

Profit and Loss

Profit and Loss account for period ended	Note	6 Months to 30 September 2020 (Unaudited)	6 Months to 30 September 2019 (Unaudited) Restated*	Full Year to 31 March 2020 (Audited)
		£000	£000	£000
Revenue	2	31,250	36,517	69,822
Operating costs		(25,970)	(25,723)	(49,511)
Other operating income	3	2,164	51	119
Operating profit		7,444	10,845	20,430
Finance costs	4	(5,440)	(5,379)	(10,201)
Finance income		95	41	444
Profit before income tax		2,099	5,507	10,673
Income tax expenses	5	(448)	(1,276)	(6,028)
Profit for the financial year		1,651	4,231	4,645

Other comprehensive income

	6 Months to 30 September 2020 (Unaudited)	6 Months to 30 September 2019 (Unaudited) Restated*	Full Year to 31 March 2020 (Audited)
	£000	£000	£000
Other comprehensive income: items that will not be classified to profit or loss			
Actuarial (loss)/gain on pension scheme	(13,561)	(1,023)	10,379
Movement of deferred tax relating to net pension asset	2,476	(442)	(1,999)
Other comprehensive (loss)/income net of tax	(11,085)	(1,465)	8,380
Total comprehensive income for the period	(9,434)	2,766	13,025

Statement of changes in equity

Statement of changes in equity	Called up Share Capital £000	Profit and Loss £000	Total Equity £000
Balance at 1 April 2020	51,489	89,608	141,097
Total comprehensive income for the period			
Profit for the period		1,651	1,651
Other comprehensive loss		(11,085)	(11,085)
		(9,434)	(9,434)
Dividend paid		(3,010)	(3,010)
Balance at 30 September 20	51,489	77,164	128,653

Balance Sheet

Balance Sheet as at	6 Months to 30 September 2020 (Unaudited) £000	6 Months to 30 September 2019 (Unaudited) *Restated £000	Full Year to 31 March 2020 (Audited) £000
Non Current Assets			
Property, Plant and Equipment	338,844	323,352	334,543
Intangible Assets	8,196	3,615	7,249
Pension Scheme Asset	13,846	19,277	27,356
	360,886	346,244	369,148
Current Assets			
Inventory	306	422	308
Debtors	34,054	40,032	21,731
Cash and Cash equivalents	24,996	24,376	25,630
	59,356	64,830	47,669
Creditors: Amounts falling due within one year	(50,852)	(54,565)	(35,960)
Net Current Assets	8,504	10,265	11,709
Total Assets less current liabilities	369,390	356,509	380,857
Non-current liabilities			
Creditors: amounts falling due after more than 1 year	(198,806)	(180,651)	(196,173)
Unfunded Pension obligation	(1,123)	(1,150)	(994)
Deferred Tax Liabilities	(40,808)	(36,320)	(42,593)
Net Assets	128,653	138,388	141,097
Capital and reserves			
Called up share capital	51,489	51,489	51,489
Profit and loss account	77,164	86,899	89,608
Total Shareholder Funds	128,653	138,388	141,097

Cashflow statement

Cash Flow Statement for the period ended:	6 Months to 30 September 2020 (Unaudited) £000	6 Months to 30 September 2019 (Unaudited) *Restated £000	Full Year to 31 March 2020 (Audited) £000
Profit in year	1,651	4,231	4,645
Depreciation of tangible fixed assets	5,343	5,057	9,824
Amortisation of intangible fixed assets	173	179	401
Interest receivable and other income	(95)	(41)	(444)
Interest payable and similar charges	5,440	5,379	10,201
Profit on sale of assets on disposal of property, plant and equipment	(2,164)	(51)	(119)
Taxation	448	1,276	6,028
	9,145	11,799	25,891
Increase in trade and other debtors	(13,104)	(17,770)	(540)
Decrease in inventory	2	5	109
Increase in trade and other creditors	14,910	22,856	4,792
(Decrease)/Increase in provisions and employee benefits	306	21	361
Decrease /(increase) in amounts due to fellow subsidiary companies	1,132	2,626	3,385
	3,246	7,738	8,106
Interest Paid	(2,661)	(2,547)	(5,143)
Tax Paid	(432)	(1,077)	(1,636)
Net cash from Operations	10,949	20,143	31,864
Cashflows from investing activities			
Proceeds from disposals of tangible fixed assets	2,188	117	231
Interest received	28	13	94
Acquisition of tangible fixed assets	(10,344)	(15,243)	(32,437)
Acquisition of intangible fixed assets	(445)	(80)	(3,196)
Net cash from investing activities	(8,573)	(15,193)	(35,308)
Cashflows from financing activities			
Proceeds from the sale of share capital	-	-	-
Net proceeds / (repayment) from loan	-	4,500	17,500
Dividends paid	(3,010)	(3,350)	(6,700)
Net cash from financing activities	(3,010)	1,150	10,800
Net increase in cash and cash equivalents	(634)	6,101	7,355
Cash and cash equivalents as at 1 April	25,630	18,275	18,275
Cash and cash equivalents at end of period	24,996	24,376	25,630

Notes to financial statements

1. Basis of accounting

Sutton and East Surrey Water plc (the 'Company') is a private Company incorporated and domiciled in Redhill in the UK and is limited by shares.

The Company's principal activity is that of an appointed water provider, including acting as a retailer for household customers within Surrey and Kent in accordance with its licence and to act as a wholesaler to the non-household customer market.

The accounting policies, presentation and methods of computation are consistent with those applied in the preparation of the year ended 31 March 2020 which were prepared in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework (FRS 101). The interim accounts have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"), these condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Annual Performance Report for the year ended 31 March 2020.

Restatements

During the year ended 31 March 2020 management identified errors in prior years' accounting for developer services income and cost and bad debt provisions. The 2019 half year profit and loss account has therefore been restated for these interim accounts.

In addition, management identified assets included in assets under construction at 31 March 2019 that had been brought into use and should have been transferred to the appropriate fixed asset category. A further restatement has been made to affect this reclassification within fixed assets in 2019 and to charge additional depreciation in 2019 from the date these assets were brought into use.

The impact to profit and loss is shown in the table below

	As presented in Sept 19 accounts	Developer Services restatement	Bad debt provision restatement	Depreciation restatement	Restated Sept 19
£000					
Turnover	34,330	2,187			36,517
Costs	(23,270)	(1,470)	(825)	(158)	(25,723)
Other operating income	51				51
Operating Profit	11,111	717	(825)	(158)	10,845
Finance Costs	(5,379)				(5,379)
Finance Income	41				41
Profit before tax	5,773	717	(825)	(158)	5,507
Tax	(1,276)				(1,276)
Profit after tax	4,497	717	(825)	(158)	4,231

2. Revenue

Note 2 Revenue	6 Months to 30 September 2020 (Unaudited)	6 Months to 30 September 2019 (Unaudited) Restated*	Full Year to 31 March 2020 (Audited)
	£000	£000	£000
Measured water revenue (household)	15,191	14,503	29,566
Unmeasured water revenue (household)	11,025	12,080	24,768
Total household revenue	26,216	26,583	54,334
Wholesale revenue from retailers (non household)	3,150	5,415	10,862
Other revenue	1,884	4,519	4,626
Total revenue	31,250	36,517	69,822

3. Other Operating Income

Other operating income comprises of £1.67m of insurance monies relating to a chemical spill at Elmer in 2017 and £0.45m of profit from a sale of a property

4. Financing Costs

Note 4 Finance Costs	6 Months to 30 September 2020 (Unaudited)	6 Months to 30 September 2019 (Unaudited) Restated*	Full Year to 31 March 2020 (Audited)
	£000	£000	£000
Interest on index linked bond	2,453	2,392	4,832
Indexation of bond	2,547	2,403	4,575
Bond fee amortisation	217	216	434
Other interest expenses	223	368	360
Total finance costs	5,440	5,379	10,201

5. Tax

	6 Months to 30 September 2020 (Unaudited)	6 Months to 30 September 2019 (Unaudited) Restated*	Full Year to 31 March 2020 (Audited)
	£000	£000	£000
UK corporation tax			
Current tax on income for the year	(243)	1,002	1,041
Adjustments in respect of prior years	0	0	(78)
Total current tax	(243)	1,002	963
Deferred tax			
Origination and reversal of timing differences - pension scheme	52	13	21
Origination and reversal of timing differences - other	639	261	912
Impact of change in tax rate	0	0	4,184
Adjustments in respect of previous years	0	0	(52)
Total deferred tax (recoverable)/payable	691	274	5,065
Tax on profit on ordinary activities	448	1,276	6,028
Tax expense included in other comprehensive income:			
<i>Deferred tax:</i>			
Movement in relation to pension scheme	(2,606)	429	1,999
Total tax expense included in other comprehensive income	(2,606)	429	1,999

Tax expenses for the period are lower than the tax expense that would have been incurred under the standard rate of corporation tax in the UK for the period ended 30 September 2020 of 19% (2019: 19%). The differences are shown below:

	6 Months to 30 September 2020 (Unaudited) £000	6 Months to 30 September 2019 (Unaudited) Restated* £000	Full Year to 31 March 2020 (Audited) £000
Effect of:			
Preference dividends paid	0	0	0
Non-deductible expenses	0	1	3
Remeasurement of deferred tax - change in UK tax rate	0	0	4,184
Differences between current and deferred tax rates (fixed assets)	57	(24)	(8)
Differences between current and deferred tax rates (pensions)	(8)	(47)	(49)
Difference due to timing of accounts posting	0	0	0
Adjustments to tax charge in respect of previous years	0	249	(130)
Total current tax	448	1,276	6,028

The UK corporation tax rate for the period ended 30 September 20 is 19% (2019: 19%).

The year ended March 20 tax expense included a £4.2m adjustment for deferred tax; on the 17 March 2020 a change to the UK corporation tax rate was substantively enacted by a regulation under the Provision Collection of Taxes Act of 1968. The UK government confirmed that the rate of 19% was retained, rather than reducing to 17% from 1 April 2020 that had previously been legislated.

6. Employee Benefits

The company participates in both a defined contribution scheme “Group Personal Pension Plan” (GPPP) which is available for all employees, and a defined benefit scheme “The Water Companies Pension Scheme” (WCPS) for qualifying employees.

WCPS is a sectionalised scheme and the Company participates in the Sutton and East Surrey Water Section of the Scheme. The Section funds are administered by trustees who are independent of the Company’s finances.

The WCPS scheme is closed to the future accrual of benefits with effect from 31 March 2019, with active members becoming entitled to deferred pensions with the section.

Amounts recognised in the profit and loss are:	Sep-20 £000	Sep-20 £000	Sep-20 £000
	WCPS	Unfunded	Total
Employers part of current service cost	0	0	0
Section expenses	(241)	0	(241)
Net interest credit /(charge)	295	22	317
Total profit and loss (charge)	54	22	76

	Sep-20 £000	Sep-20 £000	Sep-20 £000
	WCPS	Unfunded	Total
Balance sheet asset / liability at period start	27,356	(994)	26,362
Amount recognised in profit and loss	65	(11)	54
Amount recognised in other comprehensive income	(13,575)	(140)	(13,715)
Company contribution paid	0	22	22
Balance sheet asset / liability at period end	13,846	(1,123)	12,723

7. Property Plant and Equipment

	Land £000	Collection reservoir £000	Buildings boreholes & service reservoirs £000	Plant & machinery £000	Mains £000	Motor vehicles & sundry plant £000	Assets in the course of construction £000	Total £000
Cost								
1 April 2020	5,088	2,533	129,686	127,876	239,368	9,402	33,714	547,667
Additions	-	-	-	-	-	-	9,665	9,665
Transfer	-	-	942	1,418	8,882	1,608	(12,850)	-
Disposals	-	-	(42)	-	-	(48)	-	(90)
30 September 2020	5,088	2,533	130,586	129,294	248,250	10,962	30,529	557,242
Depreciation								
1 April 2020	-	422	37,057	73,985	94,228	7,432	-	213,124
Charge for year	-	10	1,267	2,777	883	407	-	5,344
Disposals	-	-	(22)	-	-	(48)	-	(70)
30 September 2020	-	432	38,302	76,762	95,111	7,791	-	218,398
Net Book Value								
30 September 2020	5,088	2,101	92,284	52,532	153,139	3,171	30,529	338,844
31 March 2020	5,088	2,111	92,629	53,891	145,140	1,970	33,714	334,543

8. Intangibles

	Software £000	Goodwill £000	Work in progress £000	Total £000
Cost				
1 April 2020	6,191	19,454	3,370	29,015
Additions	-	-	1,120	1,120
Transfer	459	-	(459)	-
Disposals	-	-	-	-
30 September 2020	6,650	19,454	4,031	30,135
Amortisation				
1 April 2020	5,399	16,367	-	21,766
Charge for year	173	-	-	173
Disposals	-	-	-	-
30 September 2020	5,572	16,367	-	21,939
Net Book Value				
30 September 2020	1,078	3,087	4,031	8,196
31 March 2020	792	3,087	3,370	7,249

9. Post Balance Sheet events

In October £675,000 was received in respect of an insurance claim following a chemical spill at Elmer Water Treatment works in 2017.

10. Ultimate parent company and parent undertaking of larger group of which the Company is a member.

The Company's parent company is SESW Holding Company Limited, whose registered office is 66-74 London Road, Redhill, Surrey, RH1 1LJ. The ultimate parent company and the largest group in which the results of the Company are consolidated is Sumisho Osaka Gas Water UK Limited whose consolidated accounts are available at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ.

The Company is also consolidated within East Surrey Holdings Group, the consolidated financial statements are prepared in accordance with IFRS and are available to the public at 66-74 London Road, Redhill, Surrey, RH1 1LJ.