

BRISTOL WATER PLC

Announcement of unaudited interim results for the six months ended 30 September 2023

Bristol Water plc (the “Company”) announces its unaudited results for the six months ending 30 September 2023.

The Company’s interim financial results are set out below and can also be accessed via the Company’s website.

FINANCIAL HIGHLIGHTS

	Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m
Revenue	-	69.7
EBITDA	(0.3)	32.9
Profit before taxation	(0.1)	0.4
Earnings per share		
Statutory (loss) / profit per share	(5.0)p	5.0p

On 1st February 2023 the Company’s licence, trading, assets and liabilities were transferred to South West Water Limited. Post this statutory transfer the only transactions in the income statement relate to the remaining preference shares, debentures and pension asset. The remaining obligations relating to these are met from matching intra-group contracted assets and related receipts.

During the period the Company declared a dividend of £143.0m, payable to the parent company, South West Water Limited, as part of the planned group restructuring steps post statutory transfer. This dividend reduced the intercompany debtor balance owed by South West Water Limited.

For further information, please contact:

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BRISTOL WATER PLC

INCOME STATEMENT

For the six months ended 30 September 2023

		Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
	Note			
Revenue before non underlying items	5	-	69.7	115.6
Non underlying revenue		-	-	(6.6)
Revenue		-	69.7	109.0
Operating costs	6	(0.3)	(49.1)	(84.6)
Impairment losses on trade receivables		-	(2.1)	(3.5)
Operating costs before non underlying items		(0.3)	(51.2)	(88.1)
Non underlying operating costs		-	-	(1.2)
Total net operating costs		(0.3)	(51.2)	(89.3)
Operating (loss) / profit		(0.3)	18.5	19.7
Interest payable and similar charges before non underlying items	7	(0.6)	(20.1)	(34.0)
Interest receivable and similar charges before non underlying items		0.8	2.0	2.7
Non underlying interest payable and similar charges		-	-	(13.1)
Net interest payable and similar charges		0.2	(18.1)	(44.4)
(Loss) / profit on ordinary activities before taxation		(0.1)	0.4	(24.7)
Taxation on (loss) / profit on ordinary activities	8	(0.2)	(0.1)	4.5
(Loss) / profit for the period/year		(0.3)	0.3	(20.2)
(Loss) / earnings per ordinary share	9	(5.0)p	5.0p	(336.7)p

Substantially all of the Company's operations were discontinued during the year ended 31 March 2023.

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
(Loss) / profit for the period/year		(0.3)	0.3	(20.2)
Other comprehensive income:				
Items that will not be reclassified to profit and loss				
Actuarial losses on retirement benefit surplus		-	0.1	0.5
Re-measurement of defined benefit pension scheme	8	-	-	(0.1)
Other comprehensive income for the period/year, net of tax		-	0.1	0.4
Total comprehensive (loss) / profit for the period/year		(0.3)	0.4	(19.8)

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STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023	30 September 2022	31 March 2023
		(unaudited)	restated (unaudited)	(audited)
	Note	£m	£m	£m
Non-current assets				
Property, plant and equipment		-	689.6	-
Intangible assets		-	13.3	-
Other investments – Loans to a UK holding Company		-	61.1	-
Other receivables	10	26.6	-	26.6
Retirement benefit surplus	11	8.2	8.0	8.2
		34.8	772.0	34.8
Current assets				
Inventory		-	2.2	-
Trade and other receivables		1.5	35.9	144.5
Current tax asset		0.6	-	0.7
Cash and cash equivalents		0.3	14.3	0.1
		2.4	52.4	145.3
		37.2	824.4	180.1
Total assets				
Non-current liabilities				
Lease liabilities		-	(0.9)	-
Deferred income tax liabilities		-	(94.0)	-
Borrowings and derivatives	12	(1.6)	(413.5)	(1.6)
8.75% irredeemable cumulative preference shares	12	(12.5)	(12.5)	(12.5)
Deferred income		-	(1.6)	-
Government Grants		-	(0.3)	-
		(14.1)	(522.8)	(14.1)
Current liabilities				
Lease liabilities		-	(0.4)	-
Current portion of deferred income		-	(2.7)	-
Trade and other payables		(1.3)	(43.4)	(0.9)
Current tax liability		-	(5.5)	-
		(1.3)	(52.0)	(0.9)
		(15.4)	(574.8)	(15.0)
Total liabilities				
Net assets				
		21.8	249.6	165.1
Equity				
Called-up share capital		6.0	6.0	6.0
Share premium account		4.4	4.4	4.4
Other reserves		5.8	5.8	5.8
Retained earnings		5.6	233.4	148.9
		21.8	249.6	165.1

The financial statements of Bristol Water plc, registered number 02662226 on pages 2 to 14 were approved by the Board of Directors 28 November 2023 and signed on its behalf by:

Paul Boote
Director

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STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2022 (restated, note 3.2)	6.0	4.4	5.8	232.9	249.1
Profit for the period	-	-	-	0.3	0.3
Other comprehensive income for the period:					
Actuarial gains recognised in respect of retirement benefit obligations	-	-	-	0.1	0.1
Re-measurement of defined benefit scheme	-	-	-	-	-
Total comprehensive income for the period	-	-	-	0.4	0.4
Ordinary dividends	-	-	-	-	-
Share-based payments	-	-	-	0.1	0.1
Balance as at 30 September 2022	6.0	4.4	5.8	233.4	249.6
Balance at 1 April 2023	6.0	4.4	5.8	148.9	165.1
Loss for the period	-	-	-	(0.3)	(0.3)
Other comprehensive income for the period:					
Actuarial losses recognised in respect of retirement benefit obligations	-	-	-	-	-
Re-measurement of defined benefit scheme	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(0.3)	(0.3)
Ordinary dividends	-	-	-	(143.0)	(143.0)
Balance as at 30 September 2023	6.0	4.4	5.8	5.6	21.8

The Board has not proposed interim dividends on the ordinary shares in respect of the period ended 30 September 2023 (6 months ended 30 September 2022: £nil).

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CASH FLOW STATEMENT

For the six months ended 30 September 2023

		Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
Cashflows from operating activities				
(Loss) / profit before taxation		(0.1)	0.4	(24.7)
Adjustments for:				
Share based payments		-	0.1	0.1
Deferred income amortisation		-	(2.0)	(3.3)
Depreciation	6	-	12.7	21.4
Amortisation of intangibles	6	-	1.7	2.9
Difference between pension charges and contributions paid		0.3	0.2	0.6
Profit on disposal of assets		-	-	0.1
Interest income	7	(0.5)	(1.8)	(2.4)
Interest expense	7	0.6	20.1	47.1
Pension interest income	7	(0.3)	(0.2)	(0.3)
Increase in inventory		-	(0.3)	(0.5)
(Increase) / decrease in trade and other receivables		-	(4.4)	0.5
(Decrease) / increase in trade and other creditors and provisions		(0.1)	5.7	9.5
Cash (used in) / generated from operations		(0.1)	32.2	51.0
Interest paid		-	(7.2)	(21.4)
Corporation taxes paid		-	(1.5)	(1.6)
Contributions received		-	1.5	2.8
Net cash (used in) / generated from operating activities		(0.1)	25.0	30.8
Cash flows from investing activities				
Purchase of property plant and equipment and intangibles		-	(23.0)	(40.7)
Interest received		0.8	-	2.4
Repayment of intercompany loan receivable		-	-	61.1
Transfer of trade and assets		-	-	(5.1)
Net cash generated from / (used in) investing activities		0.8	(23.0)	17.7
Cash flows from financing activities				
Proceeds from loans and borrowings		-	8.0	81.1
Repayment of loans and borrowings		-	(7.0)	(75.8)
Payment of lease liabilities		-	(0.2)	(0.3)
Preference dividends paid		(0.5)	(0.5)	(1.1)
Equity dividends paid		-	-	(64.3)
Net cash (used in) / generated from financing activities		(0.5)	0.3	(60.4)
Net increase / (decrease) in cash and cash equivalents		0.2	2.3	(11.9)
Cash and cash equivalents, beginning of period		0.1	12.0	12.0
Cash and cash equivalents, end of period		0.3	14.3	0.1

The current year movement in trade and other receivables includes a dividend in specie of £143.0m which was used to reduce the intercompany debtor balance owed by South West Water Limited.

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NOTES TO THE INTERIM ACCOUNTS

For the six months ended 30 September 2023

1 General Information

Bristol Water plc (“the Company”) is a public company, limited by shares, with irredeemable preference shares and debenture stock listed on the London Stock Exchange.

The Company is incorporated and domiciled in England, United Kingdom. The address of its registered office is Bridgwater Road, Bristol, BS13 7AT, England.

2 Basis of preparation

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 accounts have been prepared in accordance with Financial Reporting Standard 104 “Interim Financial Reporting” issued by the Financial Reporting Council and the Disclosure Rules and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

The Company has adopted FRS 101 “Reduced disclosure framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities”.

3 Accounting policies

The same accounting policies used in preparing the annual financial statements as at 31 March 2023 have been used in preparing these interim accounts.

3.1 Going concern

Following the transfer of the Company’s licence, trade, assets and obligations to South West Water Limited on 1 February 2023, the Company’s remaining obligations will be met by matching intra-group contracted assets and related receipts. The Company has received confirmation from Pennon Group plc that it will provide support to the Company should it be required, to meet its liabilities as they fall due for the period which covers the period from approval of these interim financial statements through to 30 November 2024. As a result, the Directors have concluded that the Company has adequate resources, or the reasonable expectation of raising further resources as required, to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company’s borrowings is given in note 12.

3.2 Change in accounting policies

As at 30 September 2022, the Company’s accounting policies were aligned to its parent company Pennon Group plc resulting in a restatement of the opening balance sheet as at 1 April 2022. At 31 March 2023 the estimates used in the September 2022 interim financial statements were updated resulting in a small additional change to the opening retained earnings and deferred tax liability balances as at 1 April 2022. The Company’s financial statements for the comparative period, i.e. 30 September 2022, have been restated so all periods are comparable. The impact of this adjustment also includes the correction of a presentational error whereby deferred tax assets should have been offset against deferred tax liabilities in line with IAS 12 and a change in the presentation of current tax liability as a separate line item in the balance sheet in line with IAS 1.

4 Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the financial year relate to the defined benefit scheme. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimate uncertainty relating to the defined benefit scheme were the same as those applied to the financial statements for the year ended 31 March 2023.

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5 Revenue

	Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
Appointed income			
Household – measured	-	30.6	50.0
Household - unmeasured	-	21.6	36.1
Non-household- measured	-	13.2	22.2
Non-household – unmeasured	-	0.2	0.3
Contributions from developers	-	2.0	3.3
Third party services	-	0.9	1.8
Rental income	-	0.6	1.0
	-	69.1	114.7
Non-appointed income			
Recreations	-	0.3	0.5
Rental income	-	0.1	0.2
Other	-	0.2	0.2
	-	0.6	0.9
Revenue before non underlying items	-	69.7	115.6
Non underlying income			
Watershare +	-	-	(6.6)
Total Revenue	-	69.7	109.0

Appointed income was income earned under the Company's licence to supply water for the period until 1 February 2023 when the licence was transferred to SWW. Non-appointed income related to activities that do not require a water supply licence. All revenue related to the trade and assets transferred to SWW.

The total revenue in the year ended 31 March 2023 includes £107.9m for revenue from contracts with customers under IFRS 15 and £1.1m of leasing income under IFRS 16 "Leases".

In the year ended 31 March 2023, the Company offered Pennon Group plc's, its parent company, WaterShare+ scheme to its customers whereby customers could choose to accept a credit on their bill or take shares in Pennon Group plc. The value of the rebate equated to £13 per customer and the total value of £6.6 million was recognised in full as a non-underlying reduction to revenue. This item was non-underlying in nature given its individual size and its non-recurring nature.

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6 Operating expenses

	Six months to 30 September 2023 (unaudited)	Six months to 30 September 2022 (unaudited)	Year to 31 March 2023 (audited)
	£m	£m	£m
Operating expenses include -			
Payroll cost, net of recharges to fixed assets and including retirement benefit costs	-	8.6	14.0
Depreciation and amortisation	-	14.4	24.3
Profit on disposal of assets	-	-	0.1
Non underlying costs include -			
Legal costs	-	-	1.0
Integration costs	-	-	0.2

In the prior year £40m bonds due to be repaid in March 2041 were redeemed as part of the statutory transfer of the Company's business to South West Water. Associated legal costs of c£1m were incurred in relation to the bond redemption. The redemption of the bonds was non-recurring and of a material value, hence the cost was treated as non-underlying.

In the prior year the Company incurred expenses of £0.2m relating to the integration and statutory transfer of the Company's trade, assets and obligations to South West Water. These costs were classified as non-underlying due to their non-recurring nature.

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7 Net interest payable and similar charges

	Six months to 30 September 2023 (unaudited)	Six months to 30 September 2022 (unaudited)	Year to 31 March 2023 (audited)
	£m	£m	£m
Interest payable and similar charges:			
Bank borrowings	-	(1.7)	(3.7)
Term loans and debentures:			
interest charges	(0.1)	(5.6)	(9.4)
indexation	-	(12.8)	(20.0)
Leases	-	-	(0.1)
Capitalisation of borrowing cost	-	0.5	0.9
Dividends on 8.75% irredeemable cumulative preference shares	(0.5)	(0.5)	(1.1)
Loan from Pennon Group plc	-	-	(0.6)
	(0.6)	(20.1)	(34.0)
Interest receivable and similar income:			
Interest income in respect of retirement benefit scheme	0.3	0.2	0.3
South West Water Ltd – interest receivable	0.5	-	-
Bristol Water Holdings UK Ltd – interest receivable	-	1.8	2.4
	0.8	2.0	2.7
Total underlying net interest receivable / (payable) and similar charges	0.2	(18.1)	(31.3)
Bond redemption costs	-	-	(13.1)
Total net interest receivable / (payable) and similar charges	0.2	(18.1)	(44.4)

In the prior year bonds with a carrying value of £59.2m were redeemed for £72.3 million. The difference of £13.1m arising on early settlement was debited to finance costs in the year ended 31 March 2023. The redemption of the bonds is non-recurring and of a material value, hence the debit was treated as non-underlying.

The rate used to determine the amount of borrowing costs eligible for capitalisation in the period ended 30 September 2022: 9.2%, which is the weighted average interest rate of applicable borrowings.

Dividends on the 8.75% irredeemable cumulative preference shares are payable at a fixed rate of 4.375% on 1 April and 1 October each year. Payment by the Company to the share registrars is made two business days earlier. The payments are classified as interest in accordance with IFRS 9 “Financial Instruments”.

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8	Taxation	Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
	Tax expense / (income) included in Income Statement			
	Current tax:			
	Corporation tax on profits for the period /year	0.2	5.7	0.4
	Adjustment in respect of prior period	-	-	(0.1)
	Total current tax	<u>0.2</u>	<u>5.7</u>	<u>0.3</u>
	Deferred tax:			
	Origination and reversal of timing differences	-	(5.6)	(4.9)
	Adjustment to prior periods	-	-	0.1
	Total deferred tax	<u>-</u>	<u>(5.6)</u>	<u>(4.8)</u>
	Tax expense/(income) on profit / (loss)	<u>0.2</u>	<u>0.1</u>	<u>(4.5)</u>
	Tax expense included in other comprehensive income			
	Remeasurement of post-employment benefit liability	-	-	0.1
	Total tax expense included in other comprehensive income	<u>-</u>	<u>-</u>	<u>0.1</u>

9	(Loss) / earnings per ordinary share	At 30 September 2023 (unaudited) m	At 30 September 2022 (unaudited) m	At 31 March 2023 (audited) m
	Basic (loss) / earnings per ordinary share have been calculated as follows -			
	(Loss) / earnings attributable to ordinary shares	£(0.3)	£0.3	£(20.2)
	Weighted average number of ordinary shares	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>
		<u>(5.0)p</u>	<u>5.0p</u>	<u>(336.7)p</u>

As the Company has no obligation to issue further shares, disclosure of earnings per share on a fully diluted basis is not relevant.

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10 Other receivables:

Other receivables comprise loan notes issued to the Company on 1 February by SWW.

	Fixed interest rate	At 30 September 2023 (unaudited)	At 30 September 2022 (unaudited)	At 31 March 2023 (audited)
		£m	£m	£m
£25,000,000 fixed rate loan note	6%	25.0	-	25.0
£1,405,218 fixed rate loan note	4%	1.4	-	1.4
£72,900 fixed rate loan note	3.5%	0.1	-	0.1
£54,875 fixed rate loan note	4%	0.1	-	0.1
£36,740 fixed rate loan note	4.25%	-	-	-
		26.6	-	26.6

11 Retirement benefits

Pension arrangements for former employees have historically been 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. On 7 June 2018 the Trustee of the Bristol Water Section of the WCPS purchased a bulk annuity policy to insure the benefits for the members in the section. Following this, the method for valuing the liabilities of the pension scheme has remained the same. The pension liability, following the purchase of the bulk annuity policy, matches the value of the insurance asset.

The gross pension surplus of £12.6m at 30 September 2023 (30 September 2022 £12.4m) relates to the market value of assets still held by the scheme other than the annuity policy/insurance asset.

Looking ahead, we expect the insurer will take over responsibility for the payment and administration of member benefits. Once this has happened members will no longer be members of the Section, instead they will have individual policies with the insurer. At this point the Section will be wound up.

In summary, assets and liabilities under IAS 19 were:

	At 30 September 2023 (unaudited)	At 30 September 2022 (unaudited)	At 31 March 2023 (audited)
	£m	£m	£m
Fair value of section assets	116.0	123.7	124.6
Present value of liabilities	(103.4)	(111.3)	(112.0)
Surplus in the section	12.6	12.4	12.6
Less: restriction of surplus	(4.4)	(4.4)	(4.4)
Net pension asset on IAS 19 basis	8.2	8.0	8.2

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12 Net borrowings

	At 30 September 2023 (unaudited) £m	At 30 September 2022 (unaudited) £m	At 31 March 2023 (audited) £m
Net borrowings comprise -			
Borrowings and derivatives due after one year	1.6	413.5	1.6
Lease liabilities due after one year	-	0.9	-
Current portion of lease liabilities	-	0.4	-
	1.6	414.8	1.6
Cash and cash equivalents	(0.3)	(14.3)	(0.1)
Net borrowings excluding 8.75% irredeemable cumulative preference shares	1.3	400.5	1.5
8.75% irredeemable cumulative preference shares	12.5	12.5	12.5
Net borrowings	13.8	413.0	14.0

Fair value of financial assets and liabilities measured at amortised cost.

The fair value of financial assets and liabilities are as follows:

	Six months to 30 September 2023 (unaudited) £m	Six months to 30 September 2022 (unaudited) £m	Year to 31 March 2023 (audited) £m
Financial liabilities			
Non-current	20.2	487.4	23.0
Current	-	6.2	-
Financial assets			
Non-current	(21.8)	-	(26.6)
	(1.6)	493.6	(3.6)

13 Ultimate parent company and controlling party

The immediate parent company for this entity is South West Water Limited a company incorporated in England and Wales.

As at 30 September 2023 and 31 March 2023, the Directors considered the ultimate parent and controlling party of the Company to be Pennon Group plc.

The smallest and largest group in which the Company is consolidated is Pennon Group plc which is registered in England and copies of its consolidated interim report are available from Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

14 Related party transactions

During the year ended 31 March 2023 the Company spent £2.9m on the purchase of customer related services from BWBSL, a joint venture company between Bristol Water Holdings Limited and Wessex Water Services Limited. At 30 September and 31 March 2023 £nil was receivable from BWBSL and £nil was payable to BWBSL.

During the year ended 31 March 2023 the Company recognised sales of £16.2m to Water 2 Business Limited (W2B), an associate company within the BWHUK group of companies. At 30 September and 31 March 2023 £nil was receivable from W2B.

During the year ended 31 March 2023 the Company recognised sales of £0.9m to PWS. At 30 September and 31 March 2023 £nil was receivable from PWS.

15 Circulation

This interim announcement is available on the Bristol Water web site. Paper copies are also available from the Company's registered office at Bridgwater Road, Bristol, BS13 7AT, England.

BRISTOL WATER PLC

DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF INTERIM ACCOUNTS

The directors confirm that these condensed interim financial statements have been prepared in accordance with FRS104 'Interim Financial Reporting', and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Bristol Water Plc are listed in the Bristol Water Plc Annual Report for 31 March 2023.

Going concern

The directors have a reasonable expectation that the Company has adequate resources available to it to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern policy in preparing the interim accounts. This conclusion is based upon, amongst other matters, a review of the Company's financial projections together with confirmation of support from its parent company Pennon Group plc.

By order of the Board
P Boote
Chief Financial Officer
28 November 2023