Thames Water

Our interim report 2020/21

Delivering life's essential service, so our customers, communities and the environment can thrive

We’re living our Purpose during challenging times

Delivering life’s essential service, so our customers, communities and the environment can thrive

Increasing our support for customers and communities during Covid-19

- Already donated £730,000 to our independent trust fund this year, which helps support customers with debt advice
- Supported over 33,000 extra customers through our social tariff, WaterHelp, giving customers 50% off their water bills
- Distributed £1.7 million in grants through our customer assistance fund to help our customers with water bill debt
- Introduced a brand-new flexible payment plan
- Kept Walthamstow Wetlands open and safe for customers during the national lockdown. Over 425,000 customers visited the urban escape between April and October, a 120% increase on the previous year

Looking after our colleagues and creating jobs

- Achieved our first month, with none of our over 6,700 employees needing to take a day off for a work-related injury or illness
- Scored 78% for employee engagement in our mid-year survey
- 758 new starters joined Thames during the first half of the year

Understanding the impact of Covid-19 on our performance

- Working with our regulators and stakeholders to understand the impact of Covid-19 on our plans and performance for the year as we prioritise the safety and wellbeing of our customers and colleagues as well as the delivery of our Purpose

A new CEO and supportive external shareholders

- Sarah Bentley started as our new, and first female, Chief Executive Officer
- No dividends for the first half of the year, showing our external shareholders’ continued support to put our customers first at this difficult time

We’ve started a new regulatory period with new performance measures and targets. The Key Performance Indicators (KPIs) outlined on the next page cover the themes we reported on in our Annual Report, however a number of changes in the specific measures for this new period mean that we’re unable to make a like-for-like comparison with last year for many of these KPIs. We have included our year end performance commitment targets for 2020/21 to show how we are performing this year so far. Written complaints isn’t a performance commitment, however it’s outlined as a KPI as it’s a very important focus for us. We know we need to make significant improvements. Further details can be found on the next page and on the strategic ambition pages in this report.

As a basis to make improvements in this new period and with our new CEO, we’re evaluating the KPIs that we will focus on for the rest of the regulatory period.
We will set these out in our Annual Report for 2020/21.

Some of our key performance indicators

Operational

Leakage

36.75 Ml/d

reduction in average leakage year-on-year

End of year target - 25.4 Ml/d reduction [1]

Reduction in serious injuries frequency

33% End of year target 20%

Interruptions to supply of more than three hours

59% reduction

30 September 2020: 3 minutes and 54 seconds per connected property: 30 September 2019: 9 minutes and 31 seconds [2]

End of year target - 6 minutes and 30 seconds

Water quality

compliance risk index

2.39 [3]

End of year target - 0.00
(currently behind target)

Total written complaints

19,523

Management target - 10,570

Compliance of water and sewage treatment works

with the Environment Agency's Environmental Protection Assessment (EPA) criteria

99.74% End of calendar year target – 100.00%

Generation of renewable energy

227GWh

End of year target - 493 GWh

Pollution incidents

21.62 pollutions

per 10,000km of sewers

End of calendar year target -
24.51 pollutions per 10,000km of sewers

Financial

£498.8 million

investment in assets

September 2019: £599.1 million

£1.03 billion

total revenue

September 2019: £1.10 billion

£229.5 million

underlying[4] loss after tax

September 2019 restated[5]: £35.0 million loss after tax

Baa2 (stable)

Moody's Corporate Family Rating

March 2020: Baa2 (stable)

BBB+ (negative)

Standard & Poor's Class A Rating

March 2020: BBB+ (negative)

£200.4 million

total loss after tax

September 2019 restated[5]: £5.8 million loss after tax

1 Against the baseline from which we will be assessed against in the new regulatory period. This performance puts us in a good position as we head into the more challenging winter months.

2 Against the baseline from which we will be assessed against in the new regulatory period. Last year, Ofwat's performance commitment measured supply interruptions of more than 4 hours. Since 30 September, we've experienced two significant bursts, which will impact our end of year performance

3 The Compliance Risk Index (CRI) illustrates the risk arising from treated water compliance failures

4 Underlying excludes the amounts relating to Bazalgette Tunnel Limited for the construction of the Thames Tideway Tunnel

5 Restated due to the recognition of a provision for property dilapidations and the capitalisation of leakage detection costs. See note 22.

Governing life's essential service during the pandemic

The Covid-19 pandemic is something we will all remember for a very long time. It's been a difficult and unpredictable year for many of our customers, colleagues, businesses and communities and as the situation evolves, we're prioritising what matters most to the people who are relying on us to deliver life's essential service, so they can thrive.

Many of our external shareholders are investing in Thames Water on behalf of pension funds representing key workers in Canada and the UK and they are very supportive of what we're doing to look after our customers and employees. With their support, no dividends have been paid for the first six months of the year, making it three and a half consecutive years without dividends to our external shareholders.

As a Board we've been working together with the Executive team and our regulators to understand and adapt to the impact of Covid-19 on our operations and the delivery of our 2020/21 performance targets. As with all companies, the pandemic has been affecting many of our risks. We're continuing to monitor and adjust to increasing pressures on our financial position, our people, our supply chain community and our cyber security measures, with so many of our people working from home.

With a rapidly changing situation and the need to evolve our ways of working to be able to continue providing our essential service, we increased our engagement as a Board and also with the business. At the beginning of the pandemic, we received daily updates from the Executive team about the safety and well-being of our key workers and the running of our operations, as we developed robust business continuity plans. We reduced the frequency to once a week as things began to settle.

A mix of virtual meetings and some with Board Directors present in the room has given us the opportunity to get together more regularly as a group and to increase our focus on the important issues. We've taken part in extra deep-dives since 1 April, covering wider challenges such as billing complaints and investment in our water business, and we're looking to adopt a mix of virtual and face-to-face meetings more permanently.

Our new Chief Executive Officer

On 1 September we were delighted to welcome our new, and first female, Chief Executive Officer, Sarah Bentley, to the company. Sarah joined us from Severn Trent, where she was responsible for customer service, network operations, digital and transformation. At that point, I returned to my role as Chairman of Thames Water Utilities Limited, from my temporary position as Interim Executive Chairman.

Also, during the first six months, Alistair Buchanan, one of our Independent Non-Executive Directors, stepped down from the Board. We're in the process of recruiting a replacement with a similar skillset, to make sure we have the right diversity of skills on the Thames Water Board.

Engaging with the front line

To give our colleagues on the front line and other teams across Thames the opportunity to have their voices heard by the Board, Ian Pearson, our Non-Executive Director Workforce Engagement Lead, has continued an extensive programme of engagement. Throughout the pandemic he has continued to meet and listen to many people from across the business using Microsoft Teams. Together with other members of our Board, he has continued to get a first-hand view of the challenges faced by our people in their day-to-day jobs and the passion and pride felt by so many colleagues across the business as we are led by our purpose.

I wanted to finish my statement with a big thank you to every one of our key workers. You have really gone above and beyond during this difficult time to deliver life's essential service, so our customers, communities and the environment can thrive.

Ian Marchant
Chairman

First impressions

Engagement: the key to success

Since joining Thames Water on 1 September, I've been immersing myself in this incredible business. Every day, I've been visiting our sites and contact centres, as well as meeting customers and stakeholders. That won't stop. I plan to keep working from the heart of our operations, taking a frontline-first approach and listening to our teams who are directly serving our customers.

I want us to be an open, collaborative and listening business. It's really important we keep talking with our customers, stakeholders and investors. I'm passionate about understanding everyone's views – they're so important to the way we shape our plans and help us to build on what's going well and to act where we need to improve. I know Thames Water's success is dependent on us all working brilliantly together.

Our Purpose and Covid-19

Earlier this year, our teams worked together to capture the essence of our business and why we do what we do. They developed our purpose "to deliver life's essential service, so our customers, communities and the environment can thrive" and it really captures the way we want to run Thames Water. At a time where Covid-19 has been front and centre of people's minds, our purpose has really come to life.

I am humbled by the dedication and service of colleagues across the sector. At Thames Water, our key workers have done a fantastic job, throughout the pandemic, to keep our customers in supply. They adapted quickly to the new ways of working to keep the taps flowing and the toilets flushing for our 15 million customers. We've continued to be innovative in our thinking during this difficult time. For example, we are working with Defra to test sewage for the presence of coronavirus, which could help to identify outbreaks in areas earlier. It's truly pioneering.

There's nothing more important than protecting our key workers and customers as we carry out our work and we've continued our 'zero compromise' approach. I'm delighted we achieved a record-breaking month in September, with no colleagues hurt or injured at work . We will continue our critical focus in this area.

"We have a great opportunity to be a force for good – helping and supporting our customers and communities. That's something I truly care about."

Sarah Bentley
Chief Executive Officer

Key areas of focus

Alongside our purpose, we have three strategic ambitions. These really resonate with the things I care most about and are part of the reason I joined Thames Water.

To deliver brilliant customer engagement

Getting this right is something I'm extremely passionate about and I've spent my career focused on two consistent themes – delivering amazing customer experience and embracing innovative technology.

I'm not alone in this passion for our customers. Our business is full of enthusiastic and dedicated people who truly care about the service our customers receive. Making sure our customers get the best possible service and experience from us every time really matters. We have a substantial journey ahead of us to achieve this ambition, and we won't rest until we've made significant improvements.

Earlier this year, we achieved an important milestone having successfully transferred all our household customers onto our new customer relationship management and billing (CRMB) platform. This will support us in making the improvements we're striving for. That said, we didn't come from a strong position in customer service and the pandemic hasn't helped. Restrictions had an impact on our resources, as well as our ability to carry out some of the training we had planned. In summary, the quality of our service is not where it needs to be, and we've struggled to respond to customers as quickly as we should. This is not acceptable, and our top priority is to put this right as quickly as we can. We're determined not to let our customers down and are working tirelessly to achieve this.

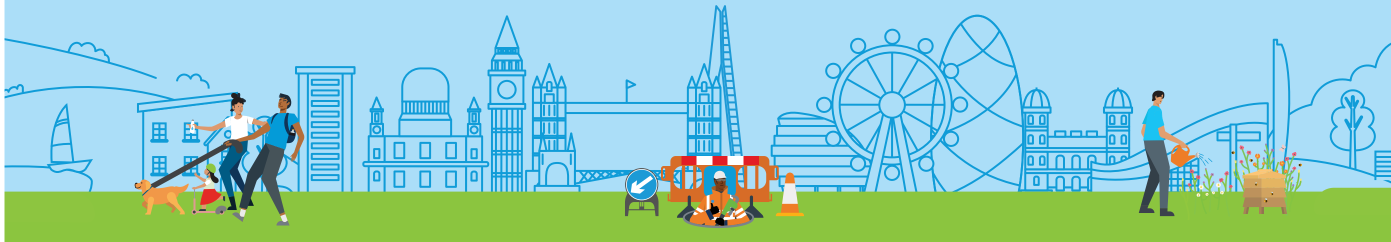
To begin the significant improvements we need in customer experience, we've recruited over 180 additional colleagues, and moved some of our critical teams back into the office to enable better collaboration to solve customers' issues. We've also restarted training on our new CRMB system, and we've made changes to our customer bills as part of our ambition to make things simpler for customers. Our key areas of focus are around getting the basics right, acting swiftly when incidents happen and keeping our customers informed. Towards the end of the first half of the year, we started to see some improvements but we're not where we want to be yet. We'll keep our focus on this area until we're delivering brilliant customer engagement for all.

Our Purpose

To deliver life's essential service, so our customers, communities and the environment can thrive

Our Strategic Ambitions

- To deliver brilliant customer engagement
- To invest in resilient systems and assets
- To generate public value



To invest in resilient systems and assets

The Victorians did an incredible job developing our sewage network and similarly we have the privilege to make a lasting difference for future generations. We have invested nearly a half a billion pounds so far this year, and are also launching an ambitious project to replumb London and parts of the Thames Valley.

Unfortunately, we were hit by particularly bad weather during October. Storms came with very heavy rainfall and the stark reality of our ageing infrastructure hit us again. We faced three high impact events in the space of a week, culminating in a major burst in Hackney Marshes which affected many of our customers.

We are really sorry to all of those customers impacted by the burst in Hackney and the other incidents. We know these situations are extremely difficult, especially in these challenging times, so it was particularly encouraging to receive some great feedback about our response. We are investing in resilient systems and assets to reduce incidents like this in future.

To generate public value

We have a great opportunity to be a force for good – helping and supporting our customers and communities. That's something I truly care about.

During the past few months, we've been supporting our customers in financially vulnerable circumstances, including donating £730,000 to our independent trust fund already this year. Our fund makes us the largest supporter of debt advice in our region and, sadly, we know debt support is going to be even more important to some as they feel the full effect of the pandemic.

Our added value goes beyond financial support. With a strong focus on wellbeing, we know that exercise and spending time close to nature are extremely important for a healthy mind and body. These have been particularly important this year. We're proud to have kept Walthamstow Wetlands open throughout the pandemic and to have opened many more nature reserves and fisheries since, to support local communities in getting access to open spaces.

I'm passionate about protecting the environment. Making sure we're looking after our natural resources plays a huge part in giving back to the communities we serve and leaving a lasting legacy.

Our rivers and chalk streams are a precious part of our natural environment and we must do everything we can to protect them. That means preventing any unnecessary sewage discharges into our rivers, which result in harmful pollutions for natural habitats. I know pollutions are a topic of great concern to many, including us at Thames Water and me personally. We have a duty to ensure we're keeping our rivers and waterways clean, so they can be enjoyed both now and in the future.

Alongside this, our long-term goal is to stop abstraction from our vulnerable chalk streams. Chalk streams are a breathtaking and invaluable part of our natural heritage and I'm absolutely committed to ensuring we play our part in restoring these iconic water bodies to their former glory. Restoring and protecting chalk streams requires a team effort and I look forward to working with all the different organisations and interest groups associated with these to deliver activities on the ground.

Working together

To close, I wanted to reinforce that I am passionate we deliver on our expectations and are a force for good in society. A critical part of our success is working together and engaging openly about what's going well and what's not. This applies right across Thames Water and with our customers, partners, other water companies, community groups, regulators, local and national government and investors to achieve our purpose.

I look forward to working with and meeting many of you soon.

Sarah Bentley
Chief Executive Officer

Performance against our strategic ambitions

To deliver brilliant customer engagement

Engaging our customers during Covid-19

In March 2020, we launched a campaign to tell the story of our key workers and why they'd still be seen out and about in communities during the national lockdown, while much of the nation was asked to 'stay at home'. Our key workers kept working around the clock in communities and at our sites to make sure our customers' taps kept flowing – every day we supply billions of litres of water to our customers and take away even more wastewater for treatment. With hand washing and good hygiene being so important to protect people from the virus, and hospitals and care homes relying on us for uninterrupted water supplies, the smooth running of our services was even more important.

Customers commented positively across social media, showing real engagement and support for our colleagues. There were thousands of comments with the majority thanking our key workers for their dedication during the pandemic, and we received positive feedback from our stakeholders. We shared our campaign with other water companies to pool resources. We also used the radio to broadcast our message, giving nearly 53.4 million opportunities to hear the advert, and reached around 8.5 million customers through social media adverts.

How we're getting on so far during 2020/21

Increasing resources to improve our challenging complaints performance

- The impact of the pandemic worsened our existing customer service issues as training on our brand-new customer relationship management and billing system was delayed and resourcing was affected by restrictions in South Africa, where some of our customer service teams are based. We're working hard to get back on track with the next stage of our plans to maximise the potential of our new CRMB system
- We have recruited over 180 new customer service agents in our Swindon and Reading offices between April and October 2020, to increase customer support, with all those new starters now trained on our new CRMB system
- After a difficult five months, we saw an improving trend in September, although we are still significantly behind where we want and need to be

Providing extra support for our customers

- Supported over 33,000 extra customers through our social tariff, WaterHelp, giving customers 50% off their water bills
- Increased the number of customers on our priority services register by 10% since 2019 - more than 83,000 are now on the register, which means we can help more people in vulnerable circumstances during emergencies
- Our customer assistance fund has distributed £1.7 million in grants to help our customers with water bill debt
- Over 5,000 customers have chosen our new flexible payment plan, which we introduced in April to support our customers struggling with their water bills as a result of Covid-19

Making things easier for customers

- Redesigned and enhanced parts of our website, such as the help and contact pages, as part of the site rebuild and replatform to make things easier for our customers

Improving the way we communicate with our customers during emergencies

- Launched a new way of coordinating and handling our communications to make sure our customers and stakeholders are kept up to date during emergencies.
- Expanded our internal customer support programme to increase the number of non-frontline staff available to provide extra help for our customers during emergencies

To deliver brilliant customer engagement

To invest in resilient systems and assets

Impact of Covid-19 pandemic

We have updated our plans to tackle the effects of Covid-19 related social-distancing and increased employee absence on important operational activities, such as repair and maintenance. It has been more difficult to fix leaks at customer properties, for example. Despite this, we have seen a positive start to the year achieving a 36.75 Ml/d reduction in average leakage, putting us in a good position as we head into winter. We are still on track to meet our end of year target.

Last year (2019/20) we did a significant amount of work to improve our understanding and targeting of leakage, including fixing an average of 1,400 leaks a week. This significant effort led to us hitting our leakage target for the first time in four years. We have however accepted a retrospective adjustment to the incentive calculation, and we note that Ofwat has made similar adjustments for other companies.

How we're getting on so far in 2020/21

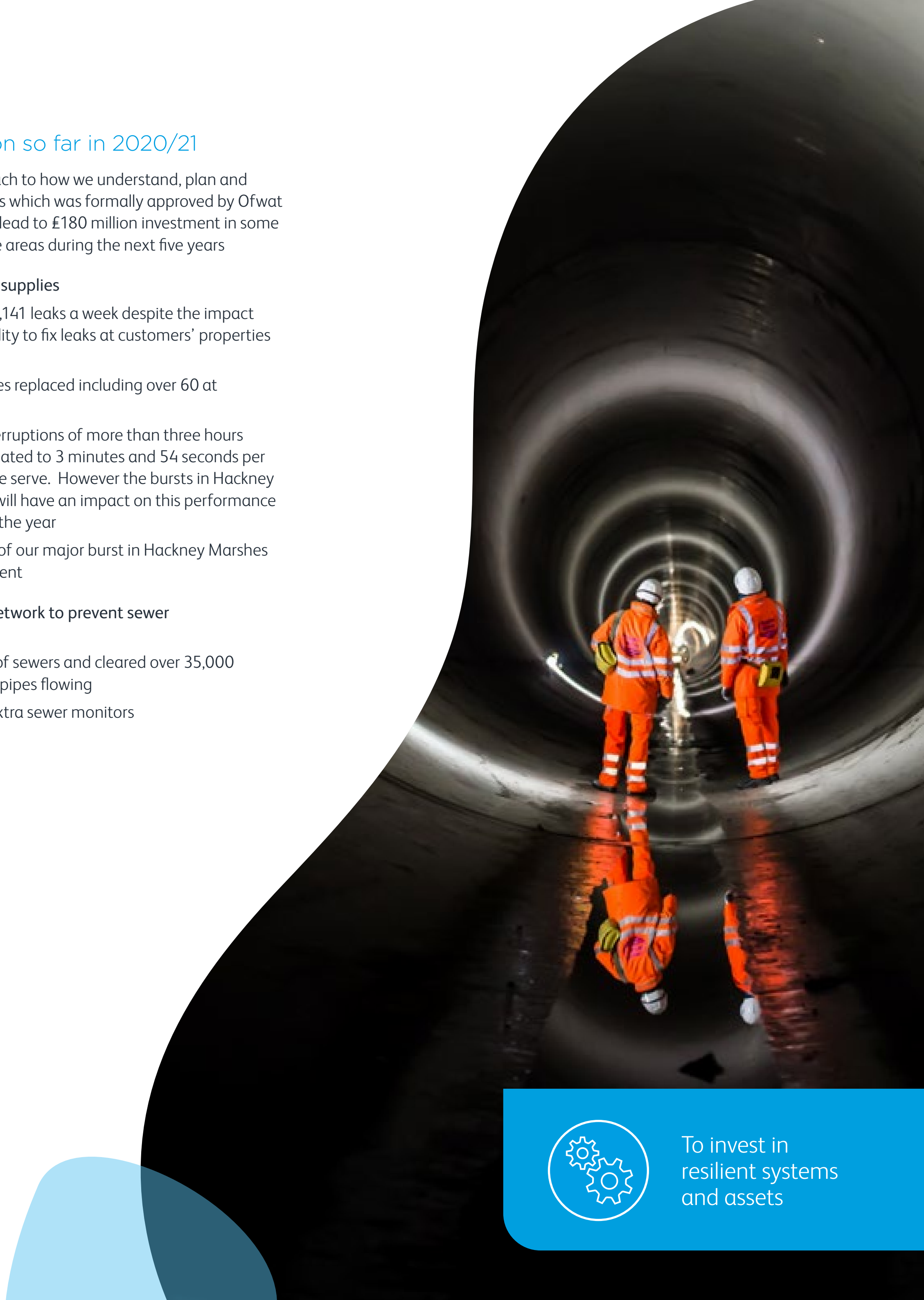
- Developed our approach to how we understand, plan and resolve resilience issues which was formally approved by Ofwat in August 2020. It will lead to £180 million investment in some of our most vulnerable areas during the next five years

Creating more reliable water supplies

- Fixing an average of 1,141 leaks a week despite the impact of Covid-19 on our ability to fix leaks at customers' properties and in communities
- Nearly 5,000 lead pipes replaced including over 60 at primary schools
- 59% fewer supply interruptions of more than three hours year on year. This equated to 3 minutes and 54 seconds per connected property we serve. However the bursts in Hackney Marshes and Fobney will have an impact on this performance for the second half of the year
- Started a full analysis of our major burst in Hackney Marshes to plan future investment

Improving our wastewater network to prevent sewer flooding and pollutions

- Cleaned over 600km of sewers and cleared over 35,000 blockages to keep our pipes flowing
- Installed over 1,600 extra sewer monitors



To invest in resilient systems and assets

To generate public value

How we're getting on so far in 2020/21

Environmental performance

- Worked hard to maintain our 3-star Environmental Performance Assessment rating, with 'better than target' performance for the security of our water supplies (security of supply index), self-reporting of pollution incidents, sewage discharge compliance and the delivery of our objectives under the National Environment Plan

Moving closer to net zero

- Produced less of our own energy than planned during the first six months of the year due to the impact of Covid-19. There was a 30% reduction in the amount of sewage sludge arriving at Beckton, our largest sewage treatment works, due to less tourism and people working in offices. There has been an increase in sewage flowing through smaller sewage treatment works, however they don't have the capacity to generate the electricity usually produced at Beckton
- Reduced our net operational emissions by almost 11% to 116.8ktCO_2e. This reduction is helping us move closer towards our goal of net zero carbon emissions from our operations by 2030, and then beyond by 2040

Supporting customers who need extra help

- Donated £730,000 to our Independent Trust Fund during the first six months, including personal donations made by senior management. The trust fund offers debt advice services and essential household items such as fridges to customers who can't afford to buy them

Looking after biodiversity on our sites

- Started new maintenance programmes to enhance biodiversity at over 250 of our operational sites and began mapping these sites using new drone technology

Sharing our sites with customers

- Welcomed over 425,000 visitors to Walthamstow Wetlands, Europe's largest urban wetlands, between April and October. With social distancing measures in place, we were able to keep the wetlands open at the height of the national lockdown, so local customers had a place to go to exercise outdoors. We saw a 120% increase in visitors compared to the same time last year. We also kept the wetlands open during the November lockdown.
- Many of our sites are now back open for customers to enjoy and were open during the November lockdown, with extra social distancing measures in place to protect visitors
- Retained our top five-star status after achieving 89 out of 100, our best-ever Global Real Estate Sustainability Benchmark for Infrastructure (GRESB) survey score

The delivery of our strategy is enabled by:

Our brilliant people

What we've been doing during 2020/21 to:

Making Thames a great and inclusive place to work

- Engaging our people with our purpose – to deliver life's essential service, so our customers, communities and the environment can thrive
- Ian Pearson, our Non-Executive Director Workforce Engagement Lead, together with other Non-Executive Directors, has continued to listen and talk to employees at all levels across the business, so feedback from the frontline can inform Board decision-making
- Embedding our values and new behaviours to make Thames a great place to work and to help performance management
- Improved engagement score following our mid-year employee survey with 78%, up from 64% in our January 2020 annual survey. Many scores improved and our employees also said they really valued the care and support they were receiving as part of our response to Covid-19
- Asked to share our best practice with member organisations for Women in Science and Engineering on intersectionality, which is how different aspects of a person's identity combine to create discrimination or privilege

Looking after the health, safety and well-being of our key workers and customers

- Achieved our first month since records began with zero of our over 6,700 employees needing to take a day off for a work-related injury or illness
- 11% reduction in lost-time injuries and a 41% reduction in work-related ill health
- Became a dementia-friendly organisation

Developing our people

- Launched a new learning platform which gives our people visibility of their learning and development and includes a new digital learning library with over 2,000 learning modules.

Looking after our key workers during the pandemic

Financial/job security

- None of our employees have been furloughed or made redundant due to Covid-19
- Continued to hire new people during the pandemic, with 758 new starters joining during the first six months of the year
- Colleagues who needed to take dependent leave or extended sick leave retained full pay for the period

Health, safety and wellbeing

- New Covid-19 safety measures have been put in place to protect everyone. These extra protocols mean it can take a bit longer to complete some of our work, but put the health and safety of our people and customers first
- When employees need to enter customers' properties, they've been provided with extra protective equipment to keep themselves and customers safe as they perform their roles on the front line
- Giving our people the right support and equipment to help them work from home

Keep talking

- Keeping our colleagues up to date with regular Covid-19 email updates, live broadcasts and a dedicated email advice line
- Sending out regular 'pulse' surveys to understand how our employees are feeling during the pandemic and how we can give them extra support
- Senior management meet regularly with Trade Unions to keep them informed and to use their input to help form our plans

Our digital transformation

Using technology to improve data collection so we can better understand our network and make more informed decisions

- Acoustic loggers have helped detect 31Ml/d of leakage
- Data from the over 400,000 smart meters, now installed across our region, has detected 9Ml/d of leakage since 1 April

Using new data interpretation tools

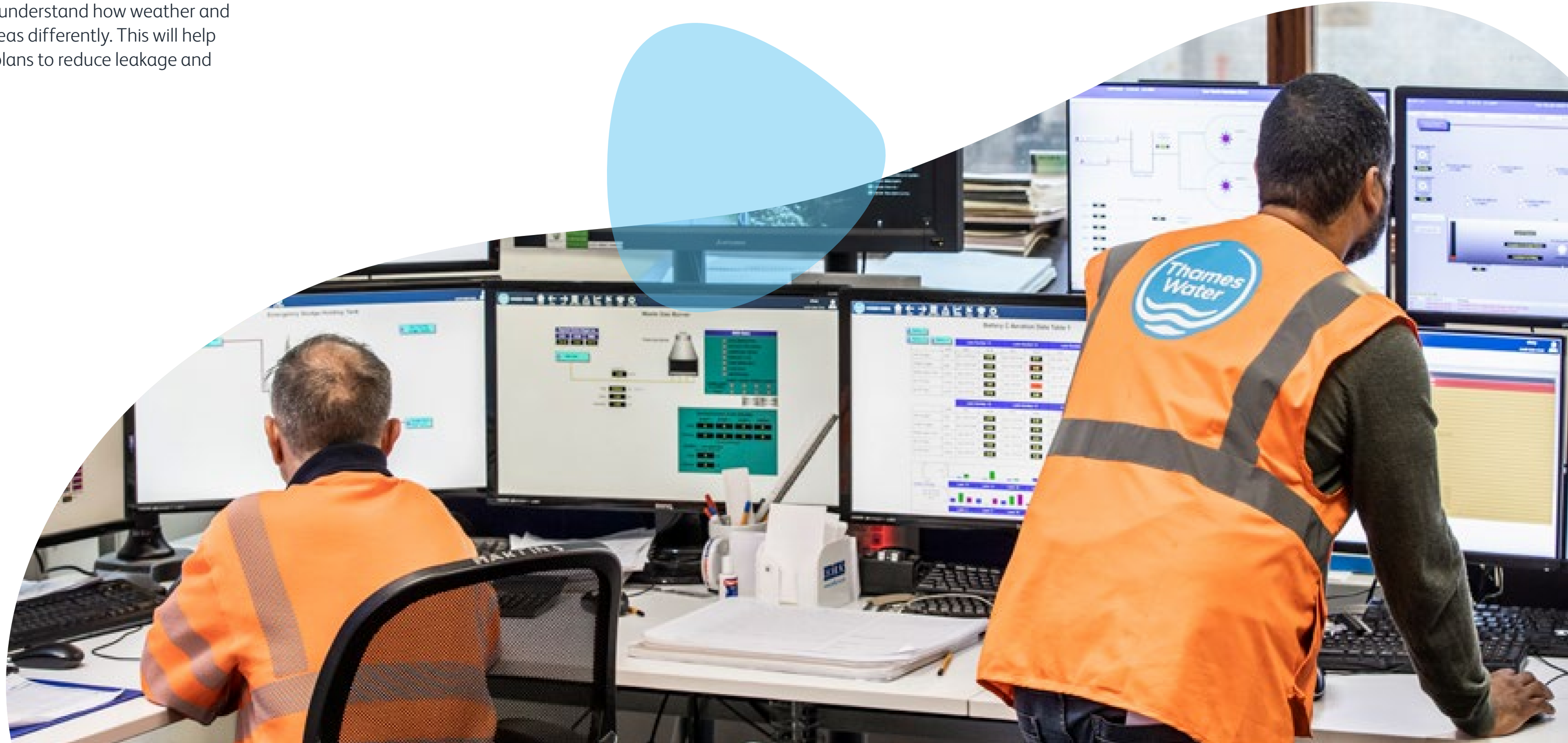
- Launched two new apps to help our leakage technicians find leaks in hotspot areas
- Our incident viewer tool showed us where the initial impact of our recent Hackney Marshes burst was, helping us narrow down the location of the damaged pipe
- Our supply and demand tools enabled us to identify areas of reduced water availability during the hotter summer months, allowing us to increase production and target our water efficiency communication campaigns in hotspot areas
- Started to create advanced maps or 'digital footprints' of the areas of our network, so we can understand how weather and operational conditions affect areas differently. This will help us create tailored, area specific plans to reduce leakage and prevent supply interruptions

With our new IT infrastructure improving stability, collaboration and stakeholder engagement

- The overhaul of our IT infrastructure in the last few years gave over 5,500 employees the capability to work from home during the Covid-19 lockdown and is improving engagement across the business
- Eight live, interactive broadcasts were run with employees on topics such as bringing our Purpose to life, our role as key workers during the pandemic and the introduction of our new Chief Executive Officer. Some sessions were attended by over 3,000 of our people
- Ran our first virtual stakeholder conference in July, attended by 167 of our stakeholders, as well as our first 'virtual' community sessions in July and September

Our drive towards efficiency

- Maintaining the momentum achieved in the previous 12 months in strengthening our cost-conscious culture, demonstrated by recurring efficiencies secured worth £26 million
- Executing major transformation programmes, using digital technology across our network and customer service businesses to improve operational service, productivity and commercial return
- Investment in our internal expertise to support our strategy of investing in resilient assets and systems, with targeted headcount growth to strengthen critical technical, engineering and commercial skills
- Continuous improvement of our operational service through initiatives that have increased our tankering capability and taken stock management processes in-house



Our financial review

Brandon Rennet
Chief Financial Officer

Like many businesses, we have had to adapt as quickly as we possibly could to the various challenges presented by Covid-19. As well as the impressive performance of front line colleagues, I have been struck by the resilience and adaptability of my own team and other normally office-based colleagues. They have demonstrated an unwavering commitment to delivering in the face of massive disruption and uncertainty. It has been especially pleasing to see the substantial incremental investment that we made in the foundations of our IT estate over the last few years and the collaborative tools that we recently introduced, being used to such good effect.

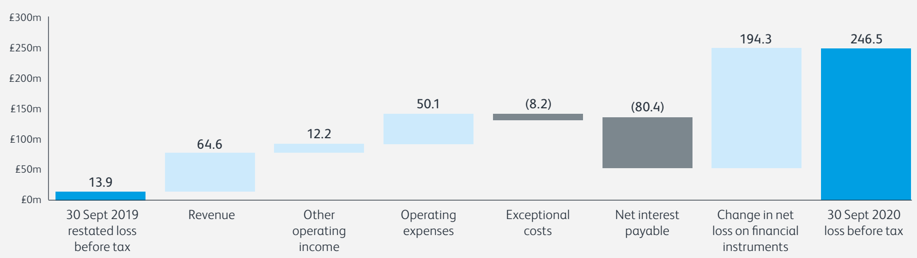
The challenges of this year have brought out the best in people in many ways, and it was really heartening to see just how quickly and effectively the water sector as a whole worked with our regulators in supporting the competitive retail market that was particularly hit by lower cash collections from business customers that were closed during lockdown. The combined impact of the pandemic on both the retail market and our household customers has, of course, reduced our own cash collections and placed additional pressure on our finances. In response to this, we have been very focused on managing our cost base, with good progress on our efficiency agenda that was already a high priority coming into this new regulatory period. While we have been striving to maintain our investment momentum, we have inevitably seen some delays with our capital programme and expect that overall investment to be materially lower than we had expected for this financial year.

We have maintained a regular and open dialogue with our investors during this period and have appreciated their attention and support as we have been working to address the financial challenges. Good progress in our funding activities has put us in a strong liquidity position which is important as we now enter the second wave of the pandemic. We have also been keeping in close and regular contact with our supply chain partners to understand the strains they are under and to identify where and how we can support them.

Six months ended	30 September 2020			30 September 2019[1]		
	Underlying	BTL	Total	Underlying	BTL	Total
Revenue (£m)	996.0	35.9	1,031.9	1,065.3	31.2	1,096.5
Operating expenses (£m)	(840.6)	-	(840.6)	(798.6)	(0.1)	(798.7)
Operating profit (£m)	187.0	35.9	222.9	310.5	31.1	341.6
Net (loss) on financial instruments (£m)	(355.8)	-	(355.8)	(161.5)	-	(161.5)
(Loss) before tax (£m)	(282.4)	35.9	(246.5)	(45.0)	31.1	(13.9)
(Loss) after tax (£m)	(229.5)	29.1	(200.4)	(35.0)	29.2	(5.8)
Capital expenditure including in tangibles (£m)	498.8	-	498.8	599.1	-	599.1
Net debt (statutory) (£m)	12,275.2	-	12,275.2	11,768.3	-	11,768.3
Dividends paid (£m)	-	-	-	28.0	-	28.0
Gearing (%)[2]	83.6	-	-	81.7	-	
Credit rating[3]	-	-	Baa2 stable	-	-	Baa1 negative

1 The prior year results have been restated due to the recording of a provision for property dilapidations and the capitalisation of leakage detection costs.
2 Ratio of covenant net debt to Regulatory Capital Value ("RCV")
3 Representing the consolidated Corporate Family Rating assigned by Moody's

A summary of the movement in our Loss Before Tax (LBT)



Overall performance

During the six months ended 30 September 2020, we made a total loss before tax of £246.5 million (30 September 2019 restated: loss before tax of £13.9 million). The loss arises principally from the £355.8 million fair value loss on financial instruments (30 September 2019: fair value loss of £161.5 million), which are used to reduce risk and manage our borrowing costs. The loss on financial instruments is non-cash and is driven by external market factors such as changes in the interest, inflation and foreign currency exchange rates that impact mark-to-market valuations.

The chart above summarises the movement in results before tax, split by recurring and exceptional activity. Exceptional items are those which are unusual in either nature or scale. Further information can be found under Accounting Policies and in note 3.

Overall, our operating profit position decreased by £118.7 million to £222.9 million, due to decreases in revenue and other operating income, as well as increases in operating expenditure.

Revenue

Underlying revenue for the six-month period ended 30 September 2020 has decreased by 6.5% to £996.0 million year-on-year. The decrease was driven by various factors which mainly included lower allowed revenue set by our regulator Ofwat in AMP7 (5 year regulatory period from 1 April 2020 to 31 March 2025) and the adverse impact of Covid-19 on the non-household market, with many business premises being empty during lockdown. Such decreases have been partly offset by an increase in household revenue, due to the combination of more people being at, and working from home during lockdown and warm weather.

Our bills for wastewater customers include amounts relating to the construction of the Thames Tideway Tunnel. As we collect the cash, it is passed over to Bazalgette Tunnel Limited ("BTL"), the independent company appointed to construct the tunnel - also known as Tideway. As this money is not retained by us, we exclude it from our underlying results. The annual amounts included in our bills are driven by the phasing of construction works. This is the primary reason for the increase in revenue related to BTL, from £31.2 million for the six months ended 30 September 2019 to £35.9 million for the six months ended 30 September 2020.

Operating expenses

Total operating expenses have increased by £41.9 million (5.2%) to £840.6 million (30 September 2019 restated: £798.7 million). The increase is due to:

- a £22.9 million increase in our rates costs, as we received a rebate in the prior period;
- a £15.1 million increase in our employment costs, arising from increased resources to improve our service to customers and pay rise for non-manager grades;
- a £27.0 million increase in depreciation and amortisation, as we continue with our significant investment programme; offset by
- a decrease in 'exceptional' costs of £8.2 million relating to a significant restructuring of the business that primarily occurred in the previous period; and
- a decrease of £14.9 million in other operating expenses as we insource more of the delivery of our capital programme leading to more of our costs being capitalised

Bad debt

Bad debt arises predominantly from those who choose not to pay their bill, despite being financially able to, as opposed to those who cannot pay. We offer a range of support for people in financially vulnerable circumstances. We're working hard to reduce bad debt and we've started to see the impact of a number of new initiatives implemented during the prior year.

In the six-month period ended 30 September 2020, we've seen an increase in our overall bad debt cost of £7.5 million to £34.9 million (30 September 2019: £27.4 million). The increase is primarily due to the impact of Covid-19 on our cash collections offset by the implementation of a number of initiatives to reduce the bad debt.

The bad debt charge is split between bad debt relating to current year bills of £23.8 million (30 September 2019: £13.9m), which is shown as a deduction in revenue, and bad debt relating to bills from prior years of £11.1 million (30 September 2019: £13.5 million), which is recognised within operating expenses.

Capital expenditure

During the six-month period, we invested a total of £498.8million (30 September 2019: £599.1 million) in our assets, across tangible and intangible assets. This investment is down on last year due to delays driven by Covid-19. Excluding capitalised borrowing costs of £33.9 million, we invested the following:

Segment	Above ground assets (£m)	Below ground assets (£m)	Total (£m)
Water (£m)	176.8	82.2	259.0
Waste (£m)	150.4	55.5	205.9
Total (£m)	327.2	137.7	464.9

Some examples of projects within the above capital expenditure include:

- £76.4 million on improving and replacing our water network;
- £16.7 million on our metering programme (Water); and
- £12.0 million connecting our network to the Thames Tideway Tunnel (Waste)

Dividends

During the six-month period ended 30 September 2020, no dividends were paid to Thames Water Utilities Holdings Limited, our immediate parent company. No distributions were made to external shareholders of the group. The external shareholders own shares in our ultimate parent company, Kemble Water Holdings Limited.

Credit ratings

Under the terms of our licence, we're required to maintain investment grade credit ratings, as assigned by external rating agencies. Maintaining investment grade ratings supports our ability to access efficiently priced debt across a range of markets to fund our investment programmes, whilst keeping bills affordable for our customers.

Following a challenging 2019 Price Review, the UK water sector has seen downward pressure on credit ratings over the last year.

In July 2020, Moody's completed its periodic review and re-affirmed their March 2020 assignment of Thames Water Utilities Limited's Corporate Family Rating ("CFR") as Baa2 with stable outlook (30 September 2019: Baa1 with negative outlook). Moody's also re-affirmed their March 2020 assignment of our senior secured (Class A) debt rating as Baa1 with stable outlook (30 September 2019: A3 with negative outlook) and subordinated (Class B) debt rating as Ba1 with stable outlook (30 September 2019: Baa3 with negative outlook).

In February 2020, S&P affirmed our credit rating of BBB+ and BBB- (2019: BBB+ and BBB-) in respect of our senior secured (Class A) debt and our subordinated (Class B) debt respectively, with negative outlook (2019: negative outlook).

Financing our investment

As we continue to invest in the business, our statutory net debt (as defined on page 30) has increased by £137.7 million to £12,275.2 million (31 March 2020: £12,137.5 million). This has been accompanied by an increase in the Regulatory Capital Value ("RCV") of £30.5 million to £14,759.8 million (31 March 2020: £14,729.3 million), meaning that overall gearing (on a covenant basis), as at 30 September 2020, was 83.6% (31 March 2020: 82.3%), below the mandated maximum of 95.0%.

The increase in gearing reflects a number of factors including an end of AMP adjustment to RCV (applied on 1 April 2020), partly offset by an £80 million cash injection into Thames Water Utilities Limited, funded from incremental debt at a holding company. The net downward adjustment on to RCV on 1 April 2020 was £193.3 million (based on 2017/18 CPIH deflated prices), with the largest component being a sector-wide RCV reduction relating to an inflation mismatch within the 2010 to 2015 regulatory period Capital Incentive Scheme. Due to the lower than expected outturn for inflation, gearing is higher than would otherwise have been the case. This is partly offset by lower accretion on RPI-linked debt and swaps, however there is a timing effect due to a lag in referenced RPI indices. Based on latest inflation forecasts and RCV growth, we currently forecast gearing to have reduced below 82.5% by the end of the financial year.

During the six months to 30 September 2020, £390m Class A Sterling bonds were issued by the Company's financing subsidiary Thames Water Utilities Finance Plc ("TWUF"). Since then a further £582.1 million equivalent Class A bonds have been issued by TWUF, consisting of £84.7 million, €500.0 million and $57.0 million bonds. This continues to demonstrate our ability to fund our business using diversified sources.

As part of our ongoing work on financial resilience, we have considered the potential impact of Covid-19 on the Group's ongoing financial performance with a particular focus on operating cashflows. As detailed in the Going Concern statement, whilst a severe but plausible downside could result in various restrictions under our Whole Business Securitisation financing arrangements, we currently have significant liquidity available to the Group, which is forecast to cover approximately two years of business and refinancing requirements.

Financial instruments

Our borrowings, revenue and totex ("total expenditure") are exposed to fluctuations in the external market such as changes in interest rates, inflation and foreign exchange rates. We manage these exposures by entering derivative contracts to hedge against future changes in these external rates.

We only use derivatives for risk management and both the debt and derivative contracts are generally held until maturity, so there is no cash impact due to market value changes.

We have approximately £9.1 billion of derivative financial instruments (face value). A total loss on financial instruments of £355.8 million was recognised in the income statement during the six-month period ended 30 September 2020 (30 September 2019: £161.5 million loss on financial instruments).

The loss has arisen primarily due to lower interest rate and higher inflation forecasts as well as the appreciation of GBP against USD, reducing the fair value asset of cross currency swaps.

Pensions

We run three pension schemes for our employees - two defined benefit schemes and one defined contribution scheme.

During the six-month period ended 30 September 2020, we contributed £7.1 million (30 September 2019: £6.6 million) to our defined contribution scheme.

In December 2019, we completed the triennial valuation dated 31 March 2019 for our two defined benefit pension schemes. Our defined benefit schemes' valuation has been updated to 30 September 2020 on our behalf by independent and professionally qualified consulting actuary, Hymans Robertson LLP.

The net deficit on our defined benefit schemes has increased by £331.5 million to £446.1 million as at 30 September 2020 (31 March 2020: £114.6 million), as a result of changes in actuarial assumptions. The increase in the deficit is mostly driven by a decrease in the discount rate for both schemes due to falls in corporate bond yields over the half-year due to the economic impact of Covid-19, resulting in an actuarial loss. This has been partly offset by the deficit reduction contributions paid by the company over the half-year. We are not unique in facing an increased net deficit, as other companies with large defined benefit pension schemes are similarly affected by the economic impact of Covid-19.

We've been taking measures to reduce the overall deficit by making regular contributions and deficit repair payments and, as part of the last triennial valuation dated 31 March 2019, a recovery plan was agreed with the trustees aimed at reducing the deficit to zero by 2027.

Taxation

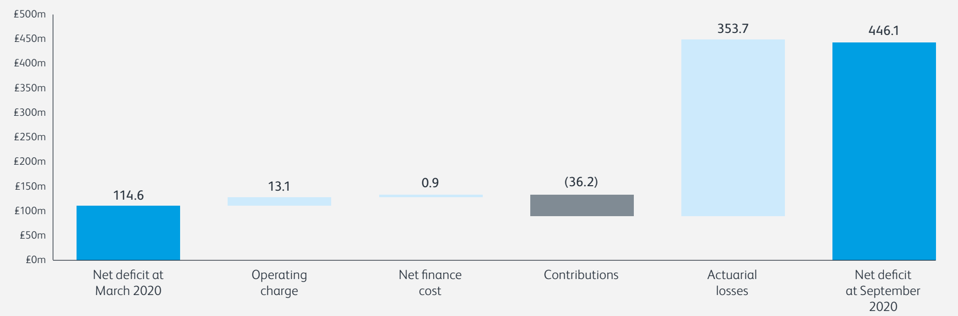
As we incurred an overall loss in the first six months of the year, we've recognised a tax credit of £46.1 million, comprising a current tax charge of £4.6 million and deferred tax credit of £50.7 million.

We incurred a current tax charge because we're utilising tax losses arising in our parent company for which we make payment. The deferred tax credit has arisen primarily as a result of accounting losses on derivatives, which are not deductible for tax purposes until the cash flows materialise.

It is our continued aim to be clear and transparent with our approach to tax – our tax strategy is available on our website, and we've included more tax information, in Our finances explained.

Brandon Rennet
Chief Financial Officer

A summary of the movement in the defined benefit pension schemes



Condensed consolidated financial statements

Statement of Directors' responsibilities in respect of the interim report and condensed consolidated financial statements

The Directors confirm that the interim report and condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union ("EU") and that the interim management report includes a fair review of the information required by the Disclosure Guidance and Transparency sourcebook ("DTR") 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of interim consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The above Statement of Directors' Responsibilities was approved by the Board of Directors on 30 November 2020 and signed on its behalf by:

Brandon Rennet
Chief Financial Officer

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Independent review report of Thames Water Utilities Limited

Report on the Condensed consolidated financial statements

Our conclusion

We have reviewed Thames Water Utilities Limited's Condensed consolidated interim financial statements (the "interim financial statements") in the Interim report 2020/21 of Thames Water Utilities Limited for the 6 month period ended 30 September 2020 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended;
- the accounting policies; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim report 2020/21 of Thames Water Utilities Limited have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in the accounting policies to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim report 2020/21, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim report 2020/21 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and the terms of its licence under the Water Industry Act 1991 which requires the company to report as if it had issued equity share capital listed on the London Stock Exchange.

Our responsibility is to express a conclusion on the interim financial statements in the Interim report 2020/21 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for the purpose of complying with the terms of its licence under the Water Industry Act 1991. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim report 2020/21 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
30 November 2020

Condensed consolidated income statement

For the six month period ended

	Note	30 September 2020 Underlying £m	30 September 2020 BTL £m	30 September 2020 Total £m	Restated[1] 30 September 2019 Underlying £m	Restated[1] 30 September 2019 BTL £m	Restated[1] 30 September 2019 Total £m
Revenue	2	**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	3	**(829.5)**	**-**	**(829.5)**	(785.2)	-	(785.2)
Impairment losses on financial and contract assets	3	**(11.1)**	**-**	**(11.1)**	(13.4)	(0.1)	(13.5)
Total operating expenses[2]		**(840.6)**	**-**	**(840.6)**	(798.6)	(0.1)	(798.7)
Other operating income	2	**31.6**	**-**	**31.6**	43.8	-	43.8
Operating profit		**187.0**	**35.9**	**222.9**	310.5	31.1	341.6
Finance income	4	**88.5**	**-**	**88.5**	18.1	-	18.1
Finance expense	4	**(202.1)**	**-**	**(202.1)**	(212.1)	-	(212.1)
Net loss on financial instruments	4	**(355.8)**	**-**	**(355.8)**	(161.5)	-	(161.5)
(Loss)/profit on ordinary activities before taxation		**(282.4)**	**35.9**	**(246.5)**	(45.0)	31.1	(13.9)
Tax credit/(charge) on (loss)/profit on ordinary activities	5	**52.9**	**(6.8)**	**46.1**	10.0	(1.9)	8.1
(Loss)/profit for the period		**(229.5)**	**29.1**	**(200.4)**	(35.0)	29.2	(5.8)

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, which are discussed on pages 24 to 25.

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 3.

The Group activities 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. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 23 to 25.

The accounting policies and notes on pages 23 to 36 are an integral part of these condensed interim consolidated financial statements. The accounting policies included within this interim report and consolidated financial statements should be read in conjunction with the accounting policies included in the Combined Report and Financial Statements of Thames Water Utilities Limited for the year ended 31 March 2020.

Condensed consolidated statement of other comprehensive income

For the six month period ended

	Note	30 September 2020 Underlying £m	30 September 2020 BTL £m	30 September 2020 Total £m	Restated[1] 30 September 2019 Underlying £m	Restated[1] 30 September 2019 BTL £m	Restated[1] 30 September 2019 Total £m
(Loss)/profit for the period		**(229.5)**	**29.1**	**(200.4)**	(35.0)	29.2	(5.8)
Other comprehensive income							
Will not be reclassified to the income statement:							
Net actuarial loss on pension schemes	16	**(353.7)**	**-**	**(353.7)**	(48.1)	-	(48.1)
Deferred tax credit on actuarial loss	14	**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 hedge gains	14	**(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		**(486.9)**	**29.1**	**(457.8)**	(63.5)	29.2	(34.3)

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, which are discussed on pages 24 to 25.

The accounting policies and notes on pages 23 to 36 are an integral part of these condensed interim consolidated financial statements. The accounting policies included within this interim report and consolidated financial statements should be read in conjunction with the accounting policies included in the Combined Report and Financial Statements of Thames Water Utilities Limited for the year ended 31 March 2020.

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. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 23 to 25.

Condensed consolidated statement of financial position

As at

	Note	30 September 2020 Underlying £m	BTL £m	Total £m	31 March 2020 Underlying £m	BTL £m	Total £m
Non-current assets							
Intangible assets	7	**267.4**	**-**	**267.4**	273.4	-	273.4
Property, plant and equipment	8	**16,061.3**	**-**	**16,061.3**	15,862.8	-	15,862.8
Right-of-use assets	9	**45.3**	**-**	**45.3**	52.3	-	52.3
Derivative financial assets	13	**364.8**	**-**	**364.8**	374.3	-	374.3
Intercompany loans receivable		**1,693.4**	**-**	**1,693.4**	1,752.2	-	1,752.2
Other receivables	10	**59.3**	**195.9**	**255.2**	70.7	159.0	229.7
Pension asset	16	**9.0**	**-**	**9.0**	94.5	-	94.5
		18,500.5	**195.9**	**18,696.4**	18,480.2	159.0	18,639.2
Current assets							
Inventories and current intangible assets		**14.7**	**-**	**14.7**	13.6	-	13.6
Intercompany loans receivable		**-**	**-**	**-**	11.8	-	11.8
Contract assets	10	**224.4**	**1.0**	**225.4**	234.9	1.5	236.4
Trade and other receivables	10	**788.1**	**22.9**	**811.0**	357.7	11.6	369.3
Short-term investments		**-**	**-**	**-**	300.0	-	300.0
Cash and cash equivalents		**486.6**	**13.5**	**500.1**	755.8	2.6	758.4
		1,513.8	**37.4**	**1,551.2**	1,673.8	15.7	1,689.5
Current liabilities							
Contract liabilities	11	**(513.7)**	**(10.9)**	**(524.6)**	(123.8)	(0.3)	(124.1)
Trade and other payables	11	**(591.3)**	**(35.3)**	**(626.6)**	(660.1)	(16.4)	(676.5)
Borrowings	12	**(1,378.1)**	**-**	**(1,378.1)**	(1,797.7)	-	(1,797.7)
Lease liabilities	9	**(7.6)**	**-**	**(7.6)**	(7.9)	-	(7.9)
Derivative financial liabilities	13	**-**	**-**	**-**	(15.0)	-	(15.0)
		(2,490.7)	**(46.2)**	**(2,536.9)**	(2,604.5)	(16.7)	(2,621.2)
Net current (liabilities)		**(976.9)**	**(8.8)**	**(985.7)**	(930.7)	(1.0)	(931.7)
Non-current liabilities							
Contract liabilities	11	**(726.0)**	**-**	**(726.0)**	(707.3)	-	(707.3)
Borrowings	12	**(11,333.2)**	**-**	**(11,333.2)**	(11,327.9)	-	(11,327.9)
Lease liabilities	9	**(56.5)**	**-**	**(56.5)**	(62.4)	-	(62.4)
Derivative financial liabilities	13	**(1,371.2)**	**-**	**(1,371.2)**	(1,045.9)	-	(1,045.9)
Deferred tax liability	14	**(934.9)**	**-**	**(934.9)**	(1,063.1)	-	(1,063.1)
Provisions for liabilities and charges	15	**(144.1)**	**-**	**(144.1)**	(144.3)	-	(144.3)
Pension deficit	16	**(455.1)**	**-**	**(455.1)**	(209.1)	-	(209.1)
		(15,021.0)	**-**	**(15,021.0)**	(14,560.0)	-	(14,560.0)
Net assets		**2,502.6**	**187.1**	**2,689.7**	2,989.5	158.0	3,147.5
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		**1,529.7**	**187.1**	**1,716.8**	2,016.3	158.0	2,174.3
Total equity		**2,502.6**	**187.1**	**2,689.7**	2,989.5	158.0	3,147.5

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. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 23 to 25.

The accounting policies and notes on pages 23 to 36 are an integral part of these condensed consolidated financial statements. The accounting policies included within this interim report and consolidated financial statements should be read in conjunction with the accounting policies included in the Combined Report and Financial Statements of Thames Water Utilities Limited for the year ended 31 March 2020. The condensed consolidated financial statements for Thames Water Utilities Limited, registered in England & Wales company number 02366661, were approved by the Board of Directors on 30 November 2020 and signed on its behalf by:

Brandon Rennet
Chief Financial Officer

Condensed consolidated statement of changes in equity

For the six month period ended

	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	1,792.5	**2,792.9**
Restated loss for the period[1]	-	-	-	-	(5.8)	**(5.8)**
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	-	(44.1)	**(34.3)**
Transfer of depreciation[2]	-	-	-	(19.2)	19.2	**-**
Deferred tax on depreciation transfer[2]	-	-	-	3.2	(3.2)	**-**
Dividends paid[3]	-	-	-	-	(28.0)	**(28.0)**
Restated 30 September 2019	29.0	100.0	(108.1)	973.3	1,736.4	**2,730.6**
1 April 2019	29.0	100.0	(117.9)	989.3	1,792.5	**2,792.9**
Profit for the period	-	-	-	-	244.6	**244.6**
Loss on cash flow hedge	-	-	(4.1)	-	-	**(4.1)**
Cash flow hedge transfer to the income statement	-	-	34.9	-	-	**34.9**
Deferred tax charge on cash flow hedge including impact of deferred tax rate change	-	-	(3.0)	-	-	**(3.0)**
Actuarial loss 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	-	383.3	**411.1**
Transfer of depreciation[2]	-	-	-	(38.4)	38.4	**-**
Deferred tax on depreciation transfer including impact of deferred tax rate change	-	-	-	(16.6)	16.6	**-**
Dividends paid[3]	-	-	-	-	(56.5)	**(56.5)**
31 March 2020	29.0	100.0	(90.1)	934.3	2,174.3	**3,147.5**
Loss for the period	-	-	-	-	(200.4)	**(200.4)**
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 actuarial Loss	-	-	-	-	81.0	**81.0**
Total comprehensive income	-	-	15.3	-	(473.1)	**(457.8)**
Transfer of depreciation[2]	-	-	-	(19.2)	19.2	**-**
Deferred tax on depreciation transfer[2]	-	-	-	3.6	(3.6)	**-**
30 September 2020	29.0	100.0	(74.8)	918.7	1,716.8	**2,689.7**

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, which are discussed on pages 24 to 25. No restatements are made in the reconciliation between 1 April 2019 to 31 March 2020 since these were already restated in the 2019/20 Combined Report.

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.

3 Refer to Note 6 for information on dividends paid.

The accounting policies and notes on pages 23 to 36 are an integral part of these condensed interim consolidated financial statements. The accounting policies included within this interim report and consolidated financial statements should be read in conjunction with the accounting policies included in the Combined Report and Financial Statements of Thames Water Utilities Limited for the year ended 31 March 2020.

Condensed consolidated 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 period	**(229.5)**	**29.1**	**(200.4)**	(35.0)	29.2	(5.8)
Less finance income	**(88.5)**	**-**	**(88.5)**	(18.1)	-	(18.1)
Add finance expense	**200.4**	**-**	**200.4**	209.8	-	209.8
Add interest expense on lease liabilities	**1.7**	**-**	**1.7**	2.3	-	2.3
Add net loss on financial instruments	**355.8**	**-**	**355.8**	161.5	-	161.5
(Less)/add taxation on (loss)/profit on ordinary activities	**(52.9)**	**6.8**	**(46.1)**	(10.0)	1.9	(8.1)
Operating profit	**187.0**	**35.9**	**222.9**	310.5	31.1	341.6
Depreciation on property, plant and equipment	**279.7**	**-**	**279.7**	267.6	-	267.6
Depreciation of right of use assets	**5.6**	**-**	**5.6**	4.0	-	4.0
Amortisation of intangible assets	**26.3**	**-**	**26.3**	13.1	-	13.1
Add loss on sale of property, plant and equipment	**0.3**	**-**	**0.3**	0.3	-	0.3
Difference in 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
Decrease / (increase) in contract assets	**10.5**	**0.5**	**11.0**	(17.2)	(0.1)	(17.3)
Increase in trade and other receivables	**(419.4)**	**(48.2)**	**(467.6)**	(424.4)	(40.9)	(465.3)
Increase in contract liabilities	**408.6**	**10.6**	**419.2**	446.2	10.1	456.3
(Decrease) / increase in trade and other payables	**(60.6)**	**12.1**	**(48.5)**	(84.7)	(1.0)	(85.7)
(Decrease) / increase in provisions	**(0.2)**	**-**	**(0.2)**	11.7	-	11.7
Net cash generated by operating activities	**413.5**	**10.9**	**424.4**	509.5	(0.8)	508.7
Investing activities:						
Proceeds from short term 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)
Proceeds from sale of property, plant and equipment	**-**	**-**	**-**	-	-	-
Interest received	**66.3**	**-**	**66.3**	42.9	-	42.9
Repayment of loans by parent company	**58.8**	**-**	**58.8**	222.5	-	222.5
Net cash used in investing activities	**(79.5)**	**-**	**(79.5)**	(342.1)	-	(342.1)
Financing activities:						
New loans raised	**750.2**	**-**	**750.2**	789.1	-	789.1
Repayment of borrowings	**(1,123.0)**	**-**	**(1,123.0)**	(641.8)	-	(641.8)
Repayment of lease principal	**(6.6)**	**-**	**(6.6)**	(5.5)	-	(5.5)
Derivative accretion settlement[3]	**(15.3)**	**-**	**(15.3)**	-	-	-
Interest paid	**(203.6)**	**-**	**(203.6)**	(170.3)	-	(170.3)
Fees paid	**(4.9)**	**-**	**(4.9)**	(3.7)	-	(3.7)
Dividends paid	**-**	**-**	**-**	(28.0)	-	(28.0)
Net cash generated by/(used) in financing activities	**(603.2)**	**-**	**(603.2)**	(60.2)	-	(60.2)
Net (decrease)/increase in cash and cash equivalents	**(269.2)**	**10.9**	**(258.3)**	107.2	(0.8)	106.4
Net cash and cash equivalents at beginning of period	**755.8**	**2.6**	**758.4**	154.4	7.6	162.0
Net cash and cash equivalents at end of period	**486.6**	**13.5**	**500.1**	261.6	6.8	268.4

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, which are discussed on pages 24 to 25.

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.

3 Derivative accretion settlement of £15.3 million (30 September 2019: £nil) relates to index-linked swaps where accretion is payable periodically.

Condensed consolidated statement of cash flows (continued)

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. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 23 to 25.

The accounting policies and notes on pages 23 to 36 form an integral part of these condensed interim consolidated financial statements. The accounting policies included within this interim report and consolidated financial statements should be read in conjunction with the accounting policies included in the Combined Report and Financial Statements of Thames Water Utilities Limited for the year ended 31 March 2020.

Accounting policies

General information

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 consolidated condensed financial statements have been reviewed, not audited.

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 Kemble Water Holdings Group").

The Group includes the Company and its sole subsidiary Thames Water Utilities Finance Plc ("TWUF").

Statement of compliance with International Financial Reporting Standards

These consolidated interim condensed financial statements of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union ("EU"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and do not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. They should be read in conjunction with the Combined Report and Financial Statements for the year ended 31 March 2020 prepared under International Financial Reporting Standards ("IFRS") as adopted by the EU , which are available at https://www.thameswater.co.uk/about-us/investors/our-results.

The auditors' report on those financial statements was unqualified and did not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or Directors' remuneration report not agreeing to records and returns), or section 498(3) (failure to obtain necessary information and explanations).

The policies applied in these condensed interim consolidated financial statements are based on the IFRS, International Accounting Standards ("IAS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective and ratified by the EU as of 30 November 2020, the date that the Board of Directors approved these interim financial statements.

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 our 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.

Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2020, set out on pages 20 to 22, have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules ("DTR") issued by the Financial Conduct Authority.

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

The Group 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 Group's ability to provide essential water and wastewater services has been mitigated through the Government's recognition that these services are essential and the Group's quick response to enable effective working practices in the challenging operational environment.

The Group'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 Group's financial performance has been assessed with a particular focus on operational cashflows and capital expenditure. Lower operational cashflows 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 Group 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 Group 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 Group'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 Group's creditworthiness as such, it does not affect the Group's continued access to its significant existing bank facilities nor would it disrupt the Group's ability to trade. The cash lockup preserves the value of the Group which is in the interest of creditors and customers. Whilst prohibited from accessing new funding, the Group has significant bank facilities which are sufficient to fund its programme and meet its obligations for the duration of the Trigger Event.

Accounting policies (continued)

Basis of preparation (continued)

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.

Conclusion

Taking into consideration the above factors, the Board is satisfied that the Group 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.

Basis of consolidation

The Group's consolidated financial statements consolidate the financial statements of the Company and its sole subsidiary. A subsidiary is an entity over which the Group has control. The Group has control over an entity where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the power over the entity to affect those returns.

Refer to the 'General information' section above for information on the Group.

Bazalgette Tunnel Limited ("BTL") arrangement

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 disclosed our underlying performance separately, as required by some of our financial covenants.

The arrangement with BTL and Ofwat means the Group has included amounts to recover costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected, these amounts are subsequently paid to BTL, under the 'pay when paid' principle.

Accounting standards require the Group to present the amounts billed as revenue in our financial statements, and with an associated cost representing bad debt on amounts billed, this also gives rise to reporting profit which is taxable. The revenue, cost and resulting profit on this arrangement is disclosed separately to the Group's underlying performance in the financial statements, which is consistent with our financial covenants. As a result of this arrangement with no cash retained, a prepayment is created and recorded by the Group as BTL will transfer the use of the tunnel to Thames Water Utilities Limited once construction is complete, against which this prepayment will be utilised.

New accounting policies and financial reporting changes

The accounting policies adopted in the preparation of these interim financial statements are consistent with those of the previous financial year except for the following.

Future standards and amendments

IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as the London Interbank Offer Rate ("LIBOR") and other interbank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes in the various jurisdictions affected.

We cannot rely on LIBOR being published after the end of 2021. It is currently expected that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR as a reference rate. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3 months), and it is 'forward-looking', because it is published at the beginning of the borrowing period. SONIA is currently a 'backward-looking' rate; it is based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not explicitly incorporate. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

At the time of reporting, industry working groups are reviewing methodologies for calculating adjustments between GBP LIBOR and SONIA.

Future standards and amendments

The Company is establishing a project to oversee the GBP LIBOR transition plan. This transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The Company currently anticipates that the areas of greatest change will be amendments to the contractual terms of GBP LIBOR-referenced floating-rate debt and swaps.

The International Accounting Standards Board ("IASB") has issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 that provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. As at 30 September 2020, the Company had no designated hedge relationship and hedge accounting was not applied.

In addition to the IBOR reform, there are a number of other amendments and annual improvement project recommendations that are not yet effective but which have been endorsed by the EU. These are not anticipated to have a material impact on the financial statements of the Company.

Prior period restatements

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:

	Amount of restatement for 6 month period ended September 2019 £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 "Restatements" on pages 35 to 36.

Accounting policies (continued)

Prior period restatements (continued)

Leakage Capitalisation

Management undertook a review at 31 March 2020 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:

	Amount of restatement for 6 month period ended September 2019 £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 "Restatements" on pages 35 to 36.

Significant accounting judgements and key sources of estimation uncertainty

The preparation of interim financial statements requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed 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 applied to the Combined Report and Financial Statements for the year ended 31 March 2020.

Expected credit losses

In our 2019/20 Combined Report, we explained the Impact of Covid-19 on our expected credit losses methodology. Since the risks and uncertainties around Covid-19 continue to change, we therefore continue to reassess the reasonableness of our provision. We have predicted that the second lockdown will have an impact on cash collection as employment rates worsen and people find themselves unable to pay their water and wastewater bills. To help assess the implications on debtors and level of additional provision required, a range of outcomes impacting billing and collections performance were developed using available data. Subsequently, management has increased the provision as at 30 September by £5.4 million across directly billed customers and water only companies ("WOCs"). No adjustment has been made for indirectly billed non-household customers as Management have assessed the future cash flows and the risk of non-payment as low.

Notes to the condensed consolidated financial statements

1. Segmental analysis

Segmental information is reported internally on a monthly basis to the Executive Committee. The Executive Committee is responsible for the day-to-day running of the business and consequently the Executive Committee is considered to be the Chief Operating Decision Maker ("CODM") of the Group.

In line with the Group's structure 'One Thames' all operational functions are included in a single business unit, enabling an end-to-end view of customer journeys and integrated resource management.

From 1 April 2017, our customer profile changed following the sale of our non-household retail business to Castle Water Limited. The household customer profile remains large and diverse and consequently there is no significant reliance on any single household customer. There is now a far smaller number of non-household customers, being retailers rather than the end user and we have one customer that accounts for more than 10% of our total revenue.

The Group is subject to economic regulation by Ofwat and operates under a licence to provide water and wastewater services within a defined geographical region, being London, the Thames Valley and the surrounding area, therefore management considers the UK to be the geographical location of business.

Segmental performance

A segmental analysis of the management revenue and EBIT figures has been presented with a reconciliation to statutory revenue and profit before tax below:

For the six month period ended	**30 September 2020 £m**	30 September 2019 £m
Management revenue	**1,019.6**	1,054.6
Net operating expenses before depreciation and amortisation	**(534.7)**	(544.9)
Depreciation of property, plant and equipment	**(276.1)**	(263.7)
Amortisation of intangible assets	**(25.3)**	(12.9)
Other operating income	**0.6**	1.4
Management Earnings before Interest and Tax (EBIT)	**184.1**	234.5

Revenue – Management to statutory reconciliation

The business segment's revenue is reconciled to the Group's statutory revenue below:

For the six month period ended	**30 September 2020 £m**	30 September 2019 £m
Management revenue	**1,019.6**	1,054.6
Household BTL revenue	**31.7**	25.5
Non-household BTL revenue	**4.4**	5.8
Statutory reclassification of bad debt from operating expenditure[1]	**(23.8)**	(13.9)
Other statutory adjustments	**-**	24.5
Total statutory revenue	**1,031.9**	1,096.5

1 This relates to amounts billed that are not probable of being recovered and therefore excluded from IFRS 15 revenue.

Notes to the condensed consolidated financial statements (continued)

1. Segmental analysis (continued)

The business segment's EBIT is reconciled to the Group's statutory operating profit and profit before tax below:

For the six month period ended	30 September 2020 £m	Restated[1] 30 September 2019 £m
Management EBIT	184.1	234.5
IFRS 16 adjustment[2]	1.2	1.6
Other restatements[1]	-	9.3
Statutory recognition of other operating income[3]	25.9	33.9
Statutory reclassification of pension costs	(5.1)	(5.4)
Statutory depreciation and write off adjustments[4]	(4.7)	(4.0)
Household BTL revenue[5]	31.7	25.5
Non-household BTL revenue[5]	4.4	5.8
Other statutory adjustments[6]	(14.6)	40.4
Total statutory operating profit	222.9	341.6
Finance income	88.5	18.1
Finance expense	(202.1)	(212.1)
Net loss on financial instruments	(355.8)	(161.5)
Total statutory loss before tax	(246.5)	(13.9)

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, which are discussed on pages 24 to 25.

2 Management do not recognise any balances associated with IFRS 16.

3 Requisitions and diversion charges, service connection charges, amortisation of deferred income recognised on adoption of assets at nil cost and the release from deferred income of infrastructure charges are recognised in other operating income for statutory purposes (as disclosed in Note 2) but are offset against capital expenditure for management purposes. Elements of other income are also excluded for management purposes.

4 Depreciation of adopted fair value assets, borrowing costs and write-offs recognised for statutory purposes only.

5 The portion of BTL revenue related to our household and non-household customers.

6 In the current period, these relate to additional bad debt and other statutory only adjustments not included in management numbers. In the previous period, this amount includes the release of a management accrual not recognised under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and a statutory adjustment to revenue.

2. Revenue

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Gross revenue	1,019.6	36.1	1,055.7	1,079.1	31.3	1,110.4
Charge for bad and doubtful debts	(23.6)	(0.2)	(23.8)	(13.8)	(0.1)	(13.9)
Total	996.0	35.9	1,031.9	1,065.3	31.2	1,096.5

Bazalgette Tunnel Limited ("BTL") is responsible for the construction of the Thames Tideway Tunnel. For the six months ended 30 September 2020, the Group has included costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected it is paid over to BTL under the 'pay when paid' principle. The revenue on this arrangement has been disclosed separately to the Group's underlying performance in the table above, which is consistent with our financial covenants. The primary reason for the increase in revenue is driven by the phasing of construction works.

We have presented a further disaggregation of our revenue below:

Gross revenue for the six months ended	30 September 2020 £m	30 September 2019 £m
Household market		
Water services	356.7	331.5
Wastewater services	439.0	439.9
Retail services	70.8	86.7
Total gross revenue from household market	866.5	858.1
Non-household market		
Water services	66.8	100.5
Wastewater services	66.4	97.6
Total gross revenue from non-household market	133.2	198.1
Gross revenue from principal services[1]	999.7	1,056.2
Other appointed revenue[2]	10.2	11.3
Total appointed revenue	1,009.9	1,067.5
Other non-appointed revenue (excluding amounts billed for the Thames Tideway Tunnel)[3]	9.7	11.6
Total gross underlying revenue	1,019.6	1,079.1
Amounts billed for the Thames Tideway Tunnel	36.1	31.3
Total gross revenue	1,055.7	1,110.4

All revenue is derived from activities based in the UK.

1 Gross revenue from principal services relates to appointed revenue which is revenue generated from the regulated activities of the Company as defined in Condition A of its licence of appointment. These are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.

2 Other appointed revenue is revenue generated from appointed activities but is not governed by the price control. These activities mainly include bulk supplies.

3 Non-appointed revenue is revenue generated from non-appointed activities. These activities include third-party discharges to sewage treatment works and other commercial activities including developer services, property searches and cess treatment (treatment of waste from private receptacles not linked to the network).

The Group has recognised the following amounts relating to other operating income in the income statement since they are separate to our ongoing obligation to provide water and wastewater services to customers:

For the six month period ended	30 September 2020 £m	30 September 2019 £m
Power income	4.8	6.0
Requisitions and diversions charges	12.9	19.0
Service connections charges	7.8	10.9
Amortisation of deferred income recognised on adoption of assets at nil cost	1.8	1.5
Release from deferred income – infrastructure charges	2.6	2.5
Rental income	0.9	1.8
(Loss)/profit on sale of property, plant and equipment	(0.3)	(0.3)
Other income	1.1	2.4
Total	31.6	43.8

Power income comprises income from the sale to third parties of internally generated electricity.

Notes to the condensed consolidated financial statements (continued)

3. Operating expenses

For the six month period ended	30 September 2020 Underlying £m	BTL £m	Total £m	Restated[1] 30 September 2019 Underlying £m	BTL £m	Total £m
Wages and salaries	**144.3**	**-**	**144.3**	128.2	-	128.2
Social security costs	**16.4**	**-**	**16.4**	16.6	-	16.6
Pension costs – defined benefit schemes	**13.1**	**-**	**13.1**	14.4	-	14.4
Pension costs – defined contribution schemes	**7.1**	**-**	**7.1**	6.6	-	6.6
Apprenticeship levy	**0.7**	**-**	**0.7**	0.7	-	0.7
Total employee costs	**181.6**	**-**	**181.6**	166.5	-	166.5
Power	**63.0**	**-**	**63.0**	61.3	-	61.3
Carbon reduction commitment	**-**	**-**	**-**	(1.1)	-	(1.1)
Raw materials and consumables	**29.2**	**-**	**29.2**	26.0	-	26.0
Rates[2]	**60.7**	**-**	**60.7**	37.8	-	37.8
Research and development expenditure	**1.9**	**-**	**1.9**	1.8	-	1.8
Insurance	**23.3**	**-**	**23.3**	20.1	-	20.1
Legal and professional fees	**12.0**	**-**	**12.0**	15.0	-	15.0
Other operating costs	**249.8**	**-**	**249.8**	247.4	-	247.4
Own work capitalised	**(111.8)**	**-**	**(111.8)**	(90.6)	-	(90.6)
Net operating expenses before depreciation and amortisation	**509.7**	**-**	**509.7**	484.2	-	484.2
Depreciation of property, plant and equipment	**279.7**	**-**	**279.7**	267.5	-	267.5
Depreciation of right-of-use assets	**5.6**	**-**	**5.6**	4.0	-	4.0
Amortisation of intangible assets	**26.3**	**-**	**26.3**	13.1	-	13.1
Net operating expenses excluding exceptional items	**821.3**	**-**	**821.3**	768.8	-	768.8
Exceptional costs[3]:						
Company reorganisation - severance	**0.2**	**-**	**0.2**	12.4	-	12.4
Associated programme management costs	**8.0**	**-**	**8.0**	4.0	-	4.0
Operating expenses excluding impairment losses on financial and contract assets	**829.5**	**-**	**829.5**	785.2	-	785.2
Impairment losses on financial and contract assets[4]	**11.1**	**-**	**11.1**	13.4	0.1	13.5
Total operating expenses	**840.6**	**-**	**840.6**	798.6	0.1	798.7

Other operating costs primarily relate to costs for contracted services and repairs and maintenance of assets, including associated labour costs, which do not qualify as capital expenditure under IAS 16: Property, plant and equipment.

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, which are discussed on pages 24 to 25.

2 Rates expense includes rebates recognised in 2019 of £23.0 million (30 September 2020: £nil) relating to reassessment of the business rates expense in the period 2005-2015.

3 Costs 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)

4 Impairment loss for the period is net of £3.8 million relating to excess payments received from customers in the past and recognised during the year (30 September 2019: £5.1 million).

4. Finance income and expense and net gains/(losses) on financial instruments

During the six months ended 30 September 2020, the Group recognised finance income of £88.5 million (six months ended 30 September 2019: £18.1 million) relating mainly to interest on intercompany loans, swaps and bank deposits.

The Group also recognised finance expenses of £202.1 million (six months ended 30 September 2019: £212.1 million) relating mainly to interest and accretion on loans, other borrowings, leases and defined benefit pension obligations.

For the six month period ended	30 September 2020 £m	30 September 2019 £m
Finance income	**88.5**	18.1
Finance expense	**(202.1)**	(212.1)
Net finance expense	**(113.6)**	(194.0)

Net gains/(losses) on financial instruments

The reconciliation to net gains(losses) on financial instruments has been provided below:

For the six month period ended	30 September 2020 £m	30 September 2019 £m
Exchange gains/(losses) on foreign currency borrowings	**32.1**	(74.0)
Gains/(losses) arising on swaps where hedge accounting is not applied[1]	**(369.1)**	(71.6)
Loss on cash flow hedge transferred from equity[2]	**(18.8)**	(15.9)
Net gains/(losses) on financial instruments	**(355.8)**	(161.5)

1 Losses arising on swaps where hedge accounting is not applied primarily reflects higher RPI and lower interest rate expectations. This excludes swap interest which is included in the Finance income above.

2 Refer to Note 13 "Fair value of financial instruments" on pages 30 to 32 for more information on the loss on cash flow hedge transferred from equity.

5. Taxation

	30 September 2020 Underlying £m	BTL £m	Total £m	Restated[1] 30 September 2019 Underlying £m	BTL £m	Total £m
Current tax:						
Amounts payable in respect of group relief	**(2.2)**	**6.8**	**4.6**	1.7	1.9	3.6
Deferred tax:						
Origination and reversal of timing differences	**(50.7)**	**-**	**(50.7)**	(11.7)	-	(11.7)
Tax (credit) / charge on profit on ordinary activities	**(52.9)**	**6.8**	**(46.1)**	(10.0)	1.9	(8.1)

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, which are discussed on pages 24 to 25.

The corporation tax charge is based upon the standard rate of corporation tax in the UK of 19% (2019: 19%). The interim corporation tax charge for the six month period ended 30 September 2020 is based on the forecast effective tax rate for the full year to 31 March 2021 applied to the profits earned in the six months to 30 September 2020.

Notes to the condensed consolidated financial statements (continued)

5. Taxation (continued)

The tax credit for the six month period ended 30 September 2020 is lower (2019: credit is higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	30 September 2020			Restated[1] 30 September 2019		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
(Loss)/profit on ordinary activities before taxation	**(282.4)**	**35.9**	**(246.5)**	(45.0)	31.1	(13.9)
Current tax (credit)/charge at 19% (2019: 19%)	**(53.6)**	**6.8**	**(46.8)**	(8.5)	5.9	(2.6)
Effects of:						
Disallowable expenditure	**2.0**	**-**	**2.0**	1.5	-	1.5
Non-taxable income – other including property disposals	**(1.3)**	**-**	**(1.3)**	(2.7)	-	(2.7)
Group relief not paid at standard tax rate	**-**	**-**	**-**	(1.6)	(4.0)	(5.6)
Tax rate change on temporary timing differences	**-**	**-**	**-**	1.3	-	1.3
Total tax (credit)/charge	**(52.9)**	**6.8**	**(46.1)**	(10.0)	1.9	(8.1)

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, which are discussed on pages 24 to 25.

The Group intends to utilise tax losses available in its parent company for the year ending 31 March 2021. As a result, the Group intends to reduce its claims for tax relief on its capital expenditure in this period. The Group expects to pay £4.6 million to its parent company for the tax losses relating to the six months to 30 September 2020. The Group is paying for the tax losses at the standard rate of corporation tax. In the prior period, the Group paid for the tax losses at a rate which was lower than the standard rate of corporation tax, which resulted in a reduction of the current tax charge of £5.6 million. Utilising tax losses in this way should ultimately benefit customers by reducing tax costs in future Ofwat reviews.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, this reduction was reversed in the March 2020 Budget and substantively enacted on 17th March 2020. Therefore, effective 1 April 2020 the corporation tax rate remains at 19%. Deferred tax in these financial statements has been calculated based on this rate, except for the deferred tax liability on the pension surplus which is provided at 35%.

6. Dividends

During the six months ended 30 September 2020, the Company paid no dividends (year ended 31 March 2020: £56.5 million; six months ended 30 September 2019: £28.0 million) to its immediate parent Thames Water Utilities Holdings Limited.

Dividends paid during previous periods were ultimately used to fund interest obligations and activities of other group companies and were distributed within the group as follows:

	Six months ended 30 September 2020 £m	Year ended 31 March 2020 £m	Six months ended 30 September 2019 £m
Distribution to external shareholders paid by ultimate parent company:			
External dividend distributions	**-**	-	-
	-	-	-
Distributions not distributed to external shareholders			
Kemble Water Finance Limited debt service costs	**-**	54.0	28.0
Distribution to Thames Water Limited	**-**	2.5	-
	-	56.5	28.0
Total	**-**	56.5	28.0

The aggregate amount of dividends proposed but not paid nor recognised as liabilities at the period end is £nil (31 March 2020: £nil).

Dividends from Thames Water Utilities Limited which were subsequently distributed to Thames Water Limited in previous periods were used both to fund the activities of the company and meet the debt service obligations of Thames Water Limited's immediate parent company, Kemble Water Finance Limited.

7. Intangible assets

	Software £m	Assets in development £m	Total £m
Cost:			
At 1 April 2019	240.9	154.4	**395.3**
Additions	-	86.7	**86.7**
Write-offs	(4.1)	-	**(4.1)**
Transfers	222.5	(214.3)	**8.2**
Disposals	(0.6)	-	**(0.6)**
At 31 March 2020	458.7	26.8	**485.5**
Additions	-	20.3	**20.3**
Transfers	11.1	(11.1)	**-**
At 30 September 2020	469.8	36.0	**505.8**
Accumulated amortisation:			
At 1 April 2019	(177.5)	-	**(177.5)**
Amortisation charge	(32.8)	-	**(32.8)**
Transfers	(2.2)	-	**(2.2)**
Disposals	0.4	-	**0.4**
At 31 March 2020	(212.1)	-	**(212.1)**
Amortisation charge	(26.3)	-	**(26.3)**
At 30 September 2020	(238.4)	-	**(238.4)**
Net book value:			
At 30 September 2020	231.4	36.0	**267.4**
At 31 March 2020	246.6	26.8	**273.4**
At 31 March 2019	63.4	154.4	**217.8**

No borrowing costs were capitalised in the period (year ended 31 March 2020: £3.4 million; six months ended 30 September 2019: £3.4 million). The effective rate of borrowing costs for the year was 3.4% (year ended 31 March 2020: 4.55%). During the previous financial year, assets previously categorised as property, plant and equipment were reclassified as Software assets and therefore were transferred from property, plant and equipment to intangibles. The amount transferred was £6.0 million net of depreciation (£8.2 million of asset cost and £2.2 million of accumulated depreciation).

The gross carrying amount of intangible assets that was fully amortised at 30 September 2020 amounted to £150 million (31 March 2020: £141.4 million).

Notes to the condensed consolidated financial statements (continued)

8. Property, plant and equipment

	Land & buildings £m	Plant & equipment £m	Network assets £m	Assets under construction £m	Total £m
Cost:					
At 1 April 2019	3,599.7	7,690.0	7,363.8	2,627.9	**21,281.4**
Additions	-	0.4	30.9	1,105.0	**1,136.3**
Transfers between categories	62.3	379.8	428.5	(878.8)	**(8.2)**
Write offs	-	(5.1)	-	(0.7)	**(5.8)**
Disposals	(2.0)	(8.1)	(0.1)	-	**(10.2)**
At 31 March 2020	3,660.0	8,057.0	7,823.1	2,853.4	**22,393.5**
Additions	-	-	10.8	467.7	**478.5**
Transfers between categories	39.0	187.6	235.4	(462.0)	**-**
Disposals	-	(0.6)	-	-	**(0.6)**
At 30 September 2020	3,699.0	8,244.0	8,069.3	2,859.1	**22,871.4**
Depreciation:					
At 1 April 2019	(989.9)	(4,374.4)	(627.7)	-	**(5,992.0)**
Depreciation charge	(52.0)	(357.2)	(138.4)	-	**(547.6)**
Transfers	-	2.2	-	-	**2.2**
Disposals	0.5	6.2	-	-	**6.7**
At 31 March 2020	(1,041.4)	(4,723.2)	(766.1)	-	**(6,530.7)**
Depreciation charge	(28.1)	(182.2)	(69.4)	-	**(279.7)**
Disposals	-	0.3	-	-	**0.3**
At 30 September 2020	(1,069.5)	(4,905.1)	(835.5)	-	**(6,810.1)**
Net book value:					
At 30 September 2020	**2,629.5**	**3,338.9**	**7,233.8**	**2,859.1**	**16,061.3**
At 31 March 2020	2,618.6	3,333.8	7,057.0	2,853.4	**15,862.8**
At 31 March 2019	2,609.8	3,315.6	6,736.1	2,627.9	**15,289.4**

£33.9 million of borrowing costs were capitalised in the period (year ended 31 March 2020: £94.2 million; six months ended 30 September 2019: £53.8 million). The effective annual capitalisation rate for borrowing costs was 3.4% (year ended 31 March 2020: 4.55%). During the previous financial year, assets previously categorised as property, plant and equipment were reclassified as Software assets and therefore were transferred from property, plant and equipment to intangibles. The amount transferred was £6.0 million net of depreciation (£8.2 million of asset cost and £2.2 million of accumulated depreciation).

9. Leases

(i) Amounts recognised in the statement of financial position

Right-of-use assets

As at	**30 September 2020 £m**	31 March 2020 £m
Buildings	**45.3**	52.3
Total	**45.3**	52.3

Additions to right-of-use assets during the six month period ended 30 September 2020 were nil (31 March 2020: £6.3 million).

As at	**30 September 2020 £m**	31 March 2020 £m
Current	**(7.5)**	(7.9)
Non-current	**(56.5)**	(62.4)
Total	**(64.0)**	(70.3)

(ii) Amounts recognised in the income statement

For the six month period ended	**30 September 2020 £m**	Restated[1] 30 September 2019 £m
Depreciation charge of right-of-use assets	**5.6**	4.0
Interest expense included in finance costs	**1.7**	2.3
Expense relating to short-term leases, low value assets and variable lease payments not included in lease liabilities	**1.5**	2.1
Total	**8.8**	8.4

1 The prior period results have been restated due to the recognition of a provision for property dilapidations which is discussed on pages 24 to 25.

The total cash outflow for leases in the six month period ended 30 September 2020 was £6.6 million (30 September 2019: £5.5 million).

10. Trade and other receivables

As at	**30 September 2020 Underlying £m**	**30 September 2020 BTL £m**	**30 September 2020 Total £m**	31 March 2020 Underlying £m	31 March 2020 BTL £m	31 March 2020 Total £m
Non-current:						
Prepayments	**0.1**	**195.9**	**196.0**	-	159.0	159.0
Amounts owed by group undertakings	**-**	**-**	**-**	0.3	-	0.3
Insurance claims receivable	**53.8**	**-**	**53.8**	64.4	-	64.4
Other receivables	**5.4**	**-**	**5.4**	6.0	-	6.0
	59.3	**195.9**	**255.2**	70.7	159.0	229.7
Current:						
Gross trade receivables	**879.0**	**23.7**	**902.7**	475.5	13.5	489.0
Less expected credit losses provision	**(179.4)**	**(2.9)**	**(182.3)**	(185.1)	(2.7)	(187.8)
Net trade receivables	**699.6**	**20.8**	**720.4**	290.4	10.8	301.2
Amounts owed by group undertakings	**0.5**	**-**	**0.5**	-	-	-
Prepayments	**52.4**	**-**	**52.4**	31.8	-	31.8
Other receivables	**35.6**	**2.1**	**37.7**	35.5	0.8	36.3
	788.1	**22.9**	**811.0**	357.7	11.6	369.3
Current:						
Contract assets	**224.4**	**1.0**	**225.4**	234.9	1.5	236.4
	1,012.5	**23.9**	**1,036.4**	592.6	13.1	605.7
Total	**1,071.8**	**219.8**	**1,291.6**	663.3	172.1	835.4

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The Directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertainties in the economy as a result of Covid-19.

The Company's billing cycle means that the timing of bills for unmetered customers results in a large increase in the net trade receivables balance of £419.2 million to £720.4 million (31 March 2020: £301.2 million). This balance will reduce over the second half of the year.

Non-current prepayments at 30 September 2020 of £195.9 million (31 March 2020: £159.0 million) relates to the Bazalgette Tunnel Limited ("BTL") arrangement. As a result of this arrangement, a prepayment has been recorded by the Group as BTL will transfer the use of the Thames Tideway Tunnel to the Company once construction is complete, against which this prepayment will be utilised.

Contract assets at 30 September 2020 includes £175.1 million (31 March 2020: £173.5 million) of services provided to metered customers. Included within this amount is £5.3m of bad debt (31 March 2020: £5.9m). The remaining amount is for accrued capital contributions and accrued income from the BTL arrangement.

Notes to the condensed consolidated financial statements (continued)

11. Trade and other payables

As at	30 September 2020 Underlying	BTL	Total	31 March 2020 Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Non-current:						
Contract liabilities	**726.0**	**-**	**726.0**	707.3	-	707.3
Current:						
Trade payables – operating	**216.6**	**-**	**216.6**	262.7	-	262.7
Amounts owed to group undertakings	**0.3**	**-**	**0.3**	-	-	-
Other taxation and social security	**7.9**	**-**	**7.9**	7.2	-	7.2
Amounts payable in respect of group relief	**(0.1)**	**12.9**	**12.8**	2.1	6.1	8.2
Accruals	**325.4**	**-**	**325.4**	305.1	-	305.1
Amounts owed to Bazalgette Tunnel Limited	**-**	**22.4**	**22.4**	-	10.3	10.3
Other payables	**41.3**	**-**	**41.3**	83.0	-	83.0
	591.4	**35.3**	**626.7**	660.1	16.4	676.5
Current:						
Contract liabilities	**513.7**	**10.9**	**524.6**	123.8	0.3	124.1
	1,105.1	**46.2**	**1,151.3**	783.9	16.7	800.6
Total	**1,831.1**	**46.2**	**1,877.3**	1,491.2	16.7	1,507.9

The Company's billing cycle means that the timing of bills for unmetered customers results in a large increase in the current contract liabilities balance of £400.5 million to £524.6 million (31 March 2020: £124.1 million) relating to deferred income. This balance will reduce over the second half of the year. Additionally, within this balance there is a decrease in receipts in advance from customers for water and wastewater charges of £57.9 million to £20.3 million (31 March 2020: £78.2 million).

Non-current contract liabilities at 30 September 2020 includes £520.7 million (31 March 2020: £511.9 million) of deferred infrastructure charges, £195.7 million of deferred income for nil cost "adopted" assets (31 March 2020: £179.7 million) with the remaining amount relating to payments received in advance for compensation for operating costs.

The Directors consider that the carrying amount of trade and other payables within the scope of IFRS 7 is approximately equal to their fair value.

12. Borrowings

As at	30 September 2020 £m	31 March 2020 £m
Secured bank loans and private placements	**4,072.1**	4,652.5
Bonds	**8,503.9**	8,301.6
Amounts owed to Group undertakings	**5.5**	5.5
	12,581.5	12,959.6
Interest payable on borrowings	**129.8**	166.0
Total	**12,711.3**	13,125.6
Disclosed within non-current liabilities	**11,333.2**	11,327.9
Disclosed within current liabilities	**1,378.1**	1,797.7
Total	**12,711.3**	13,125.6

Secured bank loans, private placements and bonds are in an arrangement whereby each Obligor (representing each of the companies within the whole business securitisation group) has entered into a Security Trust and Intercompany Deed ("STID") with the Security Trustee. Pursuant to this arrangement, Thames Water Utilities Holdings Limited has guaranteed the obligations of each other Obligor under the finance agreement. Additionally, Thames Water Utilities Limited, and its wholly owned subsidiary TWUF, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee.

The capital structure of the Group consists of net debt and equity as follows:

As at	30 September 2020 £m	31 March 2020 £m
Secured bank loans and private placements	**(4,072.1)**	(4,652.5)
Bonds	**(8,503.9)**	(8,301.6)
Lease liability	**(64.0)**	(70.3)
Amounts owed to Group undertakings	**(5.5)**	(5.5)
Interest payable on borrowings	**(129.8)**	(166.0)
	(12,775.3)	(13,195.9)
Short term investments	**-**	300.0
Cash and cash equivalents	**500.1**	758.4
Net debt (statutory basis)	**(12,275.2)**	(12,137.5)
Reconciliation to net debt (covenant basis)		
Interest payable on borrowings	**129.8**	166.0
Amounts owed to Group undertakings	**5.5**	5.5
Unamortised debt issuance costs and discount	**(74.0)**	(72.5)
Relevant derivative financial liabilities (Accretion and FX)	**(152.4)**	(110.6)
Unamortised IFRS 9 adjustment	**24.8**	25.1
Cash (not relevant)/relevant for covenant	**(1.8)**	-
Net debt (covenant basis)	**(12,343.3)**	(12,124.0)
Equity attributable to owners of the Group	**2,689.7**	3,147.5

Net debt (covenant basis) excludes accrued interest, amounts owed to group undertakings, unamortised debt issuance costs and discounts, unamortised IFRS 9 adjustment; includes relevant derivative financial liabilities related solely to accretion on index-linked swaps and the effect of movement in foreign exchange rates on cross currency swaps held in the Group and cash to be added for covenants. Amounts owed to group undertaking include loans from immediate parent Thames Water Utilities Holdings Limited £5.2 million (31 March 2020: £5.2 million) and from the parent of the immediate parent Thames Water Limited £0.3 million (31 March 2020: £0.3 million) as these are not related to external debt.

13. Fair value of financial instruments

Categories of financial instruments

The carrying values of the financial assets and liabilities of the Group are as follows:

Financial assets:

As at	30 September 2020 £m	31 March 2020 £m
Fair value through profit and loss		
Cross currency swaps	**136.7**	177.2
Interest rate swaps	**126.1**	87.7
Index-linked swaps	**102.0**	109.4
	364.8	374.3
Amortised cost		
Intercompany loans receivable	**1,693.4**	1,764.0
Other receivables (excluding prepayments)	**43.1**	42.3
Trade and other receivables (excluding prepayments)	**774.7**	365.6
Short-term investments	**-**	300.0
Cash and cash equivalents	**500.1**	758.4
	3,011.3	3,230.3
Total	**3,376.1**	3,604.6

13. Fair value of financial instruments (continued)

Categories of financial instruments (continued)

Financial liabilities:

As at	30 September 2020 £m	31 March 2020 £m
Fair value through profit and loss		
Cross currency swaps	**(62.9)**	(51.3)
Interest rate swaps	**(296.3)**	(252.1)
Index-linked swaps	**(1,012.0)**	(757.5)
	(1,371.2)	(1,060.9)
Amortised cost		
Trade and other payables (excluding other taxation and social security)	**(618.7)**	(669.3)
Borrowings	**(12,711.3)**	(13,125.6)
Lease liabilities	**(64.0)**	(70.3)
	(13,394.0)	(13,865.2)
Total	**(14,765.2)**	(14,926.1)

Fair value measurements

The fair value of financial assets and liabilities represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date. The techniques for determining the fair value of financial instruments are classified under the hierarchy defined in IFRS 13 Fair Value Measurement which categorises inputs to valuation techniques into levels one to three based on the degree to which the fair value is observable. Unless otherwise stated all of the Group's inputs to valuation techniques are level two – the fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. The fair values of interest rate and index-linked swaps are determined, in part, from unobservable inputs but the use of these unobservable inputs does not significantly impact the result. As a result, we have concluded that it is appropriate to continue to classify the derivative instruments as level two. The table below sets out the valuation basis of financial instruments held at fair value as at 30 September 2020:

	Level 2[1]	
As at	30 September 2020 £m	31 March 2020 £m
Financial assets – derivative financial instruments		
Cross currency swaps	**136.7**	177.2
Interest rate swaps	**126.1**	87.7
Index-linked swaps	**102.0**	109.4
	364.8	374.3
Financial liabilities – derivative financial instruments		
Cross currency swaps	**(62.9)**	(51.3)
Interest rate swaps	**(296.3)**	(252.1)
Index-linked swaps	**(1,012.0)**	(757.5)
	(1,371.2)	(1,060.9)
Net total	**(1,006.4)**	(686.6)

1 The fair value of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured using discounted cash flows. The future cash flows are estimated based on observable forward interest rates and inflation rates and discounted at a rate that reflects the credit risk of the Group and counterparties, currency cash flows are translated at spot rate.

During the six month period, £18.8 million (30 September 2019: £15.9 million) was recycled from the cash flow hedge reserve to the income statement, see "Statement of changes in equity" on page 22.

The amount recycled of £18.8 million consisted of a loss related to hedged exposure that crystallised during the year. No fair value movement was recognised on the cash flow hedge reserve for the six months ended 30 September 2020 (30 September 2019: loss of £4.1 million).

During November 2019, the maturity dates of three index-linked swaps, with a total notional value of £400.0 million, were extended. These swaps are measured at fair value through the income statement. At the restructuring date the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view the reduction in value of £38.0 million is supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. Therefore, such movement was deferred on the balance sheet in compliance with IFRS 9 and will be recognised in the income statement on a straight-line basis over the life of the underlying derivative instrument. As at 30 September 2020, £36.3 million (31 March 2020: £37.3 million) remained capitalised and £1.0 million (30 September 2019: £nil) had been recognised in the income statement for the six month period.

Comparison of fair value of financial instruments with their carrying amounts

The carrying amounts of the Group's intercompany loans receivable, trade and other receivables, cash and cash equivalents, short-term investments and amounts owed to group undertakings are considered to be approximate to their fair values. The fair values and carrying values of financial instruments are set out in the tables below:

Financial assets:

As at	30 September 2020		31 March 2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current				
Intercompany loans receivable	**1,693.4**	**1,693.4**	1,752.2	1,752.2
Derivative financial instruments				
Cross currency swaps	**136.7**	**136.7**	177.2	177.2
Interest rate swaps	**126.1**	**126.1**	87.7	87.7
Index-linked swaps	**102.0**	**102.0**	109.4	109.4
Trade and other receivables (excluding prepayments)[1]	**59.2**	**59.2**	70.7	70.7
	2,117.4	**2,117.4**	2,197.2	2,197.2
Current				
Cash and cash equivalents	**500.1**	**500.1**	758.4	758.4
Short-term investments	**-**	**-**	300.0	300.0
Amounts owed by Group undertakings	**-**	**-**	11.8	11.8
Trade and other receivables (excluding prepayments)[1]	**758.1**	**758.1**	337.5	337.5
	1,258.7	**1,258.7**	1,407.7	1,407.7
Total	**3,376.1**	**3,376.1**	3,604.9	3,604.9

1 The comparative amounts have been restated to exclude prepayments

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

Financial liabilities:

As at	30 September 2020 Book value £m	30 September 2020 Fair value £m	31 March 2020 Book value £m	31 March 2020 Fair value £m
Non-current				
Borrowings				
Secured bank loans and private placements	**(3,341.7)**	**(3,822.5)**	(3,222.1)	(3,462.7)
Bonds	**(7,986.0)**	**(11,239.1)**	(8,100.3)	(10,226.8)
Amounts owed to Group undertakings	**(5.5)**	**(5.5)**	(5.5)	(5.5)
Derivative financial instruments				
Cross currency swaps	**(62.9)**	**(62.9)**	(51.3)	(51.3)
Interest rate swaps	**(296.3)**	**(296.3)**	(252.1)	(252.1)
Index-linked swaps	**(1,012.0)**	**(1,012.0)**	(742.5)	(742.5)
	(12,704.4)	**(16,438.3)**	(12,373.8)	(14,740.9)
Current				
Borrowings				
Secured bank loans and private placements	**(730.4)**	**(731.4)**	(1,430.4)	(1,436.5)
Bonds	**(517.9)**	**(525.6)**	(201.3)	(200.4)
Interest payable	**(129.8)**	**(129.8)**	(166.0)	(166.0)
Derivative financial instruments				
Index linked swaps	**-**	**-**	(15.0)	(15.0)
	(1,378.1)	**(1,386.8)**	(1,812.7)	(1,817.9)
Total	**(14,082.5)**	**(17,825.1)**	(14,186.5)	(16,558.8)

1 The comparative amounts have been restated to exclude prepayments

The fair value of borrowings represents the market value of the publicly traded underlying liquid bonds, for private placements and less liquid underlying bonds, the fair value is determined by discounting expected future cash flows using a risk-free rate plus the Group's credit spread.

The fair value of index-linked debt instruments is based on the nominal value of the debt plus accretion already accrued and accretion expected to accrue to maturity. Amounts owed by group undertakings includes a floating rate loan and related interest. The fair value of the entire balance is assumed to be the nominal value due to early repayment rights.

14. Deferred tax liability

An analysis of movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated depreciation £m	Retirement benefits £m	Cash flow hedge £m	Other £m	Total £m
At 1 April 2019	(1,051.2)	41.5	151.1	8.4	**(850.2)**
(Charge)/credit to income	(146.9)	(5.1)	(33.9)	5.7	**(180.2)**
Credit/(charge) to other comprehensive income	-	(29.7)	(3.0)	-	**(32.7)**
At 31 March 2020	(1,198.1)	6.7	114.2	14.1	**(1,063.1)**
(Charge)/credit to income	(7.1)	(4.4)	62.8	(0.6)	**50.7**
Credit/(charge) to other comprehensive income	-	81.0	(3.5)	-	**77.5**
At 30 September 2020	(1,205.2)	83.3	173.5	13.5	**(934.9)**

Deferred tax assets and liabilities have been offset in the balance sheet. The offset amounts, which are to be recovered/settled after more than 12 months are as follows:

	30 September 2020 £m	31 March 2020 £m
Deferred tax asset	**270.3**	135.0
Deferred tax liability	**(1,205.2)**	(1,198.1)
Total	**(934.9)**	(1,063.1)

15. Provisions for liabilities and charges

	Insured liabilities £m	Capital infrastructure provision £m	Dilapidations £m	Other provisions £m	Total £m
At 1 April 2020	85.1	17.5	11.0	30.7	**144.3**
Utilised during the period	(21.5)	(2.5)	-	(8.1)	**(32.1)**
Additional provisions recognised	19.0	-	0.3	13.1	**32.4**
Unused amounts reversed	(1.0)	-	-	-	**(1.0)**
Credit to capital project	-	0.5	-	-	**0.5**
At 30 September 2020	81.6	15.5	11.3	35.7	**144.1**

The insured liability provision arises from claims for which insurance is in place, including actual claims from third parties received by the Group and incidents occurred but without claims received. These amounts provided for represent the estimated cost of settlement. Where we have insurance cover for these claims, we recognise the assessed reimbursement value from third party insurance companies net of retentions. The receivable is disclosed in Note 10. Timing of settlement for these claims is uncertain and therefore amounts provided have been classified as non-current.

The capital infrastructure provision is to cover various potential third party costs, including compensation claims, arising from the construction of infrastructure assets. Due to the uncertain timing of these costs, the Group considers it appropriate to classify these as non-current.

Other provisions principally relate to a number of contractual and legal claims against the Group and potential fines for non-compliance with various regulations the Group is obliged to meet. The amount recorded represents management's best estimate of the value of settlement (either before or following court proceedings) and associated costs. Timing of settlements/court judgement for these claims is uncertain and therefore amounts provided have been classified as non-current.

The Group needs to determine the merit of any litigation against it and the chances of a claim successfully being made, the likelihood of an outflow of economic benefits occurring and whether there is a need to disclose a contingent liability or whether a provision is required based on this assessment.

There are claims against the Group arising in the normal course of business, which are in the process of negotiation. Judgement is required in measuring and recognising provisions related to pending litigation or other outstanding claims that are subject to negotiated settlement or Court assessment. This includes evaluating the likelihood that an outstanding claim will succeed and to quantify the possible range of any financial settlement and outflow of economic benefits. There is an inherent risk that the final outcome of legal claims will be different to amounts provided.

The Group has also taken the option under paragraph 92 of IAS 37 for non-disclosure of certain information relating to provisions and contingent liabilities in extremely rare cases where this can be expected to seriously prejudice the entity in a dispute.

Notes to the condensed consolidated financial statements (continued)

16. Retirement benefit obligations

Background

The Group operates two defined benefit pension schemes and one defined contribution pension scheme.

	What are they?	How do they impact the financial statements?
Defined Contribution Scheme This scheme was set up in April 2011, is managed through Standard Life, and is open to all employees of the Company that are not members of the defined benefit pension schemes. From October 2020, this will be managed through Aon MasterTrust.	In a defined contribution pension scheme the benefits are linked to: • contributions paid; • the performance of the individual's chosen investments; and • the form of benefits	A charge of £7.1 million (30 September 2019: £6.6 million) was recognised in the income statement relating to the contributions payable by the Group based upon a fixed percentage of employees' pay. There were £1.8 million (31 March 2020: £1.6 million) of outstanding contributions as at 30 September 2020 recognised in the statement of financial position. These were paid in the following month. The Group has no exposure to investment or other experience risks.
Defined Benefit Schemes Defined benefit arrangements for the Company's eligible employees are provided through two defined benefit pension schemes: • Thames Water Pension Scheme ("TWPS"); and • Thames Water Mirror Image Pension Scheme ("TWMIPS"). Both now are career average pension schemes. Their assets are held separately from the rest of the Kemble Water Holdings Limited Group in funds in the United Kingdom which are independently administered by the pension trustees. TWMIPS has been closed to new entrants since 1989 and TWPS since April 2011. New entrants now join the defined contribution scheme.	In a defined benefit pension scheme the benefits: • are defined by the scheme rules; • depend on a number of factors including age, years of service and pensionable pay; and • do not depend on contributions made by the members or the Company	A charge was recognised in the income statement of £14.0 million (30 September 2019: £17.4 million) relating to the following: • service cost representing the increase in the defined benefit liability arising from pension benefits earned by active members in the current period; • past service cost representing the increase in the defined benefit liability arising from GMP equalisation; • administrative expenses for the pension schemes; and • the net interest expense on pension scheme assets and liabilities An actuarial loss of £353.7 million (30 September 2019: loss of £48.1million) on the value of the pension scheme was recognised in the statement of other comprehensive income. This reflects the impact of changes in financial assumptions and the demographic of the scheme members when compared with those at the start of the year, as well as the return on the schemes' assets over and above the amount included in the net interest expense. A pension asset of £9.0 million (31 March 2020: £94.5 million) is recognised in the statement of financial position for the TWMIPS scheme. A pension deficit of £455.1 million (31 March 2020 £209.1 million) is recognised in the statement of financial position for the TWPS scheme. As at 30 September 2020, the net pension deficit is £446.1 million (31 March 2020: £114.6 million). The Group is exposed to investment and other experience risks. Where it is estimated that the benefits will not be met by regular contributions, assets held or expected investment income, additional contributions are being made by the Group.

In addition to the cost of the defined benefit pension arrangements, the Group operates arrangements under which it augments benefits on retirement in certain cases of redundancy. These augmentations are funded by way of additional employer contributions to the schemes. In the six month period ended 30 September 2020, these related payments amounted to £0.1 million (30 September 2019: £0.1 million).

The defined benefit pension schemes are subject to a full actuarial valuation every three years using assumptions agreed between the trustees of the pension schemes and the Group. The purpose of this triennial valuation is to evaluate and, if necessary, modify the funding plans of the pension schemes to ensure the schemes have sufficient funds to meet future benefit payments. The most recent full actuarial valuation of the defined benefit pension scheme was carried out at 31 March 2019 on behalf of the trustees by David Gardiner of Aon, the actuary of the schemes. This resulted in a combined funding deficit across the two schemes of £148.9 million (2016: £364.9 million) with the market value of the assets being £2,313.3 million (2016: £1,905.5 million).

This funding valuation is different from the accounting valuation presented in the financial statements due to the use of different assumptions and changes in market conditions from 31 March 2019 to 30 September 2020. The 2019 funding valuation has been updated to an accounting valuation as at 30 September 2020 by Hymans Robertson LLP, an independent and professionally qualified consulting actuary, using revised assumptions that are consistent with the requirements of IAS 19 Employee Benefits and shown in this note to the financial statements.

IAS 19 Assumptions

The approach used to set the IAS 19 assumptions is detailed below:

	Approach to set the assumptions
Discount rate	As per IAS 19, the discount rate is determined using the market yields on high quality corporate bonds as at the reporting date with the currency and term of these bonds being consistent with the currency and term of the pension liabilities. The TWPS and TWMIPS discount rate is calculated by applying the projected cash flows of these schemes to an AA-corporate bond yield curve as at 30 September 2020.
RPI inflation	The RPI inflation assumption uses the inflation curve weighted by projected future cash flows of TWPS and TWMIPS with an adjustment made for an inflation risk premium.
CPI inflation	This CPI inflation assumption is taken at a margin below RPI factoring in market forces and third party estimates of the difference expected.
Salary increases	Both defined benefit schemes provide benefits on a Career Average ("CARE") benefit structure whereby past entitlements are linked to movements in CPI therefore an assumption for increase in salary is not required.
Pension increases	It is assumed that benefits will increase in line with the RPI and CPI inflation assumptions detailed above, based on the appropriate index for increasing benefits.
Longevity	The mortality assumptions are based on standard mortality tables and the recent actual mortality experience of members within the schemes. The assumptions also allow for future improvements to mortality rates.

The main assumptions used in the valuation of these schemes are as follows:

	30 September 2020		31 March 2020	
	TWPS	**TWMIPS**	TWPS	TWMIPS
Price inflation – RPI	**2.90%**	**3.00%**	2.55%	2.65%
Price inflation – CPI	**2.10%**	**2.20%**	1.75%	1.85%
Rate of increase to pensions in payment – RPI	**2.90%**	**3.00%**	2.55%	2.65%
Rate of increase to pensions in payment – CPI	**2.10%**	**2.20%**	1.75%	1.85%
Discount rate	**1.55%**	**1.45%**	2.35%	2.35%

	30 September 2020		31 March 2020	
	TWPS Years	**TWMIPS Years**	TWPS Years	TWMIPS Years
Life expectancy from age 60:				
Male	**27.6**	**26.8**	27.6	26.8
Female	**29.7**	**28.9**	29.7	28.9
Life expectancy from age 60 currently aged 40:				
Male	**28.3**	**27.9**	28.3	27.9
Female	**30.8**	**30.1**	30.8	30.1

Notes to the condensed consolidated financial statements (continued)

16. Retirement benefit obligations (continued)

Actuarial risk factors

The schemes are exposed to actuarial risks including investment risk, inflation risk and longevity risk.

	Definition of risk
Investment risk	Assumptions are made about the returns expected from the schemes' investments. If the investments underperform these assumptions in the long term then additional contributions will need to be made to the schemes in order to fund the payment of future benefits.
Discount rate risk	A fall in AA-rated corporate bond yields, which are used to set the discount rate, will increase the value of the scheme's liabilities. This may be partially offset by an increase in the value of the scheme's bond holdings.
Inflation risk	The benefits payable to the members of the schemes are linked to inflation and as such higher inflation will lead to higher liabilities. Additionally, the Group's contributions to the schemes are based on assumptions about the future levels of inflation. Therefore an increase in inflation above that assumed in the actuarial calculations will create a deficit.
Longevity risk	An increase in the life expectancy of scheme members will result in benefits being paid out for longer, leading to an increase in the defined benefit schemes' liabilities.

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used is set out below:

	30 September 2020		31 March 2020	
	TWPS £m	**TWMIPS £m**	TWPS £m	TWMIPS £m
Changes in assumptions resulting in a decrease in liabilities				
Change in discount rate (+ 1% p.a.)	**400.0**	**110.0**	320.0	90.0
Change in rate of inflation (- 1% p.a.)	**260.0**	**80.0**	210.0	70.0
Change in life expectancy (-1 year)	**(90.0)**	**(40.0)**	70.0	40.0

17. Intermediate and ultimate parent company and controlling party

Thames Water Utilities Holdings Limited, a company incorporated in the United Kingdom, is the immediate parent company. Kemble Water Finance Limited, a company incorporated in the United Kingdom, is an intermediate parent company and consolidates these financial statements. The Directors consider that Kemble Water Holdings Limited, a company incorporated in the United Kingdom, is the ultimate holding and controlling party and the largest group to consolidate these financial statements.

Kemble Water Holdings Limited is owned by ten shareholders, of which the largest is Ontario Municipal Employees Retirement System (OMERS) with a 31.777% holding as at 30 September 2020.

The address of the registered office of Thames Water Utilities Holdings Limited, Kemble Water Finance Limited and Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts for all entities may be obtained from the Company Secretary's Office at this address.

18. Capital commitments

As at	**30 September 2020 £m**	31 March 2020 £m
Property, plant and equipment	**414.5**	281.7
Intangible assets	**7.3**	7.5
Total contracted for but not provided	**421.8**	289.2

In addition to these commitments, the Group has long-term capital investment plans, under its business plan submitted to Ofwat, to provide for future growth and maintenance of the infrastructure network. Capital commitments has increased in the six month period to 30 September 2020 due to the start of a new AMP and delays to commencement of capital works driven by Covid-19.

19. Contingent liabilities

Contingent liabilities represent potential future cash outflows which are either not probable, or cannot be measured reliably.

The Group is currently defending three sets of court proceedings commenced by different groups of Property Search Companies ("PSCs") seeking refunds of fees paid for property search data, including CON29DW searches, from 1 January 2005 to date. The PSCs allege that they have been overcharged for drainage and water searches and that information should have been made available to them pursuant to the Environmental Information Regulations 2004, at a lower cost than that charged. The position is replicated across all other Water & Sewerage Companies in England and Wales. The Group is aware of at least one further group of potential PSC claimants who have intimated claims of a similar nature but have yet to serve any court proceedings. We are defending these claims, as are all the other water and sewage companies in England and Wales. However, the claims are at too early a stage to provide further commentary on the merits or otherwise of them or any effect on the financial position of the Group.

As at 30 September 2020, there were ongoing commercial negotiations arising in the ordinary course of business in respect of closing out AMP6 contracts. At present the Directors consider an outflow of economic benefit is possible, however, cannot be reliably estimated. The outcome is contingent on future discussions and will only become known on conclusion of the negotiation. The outcome could result in either an economic outflow, inflow or neither. In respect of these negotiations, the Group has also taken the option under paragraph 92 of IAS 37 for non-disclosure of certain information relating to provisions and contingent liabilities in extremely rare cases where this can be expected to seriously prejudice the entity in a dispute.

Financial guarantees

The Group is part of a Whole Business Securitisation ("WBS") group as described in note 13. Companies in the WBS group raise debt in external debt markets through the issuance of secured bonds and the issue of loans. All companies in the WBS group guarantee the principal and interest payments due under the terms of the bonds. Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within this group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee.

20. Related party transactions

Trading transactions

	30 September 2020		30 September 2019	
	Services provided by the Group £'000	**Services provided to the Group £'000**	Services provided by the Group £'000	Services provided to the Group £'000
Intermediaries between the immediate and ultimate parent				
Thames Water Limited	**441**	**-**	1,545	156
Immediate parent				
Thames Water Utilities Holdings Limited	**9,406**	**4,722**	11,649	3,547
Other entities within the Kemble Water Holdings group				
Kennet Properties Limited	**668**	**-**	14	-
Thames Water Pension Trustees Limited	**-**	**2,000**	-	-
Thames Water Commercial Services Limited	**10**	**-**	62	7
Thames Water Property Services Limited	**82**	**82**	225	76
Entities external to the Kemble Water Holdings group				
Dunelm Energy Limited	**-**	**18**	-	13
Total	**10,607**	**6,822**	13,495	3,799

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Notes to the condensed consolidated financial statements (continued)

20. Related Party Transactions (continued)

Outstanding balances

The following amounts were owed to the Group from related entities, and owed to related entities by the Group at the balance sheet date:

	30 September 2020		31 March 2020	
	Amounts owed to the Group £'000	**Amounts owed by the Group £'000**	Amounts owed to the Group £'000	Amounts owed by the Group £'000
Ultimate parent				
Kemble Water Holdings Limited	**5**	**-**	5	-
Intermediaries between the immediate and ultimate parent				
Kemble Water Finance Limited	**1,014**	**-**	1,014	-
Thames Water Limited	**12**	**-**	12	-
Immediate parent				
Thames Water Utilities Holdings Limited	**1,693,422**	**13,685**	1,752,234	-
Other entities within the Kemble Water Holdings group				
Thames Water Commercial Services Limited	**-**	**5**	-	-
Total	**1,694,453**	**13,690**	1,753,265	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No material provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Key management personnel comprise the members of the Board and of the Executive Committee during the year.

The remuneration of the Directors for the six month period ended 30 September 2020, and comparative period 30 September 2019, is included in the table below:

	30 September 2020 £'000	30 September 2019 £'000
Fees	**501**	449
Salary	**1,190**	1,210
Pension and pension allowance	**120**	211
Bonus[1]	**2,557**	1,266
Payment on loss of office	**-**	1,664
Other benefits[2]	**289**	44
Total	**4,657**	4,844

1 For the six month period to 30 September 2020, and the comparative period, a bonus for key management personnel was accrued based on 50% of expected year end outcome. The final bonus for the year is to be determined at year end.

2 Other benefits includes medical benefits, car allowances and other incentives.

Information regarding transactions with post-employment benefit plans is included in note 16.

21. Post Balance Sheet Events

In November 2020 the UK Government announced that RPI reform will not take place until after February 2030, and the UK Statistics Authority's preferred method of amending the calculation of RPI is to align with CPIH.

The reform of RPI is expected to impact certain long-term financial assets and liabilities held by the Group including borrowings, swaps, pension assets, pension liabilities as well as certain regulatory mechanisms. Management will continue to monitor the financial impact of this and any further announcements.

In November 2020 as part of the latest instalment of the Lloyds Banking Group litigation, the judge on that case concluded that trustees must top-up past transfer payments if no provision was made for the need to equalise benefits for differences attributed to guaranteed minimum pensions. Management will reflect this conclusion in the accounting of pension liabilities for the Group's year end accounts.

In November 2020 the Group announced that the Thames Water Pension Scheme (TWPS), which is one of two defined benefit schemes operated by the Group, will be closing to future accrual from 31 March 2021. All benefits earned by employees in this scheme up to 31 March 2021 are the responsibility of the Company to fund. The financial impact of this announcement will be reflected in the Group's year end accounts.

In October 2020, Thames Water Utilities Finance issued £84.7 million Class A bonds with a maturity of 2023 and EUR 400.0 million (equivalent to £362.8 million) Class A bonds with a maturity of 2023.

In November 2020, Thames Water Utilities Finance issued EUR 100.0 million (equivalent to £90.4 million) Class A bonds with a maturity of 2023 and USD 57.0 million (equivalent to £44.2 million) Class A bonds with a maturity of 2030.

The proceeds from the bonds were partially used to repay drawdowns from the Class A revolving credit facility, recognised within current liabilities - borrowings at 30 September 2020.

22. Restatements to the prior period

The Group has restated the prior periods as a result of provision for dilapidation and broadening of accounting policy regarding capitalisation of leakage detection costs. Refer to pages 24 to 25 for more information on adjustments that have impacted prior years.

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

		As previously stated			Restatements	**Restated**		
	Note	Underlying £m	BTL £m	Total £m	Underlying £m	**Underlying £m**	**BTL £m**	**Total £m**
Revenue	2	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	3	(794.5)	-	(794.5)	9.3	**(785.2)**	**-**	**(785.2)**
Impairment losses on financial and contract assets	3	(13.4)	(0.1)	(13.5)	-	**(13.4)**	**(0.1)**	**(13.5)**
Total operating expenses[1,2]	3	(807.9)	(0.1)	(808.0)	9.3	**(798.6)**	**(0.1)**	**(798.7)**
Other operating income	2	43.8	-	43.8	-	**43.8**	**-**	**43.8**
Operating profit		301.2	31.1	332.3	9.3	**310.5**	**31.1**	**341.6**
Finance income	4	18.1	-	18.1	-	**18.1**	**-**	**18.1**
Finance expense	4	(212.1)	-	(212.1)	-	**(212.1)**	**-**	**(212.1)**
Net (losses) / gains on financial instruments	4	(161.5)	-	(161.5)	-	**(161.5)**	**-**	**(161.5)**
(Loss)/profit on ordinary activities before taxation		(54.3)	31.1	(23.2)	9.3	**(45.0)**	**31.1**	**(13.9)**
Tax credit/(charge) on (loss)/profit on ordinary activities	5	11.5	(1.9)	9.6	(1.5)	**10.0**	**(1.9)**	**8.1**
(Loss)/profit for the period		(42.8)	29.2	(13.6)	7.8	**(35.0)**	**29.2**	**(5.8)**

Notes to the consolidated financial statements (continued)

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

	Previously stated			Restatements	Restated		
	Underlying £m	BTL £m	Total £m	Underlying £m	**Underlying £m**	**BTL £m**	**Total £m**
Operating activities:							
(Loss) / Profit on ordinary activities after taxation	(42.8)	29.2	(13.6)	7.8	**(35.0)**	**29.2**	**(5.8)**
Less finance income	(18.1)	-	(18.1)	-	**(18.1)**	**-**	**(18.1)**
Add finance expense	209.8	-	209.8	-	**209.8**	**-**	**209.8**
Add interest expense on lease liabilities	2.3	-	2.3	-	**2.3**	**-**	**2.3**
Add loss on fair value of financial instruments	161.5	-	161.5	-	**161.5**	**-**	**161.5**
Add/(less) taxation on profit / (loss) on ordinary activities	(11.5)	1.9	(9.6)	1.5	**(10.0)**	**1.9**	**(8.1)**
Operating profit	301.2	31.1	332.3	9.3	**310.5**	**31.1**	**341.6**
Depreciation on property, plant and equipment	267.5	-	267.5	0.1	**267.6**	**-**	**267.6**
Depreciation of right of use assets	3.7	-	3.7	0.3	**4.0**	**-**	**4.0**
Amortisation of intangible assets	13.1	-	13.1	-	**13.1**	**-**	**13.1**
Less (gain) / add loss on sale of property, plant and equipment	0.3	-	0.3	-	**0.3**	**-**	**0.3**
Difference in pension charge and cash contribution	(20.4)	-	(20.4)	-	**(20.4)**	**-**	**(20.4)**
Increase / (decrease) in inventory	2.8	-	2.8	-	**2.8**	**-**	**2.8**
Decrease / (increase) in contract assets	(17.2)	(0.1)	(17.3)	-	**(17.2)**	**(0.1)**	**(17.3)**
Increase / (decrease) in trade and other receivables	(424.4)	(40.9)	(465.3)	-	**(424.4)**	**(40.9)**	**(465.3)**
Increase (decrease) in contract liabilities	446.2	10.1	456.3	-	**446.2**	**10.1**	**456.3**
(Decrease)/increase in trade and other payables	(84.7)	(1.0)	(85.7)	-	**(84.7)**	**(1.0)**	**(85.7)**
(Decrease) / Increase in provisions	11.2	-	11.2	0.5	**11.7**	**-**	**11.7**
Net cash generated by operating activities	499.3	(0.8)	498.5	10.2	**509.5**	**(0.8)**	**508.7**
Investing activities:							
Increase 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)**
Proceeds from sale of property, plant and equipment	-	-	-	-	**-**	**-**	**-**
Interest received	42.9	-	42.9	-	**42.9**	**-**	**42.9**
Repayment of loans from group	222.5	-	222.5	-	**222.5**	**-**	**222.5**
Net cash used in investing activities	(331.9)	-	(331.9)	(10.2)	**(342.1)**	**-**	**(342.1)**
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)**
Derivative paydown	-	-	-	-	**-**	**-**	**-**
Interest paid	(170.3)	-	(170.3)	-	**(170.3)**	**-**	**(170.3)**
Fees paid	(3.7)	-	(3.7)	-	**(3.7)**	**-**	**(3.7)**
Dividends paid	(28.0)	-	(28.0)	-	**(28.0)**	**-**	**(28.0)**
Net cash generated by/(used in) financing activities	(60.2)	-	(60.2)	-	**(60.2)**	**-**	**(60.2)**
Net decrease in cash and cash equivalents	107.2	(0.8)	106.4	-	**107.2**	**(0.8)**	**106.4**
Net cash and cash equivalents at beginning of period	154.4	7.6	162.0	-	**154.4**	**7.6**	**162.0**
Net cash and cash equivalents at end of period	261.6	6.8	268.4	-	**261.6**	**6.8**	**268.4**