

# PORTSMOUTH WATER LIMITED



**Unaudited interim results  
for the six months ended  
30 September 2008**

## CHAIRMAN'S STATEMENT

The Company continues to achieve a high standard of performance for its customers, delivering a combination of value for money, good water quality and excellent levels of service. A recent report from the Consumer Council for Water showed that Portsmouth Water received the lowest level of complaints within the industry at only 6 complaints per 10,000 customers compared to an industry average of approximately 50.

Turnover for the first six months rose by 5.4% to £17.4m, with the benefit of a 6.1% average increase in the tariff for water supplies being partially offset by a lower income from new service connections and new development work.

Despite the increase in turnover, operating profit fell by £0.2m to £3.3m (2007: £3.5m), mainly as a result of a higher charge against profit for infrastructure renewals which were £0.4m higher than last year. The charge for infrastructure renewals is based on the Company's medium to long term view of its future expenditure in renewing its mains network. In its Draft Business Plan, submitted to Ofwat in August 2008, the Company is planning to increase its projected expenditure from 2010 onwards above the levels set out at the price determination in 2004, hence the increase in the annual charge.

Interest receivable rose by £0.2m as a result of the higher Libor, but interest payable was £0.5m higher, principally reflecting a year on year difference in the indexation of the principal on the Index Linked Loan. Taxation benefited from a refund of £0.3m following a review of the Company's treatment of infrastructure renewals expenditure between 2000 and 2007.

Net cashflow from operating activities was higher at £7.4m (2007: £6.6m) reflecting the increase in tariffs and working capital movements. Capital expenditure at £4.7m (2007: £7.2m) was significantly lower in the first half year due to high activity in the previous year installing membrane filtration plants at three sites. Expenditure in the current year is driven by a greater number of smaller projects and the full year expenditure is expected to be at a similar level to last year. To fund this capital expenditure, borrowing increased by £1.0m to £5.0m by the end of the period.

In the light of these results, the Board has decided to declare an interim dividend of £2.576m (2007: £2.422m) payable to the immediate parent company, Portsmouth Water Holdings.

Net debt at 30 September 2008 was £83.3m (2007: £80.6m). A conventional measure of debt within the water industry is as a percentage of Regulatory Capital Value (RCV). The ratio of net debt to RCV was 72.7% (2007: 74.5%).

In August 2008, the Company published its Draft Business Plan, in which it set out its plans for the 5 years from April 2010 until March 2015. As part of the Business Plan process the Company conducted research to gain an understanding of what customers wanted from their water supplier. There was a high level of satisfaction with the service provided by Portsmouth Water (93%), and a high proportion of customers felt that security of their water supply was important. Earlier in the year the Company also published its Draft Water Resources Management Plan for public consultation in which it set out the plans for ensuring that customers continue to have secure supplies of water without restrictions for the next 25 years. The Water Resources Management Plan is a key driver behind the Business Plan, the salient points from which are:

- A modest increase in average bills of approximately £1 per annum before inflation
- A capital expenditure programme of £65m (projections for 2005-2010 : £53.3m)
- Beginning a programme of selective metering so that 32% of households will be metered by 2015, and all households where practical by 2035
- Continuing the development of Havant Thicket Winter Storage Reservoir

Havant Thicket Winter Storage Reservoir is part of the long term plan to ensure our customers continue to have reliable water supplies and although this reservoir may take until

2020 to be complete, much of the preparatory work has commenced and local stakeholders have been engaged in ongoing consultation.

At the end of October 2008, the Company's two year electricity contract comes to an end and a new three year contract has been agreed, with charges rising by approximately 40%.

The Board is committed to providing a safe and healthy working environment for its employees and is proud of the ongoing progress being made by staff in safety matters. In the nine months to September there has been one reportable accident compared to three in 2007 and the days lost to accidents was ten versus 55 in 2007.

The commitment of employees ensures that high standards of customer service are maintained. The Directors thank them for their efforts and remain confident about the Company's prospects and its ability to respond to the challenges that lie ahead.

**T M LAZENBY**  
Chairman

**November 2008**

**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS  
ENDED 30 SEPTEMBER 2008**

	6 months ended 30.9.08 <u>£000</u>	6 months ended 30.9.07 <u>£000</u>	12 months ended 31.3.08 <u>£000</u>
<b>TURNOVER</b>	17,377	16,494	33,906
<b>OPERATING PROFIT</b>	3,320	3,513	7,585
(Loss)/Profit on sale of fixed assets	(1)	11	(183)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	3,319	3,524	7,402
Interest receivable	2,282	2,068	4,331
Other finance income	1,021	1,021	2,851
	6,622	6,613	14,584
Interest payable and similar charges	(3,691)	(3,096)	(6,215)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,931	3,517	8,369
Taxation on profit on ordinary activities	(495)	(1,055)	(147)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<u>2,436</u>	<u>2,462</u>	<u>8,222</u>

**SUMMARISED BALANCE SHEET  
AS AT 30 SEPTEMBER 2008**

	6 months ended 30.9.08 <u>£000</u>	6 months ended 30.9.07 (restated) <u>£000</u>	12 months ended 31.3.08 <u>£000</u>
<b>FIXED ASSETS</b>	148,375	146,812	147,786
<b>CURRENT ASSETS</b>	7,176	6,709	7,015
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	(16,253)	(19,057)	(18,016)
<b>NET CURRENT LIABILITIES</b>	(9,077)	(12,348)	(11,001)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	139,298	134,464	136,785
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	(79,251)	(75,760)	(77,239)
<b>PROVISIONS FOR LIABILITIES</b>	(8,444)	(9,665)	(8,344)
<b>NET ASSETS EXCLUDING PENSION ASSET</b>	51,603	49,039	51,202
<b>PENSION ASSET</b>	21,531	15,228	21,584
<b>NET ASSETS INCLUDING PENSION ASSET</b>	<u>73,134</u>	<u>64,267</u>	<u>72,786</u>
<b>CALLED UP SHARE CAPITAL</b>	1,078	1,078	1,078
<b>RESERVES</b>	72,056	63,189	71,708
<b>SHAREHOLDERS' FUNDS</b>	<u>73,134</u>	<u>64,267</u>	<u>72,786</u>

**SUMMARISED CASH FLOW STATEMENT FOR THE  
SIX MONTHS ENDED 30 SEPTEMBER 2008**

	6 months ended 30.9.08 <u>£000</u>	6 months ended 30.9.07 <u>£000</u>	12 months ended 31.3.08 <u>£000</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	7,411	6,556	15,996
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	498	109	523
<b>TAXATION</b>	(1,570)	(1,066)	(1,910)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	(4,713)	(7,142)	(12,129)
<b>EQUITY DIVIDENDS PAID</b>	(2,503)	(2,524)	(4,946)
<b>CASH (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>	(877)	(4,067)	(2,466)
<b>MANAGEMENT OF LIQUID RESOURCES</b>	(50)	(35)	(60)
<b>FINANCING</b>	1,000	4,000	2,500
<b>INCREASE/(DECREASE) IN CASH</b>	<u>73</u>	<u>(102)</u>	<u>(26)</u>

## NOTES

1. The interim results for the six months to 30 September 2008 have been prepared on the basis of accounting policies consistent with those adopted for the year ended 31 March 2008.

The interim financial information is unaudited and does not constitute statutory accounts as defined in s.240 of the Companies Act 1985. The results for the year to 31 March 2008 have been extracted from the latest published accounts, which have been filed with the Registrar of Companies and on which the report of the auditors was unqualified.

2. The tax charge is based on the estimated effective rate of tax, including deferred tax, for the full year to 31 March 2009.

### 3. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	6 months ended 30.9.08 <u>£000</u>	6 months ended 30.9.07 (restated) <u>£000</u>	12 months ended 31.3.08 <u>£000</u>
Profit for the financial period	2,436	2,462	8,222
Dividends	(2,088)	(1,787)	(4,209)
	<u>348</u>	<u>675</u>	<u>4,013</u>
Actuarial gain on pension scheme (net of deferred tax)	-	-	5,181
	<u>348</u>	<u>675</u>	<u>9,194</u>
Opening shareholders' funds	72,786	63,592	63,592
Closing shareholders' funds	<u>73,134</u>	<u>64,267</u>	<u>72,786</u>

The net pension asset is unchanged from the FRS 17 valuation included in the published accounts for the year ended 31 March 2008. The Directors do not believe that there have been any significant events which would materially affect this valuation.

4. Copies of the interim report are available to the public from the Company's Registered Office, P O Box 8, West Street, Havant, Hants. PO9 1LG.

For further information please contact:

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