BRISTOL WATER plc

Announcement of interim results for the six months ended 30 September 2013

Bristol Water plc is ultimately owned by Capstone Infrastructure Corporation (50%), Sociedad General de Aguas de Barcelona S.A. (Agbar) (30%), and Itochu Corporation of Japan (20%).

Bristol Water plc supplies water to over 1.2 million people and businesses in an area of almost 2,400 square kilometres centred on Bristol.

For further information contact:

Luis García, Chief Executive
Miquel Anglada, Finance Director
Bristol Water plc
Tel 0117 953 6470

Or contact: Bristol Water Corporate Affairs on 0117 953 6470 during office hours or 07831 518964 / 07770 533238 at any time.

FINANCIAL HIGHLIGHTS – REPORTED UNDER UK GAAP

	£m
Profit after tax for 6 months to 30 September 2012	**7.7**
Significant changes between periods:	
Increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**1.4**
Increase in depreciation charge	**(1.4)**
Increase in debt indexation and other interest charges	**(0.9)**
Decrease in taxation due to lower profit before tax	**0.3**
	7.1
Decrease in deferred tax charge due to reduction in corporation tax rate and discounting effects	**4.1**
Profit after tax for 6 months to 30 September 2013	**11.2**

Summary

- Continued stable underlying financial and operational performance
- High customer satisfaction levels –Based on the latest published SIM scores, the company increased its score and was ranked 4th out of 21 water and sewerage companies
- Significant level of capital investment continued with a £40.7m investment during the period
- Increase in EBITDA mainly driven by revenue increase due to RPI and K factor as required to support the significant capital investment
- Increase in debt indexation charge due to higher RPI and increase in loan interest due to higher borrowings
- Increase in depreciation following recent capital investment
- Reduction in deferred tax due to corporation tax rate change to 20% with effect from 1 April 2015

CHAIRMAN'S STATEMENT

Introduction

Over the last six months the company has continued to perform well. Our extensive capital programme has remained on track during what has been an exceptionally busy period. Our varied projects stretch across our supply region, many situated on busy commuter routes and through built-up areas. Our staff and contractors are to be praised for their skill and application and we must also thank our customers for their patience in the areas where we are carrying out this essential work. We communicate extensively with those directly affected and we hope they appreciate that this short-term inconvenience will lead to long-term benefits.

The results for the six months ended 30 September 2013 reflect our stable performance. Our capital programme has led to higher depreciation and interest charges than the same period in 2012, resulting in a slightly lower profit before taxation for the period of £8.3m (2012: £9.2m). The exceptional impact of the reduction in future corporation taxation rates on our deferred taxation charge led to our profit after tax increasing. Profit after tax for the period was £11.2m (2012: £7.7m).

We are proud of our record in delivering high quality water and services to our customers. Our latest performance against Ofwat's service measure, that placed us 4th out of 21 water and sewerage companies, reflects our continued commitment to our customers.

Capital programme

- The £23m scheme to renovate our trunk mains networks throughout parts of Bristol, North Somerset and Gloucestershire has continued to make good progress. These pipes, some of which date back to the 1860s, have served the company well and will continue to be of value as they provide the protective covering for the new plastic pipes which we have inserted through them.

- The programme to install ultra violet disinfection equipment is going to plan. Three plants have been completed, whilst the work at our Stowey and Cheddar treatment plants is well underway.

- A £3.6m scheme to replace the pumping equipment at Blagdon pumping station is due to begin this month. These pumps primarily transfer water from Blagdon to be treated at our Barrow works.

- Proposals for the construction of the £100m, 9,000 million litre Cheddar 2 reservoir, close to the current one in Cheddar, are moving forward with the planning application due to be submitted before Christmas. The reservoir is needed in order to help meet the future demand for water in this area caused by population growth. Two full stages of public consultation have been carried out. Feedback from both stages was very positive; the second stage, which ended on July 31st, showed 74% of respondents rating the proposals for the complete reservoir as 'Good' or 'Very Good'.

- The replacement of distribution mains that are identified as in poor condition is an on-going and necessary process. This year we plan to replace 45kms of pipe with 25km already completed to September 2013.

- One of our main contractors went into administration in May but our teams carried out our contingency plan and managed the situation with an absolute minimum disruption for our customers and our programme. The team from across the company who managed this were recognised by their peers in the Utility Sector as the Team of the Year in the Energy & Utility Skills Awards.

PR14 process

The 2014 Price Review process is continuing, and our business plan for the period 2015-2020 is taking shape. On December 2nd we will publish this plan and submit to the industry regulator, Ofwat, who will then review it to ensure that it offers a fair deal for our customers whilst providing a fair return to investors. The plan has been developed over the last two years by our customers' views and preferences, obtained through independent market research. By listening to our customers, we intend not only to deliver the improvements that they want in respect of certain aspects of our service but also to keep our bills at a level which they consider affordable. In total, we have surveyed more than 3,000 household customers and 400 businesses.

Retail competition

Government plans for retail competition for all non-household customers from 2017 are progressing. We are supporting the Open Water programme which is developing the model and governance for the competitive market, and we have begun to prepare for these changes which will impact on both our retail and wholesale activities.

Through our billing company, jointly owned with Wessex Water, we have launched a new brand, water2business, to promote the services we offer our business customers in relation to water, wastewater and trade effluent, and the tailored customer service we provide through our dedicated account management service.

CHAIRMAN’S STATEMENT (continued)

Customer services update

2012/13 was another excellent year for customer service, with our latest performance against Ofwat’s service measure placing us 4th out of 21 water and sewerage companies. Customers’ experience is important to us and 800 customers are surveyed for each water company in England and Wales annually as part of Ofwat’s service measure. Our performance in 2012/13 was particularly encouraging in light of the amount of customer-impacting work which has been taking place across our region as part of our largest ever programme of renovations and resilience work. The efforts of our operational teams and our contract partners in mitigating the potential impact of our programme of works by maintaining good customer relations and providing proactive communications has helped us to reduce customer complaints and achieve improved customer satisfaction scores over the last year.

Key new customer initiatives:

- The launch of a new website has enhanced our customer experience, offering greater ease of use and enhanced functionality.

- We successfully implemented a new Customer Relationship Management (CRM) system, which is used to log customer contacts about the water supply, to create appointments to visit customers and to raise jobs for inspection and repair works.

- Following the arrival of a new mobile Customer Service Unit (CSU), we have been out and about in the community. The colourful new van offers a flexible and welcoming environment to promote the company at events across our region. In particular we have focused on promoting water efficiency and metering. It has also been used as a mobile customer service unit in areas where our work is having, or might have, an impact on customers - giving them the opportunity to come and talk to customer service staff face-to-face.

- We were one of the first three companies in England and Wales to introduce a company social tariff from April 1st, in accordance with the guidance issued by Defra in 2012. This enhances the assistance tariffs and repayment schemes which we already had in place to help customers who were experiencing difficulty in paying their bills. Our company social tariff reduces the amount payable under the Government’s social tariff called WaterSure and it also creates a new level at the bottom of our own Assist tariff. This new level provides our lowest annual water charge and is aimed at those on the lowest incomes in our region.

Corporate responsibility

- We are delighted that Bristol has been awarded the title of European Green Capital 2015. We supported the bid and will continue with the Local Authority and the project team to ensure that the programme of events is a big success.

- Our education programme continues to prove popular. Over the past 12 months we have visited 40 schools across our supply area where we deliver a practical water-saving initiative which ties into the Eco Schools education programme.

- A new bird hide, with floor to ceiling glazing, was officially opened in September at our Chew Valley Lake as part of an event to celebrate wildlife at the site. The hide offers the opportunity for both experts and novices to sit unseen and watch the spectacular bird life Chew offers.

- This year we have been working in partnership with the Environment Agency (EA) on an innovative “trap and transfer” project at Blagdon, making it possible for young eels to get up the river and into the reservoir where they can grow to maturity. Eels are now a critically endangered species with populations having fallen by over 95% in the past 20 years, so we are working with the EA to create habitats that give them a greater chance of survival.

- Our innovative ‘Trout & About’ partnership with Avon Wildlife Trust won an International Corporate Responsibility Excellence Award. The project inspires school children to learn about their natural environment by caring for trout eggs and hatchlings before they release the growing fish into Chew Valley Lake. The project will continue next year, with further schools involved.

- We sponsored the education programme accompanying the ‘Chocolate!’ exhibition at one of Bristol’s museums, MShed. Over 2,000 local schoolchildren took part in the programme. We have continued this successful link with a similar sponsorship of the Roman Empire ‘People & Power’ exhibition being held at the Bristol Museum & Art Gallery running from September until January 2014.

- Our Blagdon open days attracted 5,300 visitors over the summer season, shortened to just nine weeks due to works taking place at the site.

- Over the six months period to September we have given out over 5,600 free water saving kits to customers in our region.

CHAIRMAN'S STATEMENT (continued)

Financial performance

There has been a stable underlying performance during the period. Turnover increased by £4.3m mainly due to the RPI increase and K factor for the current year. Profit before taxation was £0.9m lower than the same period last year as the rise in turnover was more than offset by increases in depreciation, operating costs and net interest payable and similar charges (increases totalling £5.2m). The higher level of depreciation followed the continuation of our long-term capital investment programme. The increase in operating costs of £2.9m mainly related to:

- Increase in energy and chemical prices,
- Higher network maintenance costs,
- Worsening debt collection,
- Costs incurred for the 2015-20 price review process (PR14), and
- General increase in salaries and other costs due to price inflation.

Higher borrowings to fund our capital programme and indexation on index-linked debt led to a rise in net interest payable and similar charges of £0.9m.

The deferred taxation charge was £4.1m lower than the same period in 2012 due to the exceptional impact of the reduction in the corporation tax rate from 23% to 20% by the financial year 2014/15 and discounting effects. The overall taxation charge was £4.4m lower, the remaining decrease due to a lower profit before tax.

Like all regulated water companies in the UK, Bristol Water owns and finances its capital programme. The significant level of investment delivered for our customers resulted in deferral of tax payable to future periods in accordance with standard applicable tax reliefs. During the period £0.2m corporation tax was paid to HMRC.

March 2014 expected RCV is £413.9m, and the ratio of September 2013 net debt to March 2014 expected RCV is 64.1%.

During the six months £25m was drawn down from the two borrowing facilities totalling £70m arranged last year. The remaining undrawn funds are expected to meet the external funding requirements of the ongoing 2010-15 capital programme.

Cash at bank and on deposits of £11.9m and available undrawn loan facilities of £44m as at 30 September 2013 reflect our strong financial position.

Dividends

During the period £7m of dividends were paid, comprising £3.1m 'final' dividend in respect of the year ended 31 March 2013, a first interim ordinary dividend of £2.3m, and a second interim dividend of £1.6m representing the return of post-tax interest receivable on loans to a UK parent company.

The Board has proposed a third interim dividend of £2.4m in respect of the year ending 31 March 2014.

Risks and uncertainties

In the Operating and Financial Review Report within the company's Annual Report 2013 we set out a summary of the key risks and uncertainties facing the company. The key risks identified are regulatory requirements and developments, and operational conditions outside of company control. The company is well placed to respond to the near future events, but it is not immune to the continuing financial market uncertainties in the medium term, which have the potential to impact its ability to obtain appropriate financing to deliver future capital programmes.

We anticipate that the results for the second half of the year may include the following:

- the impact of movements in socio economic conditions on the bad debts charge,
- changes in power costs and the impact of volatility in chemical prices,
- the impact of RPI movements on our £165.2m indexed-linked debt, and
- the impact of further substantial capital investment and further draw down of loans.

Keith Ludeman
Chairman
29 November 2013

PROFIT AND LOSS ACCOUNT
For the six months ended 30 September 2013

	Note	**Six months to 30 September 2013 (unaudited)**	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
		£m	£m	£m
Turnover	2	**61.7**	57.4	114.2
Operating costs	3	**(47.1)**	(42.8)	(87.3)
Operating profit		**14.6**	14.6	26.9
Other net interest payable and similar charges	4	**(5.8)**	(4.9)	(10.4)
Dividends on 8.75% irredeemable cumulative preference shares	4	**(0.5)**	(0.5)	(1.1)
Net interest payable and similar charges		**(6.3)**	(5.4)	(11.5)
Profit on ordinary activities before taxation		**8.3**	9.2	15.4
Taxation on profit on ordinary activities	5	**2.9**	(1.5)	(2.3)
Profit on ordinary activities after taxation		**11.2**	7.7	13.1
Earnings per ordinary share	6	**186.7p**	128.3p	218.4p

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the six months ended 30 September 2013

	Note	**Six months to 30 September 2013 (unaudited)**	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
		£m	£m	£m
Profit attributable to Bristol Water plc shareholders		**11.2**	7.7	13.1
Actuarial (losses)/gains recognised in respect of retirement benefit obligations	10,11	**(2.5)**	(0.4)	0.6
Attributable deferred taxation	10,11	**0.9**	0.2	-
Change in the fair value of the interest rate swap	11	**0.5**	(0.2)	(0.2)
Attributable deferred taxation	11	**(0.2)**	-	-
Total recognised gains for the period		**9.9**	7.3	13.5

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

BALANCE SHEET
30 September 2013

	Note	At 30 September 2013 (unaudited) £m	At 30 September 2012 (unaudited) £m	At 31 March 2013 £m
Fixed assets	7	**333.8**	287.1	313.7
Other investments - Loans to a UK holding company		**68.5**	68.5	68.5
Current assets				
Stocks		**1.3**	1.3	1.3
Debtors		**34.5**	32.8	29.3
Cash on deposits	8	**11.8**	29.0	9.5
Cash at bank and in hand	8	**0.1**	2.1	3.2
		47.7	65.2	43.3
Creditors: amounts falling due within one year				
Current portion of long-term borrowings	8	**(0.3)**	(2.2)	(2.2)
Other creditors		**(46.1)**	(42.6)	(46.0)
		(46.4)	(44.8)	(48.2)
Net current assets / (liabilities)		**1.3**	20.4	(4.9)
Total assets less current liabilities		**403.6**	376.0	377.3
Creditors: amounts falling due after more than one year				
Borrowings and derivatives	8	**(277.1)**	(247.2)	(250.9)
8.75% irredeemable cumulative preference shares	8	**(12.5)**	(12.5)	(12.5)
Deferred income		**(8.6)**	(9.1)	(8.8)
Provision for liabilities	9	**(21.9)**	(24.9)	(26.0)
Net assets excluding retirement benefit surplus		**83.5**	82.3	79.1
Retirement benefit surplus	10	**8.7**	9.2	10.2
Net assets including retirement benefit surplus		**92.2**	91.5	89.3
Capital and reserves				
Called-up share capital		**6.0**	6.0	6.0
Share premium account		**4.4**	4.4	4.4
Other reserves		**4.5**	4.2	4.2
Profit and loss account		**77.3**	76.9	74.7
Shareholders' funds	11	**92.2**	91.5	89.3

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

CASH FLOW STATEMENT

For the six months ended 30 September 2013

	Note	**Six months to 30 September 2013 (unaudited)**	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
		£m	£m	£m
Net cash inflow from operating activities	13(a)	**29.7**	25.2	59.4
Returns on investments and servicing of finance				
Interest received		**2.1**	2.4	4.5
Interest paid on term loans and debentures		**(5.3)**	(5.0)	(10.0)
Interest paid on finance leases		**(0.1)**	-	-
Dividends paid on 8.75% irredeemable cumulative preference shares		**(0.5)**	(0.5)	(1.1)
		(3.8)	(3.1)	(6.6)
Taxation				
Corporation tax paid		**(0.2)**	(0.7)	(0.7)
Capital expenditure and investing activities				
Purchase of tangible fixed assets		**(43.8)**	(40.0)	(83.8)
Contributions received		**1.8**	1.9	3.9
Proceeds from disposal of tangible fixed assets		**-**	-	0.1
(Increase)/decrease in cash deposits maturing after three months from the balance sheet date	8	**(5.5)**	20.3	20.3
		(47.5)	(17.8)	(59.5)
Equity dividends paid	12	**(7.0)**	(6.3)	(14.7)
Cash outflow before management of liquid resources and financing		**(28.8)**	(2.7)	(22.1)
Management of liquid resources being decrease/(increase) in liquid resources	8	**3.2**	15.2	34.7
Financing				
New term loan		**24.6**	-	1.0
Repayment of loans		**-**	(15.0)	(15.0)
Capital element of lease repayments		**(2.1)**	(3.2)	(3.2)
		22.5	(18.2)	(17.2)
Decrease in cash	13(b)	**(3.1)**	(5.7)	(4.6)
Cash, beginning of period		**3.2**	7.8	7.8
Cash, end of period		**0.1**	2.1	3.2

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

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2013

Note 1: Accounting policies

The financial information contained in this interim announcement does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.The interim results, which have not been audited but have been reviewed by the company's auditors, have been prepared on the basis of the accounting policies adopted by Bristol Water plc for the year ended 31 March 2013 as set out in the Annual Report and Accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under s.498 (2) or (3) of the Companies Act 2006. The accounting policies adopted in the preparation of these interim results are in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP). These interim results have also been prepared in accordance with the Accounting Standards Board Statement, 'Half-yearly Financial Reports'.

In relation to the future of financial reporting in the UK, the ASB has issued the following standards:

- FRS 100 'Application of Financial Reporting Requirements' (issued on 22 November 2012);
- FRS 101 'Reduced Disclosure Framework' (under EU IFRS) (issued on 22 November 2012);
- FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRSUKI', formerly the 'FRSME') (issued on 14 March 2013).

The proposed effective date is periods beginning on or after 1 January 2015, with early adoption permitted for periods beginning on or after the date of issue of the standards.

As outlined in the company's Annual Report for the year ended 31 March 2013, the company is not required to, and does not intend to, adopt the above for statutory reporting before the proposed effective date.

Note 2: Turnover

Turnover is wholly derived from water supply and related activities in the United Kingdom. The maximum level of prices the company may levy for the majority of water charges is controlled by the Water Services Regulation Authority (Ofwat) through the RPI +/- K price formula.

Note 3: Operating costs

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
Operating costs comprise -			
Payroll cost, net of recharges to fixed assets and including retirement benefit costs	**6.1**	6.1	11.6
Depreciation, net of amortisation of deferred income	**18.6**	17.1	34.8
Other operating costs	**22.4**	19.6	40.9
	47.1	42.8	87.3

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2013

Note 4: Net interest payable and similar charges

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
Interest payable and similar charges relate to:			
Bank borrowings	**0.5**	0.5	1.0
Term loans and debentures:			
interest charges	**4.8**	4.5	9.0
indexation and amortisation of fees and premium on loans	**2.4**	2.2	4.8
Finance leases	**-**	(0.1)	(0.1)
	7.7	7.1	14.7
Dividends on 8.75% irredeemable cumulative preference shares	**0.5**	0.5	1.1
Interest charge in respect of retirement benefit scheme	**0.1**	-	-
Interest payable and similar charges	**8.3**	7.6	15.8
Less interest receivable and similar income:			
Loan to Bristol Water Holdings UK Ltd – interest receivable	**(2.0)**	(2.0)	(4.0)
Other external investments and deposits	**-**	(0.2)	(0.3)
	(2.0)	(2.2)	(4.3)
Total net interest payable and similar charges	**6.3**	5.4	11.5

Note 5: Taxation on profit on ordinary activities

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
The (credit)/charge for taxation comprises -			
Current tax:			
Corporation tax at 23% (2012/13: 24%)	**1.3**	1.2	2.2
Adjustment to prior periods	**-**	**-**	(1.4)
	1.3	1.2	0.8
Deferred tax:			
Origination and reversal of timing differences	**0.7**	1.1	1.8
Effect of corporation tax rate change	**(5.0)**	(1.5)	(1.5)
Adjustment to prior periods	**-**	-	1.1
	(4.3)	(0.4)	1.4
Effect of discounting	**0.1**	0.7	0.1
Total deferred tax	**(4.2)**	0.3	1.5
Taxation on profit on ordinary activities	**(2.9)**	1.5	2.3

The overall tax credit includes the exceptional effect on the deferred tax provision of the reduction in the corporation tax rate from 23% to 20% by the financial year 2014/15. The effect of this tax rate reduction is disclosed above on an undiscounted basis as a credit of £5m (discounted basis: credit of £3.7m).

NOTES TO THE INTERIM RESULTS
For the six months ended 30 September 2013

Note 6: Earnings per ordinary share

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	m	m	m
Earnings per share have been calculated as follows -			
Earnings	**£11.2**	£7.7	£13.1
Weighted average number of ordinary shares in issue	**6.0**	6.0	6.0

Note 7: Fixed assets

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
The movement in fixed assets comprises -			
Net book value, beginning of period	**313.7**	264.4	264.4
Additions	**40.7**	42.0	88.5
Grants and contributions	**(1.8)**	(1.9)	(3.9)
Depreciation charge for period	**(18.8)**	(17.4)	(35.3)
Net book value, end of period	**333.8**	287.1	313.7

Note 8: Net borrowings

	At 30 September 2013 (unaudited)	At 30 September 2012 (unaudited)	At 31 March 2013
	£m	£m	£m
Net borrowings comprise -			
Debt due after one year, excluding 8.75% irredeemable cumulative preference shares	**277.1**	247.2	250.9
Current portion of long-term borrowings	**0.3**	2.2	2.2
	277.4	249.4	253.1
Cash on deposits maturing:			
within three months from the balance sheet date	**(6.3)**	(29.0)	(9.5)
after three months from the balance sheet date	**(5.5)**	-	-
Cash at bank and in hand	**(0.1)**	(2.1)	(3.2)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	**265.5**	218.3	240.4
8.75% irredeemable cumulative preference shares	**12.5**	12.5	12.5
Net borrowings	**278.0**	230.8	252.9

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2013

Note 9: **Provision for liabilities**

	At 30 September 2013 (unaudited)	At 30 September 2012 (unaudited)	At 31 March 2013
	£m	£m	£m
Deferred tax liability	**35.5**	38.5	40.6
Effect of discounting	**(11.4)**	(10.8)	(11.5)
Net provision, including deferred tax on retirement obligations	**24.1**	27.7	29.1
Less, attributable to retirement benefit obligations (note 10)	**(2.2)**	(2.8)	(3.1)
Net provision, excluding deferred tax on retirement benefit obligations	**21.9**	24.9	26.0

Note 10: **Retirement benefits**

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

In addition to providing benefits to employees and ex-employees of Bristol Water plc, the section provides benefits to 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 latest triennial valuation of the pension scheme was completed as at 31 March 2013. The total deficit as at 31 March 2013 measured on a long-term scheme funding basis was £2.4m. This represents a funding level of 98.7%. As a result of the Trustee's advice the company has agreed to:

- make a deficit contribution of £0.4m for current financial year and an annual contribution of £0.4m plus inflation for future years, and

- increase the regular contributions for the main sub-section from 28.9% to 36.7% and for the alternative benefits sub-section from 17.6% to 24.9% from the current financial year, of the relevant payroll costs.

The funding deficit of £2.4m compares to a £10.9m surplus recognised in accordance with FRS17. The main difference between the funding and accounting positions is due to the use of a different approach to value scheme liabilities.

Pension assets and liabilities are recognised in financial statements in accordance with Financial Reporting Standard 17 'Retirement Benefits' (FRS 17). The net pension surplus has been calculated by using an asset recognition limit, calculated under FRS 17, to recognise the pension asset to the extent that future contributions will be reduced or refunds received.

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

In summary, assets and liabilities under FRS 17 were:

	At 30 September 2013 (unaudited)	At 30 September 2012 (unaudited)	At 31 March 2013
	£m	£m	£m
Market value of section assets	**171.2**	160.1	182.3
Present value of liabilities	**(142.0)**	(141.0)	(148.3)
Surplus in the section	**29.2**	19.1	34.0
Amount not recognised due to asset recognition limit	**(18.3)**	(7.1)	(20.7)
Deferred taxation	**(2.2)**	(2.8)	(3.1)
Net pension asset on FRS17 basis	**8.7**	9.2	10.2

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2013

Note 11: Shareholders' funds

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
Movement in shareholders' funds -			
At the beginning of the period	**89.3**	90.5	90.5
Profit for the period	**11.2**	7.7	13.1
Actuarial (losses)/gains recognised in respect of retirement benefit obligations	**(2.5)**	(0.4)	0.6
Attributable deferred taxation	**0.9**	0.2	-
Fair value of interest rate swap	**0.5**	(0.2)	(0.2)
Attributable deferred taxation	**(0.2)**	-	-
Ordinary dividends (note 12)	**(7.0)**	(6.3)	(14.7)
At the end of the period	**92.2**	91.5	89.3

Note 12: Ordinary dividends

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
Dividends paid in respect of 2013/14			
First interim dividend of 39.18 pence per share, approved for payment on 25 July 2013	**2.3**	-	-
Second interim dividend of 26.68 pence per share, approved for payment on 27 September 2013	**1.6**	-	-
Dividends paid in respect of 2012/13:			
First interim dividend of 25.62 pence per share, approved for payment on 27 September 2012	**-**	1.5	1.5
Second interim dividend of 75.02 pence per share, approved for payment on 26 November 2012	**-**	-	4.5
Third interim dividend of 39.18 pence per share, approved for payment on 21 March 2013	**-**	-	2.4
Fourth interim dividend of 25.48 pence per share, approved for payment on 27 March 2013	**-**	-	1.5
Final dividend of 50.85 pence per share, approved for payment on 22 May 2013	**3.1**	-	-
Dividends paid in respect of 2011/12:			
Final dividend of 80.03 pence per share, approved for payment on 30 May 2012	**-**	4.8	4.8
	7.0	6.3	14.7

A third interim dividend of £2.4m in respect of the year ending 31 March 2014 has been proposed by the Board for payment before the end of November 2013.

NOTES TO THE INTERIM RESULTS
For the six months ended 30 September 2013

Note 13: Supplementary cash flow information

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year to 31 March 2013
	£m	£m	£m
a) Reconciliation of operating profit to net cash inflow from operating activities -			
Operating profit	**14.6**	14.6	26.9
Depreciation, net of amortisation of deferred income	**18.6**	17.1	34.7
Difference between pension charges and normal contributions	**(0.1)**	(0.2)	(0.4)
Cash flow from operations	**33.1**	31.5	61.2
Working capital movements:			
Stocks	**-**	0.1	0.1
Debtors	**(5.2)**	(5.7)	(2.2)
Creditors and provisions	**2.0**	(0.5)	0.7
Additional contributions to pension scheme	**(0.2)**	(0.2)	(0.4)
Net cash inflow from operating activities	**29.7**	25.2	59.4
b) Reconciliation of net cash flow to movement in net borrowings -			
Decrease in cash in the period	**(3.1)**	(5.7)	(4.6)
Cash used to repay borrowings	**2.1**	18.2	18.2
Cash from new borrowings	**(24.6)**	-	(1.0)
Increase/(decrease) in cash deposits in the period	**2.3**	(35.5)	(55.0)
	(23.3)	(23.0)	(42.4)
Indexation of debt, amortisation of fees and premiums, and other movements not affecting cash flow	**(2.3)**	(2.1)	(4.8)
Fair value of interest rate swap not affecting cash flow	**0.5**	(0.2)	(0.2)
Net borrowings, beginning of period, including 8.75% irredeemable cumulative preference shares	**(252.9)**	(205.5)	(205.5)
Net borrowings, end of period, including 8.75% irredeemable cumulative preference shares	**(278.0)**	(230.8)	(252.9)

Note 14: Ultimate parent company and controlling party

At the balance sheet date the immediate parent company is Bristol Water Core Holdings Limited, a company incorporated in England and Wales. The ultimate parent company and controlling party was considered by the directors to be Capstone Infrastructure Corporation, a company incorporated in Canada.

The group in which this company is consolidated is Capstone Infrastructure Corporation and copies of its consolidated annual report are available from 155 Wellington Street West, Suite 2930 Toronto, ON M5V 3H1, Canada.

Note 15: Circulation

This interim announcement is being sent to all shareholders and debenture holders. Copies are available to the public from the company's registered office at PO Box 218, Bridgwater Road, Bristol, BS99 7AU and on the Bristol Water web site: http://www.bristolwater.co.uk.

DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

- These interim financial statements have been prepared in accordance with UK GAAP, and
- The Chairman's Statement includes a fair review of the information required to indicate important events during the first six months of the financial year and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

By order of the Board
S C Robson
Secretary
29 November 2013

INDEPENDENT REVIEW REPORT TO BRISTOL WATER PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013, which comprises the Profit and loss account, Statement of total recognised gains and losses, Balance Sheet, Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
29 November 2013
Bristol, United Kingdom

Notes

a) The maintenance and integrity of the Bristol Water plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.