

# **ANGLIAN WATER SERVICES GROUP**

**Consolidated Financial Statements to comply with  
Schedule 5 of the Common Terms Agreement**

**Six months ended September 2004**

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Profit and Loss Account for the six months ended 30 September 2004

Note	Six months ended 30 September 2004			Six months ended 30 September 2003 (unaudited)	Year ended 31 March 2004 (audited)
	Excluding transactions with AWS Holding companies (unaudited)	Transactions with AWS Holding companies (unaudited)	Total (unaudited)		
	£m	£m	£m	£m	£m
<b>Turnover – continuing operations</b>	396.0	-	396.0	387.7	766.6
Operating costs:					
Operating costs before depreciation	(144.0)	-	(144.0)	(144.2)	(291.7)
Depreciation net of amortisation of grants and contributions	(81.9)	-	(81.9)	(77.2)	(156.0)
<b>Total Operating Costs</b>	<b>(225.9)</b>	<b>-</b>	<b>(225.9)</b>	<b>(221.4)</b>	<b>(447.7)</b>
<b>Operating Profit – continuing operations</b>	<b>170.1</b>	<b>-</b>	<b>170.1</b>	<b>166.3</b>	<b>318.9</b>
Profit on disposal of businesses	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	-	-
<b>Profit on ordinary activities before interest</b>	<b>170.1</b>	<b>-</b>	<b>170.1</b>	<b>166.3</b>	<b>318.9</b>
Net interest (payable) / receivable	(124.8)	96.8	(28.0)	(24.9)	(49.7)
<b>Profit on ordinary activities before taxation</b>	<b>45.3</b>	<b>96.8</b>	<b>142.1</b>	<b>141.4</b>	<b>269.2</b>
1 Tax on profit on ordinary activities	(8.4)	-	(8.4)	2.4	33.5
<b>Profit on ordinary activities after taxation</b>	<b>36.9</b>	<b>96.8</b>	<b>133.7</b>	<b>143.8</b>	<b>302.7</b>
2 Dividends payable	(30.0)	(96.8)	(126.8)	(143.8)	(250.6)
<b>Movement in reserves</b>	<b>6.9</b>	<b>-</b>	<b>6.9</b>	<b>-</b>	<b>52.1</b>

**These accounts do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. These accounts are prepared solely to comply with the requirements of Section 5 of the Common Terms Agreement (CTA) and are the only accounts required to be prepared on an interim basis.**

**These accounts are only made available to the Security Trustee and Secured Creditors in accordance with the requirements of the CTA.**

**These accounts comprise the consolidated accounts of Anglian Water Services Limited and Anglian Water Services Financing Plc which are collectively known as the Anglian Water Services Group.**

The non-consolidated accounts for Anglian Water Services Financing Plc, Anglian Water Services Overseas Holdings Ltd and Anglian Water Services Holdings Ltd are only prepared on an annual basis.

Anglian Water Services Ltd and Anglian Water Services Financing Plc are part of the AWG Plc group.

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 page 7 form part of these financial statements.

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Balance Sheet at 30 September 2004

	30 September 2004 (unaudited) £m	30 September 2003 (unaudited) £m	31 March 2004 (audited) £m
<b>Fixed assets</b>			
Tangible assets	3,836.3	3,717.1	3,801.5
Investments	1,609.3	1,609.1	1,609.3
	<u>5,445.6</u>	<u>5,326.2</u>	<u>5,410.8</u>
<b>Current assets</b>			
Stocks	6.4	5.2	6.6
Debtors	317.8	328.1	253.0
Cash at bank and in hand	455.8	522.2	471.7
	<u>780.0</u>	<u>855.5</u>	<u>731.3</u>
<b>Creditors: amounts falling due within one year</b>			
Short-term borrowings	(50.6)	(26.1)	(22.0)
Other creditors	(403.2)	(421.8)	(344.1)
	<u>(453.8)</u>	<u>(447.9)</u>	<u>(366.1)</u>
Net current assets / (liabilities)	<u>326.2</u>	<u>407.6</u>	<u>365.2</u>
Total assets less current liabilities	<u>5,771.8</u>	<u>5,733.8</u>	<u>5,776.0</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans and other borrowings	(3,878.9)	(3,895.4)	(3,900.6)
Other creditors	(91.8)	(88.3)	(90.0)
	<u>(3,970.7)</u>	<u>(3,983.7)</u>	<u>(3,990.6)</u>
<b>Provisions for liabilities and charges</b>	<u>(157.8)</u>	<u>(165.8)</u>	<u>(149.0)</u>
	<u>1,643.3</u>	<u>1,584.3</u>	<u>1,636.4</u>
<b>Capital and reserves</b>			
Called up equity share capital	860.0	860.0	860.0
Profit and loss account	783.3	724.3	776.4
	<u>1,643.3</u>	<u>1,584.3</u>	<u>1,636.4</u>

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Cash Flow Statement for the six months ended 30 September 2004

Note	Six months ended 30 September 2004 (unaudited) £m	Six months ended 30 September 2003 (unaudited) £m	Year ended 31 March 2004 (audited) £m
a) <b>Net cash inflow from operating activities</b>	245.9	235.1	484.0
<b>Returns on investments and servicing of finance</b>			
Interest received	155.0	147.8	206.5
Interest paid	(128.9)	(121.3)	(211.7)
d) Cash flows treated as finance costs under FRS4	-	(0.5)	(1.3)
Interest element of finance lease rental payments	(2.5)	(2.5)	(9.1)
	23.6	23.5	(15.6)
<b>Taxation</b>			
Corporation Tax received	(0.8)	2.5	0.3
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(127.6)	(115.8)	(276.6)
Grants and contributions received	8.7	7.9	18.6
Disposal of tangible fixed assets	0.3	0.3	1.1
Net cash outflow for capital expenditure and financial investment	(118.6)	(107.6)	(256.9)
<b>Equity dividends paid</b>	(154.9)	(249.4)	(345.1)
<b>Net cash flow outflow before financing</b>	(4.8)	(95.9)	(133.3)
c) <b>Management of liquid resources</b>			
d) Increase in short term deposits and investments	(98.9)	(175.5)	(180.8)
d) <b>Financing</b>			
Increase in loans	-	453.2	453.2
Repayments of amounts borrowed	(3.0)	(0.4)	(0.7)
Capital element of finance lease rental payments	(8.1)	(11.6)	(24.4)
<b>Net cash inflow from financing</b>	(11.1)	441.2	428.1
d) <b>(Decrease) / increase in cash</b>	(114.8)	169.8	114.0

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

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Notes to the Cash Flow Statement for the six months ended 30 September 2004

	Six months ended 30 September 2004 (unaudited) £m	Six months ended 30 September 2003 (unaudited) £m	Year ended 31 March 2004 (audited) £m
a) <b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	170.1	166.3	318.9
Depreciation (net of amortisation of deferred grants and contributions)	82.0	77.2	156.0
Profit on disposal of fixed assets	(0.3)	-	(0.8)
Net movement in prepaid pension contributions	(9.9)	(3.5)	(14.6)
Net movement on provisions	(0.9)	(1.0)	(2.1)
	<b>241.0</b>	<b>239.0</b>	<b>457.4</b>
Working capital:			
Increase in stocks	0.2	(0.6)	(2.0)
(Increase) / decrease in debtors	(102.4)	(105.8)	28.9
Increase / (decrease) in creditors	107.1	102.5	(0.3)
	<b>4.9</b>	<b>(3.9)</b>	<b>26.6</b>
<b>Net cash inflow from operating activities</b>	<b>245.9</b>	<b>235.1</b>	<b>484.0</b>

The cash flow statement for the six months ended 30 September 2004 includes £nil million cash outflow in respect of exceptional charges. The six months ended 30 September 2003 comparative includes cash outflows of £1.2 million in respect of prior year exceptional charges and the year ended 31 March 2004 comparative includes cash outflows of £7.7 million in respect of prior year exceptional charges.

	1 April 2004 £m	Cash flows £m	Non cash movements £m	30 September 2004 £m
b) <b>Analysis of net debt</b>				
Cash	202.7	(114.8)	-	87.9
Deposits and investments	269.0	98.9	-	367.9
Debt due within one year	(22.0)	22.0	(50.6)	(50.6)
Debt due after one year	(3,900.6)	(10.9)	32.6	(3,878.9)
	<b>(3,450.9)</b>	<b>(4.8)</b>	<b>(18.0)</b>	<b>(3,473.7)</b>

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.

The deposits and investments of £367.9 million (March 2004: £269.0 million) are short-term deposits maturing within three months, these are included in the heading 'cash at bank and in hand' in the Balance Sheet.

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

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## Interim Report

### Notes to the Cash Flow Statement for the six months ended 30 September 2004

	Six months ended 30 September 2004 (unaudited) £m	Six months ended 30 September 2003 (unaudited) £m	Year ended 31 March 2004 (audited) £m
d) <b>Movement in net debt</b>			
At beginning of year	(3,450.9)	(3,289.4)	(3,289.4)
Increase in cash	(114.8)	169.8	114.0
Increase in short term deposits and investments	98.9	175.5	180.8
Increase in loans	-	(453.2)	(453.2)
Repayment of amounts borrowed	3.0	0.4	0.7
Increase in debt issue costs	-	0.9	1.3
Amortisation of debt issue costs and 'mark to market' adjustments	0.3	0.8	1.4
Indexation of loan stock and RPI swaps	(18.3)	(15.7)	(30.9)
Capital element of finance lease rental payments	8.1	11.6	24.4
	<b>(3,473.7)</b>	<b>(3,399.3)</b>	<b>(3,450.9)</b>

# ANGLIAN WATER SERVICES GROUP

## Interim Report

### Notes to the financial statements

#### 1 Taxation

Corporation Tax
Deferred tax
Adjustments in respect of previous periods
Total charge

Six months ended 30 September 2004 (unaudited) £m	Six months ended 30 September 2003 (unaudited) £m	Year ended 31 March 2004 (audited) £m
-	0.2	-
7.7	3.1	(11.0)
0.7	(5.7)	(22.5)
8.4	(2.4)	(33.5)

#### 2 Dividends

Interim paid
Interim payable
Dividend paid within the ring fenced group
Dividend payable within the ring fenced group
Final payable

Six months ended 30 September 2004 (unaudited) £m	Six months ended 30 September 2003 (unaudited) £m	Year ended 31 March 2004 (audited) £m
-	-	47.0
30.0	47.0	-
96.8	96.8	145.5
-	-	48.1
-	-	10.0
126.8	143.8	250.6

#### 3 Accounting policies

The interim results for the six months ended 30 September 2004 have been prepared on the basis of the historical cost accounting policies set out in annual report and accounts of Anglian Water Services Limited for the year ended 31 March 2004.

#### 4 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.