

WESSEX WATER SERVICES LTD

Unaudited accounts for the six months to
30 September 2017

Registered in England No. 2366648

Income Statement

	Note	Half year to 30.9.17 (unaudited) £m	Half year to 30.9.16 (unaudited) £m	Year to 31.3.17 (audited) £m
Revenue	2	273.1	266.8	525.3
Raw materials and consumables used		(16.0)	(14.8)	(30.2)
Staff costs		(31.1)	(28.3)	(59.3)
Depreciation and amortisation		(48.4)	(52.1)	(103.7)
Other expenses		(52.2)	(52.8)	(105.8)
Total expenses		(147.7)	(148.0)	(299.0)
Operating profit	2	125.4	118.8	226.3
Financial income		0.2	0.4	1.0
Financial expenses		(41.0)	(36.9)	(74.9)
Net financing expense		(40.8)	(36.5)	(73.9)
Profit before tax		84.6	82.3	152.4
Taxation	3	(15.3)	3.8	(6.3)
Profit for the year		69.3	86.1	146.1

Statement of Other Comprehensive Income

	Half year to 30.9.17 (unaudited) £m	Half year to 30.9.16 (unaudited) £m	Year to 31.3.17 (audited) £m
Profit for the year	<u>69.3</u>	<u>86.1</u>	<u>146.1</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	1.0	(16.3)	(53.2)
Income tax on items that will not be reclassified to profit or loss	-	2.9	7.6
Other comprehensive income for the year, net of income tax	<u>1.0</u>	<u>(13.4)</u>	<u>(45.6)</u>
Total comprehensive income for the year	<u><u>70.3</u></u>	<u><u>72.7</u></u>	<u><u>100.5</u></u>

Balance Sheet

	Note	30.9.17 (unaudited) £m	30.9.16 (unaudited) £m	31.3.17 (audited) £m
Non-current assets				
Property, plant and equipment		3,464.8	3,388.2	3,427.9
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Current assets				
Inventories		5.4	5.6	7.2
Trade and other receivables		161.0	154.0	175.3
Cash and cash equivalents		95.0	119.0	103.5
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		261.4	278.6	286.0
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Total assets		3,726.2	3,666.8	3,713.9
Current liabilities				
Bank overdraft		(1.1)	(6.9)	-
Other interest-bearing loans and borrowings		(5.5)	(5.0)	(5.1)
Trade and other payables		(164.9)	(145.1)	(188.2)
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		(171.5)	(157.0)	(193.3)
Non-current liabilities				
Other interest-bearing loans and borrowings		(2,005.2)	(1,996.2)	(2,002.0)
Other payables		(0.4)	(0.4)	(0.4)
Employee benefits		(196.3)	(160.4)	(194.7)
Deferred income		(255.2)	(259.4)	(249.7)
Provisions		(0.1)	(0.2)	(0.1)
Deferred tax liabilities		(322.7)	(324.5)	(319.2)
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		(2,779.9)	(2,741.1)	(2,766.1)
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Total liabilities		(2,951.4)	(2,898.1)	(2,959.4)
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Net assets	2	774.8	768.7	754.5
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Equity				
Share capital		-	-	-
Retained earnings		774.8	768.7	754.5
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Total equity		774.8	768.7	754.5
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Statement of Changes in Equity

	Note	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2016		-	748.0	748.0
Total comprehensive income for the period				
Profit for the period		-	86.1	86.1
Other comprehensive income		-	(13.4)	(13.4)
Total comprehensive income for the period		-	72.7	72.7
Transactions with owners, recorded directly in equity				
Dividends	4	-	(52.0)	(52.0)
Total contributions by and distributions to owners		-	(52.0)	(52.0)
Balance at 30 September 2016 (unaudited)		-	768.7	768.7
Balance at 1 April 2017		-	754.5	754.5
Total comprehensive income for the period				
Profit for the period		-	69.3	69.3
Other comprehensive income		-	1.0	1.0
Total comprehensive income for the period		-	70.3	70.3
Transactions with owners, recorded directly in equity				
Dividends	4	-	(50.0)	(50.0)
Total contributions by and distributions to owners		-	(50.0)	(50.0)
Balance at 30 September 2017 (unaudited)		-	774.8	774.8

Included in retained earnings are £561.1m of un-distributable reserves (30 September 2016 - £566.8m) created on first time adoption of IFRS when restating infrastructure assets to fair value.

Cash Flow Statement

	Note	Half year to 30.9.17 (unaudited) £m	Half year to 30.9.16 (unaudited) £m	Year to 31.3.17 (audited) £m
Cash flows from operating activities				
Profit for the period		69.3	86.1	146.1
<i>Adjustments for:</i>				
Depreciation and amortisation		48.4	52.1	103.7
Financial income		(0.2)	(0.4)	(1.0)
Financial expenses		41.0	36.9	74.9
Taxation		15.3	(3.8)	6.3
		173.8	170.9	330.0
Decrease / (increase) in trade and other receivables		14.3	16.8	(4.3)
Decrease / (increase) in inventories		1.8	1.6	(0.1)
(Decrease) in trade and other payables		(14.5)	(45.9)	(0.6)
Increase / (decrease) in provisions and employee benefits		0.4	0.8	(4.4)
		2.0	(26.7)	(9.4)
Tax paid		(13.3)	(14.0)	(24.4)
Net cash from operating activities		162.5	130.2	296.2
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		6.9	0.6	1.5
Interest received		0.2	0.1	1.0
Acquisition of property, plant and equipment		(97.1)	(93.3)	(192.9)
Proceeds from infrastructure charges and capital contributions		3.8	4.0	8.9
Net cash from investing activities		(86.2)	(88.6)	(181.5)
Cash flows from financing activities				
Proceeds from new loan		-	50.0	50.0
Interest paid		(30.9)	(21.3)	(61.5)
Payment of finance lease liabilities		(5.0)	(5.0)	(4.5)
Dividends paid		(50.0)	(48.5)	(90.5)
Net cash from financing activities		(85.9)	(24.8)	(106.5)
(Decrease) / increase in cash and cash equivalents		(9.6)	16.8	8.2
Opening cash and cash equivalents		103.5	95.3	95.3
Closing cash and cash equivalents	5	93.9	112.1	103.5

Notes to the Interim Results

1. Basis of preparation

The interim report was approved by the Directors on 27 November 2017. It has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 “Interim Financial Reporting” as adopted by the European Union. It should be read in conjunction with the 2017 Annual Review and Accounts, which are available on the Company website, and which contain the audited financial statements for the year ended 31 March 2017.

The financial information for the six months to 30 September 2017, and the comparative information for the six months to 30 September 2016 are unaudited. The information has been prepared using accounting policies and presentation that were applied to the presentation of the financial statements for the year ended 31 March 2017, in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

The information for the year ended 31 March 2017 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The auditor’s report on those accounts was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

2. Segmental analysis

	30.9.17 (unaudited) £m	30.9.16 (unaudited) £m	31.3.17 (audited) £m
Turnover			
Regulated	269.3	262.8	517.0
Unregulated	3.8	4.0	8.3
	<hr/> 273.1	<hr/> 266.8	<hr/> 525.3
Operating profit			
Regulated	125.4	118.8	226.3
Unregulated	-	-	-
	<hr/> 125.4	<hr/> 118.8	<hr/> 226.3
Net assets			
Regulated	774.8	768.7	754.5
Unregulated	-	-	-
	<hr/> 774.8	<hr/> 768.7	<hr/> 754.5

3. Taxation

The taxation charge / (credit) comprises both current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss in the period. Deferred tax is provided on temporary timing differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

	30.9.17 (unaudited) £m	30.9.16 (unaudited) £m	31.3.17 (audited) £m
Corporation tax			
Current year	11.6	12.2	25.3
Adjustment in respect of previous years	-	-	(2.1)
Deferred tax			
Current year	3.7	(16.0)	(15.7)
Adjustment in respect of previous years	-	-	(1.2)
Taxation charge / (credit)	<u>15.3</u>	<u>(3.8)</u>	<u>6.3</u>

4. Dividends

	30.9.17 (unaudited) £m	30.9.16 (unaudited) £m	31.3.17 (audited) £m
Dividends			
Final dividend for the previous year	8.0	10.0	10.0
Dividends for the current year	42.0	42.0	84.0
	<u>50.0</u>	<u>52.0</u>	<u>94.0</u>

5. Analysis of net debt

	30.9.17 (unaudited) £m	30.9.16 (unaudited) £m	31.3.17 (audited) £m
Cash at bank and in hand	95.0	119.0	103.5
Bank overdraft	(1.1)	(6.9)	-
Finance lease liabilities	(6.9)	(11.9)	(12.0)
Loans over 1 year	(415.0)	(415.0)	(415.0)
Loans from subsidiary company over 1 year	(1,588.8)	(1,574.4)	(1,580.1)
	<u>(1,916.8)</u>	<u>(1,889.2)</u>	<u>(1,903.6)</u>

6. **Principal risks**

The business risks are under continual review as circumstances change in the environment in which we operate. It is considered that the principal risks remain as shown at the previous year-end and as published on pages 29 and 30 of the 2017 Annual Review Summary. The ten principal risks are:

- Government / regulatory action
- Major pollution incident
- Insider threat
- Health and safety incident
- Availability of new finance
- Resourcing and skills
- Unfit water
- Outcome delivery incentive failure
- Digital resilience
- Anti-competitive behaviour.

The mitigation of these risks is also shown in the 2017 Annual Review Summary.

Statement of Directors' Responsibilities in Respect of the Half-Yearly Financial Report

The Directors confirm that to the best of their knowledge the half-yearly financial report:

- has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;
- includes a fair review of the information required by DTR 4.2.7R, being an indication of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year;
- includes a fair review of the information required by DTR 4.2.8R, disclosure of related party transactions and changes therein.