South Staffs Water

incorporating

CAMBRIDGE WATER COMPANY

South Staffordshire Water PLC

Unaudited interim report and accounts

For the six months ended 30 September 2020

December 2020

making water count

About South Staffs Water

We supply clean water services to more than 1.7 million people and around 43,000 businesses in Staffordshire, parts of the West Midlands, and in and around Cambridge. Our South Staffs region extends from Ashbourne in the north to Halesowen in the south, and from Burton-upon-Trent in the east to Kinver in the west. Our Cambridge region stretches from Ramsey in the north to beyond Melbourn in the south, and from Gamlingay in the west to the east of Cambridge city.

South Staffs region

Cambridge region

	South Staffs region	Cambridge region
Area served (km²)	1,497	1,175
Population served	1,377,001	357,648
Water supplied each day on average (Million litres Ml)	305.40	82.61
Household connections	562,336	137,655
Non-household connections	33,750	8,899

Note: the numbers stated are for the year ended 31 March 2020.

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Chair's foreword

2020 has been a year like no other. It has, of course, been dominated by the impact of COVID-19 on all of us. It has turned our worlds upside down; it has wreaked havoc with our economy; it has caused deep distress for far too many people.

Through it all, South Staffs Water has had to keep going, supplying clean, affordable water to all of our customers – and doing so in an efficient and professional way. I have huge admiration for all our people, who have worked so hard in such difficult circumstances to make sure that we have continued to offer an exemplary service. A big 'thank you' to you all.

COVID-19 has had its greatest impact, I fear, on the least advantaged in our society. It has not only hit hard at people's health, but in many cases at their livelihoods too. In response to this, we have taken the decision to expand the range of our 'social tariff' programme, to assist those on the very lowest incomes who are facing real hardship at this difficult time. Over the coming months, we will continue to pay particular attention to the needs of our most vulnerable customers.

Alongside the challenges that the pandemic has brought, we are now seeing the increasing impact of climate change affecting what we do. During the spring and summer, we experienced a period of sustained hot, dry weather, with demand for water resources at an all-time high. We managed to cope with the demand, but this was, I expect, a harbinger of what will be increasing pressure from extremes of drought (and probably floods as well) as a result of the changing climate. We need to prepare ourselves for a future that will be rather different from what we have assumed will happen in years gone by. And this will be especially important in the Cambridge area, where water is drawn primarily from underground sources, and ensuring that the aquifers are full and the precious chalk streams of the county are sustained becomes a vital goal for us, and for everyone.

And we will also, of course, have to face the added challenge that Brexit will bring on 31 December. We are working hard to make sure that we are going to be able to continue to provide a seamless service; that the chemicals to treat raw water that we have to bring in from Europe will continue to be available; and that we work closely with the rest of the industry and with Government to ensure there are no obstacles to continued water provision.

Both in the immediate future (with COVID-19 and with Brexit) and in the longer term (with the challenges of climate change) we will always want to do what is best for our customers and for the communities we serve. One of the precious things about being a relatively small water company, with a century and a half of history, serving two very important local areas, is that we can identify closely with the communities whose water we provide. The connection with community has always been enormously important to us. Through all the difficulties we currently face, that principle remains fundamentally important.

Lord Chris Smith
Chair

Managing Director's introduction

Thank you for taking the time to read this interim report. I hope it gives you an idea of the work we've been doing during the first half of the year to ensure our customers continue to receive the high-quality water supplies they expect and pay for. It also briefly describes how we are performing against some of our key targets.

In April, we entered the new five-year planning period known as AMP7. We've set ourselves targets in 30 areas where our customers have said they want to hold us to account. I'm pleased to report that we've made a solid start in delivering these targets, with good performance in a number of areas, including in terms of the support we provide to customers who are struggling to pay their water bills, supply interruptions and leakage reduction.

We've also started work to deliver our ambitious capital investment programme for the five years to 2025. This includes laying the groundwork for the project to upgrade the two largest water treatment works in our South Staffs region – Hampton Loade and Seedy Mill. This is a critically important programme of work for us, as these works supply clean water to around 60% of customers in the South Staffs region.

Without a doubt, the past six months have been dominated by the COVID-19 outbreak. In what has been a fluid and, at times, rapidly changing situation, I'm proud of the way our people have adapted and pulled together to deliver clean water services to our customers. I'm also very proud of the resilience we've demonstrated in the face of sustained periods of hot, dry weather during the spring and summer. May saw us break records for the volume of water we put into supply to meet the increased demand from customers, many of whom were at home for prolonged periods of time during the COVID-19 lockdown.

Unfortunately, the unprecedented situation we've faced over the spring and summer has affected our performance in some areas – our education outreach programme, for example, has suffered because of restrictions on school visits. We're currently exploring ways to recover from this and will report on the steps we've taken in next year's annual performance report.

Although the current situation with the COVID-19 outbreak remains very fluid, we're still looking to the future. One immediate concern for us is the UK's exit from the European Union. The transition period ends on 31 December and we've reinstated the Brexit Steering Group to ensure we're prepared for new trading arrangements with our supply chain.

We're also looking beyond the COVID-19 outbreak to explore ways for us to align with the principles of the UK Government's green recovery initiative. This means considering approaches that will help the water sector to achieve its net zero carbon emissions by 2030 and looking for sustainable ways to drive our business forward for the benefit of our customers, society and the environment over the long term.

I'd like to take this opportunity to thank all our people for their hard work and flexibility during the year. It's been a difficult time for everyone, but I'm proud of the way our people have adapted and shown strength of purpose to ensure customers continue to receive high-quality water supplies and an excellent service. Since I joined the business in May, I've been impressed by our people's resilience and commitment to a job well done – I'm keen to build on this so that we can continue to always deliver for our customers, now and in the future.

Andy Willicott
Managing Director

Managing Director’s half-year review

We are a successful and efficient water only company, with a long history of supplying clean, high-quality water to our customers. We also have one of the lowest bills of any water company in England and Wales. As a company that operates in a regulated sector, every year we measure our performance against a set of sector-wide and company-specific outcomes that we must deliver in the areas of our:

- customers;
- community;
- service;
- environment; and
- business.

Below we highlight some aspects of our performance over the six months covered by this report.

Performance against our key targets

Over the first six months of the year, we have made a good start in delivering our ambitious targets for 2020 to 2025, and are currently on track to achieve our year-end targets for around two-thirds of our performance commitments.

On the wholesale side, we have continued to provide our customers with a high-quality and reliable water supply, and the state of our network is healthy, with maintenance investment continuing throughout the COVID-19 outbreak. In addition, we are on track to meet our target for the number of customers who contact us about the colour, taste and smell of their water. And we are on track to achieve our stretching leakage reduction targets in both our South Staffs and Cambridge regions. It has also been a good year so far for supply interruptions, with the average interruption time falling from last year. We are very pleased with our performance in this area.

In terms of our retail services, we have seen a significant increase in the number of customers who benefit from our financial support and priority services packages. We have also launched our 'Extra Care' support package for customers on our Priority Services Register who need additional help. We are happy with the take-up rates for this new offering so far. In addition, this year is the first year of Ofwat's new measures for customer and developer experience – known as C-MeX and D-MeX, respectively. We are working hard to ensure we perform well against these measures and that our customers are satisfied with our services.

Unfortunately, the COVID-19 outbreak has had an impact on some of our performance measures. For example, customers' views about the value for money we provide have dipped slightly because of increased affordability concerns among householders.

In addition, our education outreach programme has been very seriously affected by the lockdown and the restrictions on school visits. Household water consumption has also increased significantly as a result of the sustained periods of hot, dry weather over the spring and summer, and because more people have been at home. As well as putting some pressure on supplies at the peak of the hot weather – which we dealt with successfully – this has also put pressure on our water efficiency targets. We are looking at what we need to do to recover from this and how we engage with the regulator Ofwat about these issues.

Delivering for our customers and communities

We are committed to always delivering for our customers and to being embedded at the heart of the communities we serve.

For the period covered by this report, our focus has been on helping those customers whose livelihoods have been impacted by the COVID-19 outbreak. This has included putting in place a special COVID-19 social tariff alongside our other financial support measures for customers whose income has fallen as a direct result of the pandemic. We have also offered payment breaks and a range of low payment and flexible payment plans targeted at anyone who is struggling to keep up with their water bills.

We have advertised the different support we have available on our website, and through our social media channels and local news outlets. We have also engaged directly with MPs and local councillors across both regions, providing them with information about the services we provide and encouraging them to share this with any constituents who are struggling financially. As the impact of the COVID-19 outbreak is still being felt across almost every area of society, we are continuing to provide a range of financial support options to customers and have been encouraging them to contact us if they are struggling to pay their bills so that we can tailor our support to their individual needs.

We have also continued to provide help and support to our customers in other ways as well. For example, in June we updated our Priority Services Register web form to include more categories, including 'families with children under five years old', 'customers who use a telecare service' or 'customers who need help with shopping' and anyone has been shielding during the COVID-19 outbreak. The aim is to make it easier for customers to understand if they would be eligible for any of the extra help and support we provide.

We are mindful of the effect the COVID-19 outbreak has had on our community engagement over the six months covered by this report. As we reported in our annual report and accounts for 2019/20[1], in March we took the difficult decision to temporarily close our award-winning community hub in Wednesbury in our South Staffs region. While we were very aware of the impact this would have on our customers in the area, we felt that the decision to close was in their best interests. But we continued to remain in contact with regular visitors to the hub and our partner organisations, albeit remotely.

Following changes in guidance from the UK Government, we re-opened the hub in August after putting in place a range of COVID-secure measures, including screens, signs, sanitiser and social distancing. And while we reduced the opening hours, we continued to offer the same range of services to customers – and one or two new ones as well. For example, in September we ran a 'dress to impress' campaign, collecting donations of smart clothes and work wear, and making them available free of charge for people who might require office wear for interviews or the first day in a new job. We also participated in a scheme to raise awareness of period poverty, taking donations of packs of sanitary towels, liners and tampons and making them available through the hub.

As mentioned in the 'Performance against key targets' section above, one area of our work that has been severely impacted by the COVID-19 outbreak is our education outreach programme. Restrictions on school visits has meant us looking at different ways to engage with pupils. So as well as providing a range of online materials in the form of quizzes and workbooks, we have also challenged ourselves to consider other ways to successfully deliver our education programme.

[1] 'Annual report and accounts and annual performance report for the year ended 31 March 2020, South Staffordshire Water PLC, July 2020. www.south-staffs-water.co.uk/media/3301/annual-report-and-accounts-and-apr-to-31-march-2020.pdf

In July, just before the school summer holidays, our Education team delivered its first-ever virtual assembly to Year 6 pupils at Henry Chadwick School in Rugeley in our South Staffs region. As the school is located near our Blithfield reservoir, the session emphasised the importance of staying safe near open water. We have continued to develop our virtual workshops, which are available through the Microsoft Teams or Zoom platforms, or through pre-recorded videos, and will report on our progress in next year's annual performance report.

Delivering a reliable service

Our customers always expect us to deliver a reliable service and water that is of a consistently high quality. During the period covered by this report, we have continued to demonstrate our ability to do this in the face of both the COVID-19 outbreak and sustained periods of hot, dry weather during the spring and summer.

The record-breaking sunny weather in April followed by a hot and dry May led to a large increase in the demand for treated water from customers. In our South Staffs region, peak demand was more than 100 million litres higher than on a 'normal' day, while in our Cambridge region, it was more than 20 million litres higher. We ran an extensive water efficiency campaign, asking customers to take a few simple steps to be more water wise. We also participated in national water saving campaigns and posted videos on our YouTube[2] channel and across our social media featuring tips from some of our people on saving water.

And in June, we asked children across both regions to design a poster to encourage water saving behaviours. The competition was open to children aged between 5 and 11, with book vouchers worth £30 and £10 available for the winners and runners-up in each of two age groups – 5 to 7 year olds and 8 to 11 year olds. Members of the Independent Customer Panel judged the competition and we featured the winning entries on social media as part of our summer water efficiency campaign.

[2] www.youtube.com/user/SouthStaffsWater.

In a normal year, we would expect our water meter installation activity to be a key part of our water efficiency activities. Unfortunately, the COVID-19 outbreak meant that we had to cancel all our installation activity. This was to ensure we complied with the UK Government's guidelines designed keep our customers and our people safe.

We started installing meters again in August, with the metering administration team making more than 1,400 customer calls in two weeks to book installation appointments. In the first month of this activity starting again, the metering team installed 500 meters for customers. Alongside this, we have continued to run a metering campaign, encouraging our customers to switch to a water meter and emphasising the benefits of a metered supply.

We have also continued with our ongoing programme of improvements and main replacements across both regions. This has included projects to replace lengths of water main in Abbots Bromley, Walsall, Repton, Stramshall and Sutton Coldfield in our South Staffs region, and in Cottenham and Impington in our Cambridge region. This work is essential if we are to meet our challenging target of reducing leakage in both regions by at least 15% by 2025.

While we have had to pause some aspects of our ambitious AMP7 capital investment programme as a result of the COVID-19 outbreak, we have continued to progress our plans to upgrade the Hampton Loade and Seedy Mill water treatment works in our South Staffs region. These are critically important assets for us, as together they supply around 60% of customers across the region.

In September, we held a socially distanced engagement event for customers who live in the immediate vicinity of Seedy Mill, so that they could learn more about our long-term plans for the treatment works. The event also gave us the opportunity to listen to their concerns about the potential disruption to their lives. We are working closely with our contractor to minimise the impact of the work on local residents. At the time of writing, we have been planning a similar event at Hampton Loade. We will report on our progress with the upgrade programme in next year's annual performance report.

Protecting the environment

We are committed to protect the environment for future generations. The impact of a changing climate, with the prospect of more droughts and flooding, is a key challenge for us. We have a number of specific environmental targets to deliver across both regions over the period to 2025, including reducing leakage and protecting 690 hectares of environmentally-sensitive sites.

One of the ways we do this is through our PEBBLE[3] fund. Each year, we provide grants of up to £10,000 for a wide range of applications from schools, youth groups, charities, local community organisations and wildlife groups that look to improve, restore or create habitats, and which have a positive impact on the local community.

One such example is the Mill River Reserve in our Cambridge region, which was awarded a grant of £10,000 in 2018/19 to restore a section of the river. The Mill River nature reserve was created in 2015 and covers an area of more than 30 hectares. Mill River, which runs through the site, is a tributary of the River Cam. It is also a chalk stream, a rare habitat that supports a number of protected species, including Brown Trout. The Mill River Reserve's aim is to restore the Mill River and provide a spawning habitat for Brown Trout.

Over the past year, the Reserve used its PEBBLE grant to purchase more than 130 tonnes of gravel, which has been used to raise the bed of the river and narrow the channel in places to improve the flow of water. The grant has also enabled the group to create a black poplar scrape, creating a damp meadow area that will retain water all year round. Black Poplar is the UK's rarest timber tree and is in decline in most parts of the country.

Another way we help to protect the environment is through the work we carry out with farmers in our South Staffs region as part of our catchment management programme. For example, over the past year we have been encouraging farmers with whom we work to plant cover crops. These are crops that are planted shortly after the summer harvest to provide green cover over the winter months. This helps to minimise soil erosion and agricultural run-off, which can affect the quality of our raw water sources. In addition, some cover crops are very good at 'fixing' nitrogen in the soil, to stop it leaching into groundwater supplies. They can also act as carbon stores and are currently being evaluated at a national level for their effectiveness in helping to reduce carbon emissions. And they provide shelter and a food source for a range of farmland birds, mammals and insects over the winter months.

We will continue to engage with farmers and landowners across both regions and emphasise the benefits of cover crops and other catchment management approaches.

[3] **P**rojects that **E**xplore **B**iodiversity **B**enefits in the **L**ocal **E**nvironment.

Delivering for the business

A key focus for us over the past six months has been on maintaining the reliable services we deliver to customers while managing the impact of the COVID-19 outbreak. Throughout the pandemic, we have followed the UK Government's advice. As we reported in our annual report and accounts for 2019/20, in March we moved quickly and proactively, setting up an incident team to build resilience around key functions directly connected to the supply of clean water to our customers. In addition, we asked managers to ensure their business continuity plans were up to date so that we could keep our water network operating as normal. We also arranged for most of our office-based people to work from home, switching to a virtual environment, and making use of Microsoft Teams for meetings and to share work.

As lockdown restrictions started to ease, we welcomed more of our people back to our offices having put in place a range of COVID-secure measures. We also produced maps of the new one-way systems in place and shared a video with our people so that they could see the measures we had put in place to keep them safe. Throughout the six months covered by this report, we have made our people's wellbeing a priority for us, sharing information through our wellbeing portal and carrying out a short survey on the impact lockdown was having on our people.

As a business that provides an essential public service to our customers, we continually want to improve the way that we perform. Over the past six months, we have continued to embed the principles of Investors in People (IIP) accreditation across the business. IIP is an internationally recognised scheme that looks at how a business leads, supports and improves its people, and any steps it could take to do this better. We have been working closely with IIP on the steps towards accreditation, which we have committed in our business plan to achieve during 2020/21. We will report on the outcome of this in next year's annual performance report.

While our attention has been focused on continuing to deliver an excellent service and high-quality water supplies to our customers during the COVID-19 outbreak, we have also been thinking about the future. We run a successful apprenticeship scheme, and in August we signed the Energy and Utilities Skills Partnership's Apprenticeship Pledge as a clear commitment that apprenticeships form a key part of our ongoing people strategy. The pledge also provides assurance that we will maintain apprenticeships as one of the key ways to meet our skills needs in the future. In our business plan for 2020 to 2025, we committed to recruit at least five apprentices each year.

The Apprenticeship Pledge initiative has been launched as a way of addressing the 277,000 vacancies that exist in the gas, power, water and waste management industries. Other water companies that have signed the Apprenticeship Pledge include our neighbours Severn Trent Water, Anglian Water and Affinity Water.

Statement of Directors’ responsibilities

The Directors confirm that these condensed interim financial statements represent a fair view of our performance for the six months to 30 September 2020.

A list of the current Directors of South Staffordshire Water PLC is available on our website at www.south-staffs-water.co.uk/about-us/our-business/management-team.

Assurance

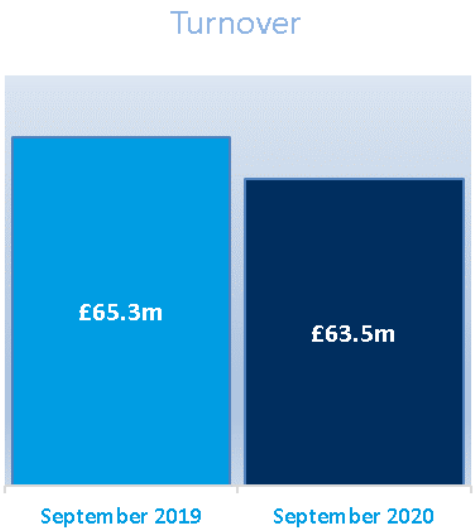
These accounts have been reviewed by our independent Group Internal Audit function and by our Board.

Financial performance

Performance in the first half of the year has been influenced by the onset and continuation of COVID-19, with both revenue and operating profit being reduced. Alongside COVID-19, there have been sustained periods of hot, dry weather, which has led to increased production volumes, with September 2020 representing one of the highest demands since 2004. Despite these pressures, the business has continued to improve its overall financial resilience and took the difficult decision to postpone an interim dividend.

The appointed revenue reflects allowed regulatory increases of 1.7%, which includes an allowed Consumer Prices Index (CPIH) inflationary increase on wholesale charges of 1.5%. Despite these increases, turnover for the first six months of the year decreased by £1.8 million to £63.5 million compared with the same period last year. Lower consumption and a greater number of properties marked as vacant, as businesses have closed through Government restrictions, has led to non-household revenues being significantly lower among commercial customers. This has been partially offset by the noticeable increase in consumption by household customers during the warmer spring and summer months, and influenced by the UK Government’s public interest campaign focusing on handwashing. The majority of this revenue can be recovered in future years through the regulatory mechanism.

Non-appointed (that is, non-regulated) turnover is broadly in line with 2019 at £2.7 million (2019: £3.0 million).



Our operating costs are £55.1 million (2019: £52.4 million restated). The main driver of the increase is the in-year acceleration of spend on infrastructure renewals, as the business has been able to undertake work on critical assets during periods of low traffic flow, ensuring minimum disruption to customers. The business has incurred production cost pressures on both power and chemical costs, and also additional costs to make the working environment COVID-secure. Despite this, the business is continuing to implement efficiency programmes to offset these costs pressures and deliver savings from changing working practices.

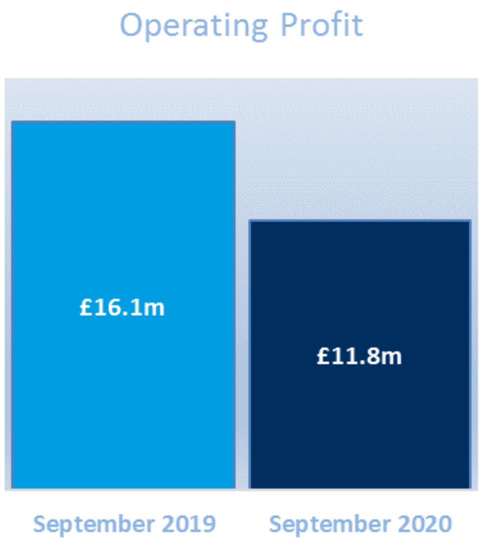
As already noted, we recognise that some of our customers' livelihoods will have been impacted by the COVID-19 outbreak and as a business we have put a number of support measures in place. In March 2020, the business made a significant increase to the provision based on both historic cash collection performance and the anticipated impact of COVID-19. No further adjustment has been included in these interim accounts, although we recognise that as COVID-19 continues to impact the economy there is an increased risk that some customers will still struggle to keep up with their water bills and we will continue to monitor the provision against household debts.

EBITDA for the first six months of the year decreased by £3.4 million to £23.4 million compared with the same period last year. The decrease is largely due to the reduction in revenue from non-household customers. EBITDA is the measure of our operating performance (see reconciliation below).

	30 Sep 20 Unaudited £'000	**30 Sep 19 Unaudited £'000**
Operating Profit	11,771	16,122
Depreciation : non-infrastructure assets	11,232	10,267
Depreciation : infrastructure assets	2,013	1,887
Amortisation of capital contributions	(1,630)	(1,455)
EBITDA	23,386	26,821

As noted, the infrastructure renewals expenditure programme has completed all existing rehabilitation schemes ahead of schedule by accelerating work through the lockdown period.

Our operating profit for the first six months of the year decreased by £4.3 million to £11.8 million compared with the same period last year. The decrease is largely due to the reduction in revenue from non-household customers.

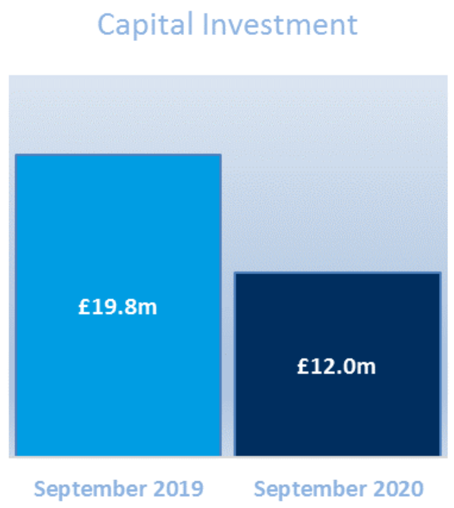


Finance charges for the first six months of the year increased by £0.3 million to £6.7 million compared with the same period last year, while the tax charge reduced by £0.8 million to £1.0 million compared with the same period last year at £1.8 million.

Capital investment

We have started to deliver our capital programme for the first of the five years to 2025. As a result of the combined impact of COVID-19 and the hot weather, the business paused some non-essential capital activity so as to protect resilience of supply to our customers during the periods of high demand. As a consequence, the business has placed outage limitations on essential assets and has re-phased a number of schemes into the second half of the year. We continue to ensure that our assets remain in good condition and that we continue to provide high-quality, reliable water supplies to our customers.

Our wholesale appointed capital expenditure for the first half of the year totalled £12.0 million (net of contributions and excluding infrastructure renewals expenditure) (2019: £19.8 million).



Dividend payments

Dividends paid during the period were £Nil (2019: £4.0 million). As already noted, the business recognised the current economic uncertainty and the Board agreed to postpone the payment of an interim dividend. This has improved the overall financial resilience of the business and enabled the Board to fully reflect on the impacts of the current economic circumstances. The prior year (2019) dividend of £1.8 million was paid from appointed profits and £1.3 million from non-appointed profits, with an additional £0.9 million to enable intra-group loan interest to be paid to the company.

Net debt and borrowing covenants

Our net debt includes index-linked debt, bank loans and debenture stock less cash. For covenant reporting purposes, our net debt was £235.9 million at 30 September 2020 and represented a ratio of approximately 59% of the regulatory capital value (RCV as forecast for March 2021).

On 16 April 2020, we took additional steps to secure access to additional liquidity through the £75 million European Commercial Paper (ECP) programme. The programme is very much like utilising Bank Revolving Credit Facilities (RCFs) and provides extra financial resilience should the business require it. To date, we have not made any use of the ECP programme or plan to make any use of the ECP programme. This facility will be available for at least the rest of the financial year. No employees have been furloughed during the COVID-19 outbreak.

On 31 July 2020, South Staffordshire Water PLC refinanced bank loans of £30 million due to expire on 31 December 2020, with a new three-year £30 million RCF bank loan bearing interest at 1.2% margin plus LIBOR, expiring July 2023.

We have continued to improve our overall financial resilience and maintain significant headroom in respect of all our borrowing covenants and liquidity with cash of £13.4 million and undrawn facilities of £25.0 million, giving total liquidity headroom of £38.4 million.

Standard & Poor continues to rate the company as BBB+, while Moody's rating is Baa2; both are within investment grade.

Unaudited interim profit and loss account

For the six months ended 30 September 2020

	30 Sep 20 Unaudited	30 Sep 19 Unaudited and Restated
	£'000	**£'000**
Turnover	63,476	65,282
Operating costs	(55,095)	(52,371)
Other operating income	3,390	3,211
Operating profit	11,771	16,122
Finance costs (net)	(6,693)	(6,428)
Profit before taxation	5,078	9,694
Tax on profit	(955)	(1,784)
Profit for financial year attributable to the equity shareholders of the Company	4,123	7,911
Earnings per share		
Basic	194.2p	372.6p
Diluted	194.2p	372.6p

Unaudited interim balance sheet

As at 30 September 2020

	30 Sep 20 Unaudited £'000	31 Mar 20 £'000
Fixed Assets		
Tangible assets	553,247	551,578
Current Assets		
Stocks	2,607	2,487
Debtors - amounts recoverable within one year	36,294	30,114
Debtors - amounts recoverable in more than one year	28,058	28,302
Investments	2	2
Cash at bank and in hand	13,400	26,425
	80,361	87,330
Borrowings - amounts falling due within one year	-	(29,985)
Other creditors - amounts falling due within one year	(70,231)	(57,919)
Net current (liabilities)/assets	10,130	(574)
Total assets less current liabilities	563,377	551,004
Borrowings - amounts falling due after more than one year	(270,075)	(262,210)
Other creditors - amounts falling due after more than one year	(14,855)	(15,594)
Accruals and deferred income - falling due after more than one year	(160,586)	(159,328)
Provisions for liabilities - falling due after more than one year	(44,631)	(44,545)
Net Assets	73,230	69,327
Capital and reserves		
Called up share capital	2,123	2,123
Share premium account	495	495
Capital redemption reserve	4,450	4,450
Revaluation reserve	33,724	33,954
Profit and loss account	39,352	34,999
Hedging reserve	(6,914)	(6,694)
Shareholders' Funds	73,230	69,327

Unaudited interim statement of comprehensive income

For the six months ended 30 September 2020

	30 Sep 20 Unaudited	30 Sep 19 Unaudited and Restated
	£'000	**£'000**
Profit after taxation	4,123	7,911
Movement in hedging reserve (gross of deferred tax)	(270)	(723)
Deferred tax impact of movement in hedging reserve	52	123
Total comprehensive income	3,905	7,311

Unaudited interim statement of changes in equity

As at 30 September 2020

	Called up Share Capital	Share Premium Account	Capital Redemption Reserve	Revaluation Reserve	Profit and Loss Account	Hedging Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	2,123	495	4,450	33,987	40,361	(6,407)	75,009
Profit for financial period	-	-	-	-	2,593	-	2,593
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)	-	-	-	-	-	(721)	(721)
Deferred tax impact of change in value of hedging instruments	-	-	-	-	-	137	137
Amounts recycled to profit and loss (gross of deferred tax)	-	-	-	-	-	176	176
Deferred tax impact of amounts recycled to profit and loss	-	-	-	-	-	(33)	(33)
Deferred tax rate move	-	-	-	-	-	154	154
Amounts transferred to profit and loss	-	-	-	(33)	33	-	-
Total comprehensive income/(loss)	2,123	495	4,450	33,954	42,987	(6,694)	77,315
Dividends (note 9)	-	-	-	-	(7,988)	-	(7,988)
Balance at 31 March 2020	2,123	495	4,450	33,954	34,999	(6,694)	69,327
Balance at 1 April 2020	2,123	495	4,450	33,954	34,999	(6,694)	69,327
Profit for financial period	-	-	-	-	4,123	-	4,123
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)	-	-	-	-	-	(358)	(358)
Deferred tax impact of change in value of hedging instruments	-	-	-	-	-	68	68
Amounts recycled to profit and loss (gross of deferred tax)	-	-	-	-	-	87	87
Deferred tax impact of amounts recycled to profit and loss	-	-	-	-	-	(17)	(17)
Deferred tax rate move	-	-	-	-	-	-	-
Amounts transferred to profit and loss	-	-	-	(230)	230	-	-
Total comprehensive income/(loss)	2,123	495	4,450	33,724	39,352	(6,914)	73,230
Dividends	-	-	-	-	-	-	-
Balance at 30 September 2020	2,123	495	4,450	33,724	39,352	(6,914)	73,230

Unaudited interim cash flow statement

As at 30 September 2020

	30 Sep 20 Unaudited		30 Sep 19 Unaudited and Restated	
	£'000	£'000	£'000	£'000
Cash inflow from operating activities		32,249		45,753
Corporation tax paid		(162)		(2,791)
Net cash inflow from operating activities		32,087		42,962
Cash flows from investing activities				
Purchase of tangible fixed assets	(16,929)		(23,860)	
Proceeds from sale of tangible fixed assets	30		448	
Interest received	1,777		993	
Net cash outflow from investing activities		(15,121)		(22,418)
Cash flows from financing activities				
Interest paid	(4,801)		(5,195)	
Equity dividends paid	-		(3,994)	
Repayment of bank loans	(30,000)		-	
(Repayment)/draw down of RCF	5,000		8,100	
Bank term loan issue costs paid	(188)		-	
Net cash outflow from financing activities		(29,989)		(1,089)
Increase in cash		(13,025)		19,456
Cash and cash equivalents at the beginning of the year (1 April)				8,170
Cash and cash equivalents at the end of the period (30 September)				27,626

Prior period restatements

Restatements relating to other operating income and the presentation of debt facilities from the year ended 31 March 2020 accounts have been consistently applied in the interim accounts.

Other operating income

The majority of the industry report in line with International Financial Reporting Standards (IFRS) and report contributions as other operating income. Previously, we presented them as a reduction in operating costs as per Financial Reporting Standards (FRS). To avoid being an industry outlier and aid comparability we agreed with the auditors to adopt this approach.

In the annual report and accounts for the year ended 31 March 2020, we restated the profit and loss account. We have been consistent in the September 2020 interim financial statements. September 2019 comparatives have been restated increasing prior year other operating income by £3,211,000 and increasing operating costs by the same amount.

In the cash flow, capital contributions received have been presented as operating cash flows as at March 2020 as these credits are released to operating income over the useful economic life of the non-current asset to which they relate. We have been consistent in the September 2020 interim financial statements. These were presented as investment cash flows in prior periods.

September 2019 comparatives have been restated increasing prior year operating cash inflows by £5,136,000 and decreasing investing cash outflows by the same amount.

Presentation of debt facilities

At the March 2020 year end, the Directors reviewed the presentation of cash and cash equivalents along with the RCF debt facilities – in particular, the contractual right of offset between each instrument. Following this review, the Directors have adjusted the March 2020 financial statements to increase both cash and long-term borrowings by £7.5 million. We have been consistent in September 2020 interim financial statements balance sheet and Cash flow statement. September 2019 has been restated on the same basis.

There is no effect on the reported profits as a result of this presentational adjustment.

Unaudited notes to the financial statements

1 The interim results for the six months to 30 September 2020 have been prepared under FRS102 and on the basis of accounting policies consistent with those adopted for the year ended 31 March 2020.

The interim financial information is unaudited and does not constitute statutory accounts as defined in section 44 of the Companies Act 2006. The balance sheet for the year to 31 March 2020 has been extracted from the latest published audited 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 2020.

Copies of the interim report are available from our Registered Office (South Staffordshire Water PLC, Green Lane, Walsall, WS2 7PD) or from our website at www.south-staffs-water.co.uk/publications/annual-reports.