Registered number: 537456915 (England & Wales)

Thames Water Utilities Limited

Interim report and financial statements

For the six month period ended 30 September 2020

Contents

Chairman's report

Introduction

Thames Water Utilities Limited ("the Company") is a private limited company incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB.

The Company's principal activity is that of an appointed water and wastewater services provider, including acting as a retailer for household customers in London, the Thames Valley and surrounding area in accordance with its licence of appointment. The Company is also an intermediate holding company within the Kemble Water Holdings Limited Group of companies ("the Group").

This report comprises a business and financial overview of Thames Water Utilities Limited for the six month period ended 30 September 2020 and constitutes unaudited key financial data and narrative review of performance over this period.

The Company is party to various financing agreements which require the Company to prepare unaudited financial statements. This interim report has been prepared to meet these requirements.

Principal risks and uncertainties

Following review, our principal risks, as disclosed in our 2019/20 Combined Report, remain largely unchanged. However, the risk landscape remains challenging due to the impacts of Covid-19 and continued uncertainty around our withdrawal from the EU.("Brexit").

Covid-19 has presented huge challenges. We are unclear on the sustained impact of unemployment and the general economic conditions. There has been increased pressure on our financial position, due to lower cash and debt collection and reduced non-household revenue arising from lower consumption. Our supply chain has been impacted by the reduced availability of chemicals used in water treatment - an industry-wide concern. As with all companies, the pandemic has created new cyber security threats, not least due to the large volume of people working from home, whose mental and physical wellbeing we are focused on.

As the UK Government completes the final stages of negotiating Brexit, the potential for a deterioration in the political and regulatory environment over the next 12 months is heightened. In order to provide an uninterrupted service to our customers, we continue to identify and manage Brexit related exposures on our principal risks over the short, medium and long-term. In the short-term we are focusing on our supply chain, particularly securing key chemicals, which remains our primary concern, fuel and critical spares, as well as our ability to attract and retain talented and capable people both directly and through the supply chain.

The potential medium and long-term consequences of Covid-19 and Brexit will form part of our financial viability assessment and inform the outlook of our principal risks and uncertainties in our full year reporting.

Going Concern

The Directors assessment of the going concern basis including the factors considered, analysis performed and conclusions are outlined below.

The Company is the monopoly provider of the public water supply and wastewater treatment to areas including most of London and the Thames Valley. The regulatory regime in England and Wales provides water companies with stable and predictable revenues over an AMP. The framework ensures protection against reduced revenues arising from lower consumption and the regulatory recovery mechanisms ensure that the economic value impact is generally immaterial. In addition, the impact of Covid-19 on the Company's ability to provide essential water and wastewater services has been mitigated through the Government's recognition that these services are essential and the Company's quick response to enable effective working practices in the challenging operational environment.

The Company's liquidity position and cashflow projections are closely monitored and updated regularly. Mitigating measures are also continually reviewed and actioned where appropriate. The potential impact of Covid-19 on the Company's financial performance has been assessed with a particular focus on operational cashflows and capital expenditure. Lower cash receipts are expected mainly due to deferred payments and increases in bad debt from household customers and lower billable volumes in the non-household sector due to reduced consumption.

Various scenarios have been assessed, all of which show the Company having significant liquidity headroom. A severe but plausible downside case has been developed which assumes a prolonged period of lockdown due to Covid-19 in excess of the lockdown measures announced by the UK Government on 31 October 2020. In this scenario, operational cashflows would be temporarily lower in 2020/21, resulting in a Trigger Event, but would recover in subsequent years. Despite this being an undesirable outcome, the Company has material headroom against the Event of Default threshold, as such this does not impact the going concern assumption for the reasons outlined below.

The main consequences of a Trigger Event include, but are not limited to, a cash lockup and a prohibition from incurring additional debt other than utilisations from the existing bank facilities. The Directors do not consider this scenario to cause a material uncertainty with regards to the going concern assumption. The Trigger Event is a feature of the Company's Whole Business Securitisation ("WBS") structure and acts as an early warning sign that is structured to provide additional creditor protections. It is designed to maintain the Company's creditworthiness as such, it does not affect the Company's continued access to its significant existing bank facilities nor would it disrupt the Company's ability to trade. The cash lockup preserves the value of the Company which is in the interest of creditors and customers. Whilst prohibited from accessing new funding, the Company has significant bank facilities which are sufficient to fund its programme and meet its obligations for the duration of the Trigger Event.

However, various remedial actions have been identified and could be implemented to avoid / reduce the occurrence of a Trigger Event if such a scenario were to materialise.

Chairman's Report (continued)

Basis of preparation (continued)

Conclusion

Taking into consideration the above factors, the Board is satisfied that the Company has adequate resources, for a period of at least 12 months from the date of approval of the condensed financial statements, to continue operations and discharge its obligations as they fall due. For this reason, the Board considers it appropriate to adopt the going concern basis in preparing the financial statements.

Brandon Rennet
Chief Financial Officer
30 November 2020

Condensed income statement

For the six month period ended

	30 September 2020			Restated[1] 30 September 2019		
	Underlying £m	**BTL £m**	**Total £m**	Underlying £m	BTL £m	Total £m
Revenue	**996.0**	**35.9**	**1,031.9**	1,065.3	31.2	1,096.5
Operating expenses excluding impairment losses on financial and contract assets	**(829.8)**	**-**	**(829.8)**	(785.9)	-	(785.9)
Impairment losses on financial and contract assets	**(11.1)**	**-**	**(11.1)**	(13.4)	(0.1)	(13.5)
Total operating expenses[2]	**(840.9)**	**-**	**(840.9)**	(799.3)	(0.1)	(799.4)
Other operating income	**31.6**	**-**	**31.6**	43.8	-	43.8
Operating profit	**186.7**	**35.9**	**222.6**	309.8	31.1	340.9
Finance income	**74.4**	**-**	**74.4**	14.9	-	14.9
Finance expense	**(207.1)**	**-**	**(207.1)**	(221.6)	-	(221.6)
Net loss on financial instruments	**(232.2)**	**-**	**(232.2)**	(110.4)	-	(110.4)
(Loss)/profit on ordinary activities before axation	**(178.2)**	**35.9**	**(142.3)**	(7.3)	31.1	23.8
Tax credit/(charge) on (loss)/profit on ordinary activities	**33.4**	**(6.8)**	**26.6**	3.8	(1.9)	1.9
(Loss)/profit for the period	**(144.8)**	**29.1**	**(115.7)**	(3.5)	29.2	25.7

Condensed statement of other comprehensive income

For the six month period ended

	30 September 2020			Restated[1] 30 September 2019		
	Underlying £m	**BTL £m**	**Total £m**	Underlying £m	BTL £m	Total £m
(Loss)/profit for the period	**(144.8)**	**29.1**	**(115.7)**	(3.5)	29.2	25.7
Other comprehensive income						
Will not be reclassified to the income statement:						
Net actuarial loss on pension schemes	**(353.7)**	**-**	**(353.7)**	(48.1)	-	(48.1)
Deferred tax on net actuarial loss	**81.0**	**-**	**81.0**	9.8	-	9.8
May be reclassified to the income statement:						
Loss on cash flow hedges	**-**	**-**	**-**	(4.1)	-	(4.1)
Cash flow hedges transferred to income statement	**18.8**	**-**	**18.8**	15.9	-	15.9
Deferred tax charge on cash flow hedges	**(3.5)**	**-**	**(3.5)**	(2.0)	-	(2.0)
Other comprehensive expense for the period	**(257.4)**	**-**	**(257.4)**	(28.5)	-	(28.5)
Total comprehensive (expense)/income for the period	**(402.2)**	**29.1**	**(373.1)**	(32.0)	29.2	(2.8)

The Company's activities underpinning the results above are derived from continuing activities.

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required by some of our financial covenants.

[1] The prior period results have been restated due to the recognition of a provision for property dilapidations and the capitalisation of leakage detection costs.

[2] Underlying operating expenses for the six months ended 30 September 2020 includes £8.2 million (30 September 2019: £16.4 million) of costs that are considered to be exceptional. A summary of exceptional costs is included within note 1.

Condensed statement of financial position

As at

	30 September 2020			31 March 2020		
	Underlying £m	**BTL £m**	**Total £m**	Underlying £m	BTL £m	Total £m
Non-current assets						
Intangible assets	**267.4**	**-**	**267.4**	273.4	-	273.4
Property, plant and equipment	**16,061.3**	**-**	**16,061.3**	15,862.8	-	15,862.8
Investment in subsidiaries	**207.7**	**-**	**207.7**	207.7	-	207.7
Right of use asset	**45.3**	**-**	**45.3**	52.3	-	52.3
Derivative financial assets	**253.8**	**-**	**253.8**	236.9	-	236.9
Intercompany loan receivables	**1,999.7**	**-**	**1,999.7**	2,052.2	-	2,052.2
Trade and other receivables	**55.4**	**195.9**	**251.3**	72.4	159.0	231.4
Pension asset	**9.0**	**-**	**9.0**	94.5	-	94.5
	18,899.6	**195.9**	**19,095.5**	18,852.2	159.0	19,011.2
Current assets						
Inventories and current intangible assets	**14.7**	**-**	**14.7**	13.6	-	13.6
Intercompany loan receivables	**22.5**	**-**	**22.5**	38.0	-	38.0
Contract assets	**224.4**	**1.0**	**225.4**	234.9	1.5	236.4
Trade and other receivables	**791.9**	**22.9**	**814.8**	356.0	11.6	367.6
Short-term investments	**-**	**-**	**-**	300.0	-	300.0
Cash and cash equivalents	**484.2**	**13.5**	**497.7**	753.2	2.6	755.8
	1,537.7	**37.4**	**1,575.1**	1,695.7	15.7	1,711.4
Current liabilities						
Contract liabilities	**(513.7)**	**(10.9)**	**(524.6)**	(123.8)	(0.3)	(124.1)
Trade and other payables	**(593.8)**	**(35.3)**	**(629.1)**	(666.1)	(16.4)	(682.5)
Borrowings	**(1,452.5)**	**-**	**(1,452.5)**	(1,880.0)	-	(1,880.0)
Lease liabilities	**(7.5)**	**-**	**(7.5)**	(7.9)	-	(7.9)
Derivative financial liabilities	**-**	**-**	**-**	-	-	-
	(2,567.5)	**(46.2)**	**(2,567.5)**	(2,677.8)	(16.7)	(2,694.5)
Net current liabilities	**(1,029.8)**	**(8.8)**	**(1,038.6)**	(982.1)	(1.0)	(983.1)
Non-current liabilities						
Contract liabilities	**(726.0)**	**-**	**(726.0)**	(707.3)	-	(707.3)
Lease liabilities	**(56.5)**	**-**	**(56.5)**	(62.5)	-	(62.5)
Borrowings	**(11,654.0)**	**-**	**(11,654.0)**	(11,626.6)	-	(11,626.6)
Derivative financial liabilities	**(923.9)**	**-**	**(923.9)**	(702.6)	-	(702.6)
Deferred tax liability	**(1,013.9)**	**-**	**(1,013.9)**	(1,119.2)	-	(1,119.2)
Provisions for liabilities and charges	**(144.1)**	**-**	**(144.1)**	(144.3)	-	(144.3)
Pension deficit	**(455.1)**	**-**	**(455.1)**	(209.1)	-	(209.1)
	(14,973.5)	**-**	**(14,973.5)**	(14,571.6)	-	(14,571.6)
Net (liabilities)/assets	**2,896.3**	**187.1**	**3,083.4**	3,298.5	158.0	3,456.5
Equity						
Called up share capital	**29.0**	**-**	**29.0**	29.0	-	29.0
Share premium	**100.0**	**-**	**100.0**	100.0	-	100.0
Cash flow hedge reserve	**(74.8)**	**-**	**(74.8)**	(90.1)	-	(90.1)
Revaluation reserve	**918.7**	**-**	**918.7**	934.3	-	934.3
Retained earnings	**1,923.4**	**187.1**	**2,110.5**	2,325.3	158.0	2,483.3
Total equity	**2,896.3**	**187.1**	**3,083.4**	3,298.5	158.0	3,456.5

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised amounts in the Statement of Financial Position in relation to the arrangement with BTL and have disclosed our underlying amounts separately as required by some of our financial covenants.

Condensed statement of changes in equity

For the six month period ended 30 September 2020

	Called up Share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings £m	**Total equity £m**
1 April 2019	29.0	100.0	(117.9)	989.3	2,199.3	**3,199.7**
Restated profit for the period[1]	-	-	-	-	25.7	**25.7**
Loss on cash flow hedge	-	-	(4.1)	-	-	**(4.1)**
Cash flow hedges transferred to income statement	-	-	15.9	-	-	**15.9**
Deferred tax charge on cash flow hedge	-	-	(2.0)	-	-	**(2.0)**
Actuarial loss on pension scheme	-	-	-	-	(48.1)	**(48.1)**
Deferred tax credit on actuarial gain	-	-	-	-	9.8	**9.8**
Total comprehensive income	-	-	9.8	-	(12.6)	**(2.8)**
Transfer of depreciation[2]	-	-	-	(19.2)	19.2	**-**
Deferred tax on depreciation transfer[2]	-	-	-	3.2	(3.2)	**-**
Dividends paid	-	-	-	-	(28.0)	**(28.0)**
Restated 30 September 2019	29.0	100.0	(108.1)	973.3	2,174.7	**3,168.9**
1 April 2019	29.0	100.0	(117.9)	989.3	2,199.3	**3,199.7**
Profit for the period	-	-	-	-	146.8	**146.8**
Loss on cash flow hedge	-	-	(4.1)	-	-	**(4.1)**
Cash flow hedges transferred to income statement	-	-	34.9	-	-	**34.9**
Deferred tax charge on cash flow hedge gain	-	-	(3.0)	-	-	**(3.0)**
Actuarial gain on pension scheme	-	-	-	-	168.4	**168.4**
Deferred tax charge on net actuarial gain including impact of deferred tax rate change	-	-	-	-	(29.7)	**(29.7)**
Total comprehensive income	**-**	**-**	**27.8**	**-**	**285.5**	**313.3**
Transfer of depreciation[1]	-	-	-	(38.4)	38.4	**-**
Deferred tax on depreciation transfer[1]	-	-	-	(16.6)	16.6	**-**
Dividends paid	-	-	-	-	(56.5)	**(56.5)**
31 March 2020	29.0	100.0	(90.1)	934.3	2,483.3	**3,456.5**
Loss for the period	-	-	-	-	(115.7)	**(115.7)**
Cash flow hedge transfer to the income statement	-	-	18.8	-	-	**18.8**
Deferred tax charge on cash flow hedge	-	-	(3.5)	-	-	**(3.5)**
Actuarial loss on pension scheme	-	-	-	-	(353.7)	**(353.7)**
Deferred tax credit on net actuarial loss	-	-	-	-	81.0	**81.0**
Total comprehensive income	**-**	**-**	**15.3**	**-**	**(388.4)**	**(373.1)**
Transfer of depreciation[1]	-	-	-	(19.2)	19.2	**-**
Deferred tax on depreciation transfer[1]	-	-	-	3.6	(3.6)	**-**
30 September 2020	29.0	100.0	(74.8)	918.7	2,110.5	**3,083.4**

[1] The prior period results have been restated due to the recognition of a provision for property dilapidations and the capitalisation of leakage detection costs.

[2] The movement between the revaluation reserve and retained earnings arising from the depreciation and associated deferred tax in the fair value uplift on assets.

Condensed statement of cash flows

For the six month period ended	30 September 2020			Restated[1] 30 September 2019		
	Underlying £m	**BTL £m**	**Total £m**	Underlying £m	BTL £m	Total £m
Operating activities:						
(Loss)/profit for the period	**(144.8)**	**29.1**	**(115.7)**	(3.5)	29.2	25.7
Less finance income	**(74.4)**	**-**	**(74.4)**	(14.9)	-	(14.9)
Add finance expense	**205.4**	**-**	**205.4**	219.3	-	219.3
Add interest expense on lease liabilities	**1.7**	**-**	**1.7**	2.3	-	2.3
Add net loss on financial instruments	**232.2**	**-**	**232.2**	110.4	-	110.4
(Less)/add taxation on (loss)/profit on ordinary activities	**(33.4)**	**6.8**	**(26.6)**	(3.8)	1.9	(1.9)
Operating profit	**186.7**	**35.9**	**222.6**	309.8	31.1	340.9
Depreciation on property, plant and equipment	**279.7**	**-**	**279.7**	267.6	-	267.6
Depreciation on right of use asset	**5.6**	**-**	**5.6**	4.0	-	4.0
Amortisation of intangible assets	**26.3**	**-**	**26.3**	13.1	-	13.1
Loss on sale of property, plant and equipment	**0.3**	**-**	**0.3**	0.4	-	0.4
Difference between pension charge and cash contribution	**(23.2)**	**-**	**(23.2)**	(20.4)	-	(20.4)
(Increase)/decrease in inventory	**(1.1)**	**-**	**(1.1)**	2.8	-	2.8
Increase in trade and other receivables	**(419.0)**	**(48.2)**	**(467.2)**	(424.7)	(40.9)	(465.6)
Decrease/(increase) in contract assets	**10.5**	**0.5**	**11.0**	(17.2)	(0.1)	(17.3)
(Decrease)/increase in trade and other payables	**(62.2)**	**12.1**	**(50.1)**	(78.3)	(1.0)	(79.3)
Increase in contract liabilities	**408.6**	**10.6**	**419.2**	446.2	10.1	456.3
(Decrease)/increase in provisions	**(0.2)**	**-**	**(0.2)**	11.7	-	11.7
Net cash generated by operating activities	**412.0**	**10.9**	**422.9**	515.0	(0.8)	514.2
Investing activities:						
Interest received	**62.7**	**-**	**62.7**	39.2	-	39.2
Decrease in current asset investments	**300.0**	**-**	**300.0**	-	-	-
Purchase of property, plant and equipment[2]	**(484.3)**	**-**	**(484.3)**	(586.1)	-	(586.1)
Purchase of intangible assets	**(20.3)**	**-**	**(20.3)**	(21.4)	-	(21.4)
Repayments of loans by parent company	**58.8**	**-**	**58.8**	222.5	-	222.5
Net cash used in investing activities	**(83.1)**	**-**	**(83.1)**	(345.8)	-	(345.8)
Financing activities:						
New loans raised	**750.2**	**-**	**750.2**	789.1	-	789.1
Repayment of borrowings	**(1,138.3)**	**-**	**(1,138.3)**	(641.8)	-	(641.8)
Repayment of lease principal	**(6.6)**	**-**	**(6.6)**	(5.5)	-	(5.5)
Interest paid	**(198.3)**	**-**	**(198.3)**	(172.3)	-	(172.3)
Fees paid	**(4.9)**		**(4.9)**	(3.7)		(3.7)
Dividends paid	**-**	**-**	**-**	(28.0)	-	(28.0)
Net cash used in financing activities	**(597.9)**	**-**	**(597.9)**	(62.2)	-	(62.2)
Net increase/(decrease) in cash and cash equivalents	**(269.0)**	**10.9**	**(258.1)**	107.0	(0.8)	106.2
Net cash and cash equivalents at beginning of period	**753.2**	**2.6**	**755.8**	152.0	7.6	159.6
Net cash and cash equivalents at end of period	**484.2**	**13.5**	**497.7**	259.0	6.8	265.8

[1] The prior period results have been restated due to the recognition of a provision for property dilapidations and the capitalisation of leakage detection costs.

[2] Borrowing costs of £33.9 million (30 September 2019: £53.8 million) relating to tangible assets that have been capitalised are included within "Purchase of property, plant and equipment" under investing activities. Borrowing costs of £nil (30 September 2019: £3.4 million) relating to intangible assets that have been capitalised are included within "Purchase of intangible assets" under investing activities.

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Included in the cashflow are amounts in relation to arrangement with BTL and therefore our underlying amounts are disclosed separately as required by some of our financial covenants.

Notes to the condensed company financial statements

1. Exceptional items

Exceptional items are those charges or credits, and their associated tax effects, that are considered unusual by nature and/or scale, the following costs are classified as exceptional for the six month period ended 30 September 2020.

For the six month period ended	30 September 2020 Underlying £m	30 September 2020 BTL £m	30 September 2020 Total £m	30 September 2019 Underlying £m	30 September 2019 BTL £m	30 September 2019 Total £m
Company reorganisation - severance	**0.2**	**-**	**0.2**	12.4	-	12.4
Associated programme management costs	**8.0**	**-**	**8.0**	4.0	-	4.0
Total net operating expenses	**8.2**	**-**	**8.2**	16.4	-	16.4

Exceptional costs for the period relate to transformation expenditure incurred as a result of the significant restructuring of the business that commenced in the previous financial year and continued into this financial year. These costs are considered to be exceptional in nature with significant expenditure incurred that is not in the ordinary course of business. The restructure of the business involved significant changes in the way that the Company operates and therefore this transformation expenditure is deemed exceptional by nature. The tax impact of exceptional items is an increase in the tax credit in the income statement of £1.6 million (2019: £2.8 million).

2. Restatements to the prior period

The restatements from prior periods were disclosed in full in our 2019/20 Combined Report. These restatements were not made in the 30 September 2019 interim financial accounts. Therefore, the income statement and the statement of cash flow for the six months to 30 September 2019 have been restated as shown below.

Dilapidations provision

Under IFRS 16 at the inception of the lease an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease should be included in the value of the right of use asset. The obligations for these costs are accounted for under IAS 37: *Provisions, Contingent Liabilities and Contingent Assets.* As part of the transition to IFRS 16, management identified that this liability had not been previously recognised. The liability has recognised an estimate of these costs within the right of use asset and a provision. The deferred tax rate in use at the time was 17%. This restatement has impacted the following items and associated disclosures:

	During 6 month period £m
Operating expenses (Note 3)	(0.8)
Income tax	0.2
Total	**(0.6)**

Deferred tax asset provided on dilapidation adjustments at 17% included within “Other restatements”.

Leakage Capitalisation

During the year management undertook a review of the classification of costs for leakage detection. It was identified that there were enablement costs being incurred to bring our water network assets to the location and condition necessary to serve our customers. These costs were previously classified as an operating expense. This is a broadening of the policy in line with IAS 8 and the leakage spend was capitalised as part of reassessing the methodology. This restatement has impacted the following items and associated disclosures:

	During 6 month period £m
Operating expenses (Note 3)	10.1
Income tax	(1.7)
Total	**8.4**

Deferred tax liability provided on leakage capitalisation adjustments at 17% included within “Other restatements”.

Notes to the condensed company financial statements (continued)

2. Restatements to the prior period (continued)

Reconciliation of consolidated profit and loss for the six month period ended 30 September 2019

	As previously stated			Restatements	**Restated**		
	Underlying £m	BTL £m	Total £m	Underlying £m	**Underlying £m**	**BTL £m**	**Total £m**
Revenue	1,065.3	31.2	1,096.5	-	**1,065.3**	**31.2**	**1,096.5**
Operating expenses excluding impairment losses on financial and contract assets	(795.2)	-	(795.2)	9.3	**(785.9)**	**-**	**(785.9)**
Impairment losses on financial and contract assets	(13.4)	(0.1)	(13.5)	-	**(13.4)**	**(0.1)**	**(13.5)**
Total operating expenses[1,2]	(808.6)	(0.1)	(808.7)	9.3	**(799.3)**	**(0.1)**	**(799.4)**
Other operating income	43.8	-	43.8	-	**43.8**	**-**	**43.8**
Operating profit	300.5	31.1	331.6	9.3	**309.8**	**31.1**	**340.9**
Finance income	14.9	-	14.9	-	**14.9**	**-**	**14.9**
Finance expense	(221.6)	-	(221.6)	-	**(221.6)**	**-**	**(221.6)**
Net (losses) / gains on financial instruments	(110.4)	-	(110.4)	-	**(110.4)**	**-**	**(110.4)**
(Loss)/profit on ordinary activities before taxation	(16.6)	31.1	14.5	9.3	**(7.3)**	**31.1**	**23.8**
Tax credit/(charge) on (loss)/profit on ordinary activities	5.3	(1.9)	3.4	(1.5)	**3.8**	**(1.9)**	**1.9**
(Loss)/profit for the period	(11.3)	29.2	17.9	7.8	**(3.5)**	**29.2**	**25.7**

Notes to the condensed company financial statements (continued)

2. Restatements to the prior period (continued)

Reconciliation of consolidated statement of cash flows as at 30 September 2019

	Previously stated			Restatements	**Restated**		
	Underlying	BTL	Total	Underlying	**Underlying**	**BTL**	**Total**
	£m	£m	£m	£m	**£m**	**£m**	**£m**
Operating activities:							
(Loss)/profit for the financial period	(11.3)	29.2	17.9	7.8	**(3.5)**	**29.2**	**25.7**
Less finance income	(14.9)	-	(14.9)	-	**(14.9)**	**-**	**(14.9)**
Add finance expense	219.3	-	219.3	-	**219.3**	**-**	**219.3**
Add interest expense on lease liabilities	2.3	-	2.3	-	**2.3**	**-**	**2.3**
Add net loss on financial instruments	110.4	-	110.4	-	**110.4**	**-**	**110.4**
(Less)/add taxation on (loss)/profit on ordinary activities	(5.3)	1.9	(3.4)	1.5	**(3.8)**	**1.9**	**(1.9)**
Operating profit	300.5	31.1	331.6	9.3	**309.8**	**31.1**	**340.9**
Depreciation on property, plant and equipment	267.5	-	267.5	0.1	**267.6**	**-**	**267.6**
Depreciation on right of use asset	3.7	-	3.7	0.3	**4.0**	**-**	**4.0**
Amortisation of intangible assets	13.1	-	13.1	-	**13.1**	**-**	**13.1**
Loss on sale of property, plant and equipment	0.4	-	0.4	-	**0.4**	**-**	**0.4**
Difference between pension charge and cash contribution	(20.4)	-	(20.4)	-	**(20.4)**	**-**	**(20.4)**
Decrease in inventory	2.8	-	2.8	-	**2.8**	**-**	**2.8**
Increase in trade and other receivables	(424.7)	(40.9)	(465.6)	-	**(424.7)**	**(40.9)**	**(465.6)**
Increase in contract assets	(17.2)	(0.1)	(17.3)	-	**(17.2)**	**(0.1)**	**(17.3)**
Decrease in trade and other payables	(78.3)	(1.0)	(79.3)	-	**(78.3)**	**(1.0)**	**(79.3)**
Increase in contract liabilities	446.2	10.1	456.3	-	**446.2**	**10.1**	**456.3**
Increase in provisions	11.2	-	11.2	0.5	**11.7**	**-**	**11.7**
Net cash generated by operating activities	504.8	(0.8)	504.0	10.2	**515.0**	**(0.8)**	**514.2**
Investing activities:							
Interest received	39.2	-	39.2	-	**39.2**	**-**	**39.2**
Decrease in current asset investments	-	-	-	-	**-**	**-**	**-**
Purchase of property, plant and equipment	(575.9)	-	(575.9)	(10.2)	**(586.1)**	**-**	**(586.1)**
Purchase of intangible assets	(21.4)	-	(21.4)	-	**(21.4)**	**-**	**(21.4)**
Repayments of loans by parent company	222.5	-	222.5	-	**222.5**	**-**	**222.5**
Net cash used in investing activities	(335.6)	-	(335.6)	(10.2)	**(345.8)**	**-**	**(345.8)**
Financing activities:							
New loans raised	789.1	-	789.1	-	**789.1**	**-**	**789.1**
Repayment of borrowings	(641.8)	-	(641.8)	-	**(641.8)**	**-**	**(641.8)**
Repayment of lease principal	(5.5)	-	(5.5)	-	**(5.5)**	**-**	**(5.5)**
Interest paid	(172.3)	-	(172.3)	-	**(172.3)**	**-**	**(172.3)**
Fees paid	(3.7)		(3.7)	-	**(3.7)**		**(3.7)**
Dividends paid	(28.0)	-	(28.0)	-	**(28.0)**	**-**	**(28.0)**
Net cash used in financing activities	(62.2)	-	(62.2)	-	**(62.2)**	**-**	**(62.2)**
Net increase/(decrease) in cash and cash equivalents	107.0	(0.8)	106.2	-	**107.0**	**(0.8)**	**106.2**
Net cash and cash equivalents at beginning of period	152.0	7.6	159.6	-	**152.0**	**7.6**	**159.6**
Net cash and cash equivalents at end of period	259.0	6.8	265.8	-	**259.0**	**6.8**	**265.8**