

# **ANGLIAN WATER SERVICES GROUP**

**INTERIM REPORT 2002**

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Profit and Loss Account for the six months ended 30 September 2002

Note	Six months ended 30 September 2002				
	Excluding transactions with AWS Holding companies (unaudited)	Transactions with AWS Holding companies (unaudited)	Total (unaudited)	Six months ended 30 September 2001 (unaudited)	Year ended 31 March 2002 (audited)
	£m	£m	£m	£m	£m
	364.0	-	364.0	356.8	724.4
	<b>Turnover</b>				
	Operating costs				
	Operating costs before depreciation				
	(143.2)	-	(143.2)	(134.4)	(270.1)
1	(13.2)	-	(13.2)	(4.9)	(26.9)
	(156.4)	-	(156.4)	(139.3)	(297.0)
	Total operating costs before depreciation				
	Depreciation net of amortisation of grants & contributions				
	(77.5)	-	(77.5)	(75.0)	(150.6)
	(233.9)	-	(233.9)	(214.3)	(447.6)
	<b>Total Operating Costs</b>				
	130.1	-	130.1	142.5	276.8
	<b>Operating Profit</b>				
	Profit on sale of fixed assets				
1	0.5	-	0.5	3.9	3.3
	130.6	-	130.6	146.4	280.1
	<b>Profit on ordinary activities before interest</b>				
	Net interest (payable) / receivable				
	(72.6)	32.8	(39.8)	(52.9)	(102.7)
1	(49.6)	-	(49.6)	-	-
	8.4	32.8	41.2	93.5	177.4
	<b>Profit on ordinary activities before taxation</b>				
	Tax on profit on ordinary activities				
2	(42.2)	-	(42.2)	11.0	21.3
	17.1	-	17.1	1.3	7.3
	(16.7)	32.8	16.1	105.8	206.0
	<b>Profit on ordinary activities after taxation</b>				
	Dividends payable				
3	(19.0)	(32.8)	(51.8)	-	-
	799.2	-	799.2	-	-
	763.5	-	763.5	105.8	206.0
	<b>Movement in reserves</b>				

The results above arise from continuing operations.

The 'transactions with AWS Holding companies' column has been included to show the interest receivable by Anglian Water Services (AWS) Limited from AWS Holdings Limited and the dividend payable via AWS Overseas Holdings Limited to AWS Holdings Limited to finance the payment.

No statement of total recognised gains and losses has been presented, as all gains and losses have been included in the profit and loss account.

The notes on pages 7 and 8 form part of these financial statements.

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### Balance Sheet at 30 September 2002

	30 September 2002 (unaudited) £m	30 September 2001 (unaudited) £m	31 March 2002 (audited) £m
<b>Fixed assets</b>			
Tangible assets	3,622.3	3,545.0	3,607.0
Investments	1,609.3	0.2	0.2
	<hr/> 5,231.6	<hr/> 3,545.2	<hr/> 3,607.2
<b>Current assets</b>			
Stocks	4.1	4.1	4.1
Debtors	348.8	324.7	558.1
Cash & deposits	252.5	332.5	0.8
	<hr/> 605.4	<hr/> 661.3	<hr/> 563.0
<b>Creditors : amounts falling due within one year</b>			
Short-term borrowings	(25.0)	(163.7)	(257.0)
Other creditors	(406.8)	(1,213.4)	(1,030.5)
	<hr/> (431.8)	<hr/> (1,377.1)	<hr/> (1,287.5)
Net current assets / (liabilities)	<hr/> 173.6	<hr/> (715.8)	<hr/> (724.5)
Total assets less current liabilities	<hr/> 5405.2	<hr/> 2,829.4	<hr/> 2,882.7
<b>Creditors : amounts falling due after more than one year</b>			
Loans and other borrowings	(3,438.6)	(1,726.3)	(1,714.7)
Other creditors	(89.5)	(85.7)	(86.1)
	<hr/> (3,528.1)	<hr/> (1,812.0)	<hr/> (1,800.8)
<b>Provisions for liabilities and charges</b>	(145.8)	(149.8)	(114.1)
	<hr/> 1,731.3	<hr/> 867.6	<hr/> 967.8
<b>Capital and reserves</b>			
Called up equity share capital	860.0	860.0	860.0
Profit and loss account	871.3	7.6	107.8
	<hr/> 1,731.3	<hr/> 867.6	<hr/> 967.8

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Cash Flow Statement for the six months ended 30 September 02

Note	Six months ended 30 September 2002 (unaudited)	Six months ended 30 September 2001 (unaudited)	Year ended 31 March 2002 (audited)
	£m	£m	£m
a) <b>Net cash inflow from operating activities</b>	213.7	178.7	378.7
<b>Returns on investments and servicing of finance</b>			
Interest received	8.0	5.1	16.7
Interest paid	(63.2)	(45.6)	(100.0)
Interest element of finance lease rental payments	(4.2)	(2.8)	(10.4)
Dividend received from trade investments	-	-	-
	(59.4)	(43.3)	(93.7)
<b>Taxation</b>			
Corporation Tax paid	-	0.2	(46.4)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(111.4)	(118.5)	(262.0)
Grants and contributions received	9.3	7.9	17.9
Repayment / (advance) of short term loan to AW Ltd	309.5	-	(309.5)
Loan to AWS Holdings Ltd	(1,609.1)	-	-
Disposal of tangible fixed assets	0.9	4.4	4.8
	(1,400.8)	(106.2)	(548.8)
<b>Acquisitions and disposals</b>			
Acquisition of trade and certain assets of Geodesys Ltd (net of cash acquired)	1.7	-	-
<b>Equity dividends paid</b>	-	-	(86.9)
<b>Net cash flow inflow / (outflow) before financing</b>	(1,244.8)	29.4	(397.1)
<b>Financing</b>			
Increase in loans	1,929.7	310.1	311.1
c) Repayments of amounts borrowed	(254.8)	(5.2)	(82.5)
Capital element of finance lease rental payments	(9.5)	(9.0)	(19.5)
<b>Net cash inflow from financing</b>	1,665.4	295.9	209.1
c) <b>Increase / (decrease) in cash</b>	420.6	325.3	(188.0)

The notes on pages 5 and 6 form part of this cash flow statement

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## Interim Report

### Notes to the Cash Flow Statement for the six months ended 30 September 2002

Note	Six months ended 30 September 2002 (unaudited) £m	Six months ended 30 September 2001 (unaudited) £m	Year ended 31 March 2002 (audited) £m
a) <b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	130.1	142.5	276.8
Depreciation (net of amortisation of deferred grants and contributions )	77.5	75.0	150.6
Net movement in prepaid pension contributions	(3.0)	(4.3)	(10.9)
Net movement on restructuring provisions	(0.9)	0.3	(5.6)
	<u>203.7</u>	<u>213.5</u>	<u>410.9</u>
(Increase) / decrease in working capital			
Stocks	-	(0.1)	(0.1)
Debtors	(63.8)	(108.3)	(26.1)
Creditors	73.8	73.6	(6.0)
	<u>10.0</u>	<u>(34.8)</u>	<u>(32.2)</u>
<b>Net cash flow from operating activities</b>	<u>213.7</u>	<u>178.7</u>	<u>378.7</u>

Included above are cash flow outflows of £25.5 million in respect of current year exceptional charges and £8.1 million in respect of prior year exceptional charges. The prior year comparative includes cash outflows of £9.4 million in respect of prior year restructuring.

	1 April 2002 £m	Cash flows £m	Non cash movements £m	30 September 2002 £m
b) <b>Analysis of net debt</b>				
Cash	0.8	251.7	-	252.5
Bank overdraft	(168.9)	168.9	-	-
	<u>(168.1)</u>	<u>420.6</u>	<u>-</u>	<u>252.5</u>
Debt due within one year	(88.1)	88.1	(25.0)	(25.0)
Debt due after one year	(1,714.7)	(1,753.5)	29.6	(3,438.6)
	<u>(1,970.9)</u>	<u>(1,244.8)</u>	<u>4.6</u>	<u>(3,211.1)</u>

Non-cash movements comprise indexation of loan stock, transfers between categories of debt and amortisation of expenses relating to debt issue costs.

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## Interim Report

### Notes to the Cash Flow Statement for the six months ended 30 September 2002

Note	Six months ended 30 September 2002 (unaudited) £m	Six months ended 30 September 2001 (unaudited) £m	Year ended 31 March 2002 (audited) £m
c) <b>Movement in net debt</b>			
At beginning of year	(1,970.9)	(1,570.5)	(1,570.5)
Increase / (decrease) in cash	420.6	325.3	(188.0)
Increase in loans (net of related debt issue costs)	(1,923.7)	(310.1)	(311.1)
Repayment of amounts borrowed	254.8	5.2	82.5
Indexation of loan stock	(1.4)	(3.7)	(3.3)
Capital element of finance lease rental payments	9.5	9.0	19.5
<b>At 30 September / 31 March</b>	<b>(3,211.1)</b>	<b>(1,544.8)</b>	<b>(1,970.9)</b>

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## Interim Report

### Notes to the financial statements

Note	Six months ended 30 September 2002 (unaudited) £m	Six months ended 30 September 2001 (unaudited) £m	Year ended 31 March 2002 (audited) £m
<b>1</b>			
<b>Exceptional items</b>			
Restructuring costs	0.3	4.9	4.4
Debt refinancing costs	12.9	-	22.5
	<u>13.2</u>	<u>4.9</u>	<u>26.9</u>
Interest payable – debt refinancing	49.6	-	-
Profit on sale of fixed assets	(0.5)	(3.9)	(3.3)
Total exceptional items	<u>62.3</u>	<u>1.0</u>	<u>23.6</u>
Taxation credit thereon	(17.1)	(1.3)	(7.3)

The restructuring costs relate to redundancy costs.

The company undertook a major debt refinancing project on 30 July 2002. The costs shown in the current financial year and the year ending 31 March 2002 relate to that project.

The profit on sale of fixed assets relates to various sales of surplus land and assets.

Note	Six months ended 30 September 2002 (unaudited) £m	Six months ended 30 September 2001 (unaudited) £m	Year ended 31 March 2002 (audited) £m
<b>2</b>			
<b>Taxation</b>			
Corporation Tax credit	10.2	12.8	22.3
Deferred tax	10.1	8.3	(15.8)
Prior year adjustment	4.8	(33.4)	(35.1)
Total charge	<u>25.1</u>	<u>(12.3)</u>	<u>(28.6)</u>
Analysed as:			
- before exceptional items	42.2	(11.0)	(21.3)
- exceptional items	(17.1)	(1.3)	(7.3)
	<u>25.1</u>	<u>(12.3)</u>	<u>(28.6)</u>

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### Notes to the financial statements

Note	Six months ended 30 September 2002 (unaudited)	Six months ended 30 September 2001 (unaudited)	Year ended 31 March 2002 (audited)
	£m	£m	£m
<b>3 Dividends</b>			
Ordinary			
- Interim payable	51.8	-	-
- Final payable		-	-
- Part of 2000/2001 final waived by AW Ltd	(799.2)	-	-
	<u>(747.4)</u>	<u>-</u>	<u>-</u>

#### Accounting policies

The interim results for the six months ended 30 September 2002 have been prepared on the basis of the historical cost accounting policies set out in AWS Limited's 31 March 2002 annual report and accounts.

This is the first time that accounts have been produced for the AWS Group which comprises AWS Limited and AWS Financing Plc., The prior year figures relate to AWS Limited only. AWS Financing Plc did not trade in the prior year.

#### Statutory accounts

The financial information contained in these accounts does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

#### Acquisition

On 1 April 2002 the company acquired the following assets and liabilities of Geodesys Ltd :

	£m
Fixed assets	0.5
Debtors	0.2
Cash at bank	1.7
Creditors	(2.4)
Net assets acquired	<u>-</u>

Trading results for 30 September 2002 include turnover of £2.0 million and operating profit of £0.8 million arising from this acquisition.