mr J M Woolley, Mr P McIlwraith, Mr J A Guijarro and Mr M Cermerón will offer themselves for re-election and Mr M King, Mr R Brito and Mr J Valls will stand for election at the Annual General Meeting.

Service contracts

All current executive directors have service contracts with 12-month notice periods except for Mr Anglada, who is on a secondment arrangement from the Agbar group, and Mr Parsons who will retire on 30 September 2011.

Other interests

At no time during the year has any director had a material interest in any contract of significance with any company in the Agbar group of companies other than his service contract.

The interests in shares and other contracts of Mr M Navarro, Mr L García, Mr J Guijarro, Mr C Rozman, Mr M Cermerón, Mr S Pellegrini, Mr M Anglada and Mr J Valls with other companies within the Agbar group are not disclosed within this report.

Mr J M Woolley and Mr A Parsons have interests and beneficial interests in the company's 8.75% irredeemable cumulative preference shares of £28,000 (2010: £28,000) and £226,000 (2010: £226,000) respectively.



Corporate social responsibility

The company is committed to acting in a responsible and sustainable manner, and seeks to be a leading example of good environmental management in the Agbar Group.

Environment

The water industry has a range of impacts on the environment: effective management of these is essential for the industry to be sustainable in the long term. By reference to a range of sustainability measures developed by Water UK (the trade body for water companies in England and Wales), the company performs well compared with its peer group.

We:

- meet, and in many cases exceed, all our legal obligations to the environment
- have achieved a Green Apple “Gold” award for the work we have done in partnership with Bristol Zoo to protect the white-clawed crayfish, a critically endangered native UK species
- manage our landholdings with biodiversity in mind. Our Sites of Special Scientific Interest are all in “favourable” status as measured by the regulator, Natural England. This is the top rating in the water industry
- have top-level commitment to sustainable management of the business. Our Environmental Management Group includes the Chief Executive, all Executive Directors and all senior operational managers in the company
- assess the potential environmental impact of our work so that risks to the environment are managed properly. Environmental management continues to be a key part of the work we carry out to deliver the outputs required by our AMP5 investment programme

Social and community

We:

- deliver high quality reliable supplies of water to over 1.1 million people and businesses
- promote the efficient use of water and provide free water-efficiency equipment to domestic customers. We also carry out targeted free water-efficiency audits for commercial users using between 5 Ml and 20 Ml per year.

- provide the best possible public access to our reservoir sites whilst maintaining a balance between wildlife and recreational demands. Our reservoirs in the Mendip hills have an international reputation for angling and bird life, and are also used by walkers, sailors and casual visitors for recreation
- undertake a structured programme of educational support including open days, access to visitor centres and school visits
- make charitable donations, sponsorships and grants to local organisations and individuals to promote good causes

Employees

Our employees are vital to the success of the company.

We:

- are committed to employee involvement, communication, training and sound relationships with trade unions
- are an equal opportunity employer providing employment and appropriate facilities for disabled people and for those who have become disabled while employed by the company
- have high standards for health and safety
- operate bonus schemes for all employees linked to financial and service level performance targets
- make continued efforts to improve the work environment

Key performance indicators

The company uses a series of KPIs to monitor environmental performance. These are reported monthly to the Board; some key measures are included in the non-financial performance section on page 13.

Annual Environment & Sustainability Reports and further details of the company’s environmental, conservation and recreation policies are available on our website www.bristolwater.co.uk.

Outlook

The main drivers of future profitability are expected to be:

- increases in charges to customers in line with the RPI+/-K price limits. The 'K' factor allowed by the CC for next year is 3.9%. Similar real increases apply to the remaining three years of the current review period;
- changes in operating costs - further efficiencies are expected to be achieved but offset by the cost of new obligations and inflation;
- inflation or deflation – operating costs, the capital investment programme and the company's £150.1m of index-linked debt are subject to inflation based on RPI at various points in the year; potential adverse impacts of high inflation or deflation are mitigated by the index-linking of the majority of revenues through the previous year's November RPI added to the K factor in the price limits;
- energy costs are significant for the company; spot power costs are constantly changing in line with crude oil markets. Total energy costs for 2011 decreased by 14% compared to 2010. This decrease primarily was due to a decrease in forward purchased energy prices. We currently anticipate that energy costs for 2012 will increase due to increases in forward purchase prices. We expect energy costs to remain volatile in the future, albeit the company's policy is to closely monitor the prices and enter into a series of forward contracts. This provides some smoothing of price changes;
- movements in socio economic conditions are expected to affect the bad debt charges in future years;
- changes in pension funding assumptions; and
- any unexpected changes to the regulatory regime.

Ultimate parent company

Until 7 June 2010 the ultimate parent company was considered by the directors to be Sociedad General de Aguas de Barcelona S.A. (Agbar), a company incorporated in Spain. On 8 June 2010 Suez Environnement Company S.A., a company incorporated in France, (partly owned by the French group GDF Suez) increased their control of Agbar to 75.23%, and are now regarded as the ultimate parent company.

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

The largest group in which this company is consolidated is Suez Environnement Company S.A. and copies of its consolidated annual report are available from 1, Rue D'Astorg 75008 Paris, France.

The smallest group in which this company is consolidated is Agbar, and copies of its consolidated annual report are available from Torre Agbar, Avda. Diagonal, 211, Planta 19-08018, Barcelona, Spain.

Land and buildings

In the opinion of the directors there is no material difference between the book value and the current open market value of land and buildings expected to be disposed of within the next twelve months. The company keeps its holdings of land and buildings under continuous review, and there may be disposals beyond that period that may generate significant surpluses. The company continues to consider a rationalisation of certain of its operational properties. The investment in any new properties is expected to be funded primarily by proceeds on disposal of properties that subsequently become surplus to requirements.

Policy and practice on payment of creditors

It is company policy to comply with the terms of payment agreed with a supplier. Where payment terms are not negotiated, the company endeavours to adhere to the supplier's standard terms. The company pays creditors in accordance with agreed payment terms on receipt of valid invoices. At the end of the year, trade creditors represented the equivalent of 29 days purchases (2010: 35 days).

Research and development

The company undertakes research and development projects in relation to its business. Expenditure during the year amounted to £0.1m (2010: £0.1m).

Instrument of appointment and regulatory accounts

In accordance with its Instrument of Appointment made under the Water Industry Act 1991 as amended, the directors are of the opinion that the company is in compliance with paragraph 3.1 of Condition K of that Instrument, which relates to the control of the assets of the Appointed Business. Copies of the Regulatory Accounts required under the Instrument of Appointment will be available from the Company Secretary.



Directors' qualifying third party indemnity provisions

During the year the company had in force an indemnity provision in favour of two directors of the company against any liability which may arise in respect of their current or past duties as trustees of the Water Companies' Pension Scheme, subject to the conditions set out in the Companies Act 2006.

International financial reporting standards (IFRS)

Following guidance issued by the former Department of Trade and Industry (DTI), as the company does not prepare consolidated accounts, it is not mandatory for the company to adopt IFRS.

The company has decided at this stage not to adopt IFRS. The company will therefore continue to prepare its financial statements using UK GAAP accounting standards for the foreseeable future.

Auditors and disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Following the resignation of the former auditors, Deloitte LLP, on 13 September 2010, Ernst & Young LLP were appointed auditors.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Approved by order of the Board, and signed on its behalf by:

Moger Woolley
Chairman
31 May 2011

Directors

Moger Woolley Age 76

Non-Executive Chairman, Member of Nomination Committee

Mr Woolley was appointed to the Board in 2005. He has been a director of Bristol Water Group Ltd (BWG) since 1990, becoming Chairman in 1998. He is Pro-Chancellor of the University of Bristol. He was the High Sheriff of Gloucestershire in 2002 and was formerly the Chief Executive of DRG plc.

Luis García Age 46

Chief Executive, Member of Nomination Committee

Mr García was appointed to the Board in January 2009 initially as a Non-Executive director. He joined Agbar in 1989 and has held a number of senior positions. He was appointed Chief Executive of the company on 1 April 2009.

Alan Parsons Age 62

Executive Director, Member of Nomination Committee and previous Managing Director

Mr Parsons was appointed to the Board in 1991 and appointed as Chief Executive in 2000. He became Managing Director in June 2006. He has stated his intention to retire from the business later in 2011, and therefore his responsibilities as Managing Director have been transferred to L. García.

Miquel Anglada Age 37

Finance Director

Mr Anglada was appointed to the Board in October 2009 and was appointed Finance Director on 1 December 2009. Prior to moving to the UK he was Group Financial Controller at Agbar in Barcelona.

Michael King Age 46

Regulatory Director

Mr King was appointed to the Board in November 2010. He joined the Company in December 2000 and was appointed Head of Competition & Regulation in January 2002. He was appointed Director of Regulation in January 2008.

Robert Brito Age 43

Operations Director

Mr Brito was appointed to the Board in January 2011 after a career in operating and engineering innovative treatment processes including work in Australia, China and for the past five years as the Deputy General Manager of the Macao Water Supply Company.

Stefano Pellegri Age 38

Non-Executive (now resigned)

Mr Pellegri was appointed to the Board in November 2007. Prior to joining the Agbar group he held a number of senior financial roles in the Lear Corporation. He resigned as a director on 23 November 2010.

Peter McIlwraith Age 63

Non-Executive, Senior Independent Director, Chairman of Audit Committee and Member of Nomination and Remuneration Committees

Mr McIlwraith was appointed to the Board in 2003. He was a director of BWG from 2001 until June 2006. He was a partner with PricewaterhouseCoopers (and prior to that Price Waterhouse) until 2001 and was Regional Chairman for the West and Wales and Senior Partner in Bristol.



Chris Curling Age 61

Non-Executive, Member of Nomination and Audit Committees, Chairman of Remuneration Committee

Mr Curling was appointed to the Board in 2004. He was a director of BWG from 2005 until June 2006. He has two non-executive directorships and a number of appointments in the voluntary sector. Formerly he was Senior Partner with the legal firm Osborne Clarke.

Robert Davis Age 63

Non-Executive, Member of Audit, Nomination and Remuneration Committees

Mr Davis was appointed to the Board in November 2008. With a mechanical engineering background, he worked with Rolls Royce before moving to the packaging industry leading to Managing Director roles in both the UK and the USA.

Juan Antonio Guijarro Age 46

Non-Executive

Mr Guijarro was appointed to the Board in June 2006. He is General Manager of Agbar and has been with Agbar since 1989. He is also a director of Agbar UK Ltd.

Ciril Rozman Age 46

Non-Executive (now resigned)

Mr Rozman was appointed to the Board in May 2007. He is General Manager of Sociedad General de Aguas de Barcelona (covering the Barcelona Metropolitan area) and has been with Agbar since 1995. He resigned as a director on 23 November 2010.

Manuel Navarro Age 54

Non-Executive (now resigned)

Mr Navarro was appointed to the Board as Chief Executive in June 2006, from which position he stepped down in March 2009. He has held a range of senior positions with Agbar since 1983. He was also Chief Executive of BWG. He resigned as a director on 9 September 2010.

Manuel Cermerón Age 41

Non-Executive

Mr Cermerón was appointed to the Board in June 2006 as an executive director until he resigned from that role on 31 July 2008. He has held a range of senior positions with Agbar since 2000 and is now responsible for Human Resources within Agbar.

Tony Harding Age 62

Non-Executive

Mr Harding was appointed to the Board in September 2007. He is the former Chairman of United Water, a subsidiary of Suez Environnement, which provides water and wastewater services to around 7 million people in several US states. He is a Chartered Engineer and was previously Managing Director of Northumbrian Water and Essex & Suffolk Water.

Jordi Valls Age 50

Non-Executive Director

Mr Valls was appointed to the Board in March 2011 having been appointed in February 2011 as Chief Executive and UK Country Manager for Agbar UK Ltd. Prior to moving to the UK he was Chairman of the Port of Barcelona and has extensive experience in both the public and private sectors.

Note: References to Bristol Water Group Ltd (now known as Agbar UK Limited) above include predecessor companies where appropriate.

Corporate Governance Report

Directors' statement

The Board is committed to ensuring that high standards of corporate governance are maintained by the company. In doing so it endorses the main and supporting principles and provisions set out in the Combined Code on Corporate Governance of the Financial Reporting Council (the Code) as revised in June 2008. For the year ended 31 March 2011 and up to the date of approving the accounts the Board has applied the principles and complied with the provisions of Section I of the Code.

Going concern

As detailed in the Directors' Report on page 14, after making enquiries, they have concluded that the company has adequate resources or the reasonable expectation of raising further resources as required, to continue in operation for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these accounts.

Board and board committees

At 31 March 2011 the Board of Bristol Water plc (the "Board") comprised the Chairman (a non-executive director), five executive directors and seven other non-executive directors. Three of the non-executive directors are, in the opinion of the Board, independent. This assessment has been made by the Board based on its views of their performance on the Board and taking into account their experience, character and period served.



The following table sets out the attendance of directors at Board and committee meetings during the financial year 2010/11:

		Number of meetings				
		Board meetings attended (maximum 6)	Maximum possible during period of appointment	Percentage attendance during period of appointment	Audit Committee meetings (maximum 4)	Remuneration Committee meetings (maximum 3)
Chairman	J M Woolley	6	6	100%		
Chief Executive	L García	6	6	100%		
Executive Director	A Parsons	6	6	100%		
Finance Director	M Anglada	6	6	100%		
Regulatory Director	M King	3	3	100%		
Operations Director	R Brito	2	2	100%		
Independent Non-Executive director	P McIlwraith	6	6	100%	4	3
Independent Non-Executive director	C Curling	5	6	83%	4	3
Independent Non-Executive director	R Davis	6	6	100%	4	3
Non-Executive director	J A Guijarro	4	6	67%		
Non-Executive director	C Rozman	0	4	0%		
Non-Executive director	S Pellegrini	3	4	75%		
Non-Executive director	M Navarro	2	2	100%		
Non-Executive director	M Cermerón	4	6	67%		
Non-Executive director	A J Harding	5	6	83%		
Non-Executive director	J Valls	1	1	100%		

The Board executes overall control of the company's affairs by reference to the schedule of matters reserved for its decision. These include the approval of strategy, financial statements, major capital expenditure, authority levels for expenditure, treasury and risk management policies. In furtherance of its duties, there are agreed procedures for the directors to take independent professional advice, if necessary, at the company's expense. There is clear segregation between the roles of Chairman and Chief Executive to ensure appropriate Board balance. All directors have access to the advice and services of the Company Secretary.

The Board considers that it is functioning well and that there was no benefit in carrying out a formal performance evaluation process. The Board recognises that the company is a subsidiary of Agbar and that Agbar carries out its own detailed process of evaluation of its senior staff.

The Board delegates day-to-day and business management control to the executive directors.

The Board considers the Chairman to be the principal point of reference to whom concerns of whatever nature may be conveyed. In the event that an individual does not wish to raise a concern with him, the Board has now identified Mr P McIlwraith as the senior independent member of the Board to whom such concerns may be addressed.

Under its Instrument of Appointment as a water undertaker, the company is subject to a number of ring-fencing conditions to protect it from the risks arising from other activities which may be carried out by other companies within the group so that the company does not, whether through its involvement in those activities or by its financial policies, put at risk its ability either to carry out its functions as a water undertaker or to finance them.

Audit Committee

The Audit Committee's terms of reference include the points recommended by the Combined Code. Its duties include monitoring internal controls, approving the accounting policies and reviewing the interim and annual financial statements before submission to the Board. The Committee is chaired by Mr P McIlwraith and currently comprises two other non-executive directors Mr C Curling and Mr R Davis. The external auditors attended all meetings during the period of their appointment in the year and the internal auditors report to this Committee on a regular basis.

The Committee is formally constituted with terms of reference. A copy of the terms of reference is available to shareholders by writing to the Company Secretary, Mr S C Robson.

External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the company's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day-to-day responsibility to the Finance Director. It states that the external auditors are jointly responsible to the board and the Audit Committee and that the Audit Committee is the primary contact. The policy also sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the company, subject to de minimis levels.

To fulfil its responsibility regarding the independence of the external auditors, the audit committee reviewed:

- the external auditors' plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report;
- the arrangement for day-to-day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors, in addition to its case by case approval of the provision of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and any variations from the plan; and
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements.

Internal auditors

The Audit Committee is required to assist the board to fulfil its responsibilities relating to the adequacy of the plans relating to the internal auditors. To fulfil these duties the Committee reviewed:

- Internal Audit's terms of reference and access to Audit Committee and all members of the board;
- Internal Audit's plans and its achievement of the planned activity; and
- the results of key audits and other significant findings, the activity of management's response and the timeliness of resolution.

Remuneration Committee

The role and composition of the Remuneration Committee is set out in the 'Remuneration Committee Report' on page 25.

Induction and training of directors

New directors receive appropriate induction on their appointment to the board covering the activities of the company and its key business and financial risks, the terms of reference of the board and its committees and the company's latest financial information.

Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the Listing Rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the Company Secretary at any time on matters related to their role on the board. All directors have access to independent professional advice at the company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or the Company Secretary.



Retirement and re-election of directors

All directors are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years.

All non-executive directors who have been directors for nine years or more need to offer themselves for re-election at each annual general meeting.

Internal Controls

The company has complied and continues to comply with the Code provisions on internal control having established the procedures necessary to implement the guidance issued in September 1999 (the Turnbull Committee report) and by regular review and reporting in accordance with that guidance.

The Board has overall responsibility for the system of internal control, and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage risks to appropriate minima rather than eliminate any risk of failure in achieving business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board encourages a culture of risk identification and management across all aspects of the business, and uses the following main processes to review the effectiveness of the system of internal control:

The executive directors:

- have delegated to them the authority to manage the business and to implement internal control and risk management processes
- have established a system of Key Performance Indicators and risk identification matrices.

The company operates through a formal board structure, which:

- considers material financing and investment decisions
- reviews the role of insurance in managing risks
- reviews and approves financial budgets and emerging financial results
- reviews on a regular basis detailed Key Performance Indicator reports, which include the identification of material risks and the actions taken to manage such risks.

The Audit Committee:

- reviews internal and external audit work plans and commissions, where appropriate, reviews of specific issues
- considers reports from management, internal and external auditors on the system of internal control and any material control weaknesses identified
- discusses with management the actions taken on any problem areas identified by Board members and management or in the internal and external audit reports
- the Chairman of the Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

The Board:

- considers material financing and investment decisions including the giving of guarantees and indemnities, and monitors policy and control mechanisms for managing treasury risk
- reviews on a regular basis a summary Key Performance Indicator report which includes the identification of material risks and the actions taken to manage such risks
- reviews the effectiveness of the risk management process and significant risk issues
- reviews and approves financial budgets and emerging financial results.

The Board undertook formal assessments of risk management and control arrangements on 2 June 2010 and 25 January 2011 in order to form a view on the overall effectiveness of the system of internal control. This review included an assessment of the effectiveness of internal controls within the group's joint venture, Bristol Wessex Billing Services Limited.

The Board concluded that the overall internal control framework was working effectively.

By order of the Board
S C Robson, Company Secretary
31 May 2011

Remuneration Committee Report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006.

Unaudited element of the Remuneration Committee Report

The Board has reviewed the company's compliance with the Combined Code ('the Code') on remuneration related matters. It is the opinion of the Board that the company complied with all remuneration related aspects of the Code during the year.

The Report will be put to shareholders for approval at the Annual General Meeting.

Role and Composition of the Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the remuneration and other employment conditions of the executive directors and senior executives of Bristol Water plc. It consists solely of independent non-executive directors. The membership of the Committee during the year comprised Mr C Curling (Chairman), Mr R Davis and Mr P McIlwraith. Attendances at committee meetings are set out on page 22.

The Committee is formally constituted with written terms of reference. A copy of the terms of reference is available to shareholders by writing to the Company Secretary, Mr S C Robson.

In deciding appropriate levels of executive remuneration, the Committee uses external research from independent remuneration consultants when appropriate to obtain up-to-date information on a comparator group of companies. This year the Committee made no adjustments to the directors' existing remuneration arrangements other than the same inflationary pay award made to all staff.

During the year Mr L García (Chief Executive), Mr A Parsons (previous Managing Director) and Mr S C Robson (Company Secretary) also provided material advice and services to the Committee. No director played a part in any discussions about his own remuneration. None of the Committee has any personal financial interest or conflict of interest arising from cross-directorships or from day-to-day involvement in running the business.

Remuneration Policy

The key principle underpinning remuneration policy is the need to offer remuneration packages which can attract, motivate and retain directors and senior managers of the calibre needed to execute the company's business strategy, thereby enhancing shareholder value and improving the service to customers. The company's policy is that a significant proportion of the remuneration of the executive directors should be performance related.

Two new executive directors were appointed in this period and their arrangements were arrived at in conjunction with the group's parent company, Agbar. The arrangements were designed to fit within the existing structure of the pay arrangements of the company, reflecting the skill, experience and expected contribution of the new directors.

There are three main elements of the current remuneration package for executive directors:

Basic annual salary - factors taken into account when determining basic annual salary levels are objective research; the individual executive director's performance during the year; and pay and conditions throughout the company.

Annual bonus - based on the achievement of water quality, customer service, leakage, a range of financial targets and the overall performance of the Agbar group, together with an assessment of personal performance, and is restricted in 2010-11 to a maximum (save in exceptional circumstances) of either 30% or 50% of basic salary.

Taxable benefits in kind - reflecting market practice and comprising the provision of a company car and private medical and life insurance.

Some expatriate benefits provided to Messrs García and Anglada are not borne by the regulated water business but are borne by Agbar UK Ltd. These include their free furnished accommodation, utilities, tax advice and private school/nursery fees where appropriate.

Annual Bonus Scheme

Annual bonus awards for the bonus year 2010-11 are shown in the sections headed 'Details of Directors' Remuneration and Pension Benefits'.

Share Options and Long-Term Incentive Schemes

There are currently no Share Options or Long-term Incentive schemes in place.

Service Contracts

Details of the employment contracts of the executive directors who served during the year are as follows:

	Contract date	Notice period	Unexpired term
L García	23 April 2009	1 year	rolling 1 year
A Parsons	23 November 2010	N/A	to 30 September 2011
M Anglada *	N/A	N/A	N/A
M King (appointed on 23 November 2010)	1 April 2011	1 year	rolling 1 year
R Brito (appointed on 1 January 2011)	31 January 2011	1 year	rolling 1 year

* Mr Anglada is on a secondment arrangement from the Agbar group.

Directors' contracts do not provide for other compensation payable on early termination.

Directors' Pension Arrangements

A Parsons, previous Managing Director, stated his intention to retire from the business on 30 September 2011, and therefore entered into a new contract of service on 23 November 2010. Until 31 December 2010 Mr A Parsons was the only director eligible to be a contributory member of the Water Companies' Pension Scheme, a defined benefits final salary scheme, at which point he commenced drawing pension and the company made no further contributions.

Any newly-appointed executive directors recruited externally (to the Agbar group) will be offered membership of a company designated stakeholder pension scheme or the option of a company contribution to a personal pension plan.

Accordingly at 31 March 2011, no director was accruing benefits under a company defined benefit pension scheme.

Non-Executive Directors

The remuneration of the non-executive directors is determined by the Board and has been based, where appropriate, upon market evidence of fees paid to non-executive directors in companies of comparable size and on the basis of time commitments. Additional responsibilities are also taken into account. No director votes in respect of his own remuneration.

Non-executive directors do not have contracts of service, do not participate in company pension, share or bonus schemes and do not receive any taxable benefits in kind. The terms of appointment do not entitle non-executive directors to receive compensation in the event of early termination of their appointment.

Audited element of the Remuneration Committee Report

Details of Directors' Remuneration and Pensions Benefits

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006, which are subject to audit. Full details of all elements in the remuneration package of each director are set out below. Details of directors' share interests are given in the Directors' Report.

(a) Directors' Remuneration

						2011	2010
Notes			Salary / fees	Benefits	Bonus	Total	Total
			£000	£000	£000	£000	£000
J M Woolley		Non-Executive	58	-	-	58	57
C Curling		Non-Executive	36	-	-	36	34
P McIlwraith		Non-Executive	38	-	-	38	37
J A Guijarro	1	Non-Executive	-	-	-	-	-
A Harding	1	Non-Executive	-	-	-	-	-
C Rozman	1, 4	Non-Executive	-	-	-	-	-
R Davis		Non-Executive	31	-	-	31	31
M Navarro	1, 2	Non-Executive	-	-	-	-	-
L García	3	Executive	149	8	43	200	139
A Parsons		Executive	178	15	39	232	284
M Cermerón		Non-Executive	-	-	-	-	-
S Pellegrini	3, 5	Non-Executive	-	-	-	-	92
J Valls	1, 8	Non-Executive	-	-	-	-	-
M Anglada	3	Executive	80	7	33	120	64
M King	6	Executive	35	1	11	47	-
R Brito	7	Executive	23	-	7	30	-
Charge to Profit and Loss account			628	31	133	792	738

Notes:

- 1 No remuneration has been paid by the company.
- 2 Resigned as a director 9 September 2010.
- 3 These costs represent amounts paid by and charged to Bristol Water plc, and exclude costs charged to other group companies.
- 4 Resigned as a director on 23 November 2010.
- 5 Formerly Finance Director until 30 November 2009. The remuneration relates to the period during which he was Finance Director. He continued as a Non-Executive Director until 23 November 2010.
- 6 Appointed as Regulatory Director on 23 November 2010.
- 7 Appointed as Operations Director on 1 January 2011.
- 8 Appointed as a Non-Executive Director on 29 March 2011.

Benefits in kind above include the provision of a company car, medical and life insurance where applicable paid by the company.

Bonus includes amounts accrued and approved, but not paid, as at 31 March 2011 and relates to the period served as a director. Mr A Parsons' bonus was paid prior to the year end.

No director waived emoluments in respect of the year ended 31 March 2011.

(b) Accrued pension scheme benefits earned by directors

Mr Parsons accrued benefits under the company's defined benefit pension scheme until 31 December 2010 when he commenced drawing pension. The following disclosure relates to the period to 31 December 2010 when his active membership of the scheme terminated. From 1 January 2011 no further pension entitlement has arisen.

A Parsons	
£000	
Listing Rules disclosure	
Increase in accrued pension during the year in excess of inflation	19
Decrease in accrued lump sum during the year in excess of inflation (note 1)	(183)
Accumulated pension per annum at 31 December 2010	80
Accumulated lump sum at 31 December 2010	-
Transfer value of increase in pension benefits in excess of inflation	240
Transfer value of increase in pension benefits in excess of inflation less director's contributions	224
Schedule 8 disclosure	
Increase in accrued pension during the year	21
Decrease in accrued lump sum during the year (note 1)	(177)
Accumulated pension per annum at 31 December 2010	80
Accumulated lump sum at 31 December 2010	-
Transfer value	
As at 31 March 2010	1,503
As at 31 December 2010	1,751
Increase in transfer value	248
Increase in transfer value less director's contributions (note 2)	232

Notes

1. Upon his drawing pension on 31 December 2010, Mr Parsons opted to exchange his accrued lump sum benefit for additional pension from the Scheme (including attaching contingent spouse benefits). This explains the increase in accrued pension and zero lump sum shown at 31 December 2010 and the decrease in accrued lump sum during the year.
2. Mr Parsons' benefits include the AVC added years he has previously purchased.

The company's contributions to the WCPS pension for Mr Parsons amounted to £58,159 during the year.

Messrs García and Anglada have not joined the company designated stakeholder pension plan and the company is not making any contribution to any private pension scheme on their behalf.

Mr King has not joined the company designated stakeholder pension plan, however the company is making contribution to a private pension scheme on his behalf. The company's contributions to the private pension plan for Mr King amounted to £2,133 since his appointment as a director.

Mr Brito has joined the company designated stakeholder pension plan, the company's contributions to the stakeholder pension plan for Mr Brito amounted to £1,814 since his appointment as a director. The company is not making contributions to any private pension scheme on his behalf.

This report was approved by the Board of Directors on 31 May 2011 and signed on its behalf by:

Chris Curling
Chairman of Remuneration Committee
31 May 2011

Profit and loss account

for the year ended 31 March 2011

		2011	2010
	Note	£m	£m
Turnover	2	100.7	99.7
Operating costs	3	(82.1)	(71.8)
Operating profit		18.6	27.9
Profit on sale of tangible fixed assets		-	0.2
Other net interest payable and similar charges	4	(9.5)	(3.1)
Dividends on 8.75% irredeemable cumulative preference shares	4	(1.1)	(1.1)
Interest in respect of retirement benefit scheme	4	(0.4)	(0.8)
Net interest payable and similar charges		(11.0)	(5.0)
Profit on ordinary activities before taxation		7.6	23.1
Taxation on profit on ordinary activities	5	(0.8)	(4.5)
Profit on ordinary activities after taxation		6.8	18.6
Earnings per ordinary share	6	113.3p	310.0p
Dividends per ordinary share	21		
- declared or proposed in respect of the period		48.4p	170.12p
- paid during the period		48.4p	170.12p

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

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

Statement of total recognised gains and losses

for the year ended 31 March 2011

		2011	2010
	Note	£m	£m
Profit attributable to Bristol Water plc shareholders		6.8	18.6
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	23	1.4	(0.4)
Attributable deferred taxation	18	(0.4)	0.1
Change in the fair value of the interest rate swap	17	0.1	0.1
Attributable deferred taxation	18	-	-
Total recognised gains for the year		7.9	18.4

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

Reconciliation of shareholders' funds

for the year ended 31 March 2011

	Note	2011	2010
		£m	£m
Total recognised gains and losses		7.9	18.4
Equity dividends paid	21	(2.9)	(10.2)
Increase in shareholders' funds during the year		5.0	8.2
Shareholders' funds at 1 April		84.9	76.7
Shareholders' funds at 31 March		89.9	84.9

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

Balance sheet

at 31 March 2011

	Note	2011 £m	2010 £m
Fixed assets	7	240.7	251.2
Other investments - Loans to ultimate UK holding company	8	68.5	68.5
Current assets			
Stocks	9	1.1	1.0
Debtors	10	22.3	23.1
Cash on deposit	11	77.3	25.0
Cash at bank and in hand		2.4	1.8
		103.1	50.9
Creditors: amounts falling due within one year			
Short-term borrowings	12	(2.8)	(2.5)
Other creditors	13	(25.3)	(28.7)
		(28.1)	(31.2)
Net current assets		75.0	19.7
Total assets less current liabilities		384.2	339.4
Creditors: amounts falling due after more than one year			
Borrowings and derivatives	14	(257.3)	(215.8)
8.75% irredeemable cumulative preference shares	14	(12.5)	(12.5)
Deferred income	15	(9.8)	(10.3)
Provisions for liabilities	18	(22.3)	(22.2)
Retirement benefit surplus	23	7.6	6.3
Net assets		89.9	84.9
Capital and reserves			
Called-up share capital	19	6.0	6.0
Share premium account	20	4.4	4.4
Other reserves	20	5.1	5.0
Profit and loss account	20	74.4	69.5
Shareholders' funds	20	89.9	84.9

The financial statements of Bristol Water plc, registered number 2662226, were approved by the board of directors and authorised for issue on 31 May 2011.

L García, Director

M Anglada, Director

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

Cash flow statement

for the year ended 31 March 2011

		2011	2010
	Note	£m	£m
Net cash inflow from operating activities	24(a)	49.0	48.0
Returns on investments and servicing of finance			
Interest received		4.2	4.2
Interest paid on term loans and debentures		(8.6)	(8.3)
Interest paid on finance leases		(0.3)	(0.9)
Dividends paid on 8.75% irredeemable cumulative preference shares		(1.1)	(1.1)
		(5.8)	(6.1)
Taxation			
Corporation tax paid		(4.0)	(2.8)
Capital expenditure and investing activities			
Purchase of tangible fixed assets		(24.4)	(24.6)
Contributions received		3.8	3.9
Proceeds from disposal of tangible fixed assets		0.2	0.2
Increase in cash deposits maturing after three months of the balance sheet date	11	(46.8)	-
		(67.2)	(20.5)
Equity dividends paid	21	(2.9)	(10.2)
Cash (outflow)/inflow before management of liquid resources and financing		(30.9)	8.4
Management of liquid resources being increase in liquid resources	11	(5.5)	(5.6)
Financing			
New term loan		39.5	-
Capital element of lease repayments		(2.5)	(2.2)
		37.0	(2.2)
Increase in cash in the year	24(b)	0.6	0.6
Cash, beginning of year		1.8	1.2
Cash, end of year		2.4	1.8

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

Notes to the accounts

I. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the accounts have been applied consistently, except for the accounting policy for grants and contributions as explained in sub-note (e) below. The significant accounting policies adopted in the preparation of the accounts are set out below.

(a) Accounting convention

The accounts of the company are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom (UK GAAP) and with the provisions of the Companies Act 2006, except for the treatment of certain capital contributions as explained in sub-note (e) below.

The company has not adopted IFRS for its financial statements for the year ended 31 March 2011, and has no current plans to do so until UK GAAP and IFRS are fully harmonised.

(b) Going concern

In assessing the going concern basis, the directors have considered the cash flow and financial ratios projections of the company for the foreseeable future which show that the company is fully funded to meet its existing obligations.

The key risks to the company are regulatory requirements and developments, operational events and performance problems. The company is well placed to face the near future, with cash and cash deposits of £79.7m and the £30m unutilised committed borrowing facility.

The company is not immune from the severe financial market uncertainties in the medium term, which have the potential to impact its ability to obtain appropriate financing to deliver the current and future capital programmes.

The directors report that, after making enquiries, they have concluded that the company has adequate resources or the reasonable expectation of raising further resources as required, to continue in operation for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the accounts.

(c) Turnover

Turnover comprises charges to and accrued income from customers for water and other services, exclusive of VAT. Turnover is recognised upon delivery of water or completion of other services.

Income from metered supplies is based upon actual volumes of water invoiced plus estimated volumes of un-invoiced water delivered to customers during the year.

(d) Tangible fixed assets and depreciation

Tangible fixed assets comprise infrastructure assets and other assets:

Infrastructure assets

Infrastructure assets comprise the integrated network of impounding and pumped raw water storage reservoirs and water mains and associated underground pipework. Expenditure on such assets relating to increases in capacity, enhancements or planned maintenance of the network is treated as an addition to fixed assets and is included at cost. The cost of infrastructure assets is their purchase cost together with incidental expenses of acquisition and directly attributable labour costs which are incremental to the company.

Other assets

Other assets include land and buildings, operational structures, fixed and mobile plant, equipment and motor vehicles. All are included at cost. The cost of other assets is their purchase cost together with incidental expenses of acquisition and any directly attributable labour costs which are incremental to the company.

Depreciation

Depreciation is charged, where appropriate, on a straight-line basis on the original cost of assets over their expected economic lives. Freehold land is not depreciated. Depreciation of long-life assets commences when the assets are brought into use.

Depreciation of infrastructure assets under renewals accounting takes account of planned expenditure levels to maintain the operating capability of the company's infrastructure assets in perpetuity.

Other assets are depreciated after commissioning over the following estimated economic lives:

Operational properties and structures	15 to 100 years
Treatment, pumping and general plant	20 to 24 years
Computer hardware, software, communications, meters and telemetry equipment	3 to 15 years
Vehicles and mobile plant	5 to 7 years

Assets under construction are not depreciated.

Impairment

The values of fixed assets are reviewed regularly to determine whether their carrying amounts exceed their fair values in use. Where such an excess is believed to exist it is treated as an impairment loss and charged to the profit and loss account.

(e) **Grants and contributions**

Contributions received in respect of tangible assets, other than those received in respect of infrastructure assets, are treated as deferred income and amortised in the profit and loss account over the expected useful lives of the related assets. Contributions received in respect of enhancing the infrastructure network are not shown as deferred income but are deducted from the cost of the related fixed assets. This treatment is required by Statement of Standard Accounting Practice Number 4 but is a departure from the Companies Act 2006 which requires that such contributions be shown as deferred income.

In the directors' opinion, this treatment is necessary to show a true and fair view as the related assets do not have determinable finite lives and therefore no basis exists for the amortisation of the contributions. The effect on tangible fixed assets is shown in note 7(d) to the accounts.

Prior to 1 April 2010, a type of contribution called "Infrastructure Charges" was partially attributed to the non-infrastructure assets and was treated as deferred income and amortised in the profit and loss account over the expected useful lives of the related assets. However after industry wide clarification by Ofwat, the full amount of "Infrastructure Charges" has been attributed to the infrastructure assets from 1 April 2010.

Grants and contributions in respect of expenditure charged to the profit and loss account are netted against such expenditure as received.

(f) **Leased assets**

Assets financed by leasing agreements that transfer substantially all the risks and rewards of ownership of an asset to the lessee are capitalised and depreciated over the shorter of their estimated useful lives and the lease term. The capital portion of the lease commitment is included in current or non-current creditors as appropriate. The capital element of the lease rental is deducted from the obligation to the lessor as paid. The interest element of lease rentals and the depreciation of the relevant assets are charged to the profit and loss account.

Operating lease rental payments are charged to the profit and loss account as incurred over the term of the lease.

(g) **Pension costs**

The company operates both defined benefit and defined contribution pension arrangements. Defined benefit pension arrangements are provided through the company's membership of the Water Companies' Pension Scheme ("WCPS") via a separate section.

Defined benefit scheme liabilities are measured by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, is included in other finance income or cost.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited direct to the statement of total recognised gains and losses.

Costs of defined contribution pension schemes are charged to the profit and loss account in the period in which they fall due. Administration costs of defined contribution schemes are borne by the company.

Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the company becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

In July 2010, the government announced that it would in future use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as the basis for determining the statutory minimum percentage increase for revaluation and indexation in the Pension Increase (Review) Order. As further explained in note 23, commencing 31 March 2011 the CPI basis has been used for the calculation of pension scheme related amounts in respect of the future pension increases.

(h) **Research and development**

Research and development expenditure is charged to the profit and loss account as incurred.

(i) **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Advance Corporation Tax (ACT) in respect of dividends in previous years is written off to the profit and loss account unless it could be recovered against mainstream corporation tax in the current year or with reasonable assurance in the future. Credit is taken for ACT previously written off when it is recovered against mainstream corporation tax liabilities.

(i) **Taxation (continued)**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

(j) **Distributions to shareholders**

Dividends and other distributions to shareholders are reflected in financial statements when approved by shareholders in a general meeting, except for interim dividends which are included in financial statements when paid by the company. Accordingly, proposed dividends are not included as a liability in the financial statements.

(k) **Cash on deposit**

Cash on deposit represents short-term deposits having maturity in the range of seven days to nine months.

(l) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Following established practice in the water industry no value is included in the accounts in respect of water held in store.

(m) **Financial instruments**

The company has entered into an interest rate swap effective from 22 October 2008. In accordance with the provisions of FRS25, 'Financial Instruments: Presentation', and FRS26, 'Financial Instruments: Recognition and Measurement', the company values its interest-rate swap on the balance sheet. The effective portion of the swap is deferred through the statement of total recognised gains and losses. Should there be any ineffectiveness, any gain or loss relating to the ineffective portion would be recognised immediately in the profit and loss account within finance charges.

The net costs of issue of loans (being expenses incurred less premiums received) where material are amortised over the lives of the respective loans and disclosed within net borrowings. Immaterial amounts are written off as incurred. Index-linked loans are considered to be effective economic hedges and are valued at cost plus accrued indexation.

(n) **Hedge accounting**

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking a hedge transaction. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The effective portion of the swap is deferred through the statement of total recognised gains and losses. Should there be any ineffectiveness, any gain or loss relating to the ineffective portion would be recognised immediately in the profit and loss account within finance charges.

Amounts deferred in the statement of total recognised gains and losses are recognised in the profit and loss account in the periods when the hedged item is recognised in the profit and loss account, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting.

(o) **Provisions**

A provision is recognised when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money, except in case of deferred tax as mentioned in sub-note (i) above, is not material and therefore the provisions are not discounted.

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.

3. OPERATING COSTS

(a) Operating costs comprise -

Wages, salaries and severance costs	
Social security costs	
Defined benefit scheme pension costs (note 23(b))	
Total payroll cost	
Less capitalised as fixed assets	
Net payroll cost	
Other operating costs	
Research and development expenditure	
Auditors' remuneration (note 3(d))	
Raw materials, consumables, bad debts and other charges less recoveries	
Total other operating costs	
Depreciation of tangible fixed assets (note 7)	
On owned assets	
On leased assets	
Amortisation of related deferred income (note 15)	
Net depreciation	
Total operating costs	

2011	2010
£m	£m
14.1	13.8
1.2	1.1
2.1	1.6
17.4	16.5
(5.1)	(4.9)
12.3	11.6
0.1	0.1
0.1	0.1
39.7	39.0
39.9	39.2
29.3	20.2
1.1	1.3
(0.5)	(0.5)
29.9	21.0
82.1	71.8

(b) Employee details -

The average number of employees (full-time equivalents) during the year was as follows:

Water treatment and distribution
Support services
Administration
Non-appointed activities

2011	2010
272	269
78	82
47	46
46	49
443	446

(c) Directors' emoluments -

Aggregate emoluments of directors, being remuneration, bonus and benefits in kind
Payments to approved pension schemes, all in respect of executive directors

2011	2010
£m	£m
0.8	0.7
0.1	0.1

Full details of directors' remuneration are disclosed in the Remuneration Committee Report. The highest paid director during the year was A Parsons, full details of his remuneration and pension are disclosed in the Remuneration Committee Report.

(d) Auditors' remuneration

The analysis of auditors' remuneration is as follows:

Fees payable to the company's auditors for the audit of the company's annual accounts
Services pursuant to legislation, principally related to:
Regulatory returns
Tax services
Fees for comfort letter for bond issue
Other services
Total non-audit fees

2011	2010
£000's	£000's
48	53
36	40
-	13
25	-
8	19
69	72

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2011		2010	
	£m	£m	£m	£m
Other net interest payable and similar charges relate to:				
Bank borrowings		1.0		1.1
Term loans and debentures - interest charges		7.5		7.3
- indexation and amortisation of fees and premium on loans		4.9		(1.8)
Finance leases		0.3		0.6
		13.7		7.2
Less:				
Loan to Agbar UK Ltd – interest receivable	(4.0)		(4.0)	
Other external investments and deposits	(0.2)		(0.1)	
		(4.2)		(4.1)
Total other net interest payable and similar charges		9.5		3.1
Dividends on 8.75% irredeemable cumulative preference shares		1.1		1.1
Net Interest charge in respect of retirement benefit scheme		0.4		0.8
		11.0		5.0

Dividends on the 8.75% irredeemable cumulative preference shares are payable at a fixed rate of 4.375% on 1 April and 1 October each year. Payment by the company to the share registrars is made two business days earlier. The payments are classified as interest in accordance with FRS25.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**(a) Analysis of charge for the year, all arising in the United Kingdom:****Current tax:**

Corporation tax at 28%

Adjustment to prior periods

Deferred tax:

Current year movement

Effect of corporation tax rate change

Adjustment to prior periods

Effect of discounting

Tax on profit on ordinary activities

2011	2010
£m	£m
1.0	4.9
(0.1)	-
0.9	4.9
1.4	1.8
(3.0)	-
0.1	-
(1.5)	1.8
1.4	(2.2)
(0.1)	(0.4)
0.8	4.5

The charge for corporation tax includes amounts for group relief surrendered by other group companies. Group relief is charged at the mainstream corporation tax rate in the applicable year.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

The government has announced progressive reductions in the corporation tax rate between 1 April 2011 and 1 April 2014. The effect of corporation tax rate changes included within the deferred tax calculation for the year ended 31 March 2011 is restricted to the corporation tax rate reductions that were substantially enacted at 31 March 2011. Consequently the deferred tax is calculated based on the future tax rate of 26%. The beneficial effect of this change is £3.0m on an undiscounted basis (£1.8m on a discounted basis).

Discount rates have decreased during the current year (2010: increased during the year). Within the effect of discounting in 2011, a decrease in the beneficial effect of discounting of £0.4m (2010: increase of £1.4m) has been recognised in respect of the restatement of the opening balance at the new rates, increasing (2010: decreasing) the overall deferred tax charge.

Factors that may affect future tax charges

The 2011 Budget announced that the rate would decrease from 26% on 1 April 2011 to 23% on 1 April 2014. The effect of these reductions would have reduced the discounted deferred tax liability of the company by £2.7m (£4.5m reduction on an undiscounted basis).

Advance Corporation Tax ("ACT") is recognised as an asset to the extent that it is foreseen to be recoverable in the next 12 months. There is £3.9m (2010: £3.9m) of unrecognised ACT carried forward at 31 March 2011.

The company also holds £2.9m (2010: £2.9m) of unrecognised capital losses, which are available to offset against any future capital gains.

(b) Reconciliation of the current tax charge

The current tax rate for the year is lower (2010: lower) than the standard rate of Corporation Tax in the United Kingdom of 28% (2010: 28%). The differences are explained below:

	2011	2010
	£m	£m
Profit on ordinary activities before tax	7.6	23.1
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the United Kingdom at 28%	2.1	6.5
Effects of:		
Expenses including 8.75% irredeemable cumulative preference share dividends not deductible for tax	0.3	0.3
Capital allowances in excess of depreciation	(1.4)	(1.7)
Additional retirement benefit contributions	-	(0.1)
Other net charges	-	(0.1)
	1.0	4.9
Adjustment to tax in respect of prior periods	(0.1)	-
Total current tax charge	0.9	4.9

6. EARNINGS PER ORDINARY SHARE

	2011	2010
	m	m
Earnings per ordinary share have been calculated as follows -		
On average number of ordinary shares in issue during the year -		
Earnings attributable to ordinary shares	£6.8	£18.6
Weighted average number of ordinary shares	6.0	6.0

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

7. TANGIBLE FIXED ASSETS

(a) The movements for the year comprise –

	Freehold land & operational structures	Plant and equipment	Infra-structure assets	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2010	218.1	40.7	234.1	7.9	500.8
Additions	-	0.1	9.8	14.0	23.9
Capitalisation of completed assets	8.2	2.3	4.2	(14.7)	-
Disposals	(0.2)	(0.4)	-	-	(0.6)
Grants and contributions	-	-	(3.8)	-	(3.8)
At 31 March 2011	226.1	42.7	244.3	7.2	520.3
Depreciation					
At 1 April 2010	88.8	29.3	131.5	-	249.6
Charge for year	6.8	3.0	20.6	-	30.4
Disposals	(0.2)	(0.2)	-	-	(0.4)
At 31 March 2011	95.4	32.1	152.1	-	279.6
Net book value at 31 March 2011	130.7	10.6	92.2	7.2	240.7
At 31 March 2010	129.3	11.4	102.6	7.9	251.2

Assets under construction include all expenditure on plant, vehicles and other assets up to the point at which they are brought into use upon completion.

- (b) Included above at 31 March 2011 is freehold land, not subjected to depreciation in the year, of £1.6m (2010: £1.6m).
- (c) Included above at 31 March 2011 are fixed assets held under finance leases analysed by asset type as follows:

	Freehold land & operational structures	Plant and equipment	Infra-structure assets	Total
	£m	£m	£m	£m
At 31 March 2011				
Cost	37.4	6.0	1.2	44.6
Depreciation	(25.0)	(6.0)	-	(31.0)
Net book value	12.4	-	1.2	13.6
At 31 March 2010				
Cost	37.5	6.1	1.2	44.8
Depreciation	(24.1)	(6.1)	-	(30.2)
Net book value	13.4	-	1.2	14.6

For the purpose of this table no apportionment has been made of the infrastructure renewals charge included within depreciation in note 7(a) above.

- (d) The net book value of infrastructure assets is stated after the deduction of contributions of £58.1m (2010: £54.4m) as explained in note 1(e).

8. OTHER INVESTMENTS

At 1 April 2010 and at 31 March 2011

2011	2010
£m	£m
68.5	68.5

Other investments comprise loans to the UK parent company. The loans were advanced to Agbar UK Ltd and details are as follows:

Agreement date	Loan advance date	Fixed interest rate	Loan repayment date	Principal outstanding £m
4 December 2003	12 February 2004	6.042%	30 September 2033	47.0
10 June 2005	13 July 2005	5.550%	30 September 2032	21.5

9. STOCKS

Stocks comprise consumable stores. The replacement cost of stocks is not considered to be materially different from their carrying value in the balance sheet.

10. DEBTORS

Debtors comprise:

Trade debtors
Due from group and associated companies
Other debtors
Prepayments and accrued income

2011	2010
£m	£m
10.0	10.6
1.3	2.2
0.7	0.8
10.3	9.5
22.3	23.1

The sum of £0.4m (2010: £0.4m) is included within the heading "Due from group and associated companies" in respect of amounts advanced to Bristol Wessex Billing Services Limited, a joint venture company within the Agbar UK Group, to fund the purchase of fixed assets. This amount has no fixed repayment date.

11. CASH ON DEPOSIT

Cash on deposit matures:

- between seven days to three months of the balance sheet date
- after three months of the balance sheet date

2011	2010
£m	£m
30.5	25.0
46.8	-
77.3	25.0

Cash deposits maturing between seven days to three months of the balance sheet date are considered as liquid resources for the purposes of the Cash Flow statement.

12. CREDITORS – SHORT-TERM BORROWINGS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£m	£m
Finance leases	2.8	2.5
	2.8	2.5

All short-term borrowings are secured as described in note 14.

13. CREDITORS - OTHER CREDITORS DUE WITHIN ONE YEAR

Other creditors due within one year comprise:

	2011	2010
	£m	£m
Receipts in advance	10.1	9.5
Trade creditors	4.7	5.6
Due to group and associated companies	1.2	0.9
Tax, social security and payroll deductions	0.8	0.8
Corporation tax payable	0.9	4.1
Accruals and deposits received	7.6	7.8
	25.3	28.7

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR – BORROWINGS AND DERIVATIVES

	2011	2010
	£m	£m
Bank and other term loans – all secured	243.0	198.0
Debentures	1.6	1.6
Finance leases	8.1	10.9
Net unamortised premiums arising on issue of term loans	3.6	4.2
Total excluding 8.75% irredeemable cumulative preference shares and interest rate swap	256.3	214.7
Interest rate swap	1.0	1.1
	257.3	215.8
8.75% irredeemable cumulative preference shares	12.5	12.5
Total	269.8	228.3

The 8.75% irredeemable cumulative preference shares, which do not normally carry any voting rights, were issued in 1992 at £1 per share. Shareholders are entitled to receive dividends at 8.75% per annum on the par value of these shares on a cumulative basis; these dividends are payable half yearly on 1 April and 1 October. On winding up, the preference shareholders rank ahead of ordinary shareholders and are entitled to receive £1 per share and any dividends accrued but unpaid in respect of their shares. In the event that dividends on the preference shares are in arrears for six months or more, holders of the preference shares become entitled to vote at general meetings of members. In accordance with FRS25 the shares are classified as long-term debt.

The authorised preference share capital consists of 14,000,000 8.75% irredeemable cumulative preference shares of £1 each. Of these, 12,500,000 have been issued and are fully paid (31 March 2010: 12,500,000).

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR – BORROWINGS AND DERIVATIVES (continued)

The movements in net unamortised premiums were as follows:

	2011	2010
	£m	£m
Net unamortised premiums at 1 April	4.2	4.4
Bond issue costs during the year	(0.4)	-
Amortised during the year	(0.2)	(0.2)
Net unamortised premiums at 31 March	3.6	4.2

The net premiums on issue of new loans are amortised over the terms of the respective loans at £0.2m credit per annum. Amortisation credits due in future years are as follows:

	2011	2010
	£m	£m
Within one year	0.2	0.2
Between one and two years	0.2	0.2
Between two and five years	0.6	0.6
After five years	2.6	3.2
	3.6	4.2

Security for borrowings

The majority of the company's financial liabilities are secured. The security is given:

In respect of the company:

- by way of first fixed charges over any of its freehold or leasehold property belonging to it now or acquired in the future (other than protected land under the Water Industry Act 1991), its present and future goodwill, all rights and claims in relation to charged bank accounts, all book debts, all insurances, all rights, title and interest to all investments and all plant and machinery, and
- a floating charge over the whole of its undertaking.

Prior to enforcement of the security by the lender, the company is entitled to exercise all its rights, and perform its obligations in relation to the charged assets in accordance with the provisions set out in the Security Trust and Intercreditor Deed.

In respect of Bristol Water Core Holdings Ltd (the immediate parent of Bristol Water plc), as security for the obligations of the company:

- a fixed charge over its shares in the company together with a floating charge over the whole of its undertaking.

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR – BORROWINGS AND DERIVATIVES (continued)

Net borrowings and maturities

At 31 March 2011 net borrowings comprise -

	Term loans less cash	Finance leases	Debentures and irredeemable preference shares	Interest rate swap	Total 2011	Total 2010
	£m	£m	£m	£m	£m	£m
Repayment due:						
Between one and two years						
Secured, repayable 2012, variable interest at three month LIBOR plus a margin	15.0	3.2	-	-	18.2	2.8
Between two and five years	-	2.7	-	-	2.7	20.6
Interest rate swap, exchanging six month LIBOR for a fixed rate of 5.025%	-	-	-	1.0	1.0	1.1
After five years:						
Other than by instalment – term loans						
Secured, repayable 2017, variable interest at six month LIBOR plus a margin	20.0	-	-	-	20.0	20.0
Secured, repayable 2032, principal index-linked to RPI, fixed interest at 3.635%* on the indexed principal	110.5	-	-	-	110.5	105.5
Secured, repayable 2033, fixed interest at 6.01%*	57.5	-	-	-	57.5	57.5
Secured, repayable 2041 principal index-linked to RPI, fixed interest at 2.701% on the indexed principal	40.0	-	-	-	40.0	-
By instalments						
Finance leases	-	2.2	-	-	2.2	2.5
Net unamortised premiums	3.6	-	-	-	3.6	4.2
Debentures (listed on the London Stock Exchange) -						
4.00% Consolidated irredeemable	-	-	1.4	-	1.4	1.4
4.25%, 4.00% and 3.50% perpetual irredeemable debentures (in total, each under £0.1m individually)	-	-	0.2	-	0.2	0.2
Total borrowings due after one year excluding 8.75% irredeemable cumulative preference shares	246.6	8.1	1.6	1.0	257.3	215.8
Current portion of debt	-	2.8	-	-	2.8	2.5
	246.6	10.9	1.6	1.0	260.1	218.3
Cash on deposit (note 11)	(77.3)	-	-	-	(77.3)	(25.0)
Cash at bank and in hand	(2.4)	-	-	-	(2.4)	(1.8)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	166.9	10.9	1.6	1.0	180.4	191.5
8.75% irredeemable cumulative preference shares	-	-	12.5	-	12.5	12.5
Net borrowings including 8.75% irredeemable cumulative preference shares	166.9	10.9	4.1	1.0	192.9	204.0

* Coupons as specified in loan documentation. At the time of pricing of these loans, premiums/discounts were determined to reflect prevailing market conditions. The net premiums are included in net unamortized premiums as set out above.

14. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR – BORROWINGS AND DERIVATIVES (continued)

Borrowing facilities

Unutilised borrowing facilities are as follows:

Expiring in more than two years

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

Minimum lease payments under finance leases

Amounts fall due as follows:

Within one year

Between one and two years

Between two and five years

After five years

2011	2010
£m	£m
30.0	30.0

2011	2010
£m	£m
2.8	2.5
3.2	2.8
2.7	5.6
2.2	2.5
10.9	13.4

15. DEFERRED INCOME

Deferred income represents grants and contributions received in respect of non-infrastructure assets less amounts amortised to the profit and loss account.

At 1 April 2010

Contributions received

Less amortised

At 31 March 2011

2011	2010
£m	£m
10.3	10.2
-	0.6
(0.5)	(0.5)
9.8	10.3

Prior to 1 April 2010, a type of contribution called “Infrastructure Charges” was partially attributed to the non-infrastructure assets and was treated as deferred income and amortised in the profit and loss account over the expected useful lives of the related assets. However after industry wide clarification by Ofwat, the full amount of “Infrastructure Charges” has been attributed to the infrastructure assets from 1 April 2010.

16. FINANCIAL RISK MANAGEMENT

Financial risk factors

The company's main financial instruments comprise:

- 8.75% irredeemable cumulative preference shares
- borrowings and cash
- various items, such as trade debtors and trade creditors, that arise directly from its operations
- two long-term loans made to Bristol Water Group plc (since renamed Agbar UK Ltd).

The company has also entered into gilt locks and an interest rate swap to manage the interest rate risk arising from its operations and sources of finance. It is the company's policy not to trade in financial instruments.

The company's significant debt financing exposes it to a variety of financial risks that include the effect of changes in debt market prices, credit risks, liquidity and interest rates. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

The Board is responsible for setting the risk management policies applied by the company. The policies are implemented by the treasury department. The treasury department has a policies and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and the use of financial instruments to manage these risks.

(a) Foreign exchange risk

The company trades almost exclusively within the United Kingdom and all material purchases of capital equipment are denominated in sterling. Accordingly the company has no material foreign exchange risk.

(b) Interest rate risk of financial assets

The financial assets include cash at bank and cash deposits which are all denominated in sterling. Cash and cash deposits have been placed with banks (and formerly with building societies) on a rolling basis of up to nine months earning interest based on LIBID equivalents. There are also interest-bearing fixed rate loans totalling £68.5m (2010: £68.5m) to Bristol Water Group plc (since renamed Agbar UK Ltd).

(c) Interest rate risk and inflation risk of financial liabilities

The financial liabilities consist of interest-bearing loans, debentures, finance leases and 8.75% irredeemable cumulative preference shares. The company uses interest-rate swaps as a cash flow hedge of future interest payments, which has the effect of increasing the proportion of fixed interest debt.

The company's policy is to maintain the majority of its net debt on a fixed or index-linked interest basis. At the year-end 28% (2010: 34%) of the company's gross financial liabilities, excluding the 8.75% irredeemable cumulative preference shares, were at fixed rates, and 86% (2010: 82%) of the company's gross financial liabilities, excluding the 8.75% irredeemable cumulative preference shares, were at fixed or indexed rates. The residue were at floating rates.

The company's current intention is to maintain a future interest rate management profile consisting of financial liabilities at either fixed or index-linked rates amounting to 70% or more of such liabilities. This policy will be kept under review, and is dependent on the availability of such resources in the financial markets.

The carrying value of the company's index-linked borrowings is exposed to changes in RPI. The company's Regulated Capital Value ("RCV") and water charges are also linked to RPI. Accordingly index-linked debt partially hedges the exposure to changes in RPI and delivers a cash flow benefit, as compensation for the indexation is provided through adjustment to the principal rather than in cash.

16. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk and inflation risk of financial liabilities (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the company's profits.

The sensitivity analysis includes the effect on all financial instruments exposed to changes in interest rate.

	31 March 2011		31 March 2010	
	Profit before tax £m	Profit after tax £m	Profit before tax £m	Profit after tax £m
Movement in interest rate of 100bp	0.3	0.2	0.3	0.2

Inflation rate sensitivity

The year-end carrying value of index-linked debt held by the company is as follows:

	2011 £m	2010 £m
Index-linked debt	150.1	105.5

The following table shows the illustrative effect on the company's profits of changes in RPI in relation to its index-linked debt.

	31 March 2011		31 March 2010	
	Profit before tax £m	Equity £m	Profit before tax £m	Equity £m
Movement in Retail Price Index by 1%	1.5	1.1	1.1	0.8

(d) Credit risk

The company is required by the Water Industry Act 1991 to supply water to all potential customers in its licensed area. In the event of non-payment by commercial customers, but not domestic customers, the company has a right of disconnection. For all customers the company has implemented policies and procedures designed to assess the risk of further non-payment and recoup debts.

Cash at bank and cash deposits are placed with banks with a minimum of 'Moody's' P-1 and 'Standard & Poors' A-1 credit ratings in accordance with the credit rating criteria required by the terms of the Artesian loan agreements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. At 31 March the maximum exposure to credit risk was as follows:

	2011 £m	2010 £m
Long-term loans	68.5	68.5
Cash on deposit	77.3	25.0
Cash at bank and in hand	2.4	1.8
Debtors	22.3	23.1
	170.5	118.4

16. FINANCIAL RISK MANAGEMENT (continued)**(e) Liquidity risk**

It is company policy to maintain continuity of funding. At the year-end 91% (2010: 88%) of its financial liabilities, including 8.75% irredeemable cumulative preference shares, mature after five years or are irredeemable.

The company actively maintains a mixture of long-term and short-term committed facilities that are designed to provide sufficient funds for operations.

The company has a £30m committed undrawn borrowing facility with an expiry date of May 2013. The facility is floating rate and incurs non-utilisation fees at market rates.

Under the terms of the Artesian loan agreements the company is required to maintain a specified sum in nominated accounts to cover estimated debt service payments arising during the following year. These funds, currently amounting to approximately £5.5m (2010: £5.5m), are therefore not available for other operational use or distribution to shareholders.

The table below details the company's remaining contractual payments until maturity for its non-derivative financial liabilities. The table is based on the undiscounted cash flows on financial liabilities based on the earliest date on which the company is required to pay.

Year ended 31 March 2011	Due within one year	Between one and two years	Between two and five years	After five years	Total
	£m	£m	£m	£m	£m
Trade creditors	4.7	-	-	-	4.7
Due to group and associated companies	1.2	-	-	-	1.2
Tax, social security and payroll deductions	0.8	-	-	-	0.8
Corporation tax payable	0.9	-	-	-	0.9
Accruals and deposits received	7.6	-	-	-	7.6
Interest bearing loans and borrowings	12.7	28.3	33.3	559.1	633.4
	27.9	28.3	33.3	559.1	648.6

Year ended 31 March 2010	Due within one year	Between one and two years	Between two and five years	After five years	Total
	£m	£m	£m	£m	£m
Trade creditors	5.6	-	-	-	5.6
Due to group and associated companies	0.9	-	-	-	0.9
Tax, social security and payroll deductions	0.8	-	-	-	0.8
Corporation tax payable	4.1	-	-	-	4.1
Accruals and deposits received	7.8	-	-	-	7.8
Interest bearing loans and borrowings	11.1	11.7	47.4	440.0	510.2
	30.3	11.7	47.4	440.0	529.4



16. FINANCIAL RISK MANAGEMENT (continued)

(f) Price risk

The company is exposed to risk in prices for materials and services used in its treatment processes, including for chemicals and electricity. Risk is minimised through actively monitoring the market and by the use of fixed price supply contracts extending over more than one year where considered appropriate.

(g) Covenant compliance risk

Under the terms of its principal debt agreements the company is required to comply with covenants relating to minimum levels of interest cover and to maximum levels of net debt in relation to regulatory capital value. Failure to comply may result in various restrictions being imposed upon the company. Risk is minimised through continuous monitoring of the relevant ratios in both emerging and forecast results, and by close control of operating cash flows and capital investment programmes.

Derivative financial instruments and hedge accounting

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The company has entered into an interest rate swap effective from 22 October 2008. In accordance with the provisions of FRS25, 'Financial Instruments: Presentation', and FRS26, 'Financial Instruments: Recognition and Measurement', the company values its interest-rate swap on the balance sheet. The effective portion of the swap is deferred through the statement of total recognised gains and losses. Should there be any ineffectiveness, any gain or loss relating to the ineffective portion would be recognised immediately in the profit and loss account within finance charges.

The net costs of issue of loans (being expenses incurred less premiums received) where material are amortised over the lives of the respective loans and disclosed within net borrowings. Immaterial amounts are written off as incurred. Index-linked loans are considered to be effective economic hedges and are valued at cost plus accrued indexation.

17. FINANCIAL INSTRUMENTS

Fair value estimation

The fair values of the cash deposits, trade debtors, trade creditors, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values.

In the case of bank loans and other loans due in more than one year the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the company for similar financial instruments.

The fair value of the company's debentures has been calculated by discounting the expected cash flows at prevailing market rates including an estimated margin over gilts. In the case of floating rate facilities the fair values approximate to the carrying values as payments are reset to market rates at intervals of one year or less. Fixed rate loans from Artesian Finance II plc have been discounted by reference to the UK Government fixed rate gilt 2032 plus an estimated margin. Index-linked loans from Artesian Finance plc have been discounted by reference to the UK Government index-linked gilt 2030 plus an estimated margin.

The company's preference shares (shown as debt within these financial statements) are listed on the London Stock Exchange and their fair value is assumed to be their quoted market price.

The long-term loans to Agbar UK Ltd have been discounted by reference to the UK Government fixed rate gilt 2032 plus an estimated margin.

The fair value of the company's interest-rate swap is based on the market price of comparable instruments at the balance sheet date where they are publicly traded.

17. FINANCIAL INSTRUMENTS

Interest-rate swap

At 31 March 2011, the company was party to one interest rate swap which was entered into on 4 March 2008, became effective on 22 October 2008 and will expire on 7 December 2017. The swap is designated against a £10m variable rate bank loan drawn in October 2008. The swap exchanges LIBOR rates on a six monthly basis for a fixed rate of 5.025%. In accordance with FRS26, the liability arising under the swap agreement was recognised in these financial statements, as follows:

	2011	2010
	£m	£m
Liability:		
Due within one year	-	-
Due after one year	1.0	1.1
	1.0	1.1

In accordance with FRS26 "Financial Instruments: Recognition and Measurement" the company has reviewed all material contracts for embedded derivatives that are required to be separately accounted for if they do not meet the requirements set out in the standard. As a result of this review no embedded derivatives were identified.

Fair values of financial assets and financial liabilities

Although the company does not intend to trade in any financial instruments, the following tables provide a comparison, by category, of the carrying amounts and the fair value of the company's financial assets and financial liabilities. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

Fair values of non-current borrowings

	31 March 2011		31 March 2010	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
Primary financial instruments issued to finance the company				
Long-term borrowings	(256.3)	(268.5)	(214.7)	(223.4)
8.75% irredeemable cumulative preference shares	(12.5)	(17.1)	(12.5)	(16.4)
Primary financial instruments issued to finance Agbar UK Ltd				
Long-term loans	68.5	64.9	68.5	63.5
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swap	(1.0)	(1.0)	(1.1)	(1.1)
	(201.3)	(221.7)	(159.8)	(177.4)

The movement in the comparison of the fair value of the long-term borrowings to book value is due to fluctuations in long-term interest rates.

17. FINANCIAL INSTRUMENTS

Fair values of other financial assets and liabilities

	31 March 2011		31 March 2010	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Cash on deposit	77.3	77.3	25.0	25.0
Cash at bank and in hand	2.4	2.4	1.8	1.8
Debtors	22.3	22.3	23.1	23.1
Financial liabilities				
Short-term borrowings	(2.8)	(2.8)	(2.5)	(2.5)
Other creditors	(25.3)	(25.3)	(28.7)	(28.7)
	73.9	73.9	18.7	18.7

18. PROVISIONS FOR LIABILITIES

Provision for deferred tax comprises -

Accelerated capital allowances and capital element of finance leases	39.5	41.1
Deferred income	(1.4)	(1.6)
Short-term timing differences	(0.2)	(0.3)
Retirement benefit obligations	2.7	2.5
Interest rate swap	(0.3)	(0.3)
	40.3	41.4
Effect of discounting	(15.3)	(16.7)
Net provision, including deferred tax on retirement benefit obligations	25.0	24.7
Less, attributable to retirement benefit obligations	(2.7)	(2.5)
Net provision, excluding deferred tax on retirement benefit obligations	22.3	22.2

Deferred tax movement:

Provision at 1 April	24.7	25.2
Credit to Profit and Loss Account (note 5)	(0.1)	(0.4)
Charge/(credit) to Statement of Total Recognised Gains and Losses in respect of:		
Retirement benefit obligations	0.4	(0.1)
Interest rate swap	-	-
Provision at 31 March	25.0	24.7

19. CALLED-UP ORDINARY SHARE CAPITAL

The issued ordinary share capital of the company is:

5,998,025 ordinary shares of £1 each

Issued and fully paid

2011	2010
£m	£m
6.0	6.0

20. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	Share Premium Account	Capital redemption reserve	Hedging reserve	Profit and loss	Total 2011	Total 2010
	£m	£m	£m	£m	£m	£m	£m
At 1 April	6.0	4.4	5.8	(0.8)	69.5	84.9	76.7
Profit for the financial year	-	-	-	-	6.8	6.8	18.6
Actuarial gains/(losses) recognised in respect of retirement benefit obligations	-	-	-	-	1.4	1.4	(0.4)
Attributable deferred taxation	-	-	-	-	(0.4)	(0.4)	0.1
Fair value of interest rate swap	-	-	-	0.1	-	0.1	0.1
Attributable deferred taxation	-	-	-	-	-	-	-
Dividends	-	-	-	-	(2.9)	(2.9)	(10.2)
At 31 March	6.0	4.4	5.8	(0.7)	74.4	89.9	84.9

Details of the irredeemable cumulative preference shares are set out in note 14.

21. DIVIDENDS IN RESPECT OF ORDINARY SHARES

Dividends paid

- Dividend in respect of 2009:
Final dividend of 60.02 pence per share,
approved by the Board on 3 August 2009
- Dividend in respect of 2010:
First interim dividend of 24.27 pence per share,
approved by the Board on 6 September 2009
Second interim dividend of 61.69 pence per share,
approved by the Board on 11 November 2009
Third interim dividend of 24.14 pence per share,
approved by the Board on 22 March 2010
- Dividend in respect of 2011:
First interim dividend of 24.27 pence per share,
approved by the Board on 29 September 2010
Second interim dividend of 24.14 pence per share,
approved by the Board on 17 March 2011

2011	2010
£m	£m
-	3.6
-	1.5
-	3.7
-	1.4
1.5	-
1.4	-
2.9	10.2

The Board has not proposed a final dividend in respect of the year ended 31 March 2011 (31 March 2010: nil).

22. COMMITMENTS AND CONTINGENCIES

- Capital commitments at 31 March 2011 contracted for but not provided were £1.5m (2010: £2.0m).
- Contingencies - The company is a member of a VAT group and is jointly liable for the VAT liabilities of Agbar UK Ltd and certain other companies within the Agbar UK Limited group. Other than as shown in these accounts the directors are not aware of any other contingent liabilities that require disclosure.

23. RETIREMENT BENEFIT OBLIGATIONS

(a) Pension arrangements

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for a number of employees. The total cost charged to income of £0.5m (2010: £0.4m) represents contributions payable to the scheme. As at 31 March 2011 and 31 March 2010, all contributions due have been paid over to the scheme.

Defined benefit schemes

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 Ltd 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 financial position of the section is determined by an independent actuary (Lane, Clark & Peacock LLP). The most recent triennial valuation of the scheme was carried out at 1 April 2008 by Lane, Clark & Peacock LLP. The next triennial valuation of the pension scheme is due to be completed later this year.

In 2005/06 the company made a one-off contribution to WCPS of £7.0m. The company also agreed to make and has made additional contributions of £1m 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 which are set at 21% for the main sub section and 10% for the alternative benefits sub section of the relevant payroll costs. The estimated amount of the total employer contribution expected to be paid to the section for the year ending 31 March 2012 is £1.7m.

In July 2010, the government announced that it would in future use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as the basis for determining the statutory minimum percentage increase for revaluation and indexation in the Pension Increase (Review) Order.

"UITF Abstract 48", which governs how this issue is treated under FRS17, requires consideration of:

- whether the company's legal or constructive obligation was to give indexation specifically linked to RPI, or to give increases linked to inflation or the government's statutory minimum;
- whether the company's obligations have changed from RPI-based to CPI-based; and
- whether this is through a change in the legal terms of the scheme, a change in a constructive obligation, or a change in the company's best estimate of future statutory indexation.

Answering these questions required careful consideration of the facts and circumstances, and judgment, and therefore the WCPS's trustee sought legal advice to confirm the impact of the change for Bristol Water's section of WCPS, which concluded that "The Rules of the Bristol Water plc section link pension increases in deferment and in payment to be in line with the increases set out in the Pension Increase (Review) Orders. The Government has indicated that in future Pension Increase Orders will be based on CPI rather than RPI and, provided that no other legal considerations apply, the change to CPI feeds through to the Section's benefits automatically".

Accordingly, commencing 31 March 2011 the CPI basis has been used for the calculation of pension scheme related amounts in respect of the future pension increases.

23. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Accounting under FRS17 "Retirement Benefits"

Basis of valuation

The formal actuarial valuation of the Bristol Water plc section of the Water Companies' Pension Scheme as at 1 April 2008 was updated to 31 March 2011, by Lane, Clark & Peacock LLP, using the following major assumptions in accordance with FRS17:

	2011	2010	2009
Assumptions:			
RPI Inflation	3.7%	3.9%	3.1%
CPI Inflation	3.0%	n/a*	n/a*
Pension increases in payment (RPI)	3.0%	3.9%	3.1%
Pension increases in payment (LPI)	3.0%	3.7%	3.1%
Salary increases	5.2%	5.4%	4.6%
Discount rate	5.5%	5.5%	6.4%

* As explained in sub note (a) above, the change to the CPI basis for future pension increases was made with effect from 31 March 2011, therefore the CPI inflation assumption for comparative years 2010 and 2009 is not relevant.

Asset distribution and expected return

The following table sets out the key assumptions used for the valuation of the company's section of WCPS. The table also sets out as at the accounting date the fair value of the assets, a breakdown of the assets into the main asset classes, the present value of the section liabilities, and the resulting surplus.

	Expected long-term rate of return			Market values of section assets		
	2011	2010	2009	2011	2010	2009
				£m	£m	£m
Equities	7.8%	8.0%	8.0%	26.2	34.5	26.9
Diversified growth funds	7.3%	n/a*	n/a*	6.6	-	-
Bonds	3.9%	4.1%	4.1%	116.6	108.4	96.8
Cash	2.1%	2.0%	1.9%	0.1	0.2	0.1
Market value of section assets				149.5	143.1	123.8
Present value of liabilities				(122.8)	(134.3)	(106.2)
Surplus on FRS17 basis				26.7	8.8	17.6
Amount not recognised due to asset recognition limit				(16.4)	-	(8.9)
Surplus in the section				10.3	8.8	8.7
Deferred taxation at 26% (2010 and 2009: 28%)				(2.7)	(2.5)	(2.4)
Net pension asset on FRS17 basis				7.6	6.3	6.3

The overall expected rate of return on assets was 5% per annum (2010: 4.9% per annum). This rate was derived by taking the weighted average of the long term expected rate of return on each of the above asset classes.

* There was no investment in "Diversified growth funds" in years ended 31 March 2010 and 2009.

23. RETIREMENT BENEFIT OBLIGATIONS (continued)**Demographic assumptions**

The mortality assumptions have been drawn from actuarial table PNA00 with a 110% adjustment to mortality rates and with future improvements in line with “medium cohort” projections from 2000, subject to a minimum increase of 1.0% per annum (2010 and 2009: same assumptions as current year). These tables assume that the average life expectancy for a male pensioner currently aged 60 is 26.5 years (2010: 26.4 years) and for a female pensioner currently aged 60 is 29.1 years (2010: 29 years).

The allowance made for future improvements in longevity is such that a male member retiring at age 60 in 2036 (i.e. in 25 years’ time) is assumed to have an increased average life expectancy from retirement of 29.1 years, whilst that for a female retiring at age 60 in 2036 is assumed to have increased to 31.5 years.

Sensitivity

The assets and liabilities of the section are subject to volatility as the assets are linked to gilt and equity markets and the liabilities are linked to yields on AA-rated corporate bonds.

As an indication all other things being equal:

- an increase in the discount rate of 0.1% would lead to a reduction in the value placed on the liabilities of the Section of approximately £1.8m; and
- a 5% rise in the value of the Section’s return seeking assets portfolio would increase the surplus (before the consideration of any balance sheet limitation that might apply) by about £1.6m.

Contributions

Contributions paid in the year to the section including those from Bristol Wessex Billing Services Ltd were £2.6m (2010: £2.9m). Contributions paid in the year include £1.7m of regular employer contributions and £0.9m of additional contribution as described previously. For normal employer contributions, during the year the company was required to contribute at the rates of 21% (2010: 21%) for the main sub section and 10% (2010: 10%) for the alternative benefits sub section of the relevant payroll costs.

Analysis of charges to Profit and Loss Account:**Analysis of the amount charged to operating profit**

Current service cost under FRS 17

Total operating charge

2011	2010
£m	£m
2.1	1.6
2.1	1.6

Analysis of the amount charged to other finance cost

Expected return on pension section assets

Interest on post-retirement liabilities

Net return – charge to other finance cost

2011	2010
£m	£m
7.3	5.9
(6.9)	(6.7)
(0.4)	(0.8)

23. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

Gain on pension section assets	2.0	16.1
Experience gains arising on section liabilities	2.2	3.0
Gain/(loss) due to changes in assumptions underlying the FRS 17 value of the section's liabilities	13.6	(28.4)
Actuarial gain/(loss)	17.8	(9.3)
Less: Effect of asset recognition limit	(16.4)	8.9
Actuarial gain/(loss) recognised in STRGL	1.4	(0.4)

2011	2010
£m	£m
2.0	16.1
2.2	3.0
13.6	(28.4)
17.8	(9.3)
(16.4)	8.9
1.4	(0.4)

Movement in section pre-tax financial position during the year

Surplus in section at 1 April

Movement in year:

Current service cost (employee and employer)	(2.1)	(1.6)
Aggregate regular contributions (employee and employer)	1.7	1.9
Additional contributions	0.9	1.0
Charge to other finance cost	(0.4)	(0.8)
Actuarial gain/(loss) recognised in STRGL	17.8	(9.3)

Surplus in section at 31 March, before deducting amount not recognised due to asset recognition limit

2011	2010
£m	£m
8.8	17.6
(2.1)	(1.6)
1.7	1.9
0.9	1.0
(0.4)	(0.8)
17.8	(9.3)
26.7	8.8

Movement in present value of the defined benefit obligation during the year

Present value of section liabilities at 1 April

Movement in year:

Current service cost (employee and employer)	2.1	1.6
Interest cost	7.3	6.7
Actuarial (gain)/loss	(15.8)	25.4
Benefits paid	(5.1)	(5.6)

Present value of the defined benefit obligation at 31 March

2011	2010
£m	£m
134.3	106.2
2.1	1.6
7.3	6.7
(15.8)	25.4
(5.1)	(5.6)
122.8	134.3

23. RETIREMENT BENEFIT OBLIGATIONS (continued)

	2011	2010
	£m	£m
Movement in fair value of the section assets during the year		
Fair value of the section assets at 1 April	143.1	123.8
Movement in year:		
Expected return on section assets	6.9	5.9
Actuarial gain	2.0	16.1
Aggregate regular contributions (employee and employer)	1.7	1.9
Additional contributions	0.9	1.0
Benefits paid	(5.1)	(5.6)
Fair value of the section assets at 31 March	149.5	143.1

The history of experience gains and losses is:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Market value of section assets(*)	149.5	143.1	123.8	138.5	131.3
Present value of liabilities	(122.8)	(134.3)	(106.2)	(121.9)	(120.0)
Surplus in the section	26.7	8.8	17.6	16.6	11.3

	2011	2010	2009	2008	2007
Experience adjustments on scheme liabilities – Amount (£m)	2.2	3.0	0.9	0.2	0.7
Percentage of scheme liabilities	2%	2%	1%	0%	1%
Experience adjustments on scheme assets – Amount (£m)	2.0	16.2	(19.6)	1.6	(0.2)
Percentage of scheme assets	1%	11%	(16%)	1%	0%

(*) The fair value of the section's assets at 31 March 2008 and 31 March 2007 shown above are mid-market values and have not been restated following the amendment to FRS17 in 2009 which required a change in the valuation basis of the assets from mid-market to bid-prices.

24. SUPPLEMENTARY CASH FLOW INFORMATION

- (a) Reconciliation of operating profit to net cash inflow from operating activities -

	2011	2010
	£m	£m
Operating profit	18.6	27.9
Depreciation, net of amortisation of deferred income	29.9	21.0
Difference between pension charges and normal contributions	0.3	(0.3)
Cash flow from operations	48.8	48.6
Working capital movements -		
Stocks	(0.1)	0.1
Debtors	0.8	(1.5)
Creditors and provisions	0.4	1.8
Additional contributions to pension scheme	(0.9)	(1.0)
Net cash inflow from operating activities	49.0	48.0

24. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

(b) Reconciliation of net cash flow to movement in net borrowings -

	2011	2010
	£m	£m
Increase in cash in the year	0.6	0.6
Cash used to repay borrowings	2.5	2.2
Cash from new borrowings	(39.5)	-
Increase in cash deposits in the year	52.3	5.6
	15.9	8.4
Indexation of debt and amortisation of fees and premium not affecting cash flow	(4.9)	1.8
Fair value of interest rate swap not affecting cash flow	0.1	0.1
Net borrowings at 1 April including 8.75% irredeemable cumulative preference shares	(204.0)	(214.3)
Net borrowings at 31 March including 8.75% irredeemable cumulative preference shares	(192.9)	(204.0)

(c) Analysis of changes in net borrowings during the year -

	Opening net borrowings	Cash flows in the year	Maturity profile	Adjustments to debt not affecting cash flow*	Closing net borrowings
	£m	£m	£m	£m	£m
Cash at bank and in hand	1.8	0.6	-	-	2.4
Cash deposits	25.0	52.3	-	-	77.3
Cash at bank and cash deposits	26.8	52.9	-	-	79.7
Borrowings due within one year	(2.5)	2.5	(2.8)	-	(2.8)
Borrowings due after one year, including 8.75% irredeemable cumulative preference shares and net unamortised premiums in respect of loans	(227.2)	(39.5)	2.8	(4.9)	(268.8)
Fair value of the interest rate swap	(1.1)	-	-	0.1	(1.0)
Net borrowings including 8.75% irredeemable cumulative preference shares	(204.0)	15.9	-	(4.8)	(192.9)

* Represents indexation of term loans less amortisation of net premium on borrowings, and the change in fair value of the interest rate swap.

25. RELATED PARTY TRANSACTIONS

Related parties include members and joint ventures of the Agbar UK Limited (AUK) group of companies, members of the Agbar group of companies and key management personnel. The principal related parties are:

Agbar UK Ltd, registered in England and Wales, whose year-end is 31 December, is the ultimate UK holding company of Bristol Water plc and is a subsidiary of Agbar.

Bristol Wessex Billing Services Limited (BWBSL), registered in England and Wales, whose year-end is 31 March. The joint venture interest is held by Agbar Solutions Ltd, a fellow subsidiary and intermediate holding company within the AUK group, which owns 100 class 'B' shares in the company, representing a holding of 50% of the voting and equity rights of the company. BWBSL is a joint venture undertaking between Agbar Solutions Ltd and Wessex Water Services Limited, and provides meter reading, billing, debt recovery and customer contact management services to this company and Wessex Water Services Limited, under a cost sharing arrangement.

Agbar Serco Technology Solutions Limited (ASTS), registered in England and Wales, whose year-end is 31 December. The joint venture company is owned 50% by Agbar Solutions Ltd, a fellow subsidiary and intermediate holding company within the AUK group, and 50% by Serco UK Limited. ASTS provides Information Technology consultancy services, and security asset management services. Following a competitive tendering process, ASTS was contracted to provide IT maintenance and development services to the company from 1 November 2008.

Agbar Environment Limited (AEL), registered in England and Wales, whose year-end is 31 December. This company is a fellow subsidiary within the AUK group and is engaged in providing Water Infrastructure Asset Management services to the water industry. The principal activities include a patented process called "Ice Pigging" which involves passing a mass of slush ice through conduits in order to remove material or other substances found within the pipes. This company also provides sub-licences to customers for the use of Ice Pigging technology in other countries.

AEL also owns 50% share in a plant with Intervate Limited. The plant is operated by Intervate Limited and uses an advance thermal conversion process to produce renewable power and heat using a wide spectrum of biomass and waste feedstock.

During the year Bristol Water plc has provided resources to AEL to enable it to engage in its principal activities and recharged the costs accordingly.

25. RELATED PARTY TRANSACTIONS (continued)

Trading transactions

During the year the company entered into the following trading transactions with related parties:

	Sales of goods and services		Purchases of goods and services	
	2011	2010	2011	2010
	£m	£m	£m	£m
Members of the AUK group				
Agbar UK Ltd management charges	0.3	0.4	-	0.1
Agbar Environment Limited	0.5	0.2	0.1	-
Joint ventures of the AUK group				
BWBSL				
- management charges	-	-	2.3	2.3
- capital expenditure	-	-	0.1	0.1
- other recharges	-	-	0.3	0.3
ASTS				
- management charges	-	-	1.3	1.3
- capital expenditure	-	-	0.7	0.6
- other	-	-	0.3	0.3
	0.8	0.6	5.1	5.0

	Amounts due from		Amounts due to	
	2011	2010	2011	2010
	£m	£m	£m	£m
Members of the AUK group				
Agbar Environment Limited	0.2	0.2	-	-
Marral Chemicals Limited	-	-	0.1	-
Joint ventures of the AUK group				
BWBSL	1.1	2.0	0.7	0.6
ASTS	-	-	0.4	0.3
	1.3	2.2	1.2	0.9

Bristol Water plc paid Wessex Water Services Ltd £0.1m (2010: £0.1m) for a share of other assets used operationally by BWBSL but capitalised by Bristol Water plc.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made, or are considered necessary, for doubtful debts in respect of the amounts due from related parties.

Remuneration of key management personnel

Information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee Report and in Note 3.

26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Until 7 June 2010 the ultimate parent company was considered by the directors to be Sociedad General de Aguas de Barcelona S.A. (Agbar), a company incorporated in Spain. On 8 June 2010 Suez Environnement Company S.A., a company incorporated in France and partly owned by the French group GDF Suez, increased its control of Agbar to 75.23% and is now regarded as the ultimate parent company.

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

The largest group in which this company is consolidated is Suez Environnement Company S.A. and copies of its consolidated annual report are available from 1, Rue D'Astorg 75008 Paris, France.

The smallest group in which this company is consolidated is Agbar, and copies of its consolidated annual report are available from Torre Agbar, Avda. Diagonal, 211, Planta 19-08018, Barcelona, Spain.



Independent Auditor's Report to the members of Bristol Water plc

We have audited the financial statements of Bristol Water plc for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Mapleston (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

31 May 2011

Financial History

PROFIT AND LOSS ACCOUNTS

Years ended 31 March

Turnover
Operating profit
Interest and irredeemable preference share dividends
Net finance (expense)/income on retirement benefit obligations
Profit on sale of tangible fixed assets
Profit before taxation
Taxation
Profit after taxation
Dividends paid

2011	2010	2009	2008	2007
£m	£m	£m	£m	£m
100.7	99.7	96.7	91.0	86.3
18.6	27.9	29.1	26.3	25.2
(10.6)	(4.2)	(11.5)	(9.5)	(7.8)
(0.4)	(0.8)	(0.2)	1.1	1.5
-	0.2	-	-	-
7.6	23.1	17.4	17.9	18.9
(0.8)	(4.5)	(5.3)	(3.4)	(2.5)
6.8	18.6	12.1	14.5	16.4
2.9	10.2	8.8	11.9	6.3

BALANCE SHEETS

At 31 March

Fixed assets
Other investments
Net current assets
Total assets less current liabilities
Debt due after one year, excluding irredeemable preference shares
Irredeemable preference shares
Other creditors due after one year
Deferred income
Provisions
Retirement benefit asset
Net operating assets

2011	2010	2009	2008	2007
£m	£m	£m	£m	£m
240.7	251.2	251.7	244.1	218.7
68.5	68.5	68.5	68.5	68.5
75.0	19.7	16.1	0.2	26.1
384.2	339.4	336.3	312.8	313.3
(257.3)	(215.8)	(220.2)	(201.2)	(204.6)
(12.5)	(12.5)	(12.5)	(12.5)	(12.5)
-	-	(0.2)	(0.4)	(0.3)
(9.8)	(10.3)	(10.2)	(10.0)	(9.4)
(22.3)	(22.2)	(22.8)	(20.3)	(19.7)
7.6	6.3	6.3	10.1	8.3
89.9	84.9	76.7	78.5	75.1

CASH FLOW

Years ended 31 March

Cash flow from operations
Net interest and irredeemable preference share dividends paid
Tax paid
Capital expenditure net of contributions
Other investing activities
Dividends paid on equity shares
Cash flow before management of liquid resources and financing
Management of liquid resources
Net increase/(decrease) in financing
Increase/(decrease) in cash

2011	2010	2009	2008	2007
£m	£m	£m	£m	£m
49.0	48.0	47.5	49.4	42.6
(5.8)	(6.1)	(6.6)	(5.7)	(4.8)
(4.0)	(2.8)	(2.1)	(2.1)	(1.0)
(20.4)	(20.5)	(29.0)	(46.5)	(37.7)
(46.8)	-	-	-	10.4
(2.9)	(10.2)	(8.8)	(11.9)	(6.3)
(30.9)	8.4	1.0	(16.8)	3.2
(5.5)	(5.6)	1.9	6.7	1.1
37.0	(2.2)	(1.9)	7.5	(2.5)
0.6	0.6	1.0	(2.6)	1.8

Notes:

All comparative data has been restated where necessary, and possible, to conform to current accounting practices except as indicated in accounting policy note 1(a). All data includes exceptional items where relevant.

This financial history does not form part of the audited financial statements.





Bristol Water plc
PO Box 218, Bridgwater Road, Bristol BS99 7AU
Telephone: 0117 966 5881 Fax: 0117 963 3755
www.bristolwater.co.uk