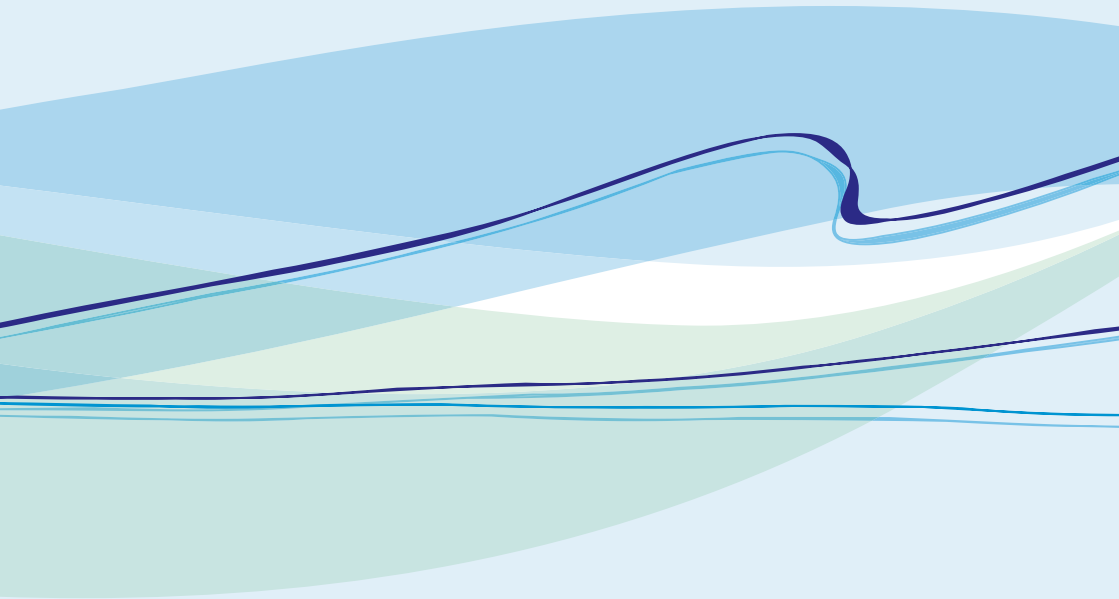




Interim Report 2007



Financial Highlights

	2007	2006
Revenue (£000)	9,527	9,329
Profit before tax (£000)	2,509	2,905
Earnings per share (p)	48.8	43.5
Interim dividend per ordinary share (p)	16.9	16.0

Business Review and Interim Management Report

The Group has made a satisfactory start to the year, with profit before depreciation and finance costs increasing by 2.4% compared to the same period last year. Revenue growth of 2.1% was less than the overall increase in charges of 4.1% due to a reduction in demand during the summer months of this year.

Profit before tax reduced by 13.6% owing to an increase in finance costs arising mainly from higher RPI-based loan indexation. However, earnings per share increased by 12.2% as a result of a lower tax charge (note 4).

The Board announces an interim dividend of 16.9p per ordinary share (2006 — 16.0p). The interim dividend is payable on 9 January 2008 to shareholders on the register at the close of business on 14 December 2007. The increase in the interim dividend of 5.6% is in line with the Group's policy of at least maintaining the level of dividends in real terms until 2010.

Investment expenditure for the half year of £4.3 million reflects progress on the refurbishment of the Boughton Treatment Works, which is now well advanced and due for completion early in 2008.

The Group's operating company, Dee Valley Water, has applied to the water industry regulator, Ofwat, for an Interim Determination of Charges triggered by increases in costs outside its immediate control and not allowed for at the last Periodic Review. Any increase in charges allowed as a result of this application will apply from 1 April 2008.

RISKS AND UNCERTAINTIES

In the absence of severe winter weather, the Board expects full year results to be in line with market expectations.

Condensed Group Interim Income Statement (unaudited)

for the half year ended 30 September 2007

	Notes	2007 £000	2006 £000
Continuing operations			
Revenue		9,527	9,329
Other income		855	807
Raw materials and consumables used		(269)	(232)
Employee benefits expense		(2,059)	(2,128)
Other operating expenses		(2,691)	(2,539)
Profit before depreciation and finance costs		5,363	5,237
Depreciation		(1,583)	(1,501)
Finance income		1,252	1,103
Finance costs		(2,523)	(1,934)
Profit before tax		2,509	2,905
Taxation	4	(250)	(888)
Profit for the period on continuing operations		2,259	2,017
Discontinued operations			
Profit for the period on discontinued operations		—	—
Profit for the period		2,259	2,017
Basic and diluted earnings per ordinary share			
Continuing operations	5	48.8p	43.5p
Interim dividend per ordinary share	8	16.9p	16.0p

Condensed Group Interim Statement of Recognised Income and Expense (unaudited)

for the half year ended 30 September 2007

	Notes	2007 £000	2006 £000
Actuarial gain on defined benefit pension scheme		2,353	559
Deferred tax on actuarial gain		(824)	(168)
Net income recognised directly in equity		1,529	391
Profit for the period		2,259	2,017
Total recognised income and expense for the period		3,788	2,408
Impact of restatement of goodwill on other reserves		—	—

Condensed Group Interim Balance Sheet (unaudited)

as at 30 September 2007

		30 September	31 March
		2007	2007
	Notes	£000	£000
ASSETS			
Non-current assets			
Goodwill		5,381	5,381
Property, plant and equipment	6	72,773	70,026
Retirement benefit surplus		2,268	—
Investments		2	2
		80,424	75,409
Current assets			
Inventories — raw materials and consumables		144	143
Trade receivables		4,205	1,860
Other receivables		804	322
Cash and cash equivalents	9	6,744	4,967
		11,897	7,292
Total assets		92,321	82,701
LIABILITIES			
Current liabilities			
Borrowings	9	7,541	4,950
Trade and other payables		11,448	8,156
Current tax liabilities		103	63
		19,092	13,169
Non-current liabilities			
Borrowings	9	40,791	40,166
Deferred tax		15,268	14,339
Retirement benefit obligations		—	130
		56,059	54,635
Total liabilities		75,151	67,804
Net assets		17,170	14,897
EQUITY			
Share capital		232	232
Other reserves		5,242	5,215
Retained earnings		11,696	9,450
Total equity	7	17,170	14,897

Condensed Group Interim Cash Flow Statement (unaudited)

for the half year ended 30 September 2007

Notes	2007 £000	2006 £000
Cash flows from operating activities		
Profit before taxation	2,509	2,905
Adjustments for:		
Depreciation	1,583	1,501
Loss on disposal of assets	—	—
Net finance costs	1,271	831
	5,363	5,237
(Increase) in inventories	(1)	(42)
(Increase) in trade and other receivables	(2,827)	(2,478)
Increase in trade and other payables	3,288	4,093
Increase in retirement benefit obligations	72	117
Cash generated from operations	5,895	6,927
Interest paid	(826)	(709)
Tax paid	(109)	(946)
Net cash from operating activities	4,960	5,272
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,323)	(3,944)
Proceeds from sale of plant and equipment	—	—
Interest received	64	107
Net cash used in investing activities	(4,259)	(3,837)
Cash flows from financing activities		
Repayment of B shares	(27)	(49)
Equity dividends paid	(1,515)	(1,445)
Net cash used in financing activities	(1,542)	(1,494)
Net (decrease) in cash and cash equivalents	(841)	(59)
Cash and cash equivalents at 1 April	2,394	5,142
Cash and cash equivalents at 30 September	1,553	5,083

Notes

1. Reporting Entity

Dee Valley Group plc is a company domiciled in the United Kingdom. The condensed Group interim financial statements of the Company as at 30 September 2007 comprise the Company and its subsidiaries (together, the "Group").

The consolidated financial statements of the Group as at 31 March 2007 are available on request from the Company's registered office at Packsaddle, Wrexham Road, Rhostyllen, Wrexham LL14 4EH or at www.deevalleygroup.com.

2. Basis of Preparation

These condensed Group interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and in accordance with International Financial Reporting Standard IAS 34 as adopted by the EU. The accounting policies applied are consistent with those adopted in the 2007 Annual Report.

These financial statements have not been audited nor reviewed by the auditors, and do not include all the information required for full annual financial statements. The comparative figures for the financial year ended 31 March 2007 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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. In preparing these condensed Group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2007.

These condensed Group interim financial statements are the responsibility of the Directors and were approved by the Board on 30 November 2007.

3. Statement of Directors' Responsibilities

The Directors named below confirm, to the best of their knowledge, that this condensed set of Group interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

Directors

G. R. Scott — Chairman

B. Bellis — Managing Director

D. J. Guest — Finance Director

D. T. Weir — Senior Non-Executive Director

A. C. Bird — Non-Executive Director

4. Income Tax Expense

The taxation charge is an estimate based on the anticipated effective rate of tax for the year ending 31 March 2008.

The effective rate of tax has reduced from 30.6% to 10.0%, mainly owing to the reduction in the deferred tax provision following the change in the rate of corporation tax from 30% to 28%, which was included in the 2007 Finance Act.

5. Earnings per Ordinary Share

Basic and diluted earnings per share ("EPS") have been calculated on the basis of the weighted average number of ordinary shares in issue during the half year of 4,632,170 (half year ended 30 September 2006 — 4,632,170).

The net profit used in the calculation of EPS was £2,259,000 (half year ended 30 September 2006 — £2,017,000).

6. Property, Plant & Equipment

During the half year ended 30 September 2007 the Group acquired assets with a cost of £4,323,000 (six months ended 30 September 2006 — £3,944,000).

Notes

7. Reconciliation of Movements in Equity

	2007	2006
	£000	£000
At beginning of period	14,897	15,595
Total recognised income and expense for the interim period	3,788	2,408
Dividends paid	(1,515)	(1,445)
At end of period	17,170	16,558

8. Dividends

The following dividends were paid by the Group during the financial period:

	2007	2007	2006	2006
	Pence	£000	Pence	£000
	per share		per share	
Ordinary shares				
Previous year final dividend	32.7	1,353	31.2	1,291
Non-voting ordinary shares				
Previous year final dividend	32.7	162	31.2	154
		1,515		1,445

The following dividends are proposed in respect of the financial period under review:

	2007	2007	2006	2006
	Pence	£000	Pence	£000
	per share		per share	
Ordinary shares				
Current year interim dividend proposed	16.9	699	16.0	662
Non-voting ordinary shares				
Current year interim dividend proposed	16.9	83	16.0	79
		782		741

8. Dividends continued

The interim dividend for 2007 was approved by the Board on 30 November 2007, but has not been included as a liability as at 30 September 2007, in accordance with IAS 10 "Events after the balance sheet date".

The interim dividend will be paid on 9 January 2008, to shareholders on the register at the close of business on 14 December 2007.

9. Analysis of Changes in Net Debt

	At 1 April 2007	Cash Flow	Non-cash Movements	At 30 September 2007
Demand deposits	4,860	1,884	—	6,744
Cash at bank and in hand	107	(107)	—	—
Drawings under revolving credit facility	(2,500)	(2,500)	—	(5,000)
Bank overdrafts	(73)	(118)	—	(191)
Cash and cash equivalents	2,394	(841)	—	1,553
Current borrowings				
B shares	(2,377)	27	—	(2,350)
Non-current borrowings:				
Secured index-linked loan 2032	(40,067)	—	(625)	(40,692)
3.5% irredeemable consolidated debenture stock	(99)	—	—	(99)
	(40,166)	—	(625)	(40,791)
Net debt	(40,149)	(814)	(625)	(41,588)

Notes

10. Pension Schemes

The Company participates in a defined benefit pension scheme, the Water Companies Pension Scheme. This is a sectionalised scheme and the Company participates in the Dee Valley Water plc section of the Scheme.

The results of the formal actuarial valuation as at 1 April 2005 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19.

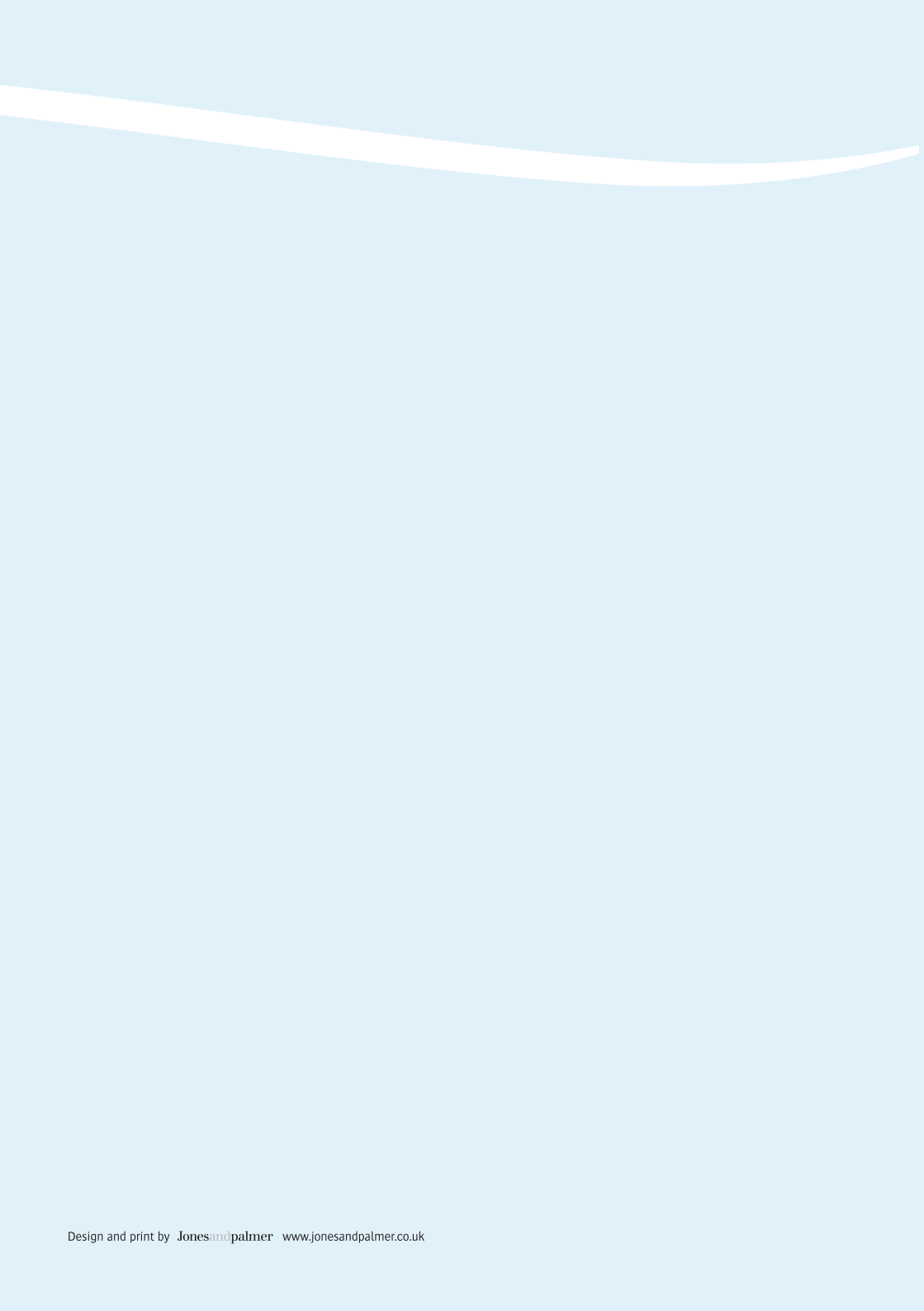
The major assumptions used by the actuaries were as follows:

Assumptions (per annum)	At 30 September 2007	At 31 March 2007
Retail price inflation	3.4%	3.2%
Discount rate	6.0%	5.4%
Pension increases (RPI)	3.4%	3.2%
Pension increases (5% LPI)	3.3%	3.1%
Salary growth	5.4%	5.2%

The mortality assumptions remain consistent with those disclosed in the 2007 Annual Report.

11. Related Parties

During the half year ended 30 September 2007, key management (Directors) received remuneration in the form of salaries, fees and benefits amounting to £142,800 (half year ended 30 September 2006 — £136,500).





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Web site: www.deevalleygroup.com

Registered Number: 4316684 (England & Wales)