

ANGLIAN WATER SERVICES GROUP

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

Six months ended September 2005

ANGLIAN WATER SERVICES GROUP

Interim Report

Profit and Loss Account for the six months ended 30 September

Note	Six months ended 30 September 2005			Six months ended 30 September 2004 (unaudited)	Year ended 31 March 2005 (audited)
	Excluding transactions with AWS Holding companies (unaudited)	Transactions with AWS Holding companies (unaudited)	Total (unaudited)		
	£m	£m	£m	£m	£m
Turnover – continuing operations	434.8	-	434.8	396.0	796.8
Operating costs:					
Operating costs before depreciation	(159.6)	-	(159.6)	(144.0)	(291.1)
Depreciation net of amortisation of grants and contributions	(94.6)	-	(94.6)	(81.9)	(166.4)
Total Operating Costs	(254.2)	-	(254.2)	(225.9)	(457.5)
Operating Profit – continuing operations	180.6	-	180.6	170.1	339.3
Interest payable (net)	(180.4)	144.4	(36.0)	(28.0)	(61.4)
Profit on ordinary activities before taxation	0.2	144.4	144.6	142.1	277.9
1 Tax on profit on ordinary activities	(17.6)	-	(17.6)	(8.4)	(12.4)
Profit on ordinary activities after taxation	(17.4)	144.4	127.0	133.7	265.5
2 Dividends paid / payable	(30.0)	(144.4)	(174.4)	(126.8)	(253.1)
Movement in reserves	(47.4)	-	(47.4)	6.9	12.4

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 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 6 form part of these financial statements.

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Balance Sheet at 30 September

	30 September 2005 (unaudited) £m	30 September 2004 (unaudited) £m	31 March 2005 (audited) £m
Fixed assets			
Tangible assets	3,909.7	3,836.3	3,911.4
Investments	1,609.2	1,609.3	1,609.2
	5,518.9	5,445.6	5,520.6
Current assets			
Stocks	9.0	6.4	6.9
Debtors	275.5	317.8	260.4
Investments – money market deposits	-	-	95.8
Cash at bank and in hand (including short-term deposits)	805.2	455.8	744.0
	1,089.7	780.0	1,107.1
Creditors: amounts falling due within one year			
Short-term borrowings	(163.7)	(50.6)	(88.1)
Other creditors	(401.2)	(403.2)	(382.4)
	(564.9)	(453.8)	(470.5)
Net current assets	524.8	326.2	636.6
Total assets less current liabilities	6,043.7	5,771.8	6,157.2
Creditors: amounts falling due after more than one year			
Loans and other borrowings	(4,156.4)	(3,878.9)	(4,251.1)
Other creditors	(107.1)	(91.8)	(98.4)
	(4,263.5)	(3,970.7)	(4,349.5)
Provisions for liabilities and charges	(228.5)	(157.8)	(158.9)
Net assets	1,551.7	1,643.3	1,648.8
Capital and reserves			
Called up equity share capital	860.0	860.0	860.0
Profit and loss account	691.7	783.3	788.8
Total shareholder's funds (all equity)	1,551.7	1,643.3	1,648.8

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Cash Flow Statement for the six months ended 30 September

Note	Six months ended 30 September 2005 (unaudited) £m	Six months ended 30 September 2004 (unaudited) £m	Year ended 31 March 2005 (audited) £m
a) Net cash inflow from operating activities	262.3	245.9	512.9
Returns on investments and servicing of finance			
Interest received	169.7	155.0	214.4
Interest paid	(140.6)	(128.9)	(231.4)
d) Cash flows treated as finance costs under FRS4	(4.1)	-	(0.3)
Interest element of finance lease rental payments	(1.9)	(2.5)	(8.0)
	23.1	23.6	(25.3)
Taxation			
Corporation Tax paid	-	(0.8)	(0.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(113.6)	(127.6)	(290.9)
Grants and contributions received	9.6	8.7	26.9
Disposal of tangible fixed assets	0.1	0.3	1.1
Net cash outflow for capital expenditure and financial investment	(103.9)	(118.6)	(262.9)
Acquisitions and disposals			
Receipt from sale of fixed asset investment	-	-	0.1
Net cash inflow for acquisitions and disposals	-	-	0.1
Equity dividends paid			
	(174.4)	(154.9)	(233.6)
Net cash flow inflow/(outflow) before management of liquid resources and financing			
	7.1	(4.8)	(9.6)
c) Management of liquid resources			
d) Increase/(decrease) in short term deposits and investments	95.8	(98.9)	(503.4)
d) Financing			
Increase in loans	403.4	-	398.3
Repayments of amounts borrowed	(435.5)	(3.0)	(3.3)
Capital element of finance lease rental payments	(9.6)	(8.1)	(17.3)
Net cash (outflow)/inflow from financing	(41.7)	(11.1)	377.7
d) Increase/(decrease) in cash	61.2	(114.8)	(135.3)

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

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

	Six months ended 30 September 2005 (unaudited) £m	Six months ended 30 September 2004 (unaudited) £m	Year ended 31 March 2005 (audited) £m
a) Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	180.6	170.1	339.3
Depreciation (net of amortisation of deferred grants and contributions)	95.9	82.0	166.4
Profit on disposal of fixed assets	-	(0.3)	(0.8)
Net movement in prepaid pension contributions	-	(9.9)	(27.5)
Net movement on provisions	(1.0)	(0.9)	(2.6)
	275.5	241.0	474.8
Working capital:			
(Increase) / decrease in stocks	(1.8)	0.2	(0.3)
(Increase) / decrease in debtors	(86.4)	(102.4)	21.9
Increase in creditors	75.0	107.1	16.5
	(13.2)	4.9	38.1
Net cash inflow from operating activities	262.3	245.9	512.9

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Notes to the financial statements

1 Taxation

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

Six months ended 30 September 2005 (unaudited) £m	Six months ended 30 September 2004 (unaudited) £m	Year ended 31 March 2005 (audited) £m
7.5	-	1.8
10.1	7.7	10.6
-	0.7	-
17.6	8.4	12.4

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 2005 (unaudited) £m	Six months ended 30 September 2004 (unaudited) £m	Year ended 31 March 2005 (audited) £m
-	-	30.0
30.0	30.0	-
96.8	96.8	145.5
47.6	-	47.6
-	-	30.0
174.4	126.8	253.1

3 Accounting policies

The interim results for the six months ended 30 September 2005 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 2005.

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.