

WESSEX WATER SERVICES FINANCE PLC

Interim financial information and report for the six months to
31 December 2023

Registered in England No. 03704265



Business Review

The Directors present their interim financial statements for the six months to 31 December 2023.

Principal Activities

The sole activity of the Company to issue bonds, the proceeds of which are lent to the immediate parent company Wessex Water Services Ltd (WWSL). The bonds are admitted to the Official List of the UK Listing Authority and to the London Stock Exchange. The bond proceeds are lent to WWSL on the same terms as the bonds themselves. WWSL guarantees the bonds, hence protecting the company from any risk.

There were no new bond issues during the period.

Results

There was no profit in the six-month period (2022 - nil).

Statement of Directors' Responsibilities in Respect of the Interim Financial Statements

The Directors confirm that, to the best of their knowledge the interim financial statements:

- have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the UK;
- give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- include a fair review of the information required by DTR 4.2.7R, being an indication of the important events during the period and descriptions of the principal risks and uncertainties for the remaining months of the year;
- include a fair review of the information required by DTR 4.2.8R, disclosure of related party transactions and changes therein. The Directors are responsible for preparing the interim financial statements in accordance with applicable United Kingdom law and regulations.

The Directors of Wessex Water Services Finance PLC are listed on page 3 of the Company's 2023 Financial Statements

By order of the board

Colin Skellett
Director
05 February 2024

Income Statement and Statement of Other Comprehensive Income

	<i>Note</i>	Half-year to 31.12.23 (unaudited) £000	Half-year to 31.12.22 (unaudited) £000	Year to 30.06.23 (audited) £000
Interest Income	2	90,224	62,591	142,050
Interest expense	2	(90,224)	(62,591)	(142,050)
Profit before and after tax, and total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>

Statement of Financial Position

	<i>Note</i>	31.12.23 (unaudited) £000	31.12.22 (unaudited) £000	30.06.23 (audited) £000
Non-current assets				
Other financial assets	3	<u>2,479,862</u>	<u>1,974,551</u>	<u>2,229,506</u>
		<u>2,479,862</u>	<u>1,974,551</u>	<u>2,229,506</u>
Current assets				
Trade and other receivables	4	26,028	22,786	31,736
Other financial assets	3	-	-	90,524
Cash and cash equivalents		<u>13</u>	<u>13</u>	<u>13</u>
		<u>26,041</u>	<u>22,799</u>	<u>122,273</u>
Total assets		<u><u>2,505,903</u></u>	<u><u>1,997,350</u></u>	<u><u>2,351,779</u></u>
Current liabilities				
Trade and other payables	5	(26,028)	(22,786)	(31,736)
Other interest-bearing loans and borrowings	6	<u>-</u>	<u>-</u>	<u>(90,524)</u>
		<u>(26,028)</u>	<u>(22,786)</u>	<u>(122,260)</u>
Non-current liabilities				
Other interest-bearing loans and borrowings	6	<u>(2,479,862)</u>	<u>(1,974,551)</u>	<u>(2,229,506)</u>
		<u>(2,479,862)</u>	<u>(1,974,551)</u>	<u>(2,229,506)</u>
Total liabilities		<u><u>(2,505,890)</u></u>	<u><u>(1,997,337)</u></u>	<u><u>(2,351,766)</u></u>
Net assets		<u><u>13</u></u>	<u><u>13</u></u>	<u><u>13</u></u>
Equity				
Share capital		13	13	13
Retained earnings		<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u><u>13</u></u>	<u><u>13</u></u>	<u><u>13</u></u>

The interim financial statements were approved by the board of directors on 05 February 2024 and signed on its behalf by

Colin Skellett
Director

Statement of Changes in Equity

	<i>Note</i>	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2022		<u>13</u>	<u>-</u>	<u>13</u>
Total comprehensive income for the period		-	-	-
Transactions with owners, recorded directly in equity		-	-	-
Balance at 31 December 2022		<u>13</u>	<u>-</u>	<u>13</u>
Balance at 1 July 2023		<u>13</u>	<u>-</u>	<u>13</u>
Total comprehensive income for the period		-	-	-
Transactions with owners, recorded directly in equity		-	-	-
Balance at 31 December 2023		<u>13</u>	<u>-</u>	<u>13</u>

Statement of Cash Flows

	Half-year to 31.12.23 (unaudited) £000	Half-year to 31.12.22 (unaudited) £000	Year to 30.06.23 (audited) £000
Cash flows from operating activities			
Profit for the year	-	-	-
<i>Adjustments for:</i>			
Interest income	(90,224)	(62,591)	(142,050)
Interest expense	90,224	62,591	142,050
	-	-	-
Working Capital Adjustments			
Decrease/(increase) in trade and other receivables	5,708	4,429	(4,521)
Increase/(decrease) in trade and other payables	(5,708)	(4,429)	4,521
Interest paid	(43,791)	(43,383)	(55,097)
Interest received	43,791	43,383	55,097
Proceeds from issue of Bonds	198,215	-	297,957
Issuance of debt	(198,215)	-	(297,957)
Repayment of Bonds	(90,524)	-	-
Proceeds from repayment of debt	90,524	-	-
Net cash used in operating activities	-	-	-
Net cash used in investing activities	-	-	-
Net cash from financing activities	-	-	-
Increase/(decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents at 1 July	13	13	13
Cash and cash equivalents at 31 December (30 June)	13	13	13

Notes to the Interim Financial Statements

1. Basis of preparation

Wessex Water Services Finance PLC (the Company) is a public company limited by shares which is incorporated, domiciled and registered in England and the UK. The registered number is 03704265 and the registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The interim report was approved by the Directors on 05 February 2024. It has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 "Interim Financial Reporting" as adopted by the UK. It should be read in conjunction with the June 2023 Annual Report and Financial Statements, which are available at Companies House.

The latest statutory financial statements have been reported on by the Company's auditor for the year ended 30 June 2023 and have been delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The accounting policies, presentation and methods of computation are prepared in accordance with UK adopted International Financial Reporting Standards (IFRSs) as adopted by the UK and are consistent with those applied in the audited financial statement of the Company for the year ended 30 June 2023. Any estimates and judgements used in preparing these accounts are consistent with those used in the preparation of the financial statements for 30 June 2023.

Going Concern

The directors believe, after due and careful enquiry, that the company has sufficient resources for its present requirements and, therefore, consider it appropriate to adopt the going concern basis in preparing the interim financial statements to 31 December 2023. In forming this assessment, the directors have considered the following information:

- The company's business activities, together with the factors likely to affect its future development, performance and position.
- The financial position of the company, its forecast monthly cash flows for the period to June 2025, liquidity position and borrowing facilities including reasonable downside sensitivities to the cash flows to check the company can operate within its current facilities.
- The company's requirement to repay scheduled loan maturities. The next scheduled requirement is to repay a loan of £200 million in 2028.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

2. Revenue and Operating Cost

	31.12.23	31.12.22	30.06.23
	£000	£000	£000
<i>Finance Income</i>			
Interest receivable from immediate parent company	90,224	62,591	142,050
	<hr/>	<hr/>	<hr/>
Total Revenue	90,224	62,591	142,050
	<hr/>	<hr/>	<hr/>
<i>Finance expense</i>			
Interest payable on bonds	(90,224)	(62,591)	(142,050)
	<hr/>	<hr/>	<hr/>
Total Operating Cost	(90,224)	(62,591)	(142,050)
	<hr/>	<hr/>	<hr/>
Net interest payable	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Interim Financial Statements (continued)

3. Other financial assets

	31.12.23	31.12.22	30.06.23
	£000	£000	£000
Current			
Inter-company loans repayable in less than 12 months	-	-	90,524
	<u> </u>	<u> </u>	<u> </u>
Non-current			
Inter-company loans repayable in more than 12 months	2,479,862	1,974,551	2,229,506
	<u> </u>	<u> </u>	<u> </u>

Intercompany Loans consist of bonds lent to the immediate parent with the same terms as bonds issued by the Company. See Note 6 for details of bonds issued by the Company.

4. Trade and other receivables

	31.12.23	31.12.22	30.06.23
	£000	£000	£000
Intercompany Interest receivable	25,958	22,786	31,736
Prepayments	70	-	-
	<u> </u>	<u> </u>	<u> </u>
	26,028	22,786	31,736
	<u> </u>	<u> </u>	<u> </u>

Amounts included in interest receivable above are due from the immediate parent and reflect the terms of the external borrowings included in note 6.

5. Trade and other payables

	31.12.23	31.12.22	30.06.23
	£000	£000	£000
Current			
Accrued expenses	26,028	22,786	31,736
	<u> </u>	<u> </u>	<u> </u>

6. Other interest-bearing loans and borrowings

	31.12.23	31.12.22	30.06.23
	£000	£000	£000
current liabilities			
Listed bonds	-	-	90,524
	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities			
Listed bonds	2,479,862	1,974,551	2,229,506
	<u> </u>	<u> </u>	<u> </u>

Notes to the Interim Financial Statements *(continued)*

6. Other Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 31.12.23 £000	Carrying amount 31.12.23 £000	Face value 31.12.22 £000	Carrying amount 31.12.22 £000	Face value 30.06.23 £000	Carrying amount 30.06.23 £000
Fixed Rate Bond	Sterling	5.375%	2028	200,000	199,298	200,000	199,154	200,000	199,225
Fixed Rate Bond	Sterling	1.500%	2029	250,000	248,395	250,000	248,131	250,000	248,262
Fixed Rate Bond	Sterling	5.125%	2032	300,000	296,917	-	-	300,000	298,010
Fixed Rate Bond	Sterling	5.750%	2033	350,000	347,217	350,000	347,003	350,000	347,109
Fixed Rate Bond	Sterling	6.500%	2033	35,000	34,766	-	-	-	-
Fixed Rate Bond	Sterling	6.500%	2035	35,000	34,709	-	-	-	-
Fixed Rate Bond	Sterling	1.250%	2036	300,000	295,672	300,000	295,343	300,000	295,507
Fixed Rate Bond	Sterling	6.500%	2038	65,000	64,159	-	-	-	-
Fixed Rate Bond	Sterling	6.500%	2043	65,000	64,582	-	-	-	-
Index Linked Bond	Sterling	3.520%	2023	-	-	50,000	90,025	50,000	90,524
Index Linked Bond	Sterling	2.186%	2039	50,000	88,502	50,000	81,277	50,000	85,874
Index Linked Bond	Sterling	1.750%	2046	75,000	137,384	75,000	121,087	75,000	128,861
Index Linked Bond	Sterling	1.750%	2051	75,000	137,384	75,000	121,087	75,000	128,861
Index Linked Bond	Sterling	1.369%	2057	75,000	137,384	75,000	121,087	75,000	128,861
Index Linked Bond	Sterling	1.374%	2057	75,000	137,384	75,000	121,087	75,000	128,861
Index Linked Bond	Sterling	1.489%	2058	50,000	85,370	50,000	76,423	50,000	80,025
Index Linked Bond	Sterling	1.495%	2058	50,000	85,370	50,000	76,423	50,000	80,025
Index Linked Bond	Sterling	1.499%	2058	50,000	85,370	50,000	76,423	50,000	80,025
				2,100,000	2,479,862	1,650,000	1,974,551	1,950,000	2,320,030

The Index-linked bonds accrue annually in line with the Retail Prices Index each year. Maturity value is the agreed contractual repayment value at the inception of the loan.

Notes to the Interim Financial Statements (continued)

7. Financial instruments

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount 31.12.23 (unaudited) £000	Fair value 31.12.23 (unaudited) £000	Level 1 31.12.23 (unaudited) £000
Financial liabilities			
<i>Interest-bearing loans and borrowings:</i>			
Fixed rate borrowings	1,585,716	1,468,290	1,468,290
Indexed-linked borrowings	894,147	1,025,307	1,025,307
Total financial liabilities	2,479,862	2,493,597	2,493,597

	Carrying amount 30.06.23 (audited) £000	Fair value 30.06.23 (audited) £000	Level 1 30.06.23 (audited) £000
Financial liabilities			
<i>Interest-bearing loans and borrowings:</i>			
Fixed rate borrowings	1,388,113	1,198,899	1,198,899
Indexed-linked borrowings	931,917	1,074,790	1,074,790
Total financial liabilities	2,320,030	2,273,689	2,273,689

The management assessed that the fair values of cash approximates to its carrying amount largely due to the short-term nature of the instrument.

8. Principle Risks

Market risk

There is no exposure to equity or foreign currency risk, the interest rate risk is shown below.

Interest rate risk

	31.12.23 £000	31.12.22 £000	30.06.23 £000
Fixed rate instruments	1,585,716	1,089,632	1,388,113
Index linked instruments	894,147	884,920	931,917
	2,479,862	1,974,551	2,320,030

The Company policy is to keep an appropriate mix of fixed rate and index-linked financial instruments.

Notes to the Interim Financial Statements (continued)

9. Principle Risks (continued)

Sensitivity

There are no floating rate instruments where the interest charge is subject to changes in the interest rate.

Interest rate sensitivity

All bonds are either fixed rate or index-linked so movements in general interest rates does not have an effect on the Company.

Inflation sensitivity

Index-linked bonds are sensitive to movements in the inflation rate. A 1% increase in the inflation rate would have the following effects.

	31.12.23 £000	31.12.22 £000	30.06.23 £000
Interest expense	(8,941)	(8,849)	(9,319)
Interest income	8,941	8,849	9,319
Net assets	-	-	-

10. Related party transactions

There has been no material change during the six months ended 31 December 2023 in transactions with related parties from that disclosed in the Company's annual report and accounts for the year ended 30 June 2023.

11. Post balance sheet events

There have been no events between the balance sheet date and the date on which the interim results were approved by the Board, which would require adjustment to the interim results or any additional disclosures.