

# **ANGLIAN WATER SERVICES GROUP**

**INTERIM REPORT**

**September 2003**

**anglianwater**

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Profit and Loss Account for the six months ended 30 September 2003

Note	Six months ended 30 September 2003				
	Excluding transactions with AWS Holding companies (unaudited)	Transactions with AWS Holding companies (unaudited)	Total (unaudited)	Six months ended 30 September 2002 (unaudited)	Year ended 31 March 2003 (audited)
	£m	£m	£m	£m	£m
	<b>387.7</b>	-	<b>387.7</b>	<b>364.0</b>	<b>726.8</b>
	Operating costs:				
	Operating costs before depreciation				
	(144.2)	-	(144.2)	(143.2)	(282.5)
1	-	-	-	(13.2)	(18.6)
	<b>(144.2)</b>	-	<b>(144.2)</b>	<b>(156.4)</b>	<b>(301.1)</b>
	Depreciation net of amortisation of grants and contributions				
	(77.2)	-	(77.2)	(77.5)	(156.9)
	<b>(221.4)</b>	-	<b>(221.4)</b>	<b>(233.9)</b>	<b>(458.0)</b>
	<b>Total Operating Costs</b>				
	<b>166.3</b>	-	<b>166.3</b>	<b>130.1</b>	<b>268.8</b>
	Profit on disposal of businesses				
	-	-	-	-	3.3
	Profit on sale of fixed assets				
1	-	-	-	0.5	0.6
	<b>166.3</b>	-	<b>166.3</b>	<b>130.6</b>	<b>272.7</b>
	<b>Profit on ordinary activities before interest</b>				
	Net interest (payable) / receivable				
	(121.7)	96.8	(24.9)	(39.8)	(56.2)
1	-	-	-	(49.6)	(49.6)
	<b>44.6</b>	<b>96.8</b>	<b>141.4</b>	<b>41.2</b>	<b>166.9</b>
	<b>Profit on ordinary activities before taxation</b>				
	Tax on profit on ordinary activities				
2	2.4	-	2.4	(42.2)	(75.2)
1 & 2	-	-	-	17.1	17.5
	<b>47.0</b>	<b>96.8</b>	<b>143.8</b>	<b>16.1</b>	<b>109.2</b>
	<b>Profit on ordinary activities after taxation</b>				
	Dividends payable				
3	(47.0)	(96.8)	(143.8)	(51.8)	(288.6)
	- interim / final				
	- part of 2000-2001 final waived by AWG Group Limited				
				799.2	799.2
	<b>-</b>	<b>-</b>	<b>-</b>	<b>763.5</b>	<b>619.8</b>
	<b>Movement in reserves</b>				

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 6 to 7 form part of these financial statements.

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### Balance Sheet at 30 September 2003

	30 September 2003 (unaudited) £m	30 September 2002 (unaudited) £m	31 March 2003 (audited) £m
<b>Fixed assets</b>			
Tangible assets	3,717.1	3,622.3	3,696.7
Investments	1,609.1	1,609.3	1,609.3
	<u>5,326.2</u>	<u>5,231.6</u>	<u>5,306.0</u>
<b>Current assets</b>			
Stocks	5.2	4.1	4.6
Debtors	328.1	348.8	264.2
Cash at bank and in hand	522.2	252.5	176.9
	<u>855.5</u>	<u>605.4</u>	<u>445.7</u>
<b>Creditors: amounts falling due within one year</b>			
Short-term borrowings	(26.1)	(25.0)	(27.4)
Other creditors	(421.8)	(406.8)	(449.7)
	<u>(447.9)</u>	<u>(431.8)</u>	<u>(477.1)</u>
Net current assets / (liabilities)	<u>407.6</u>	<u>173.6</u>	<u>(31.4)</u>
Total assets less current liabilities	<u>5,733.8</u>	<u>5,405.2</u>	<u>5,274.6</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans and other borrowings	(3,895.4)	(3,438.6)	(3,438.9)
Other creditors	(88.3)	(89.5)	(87.4)
	<u>(3,983.7)</u>	<u>(3,528.1)</u>	<u>(3,526.3)</u>
<b>Provisions for liabilities and charges</b>	<u>(165.8)</u>	<u>(145.8)</u>	<u>(164.0)</u>
	<u>1,584.3</u>	<u>1,731.3</u>	<u>1,584.3</u>
<b>Capital and reserves</b>			
Called up equity share capital	860.0	860.0	860.0
Profit and loss account	724.3	871.3	724.3
	<u>1,584.3</u>	<u>1,731.3</u>	<u>1,584.3</u>

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Cash Flow Statement for the six months ended 30 September 2003

Note	Six months ended 30 September 2003 (unaudited) £m	Six months ended 30 September 2002 (unaudited) £m	Year ended 31 March 2003 (audited) £m
a)			
	<b>Net cash inflow from operating activities</b>		
	<b>Returns on investments and servicing of finance</b>		
	Interest received	147.8	8.0
	Interest paid	(121.3)	(63.2)
	Cash flows treated as finance costs under FRS4	(0.5)	-
	Interest element of finance lease rental payments	(2.5)	(4.2)
		23.5	(59.4)
	<b>Taxation</b>		
	Corporation Tax received	2.5	-
	<b>Capital expenditure and financial investment</b>		
	Purchase of tangible fixed assets	(115.8)	(111.4)
	Grants and contributions received	7.9	9.3
	Short term loan to group company (AWG Group Limited)	-	309.5
	Loan to group company (AWS Holdings Limited)	-	(1,609.1)
	Disposal of tangible fixed assets	0.3	0.9
	Net cash outflow for capital expenditure and financial investment	(107.6)	(1,400.8)
	<b>Acquisitions and disposals</b>		
	Acquisition of trade and certain assets of a group company, Geodesys Limited (net of cash acquired)	-	1.7
	<b>Equity dividends paid</b>	(249.4)	-
c)	<b>Management of liquid resources</b>		
	Increase in short term deposits and investments	(175.5)	-
	<b>Net cash flow outflow before financing</b>	(271.4)	(1,244.8)
	<b>Financing</b>		
	Increase in loans	453.2	1,929.7
c)	Repayments of amounts borrowed	(0.4)	(254.8)
	Capital element of finance lease rental payments	(11.6)	(9.5)
	<b>Net cash inflow from financing</b>	441.2	1,665.4
c)	<b>Increase in cash</b>	169.8	420.6
			256.8

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 2003

Note	Six months ended 30 September 2003 (unaudited) £m	Six months ended 30 September 2002 (unaudited) £m	Year ended 31 March 2003 (audited) £m
a) <b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	166.3	130.1	268.8
Depreciation (net of amortisation of deferred grants and contributions)	77.2	77.5	156.9
Sale of businesses	-	-	(3.3)
Net movement in prepaid pension contributions	(3.5)	(3.0)	(14.6)
Net movement on provisions	(1.0)	(0.9)	(1.9)
	<u>239.0</u>	<u>203.7</u>	<u>405.9</u>
Working capital			
Increase in stocks	(0.6)	-	(0.5)
(Increase) / decrease in debtors	(105.8)	(63.8)	46.9
Increase / (decrease) in creditors	102.5	73.8	(36.4)
	<u>(3.9)</u>	<u>10.0</u>	<u>10.0</u>
<b>Net cash inflow from operating activities</b>	<u>235.1</u>	<u>213.7</u>	<u>415.9</u>

The cash flow statement for the six months ended 30 September 2003 includes no cash outflow in respect of current year exceptional charges and £1.2 million in respect of prior year exceptional charges. The six months ended 30 September 2002 comparative includes cash outflows of £33.6 million in respect of prior year exceptional charges and the year ended 31 March 2003 comparative includes cash outflows of £47.2 million in respect of prior year exceptional charges.

Note	1 April 2003 £m	Cash flows £m	Non cash movements £m	30 September 2003 £m
b) <b>Analysis of net debt</b>				
Cash	88.7	169.8		258.5
Deposits and investments	88.2	175.5		263.7
Debt due within one year	(27.4)	27.4	(26.1)	(26.1)
Debt due after one year	(3,438.9)	(467.7)	11.2	(3,895.4)
	<u>(3,289.4)</u>	<u>(95.0)</u>	<u>(14.9)</u>	<u>(3,399.3)</u>

Non-cash movements comprise indexation of loan stock and Retail Price Index (RPI) swaps, transfers between categories of debt, amortisation of expenses relating to debt issue costs and amortisation of 'mark to market' adjustments.

c) Management of liquid resources is comprised of movements in short-term deposits which have maturity dates of up to one year.

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### Notes to the Cash Flow Statement for the six months ended 30 September 2003

Note	Six months ended 30 September 2003 (unaudited) £m	Six months ended 30 September 2002 (unaudited) £m	Year ended 31 March 2003 (audited) £m
d) <b>Movement in net debt</b>			
At beginning of year	(3,289.4)	(1,970.9)	(1,970.9)
Increase in cash	169.8	172.3	256.8
Increase in short term deposits and investments	175.5	248.3	88.2
Increase in loans	(453.2)	(1,947.1)	(1,947.3)
Repayment of amounts borrowed	0.4	254.8	255.1
Increase in debt issue costs	0.9	23.4	23.8
Amortisation of debt issue costs	(0.8)	(0.4)	(1.3)
Amortisation of 'mark to market' adjustments	1.6	0.4	2.2
Indexation of loan stock and RPI swaps	(15.7)	(1.4)	(17.7)
Capital element of finance lease rental payments	11.6	9.5	21.7
	<b>(3,399.3)</b>	<b>3,211.1</b>	<b>(3,289.4)</b>

### Notes to the financial statements

Note	Six months ended 30 September 2003 (unaudited) £m	Six months ended 30 September 2002 (unaudited) £m	Year ended 31 March 2003 (audited) £m
1 <b>Exceptional items</b>			
Restructuring costs	-	0.3	2.9
Debt refinancing costs	-	12.9	15.7
	-	13.2	18.6
Interest payable – debt refinancing	-	49.6	49.6
Profit on disposal of businesses	-	-	(3.3)
Profit on sale of fixed assets	-	(0.5)	(0.6)
Total exceptional items	-	62.3	64.3
Taxation credit thereon	-	(17.1)	(17.5)

The restructuring costs shown in the prior financial year comprise principally redundancy costs.

The debt refinancing costs and interest payable shown in the prior financial year relate to a major refinancing project that was completed on 30 July 2002.

In the prior year the company disposed of several non-trading companies.

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

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## Interim Report

### Notes to the financial statements - continued

Note	Six months ended 30 September 2003 (unaudited)	Six months ended 30 September 2002 (unaudited)	Year ended 31 March 2003 (audited)
	£m	£m	£m
<b>2 Taxation</b>			
Corporation Tax	0.2	10.2	38.8
Deferred tax	3.1	10.1	14.6
Prior year adjustment	(5.7)	4.8	4.3
Total charge	<u>(2.4)</u>	<u>25.1</u>	<u>57.7</u>
Analysed as:			
- before exceptional items	(2.4)	42.2	75.2
- exceptional items	-	(17.1)	(17.5)
	<u>(2.4)</u>	<u>25.1</u>	<u>57.7</u>

Note	Six months ended 30 September 2003 (unaudited)	Six months ended 30 September 2002 (unaudited)	Year ended 31 March 2003 (audited)
	£m	£m	£m
<b>3 Dividends</b>			
Interim paid	-	-	54.0
Interim payable	47.0	19.0	35.0
Dividend paid within the ring fenced group	96.8	-	82.0
Dividend payable within the ring fenced group	-	32.8	47.6
Final payable			70.0
	<u>143.8</u>	<u>51.8</u>	<u>288.6</u>
Part of 2000 - 2001 dividend waived by AWG Group Limited	-	(799.2)	(799.2)
	<u>143.8</u>	<u>(747.4)</u>	<u>(510.6)</u>

#### Accounting policies

The interim results for the six months ended 30 September 2003 have been prepared on the basis of the historical cost accounting policies set out in AWS Limited's 31 March 2003 annual report and accounts.

#### 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.

