south east water

Interim Financial Report

Condensed group financial statements for the six months ended 30 September 2022

Pure know h2ow

Our Business*

We supply top quality drinking water to 2.3 million customers in the south east of England. Through our network of 9,000 miles of pipes, we deliver around 530 million litres of water every day. The skill and expertise of our colleagues ensures our customers' water meets the highest of standards.

"Our vision is to be the water company people want to be supplied by and want to work for. Everything we do is underpinned by technical excellence.

We supply around 530 million litres of water a day

that's how much water we supply to around 2.3 million people

9,000 miles of underground pipes

that's how we get fresh drinking water direct to your tap

1,001 employees

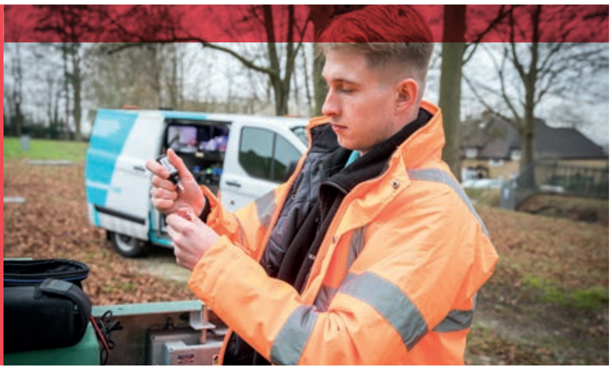
that's how we make sure your water supply runs 24 hours a day, 365 days a year

30 $kgCO_2e/Ml$

that's the level of Greenhouse gas emissions we emit across the company, to supply water to your tap

*The values quoted are for the year ended 31 March 2022



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Online interim report

Read our Condensed Group Financial Statements for the six months ended 30 September 2022 online:
southeastwater.co.uk/financialreports

Our Purpose

To provide today's public water service and create tomorrow's water supply solutions, fairly and responsibly, working with others to help society and the environment to thrive.

Our performance

FINANCIAL HIGHLIGHTS

Revenue

£137.8 million
Increase of 5.4 per cent on last year

Capital expenditure

£44.0 million
Decrease of 15.4 per cent on last year

Profit from operations

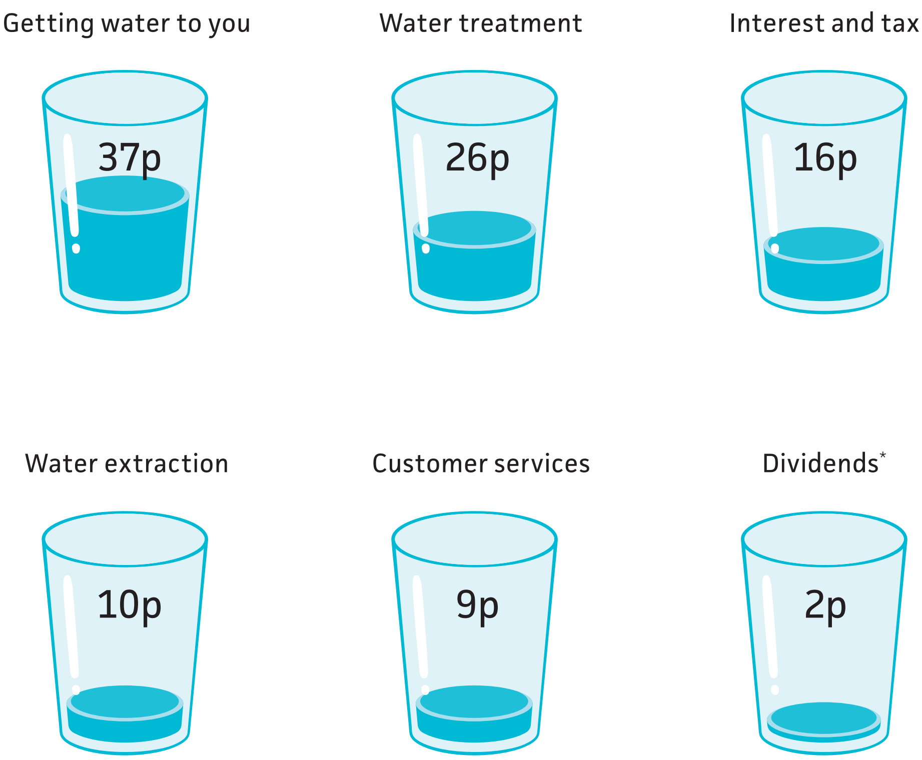
£33.8 million
Decrease of 21.2 per cent on last year

Cash generated from operating activities

£53.9 million
Decrease of 18.4 per cent on last year

How we invest in your water

Where each £1 of your bill is spent by the appointed water business



* Dividends allocated to the appointed business.

Chair and CEO joint report

Chris Train OBE
CHAIR

David Hinton
CEO

We are pleased to present our interim report for the six months ended 30 September 2022. Our interim report and our company's performance for this period is set against the backdrop of an unprecedented summer.

We saw record-breaking temperatures exceed 40°C (104°F) for the first time, the driest spell of weather in this country since 1975/76, and the driest July in Kent and Sussex since records began, with just eight per cent of the average monthly rainfall.

After one of the most challenging periods on record, we want to thank everyone involved in our business and supply chain who has gone above and beyond throughout the summer to keep taps flowing for our customers.

While we deeply regret the disruption to water supplies experienced by a small percentage of our customers in Kent and part of Sussex, the sterling efforts of our teams meant that, despite the exceptional conditions, only 0.7 per cent of our 2.3 million customers suffered any interruption to their mains water supply caused by the record levels of demand.

Our decision to implement a Temporary Use Ban (TUB) on 12 August was not one we took lightly but was absolutely necessary to protect water supplies and the environment. This was the first time we have implemented a temporary use ban since 2012, which underlines the seriousness of the situation we faced in the summer.

After one of the most challenging periods on record, we want to thank everyone involved in our business who has gone above and beyond throughout the summer to keep taps flowing for our customers

Our aim is always to ensure we will have enough water to supply our customers, whatever the weather, and that's why our planning for summer was critical.

We continually monitor the weather and prepared by making sure all our assets were ready for the challenge and postponed any planned activity that would reduce our capacity as well as ensuring our field teams were ready and fully focused on maintaining supplies.

From a very early stage, we emailed customers, posted water efficiency advice on our social media channels and signposted customers to our Water Latest webpage. Our large-scale communications campaign continued throughout the summer and into autumn.

Despite all our planning and preparation, the combination of factors we experienced in the summer were unprecedented, and even more severe than those experienced during the summer lockdowns of the Covid-19 pandemic.

At the start of the dry conditions in June, our raw water stocks were in a good position. Our challenge was to ensure we could treat raw water quickly enough to keep up with customer demand. Unfortunately as the summer developed and with very low levels of rainfall, we became concerned about the impact on the environment of abstracting more water.

Despite using multiple channels to ask initially for voluntary restraint, demand for water remained very high and we still received less than half of the average expected rainfall during August. We had to take action to make sure we had drinking water available for everyone, including for our vulnerable customers, protect the environment and for essential uses (eg. hospitals).

The temporary use ban helped us to maintain essential supplies for drinking and sanitation and gave us time to treat and pump more water through the network. At the height of the summer, we were pumping an extra 120 million litres of water a day around our region – the equivalent of supplying a further four towns the size of Maidstone or Eastbourne. The amount of water entering our network hit a high of 697 million litres per day, compared to the average daily amount of 530 million litres per day.

In the summer we saw more leaks and bursts reported to us than ever before. In Kent and Sussex alone, we had nearly 2,000 reported to us in just two months – an increase of 50 per cent. Leaks increased due to ground movement around pipes during the very hot weather and reports rose as the leaks became more visible in the drier weather. Our communications campaign also increased awareness among customers which prompted higher response levels.

It was a vast team effort, involving all our operational team and supply chain, to record, investigate, prioritise and fix these leaks as quickly as possible. Customer services advisers, technicians, scheduling teams and repair gangs worked around the clock to tackle the record number of reported leaks.

We have a proud track record of proactively tackling leaks and, before the summer period, the number of leaks across our network was at an all-time low. Since 2000/01, we have reduced leakage by 22 per cent, outperforming the target set by our regulator, Ofwat, and we remain committed to halving leakage levels by 2050. Although our downward trend has been impacted by the record-breaking number of leaks this summer, we remain determined to find and fix more leaks, using innovation and the latest satellite technology to do so.

Chair and CEO joint report continued

We successfully applied for a drought permit at Ardingly Reservoir due to water resources being very low for the time of year. This has enabled us to pump water into the reservoir from a 500-metre stretch of the River Ouse in West Sussex, under licence from the Environment Agency.

However, due to the above average rainfall received from September onwards, we have been able to lift the TUB on Wednesday 30 November. This decision was enabled by a combination of our reservoirs refilling more quickly than expected and our aquifers starting to recharge earlier. Our two biggest reservoirs at Ardingly and Arlington in Sussex, which provide eight per cent of all the water we supply to our region were 82 per cent and 47 per cent full respectively by late November. At the same time the soil moisture deficit, which indicates whether rainfall is reaching underground aquifers was favourable – indicating an earlier than expected commencement of winter recharge.

As a result of these significant operational challenges, our ODI performance has been disappointing in the first half of the year. The summer drought created significant demand in Kent which resulted in supply interruptions. We expect to reach our penalty collar for this ODI in 2022/23 of £3.2 million. A combination of historical factors, including housing growth and investment policies have resulted in a situation where our service is not as resilient to this kind of drought as we believe it should be, and our customers expect it to be. We are engaged in discussions with DEFRA, Ofwat, the EA and DWI on how we can improve the resilience of our service, particularly through further future investment.


Ardingly Reservoir, West Sussex

Due to the above average rainfall received from September onwards, we have been able to lift the TUB on 30 November

Chair and CEO joint report continued

The drought has also had an effect on a number of other ODIs. Extended drought causes the ground to dry, crack and shrink. This is particularly true in parts of the country such as South East England that are rich in clay based soils. This movement damages pipes buried in the ground and causes an increase in both leakage and mains failures. The extended drought created a large backlog of repairs, which we are now working our way through. We expect the situation to be essentially recovered by the end of the year, in terms of the integrity of our network. However, in the meantime we have incurred more leakage and mains repairs than in a normal year, and we are not certain at this point in the year whether or not we will be able to recover our ODI scores to target by the end of the year.

Our Water Quality ODIs are all ahead of target at the end of September and we expect small levels of outperformance on 'taste and odour'; 'appearance of water'; 'low pressure'; 'Priority Services Register'; and household voids. We continue to work hard to lead the industry on environmental stewardship and we remain on target to deliver our WINEP (Water Industry National Environment Programme) programme in both the year and the five year period.

At the same time as managing the unprecedented summer situation, we have been developing our new water resources management plan which water companies are required to do every five years. This looks at how we'll keep your taps flowing over the longer term (2025 to 2075) while striking the delicate balance of protecting the environment and keeping bills affordable.

The River Stour, Kent

“We continue to work hard to lead the industry on environmental stewardship

Chair and CEO joint report continued

Due to the unique challenges we face here in the south east, we're looking 50 years into the future with our plan, rather than the standard 25 years. By doing this, we can make sure the work we do now lays the best foundation for future generations. Our plan outlines how we will invest £1.2 billion over the next 50 years to drive down leaks, help customers reduce water use and build large-scale infrastructure projects such as reservoirs, water recycling plants and desalination schemes.

It also demonstrates how we will reduce the amount of water we abstract from the environment by 158 million litres a day by 2050 to protect our precious natural environment, and how we will support our customers to reduce demand for water through, for example, smart metering and water efficiency initiatives.

We are grateful for all the support, feedback and collaboration we have received across the region, and through the Water Resources South East alliance, to complete our draft plan, which we will be consulting on over the coming months, before publishing our final plan in 2023.

We have seen this summer how water and the environment are intrinsically linked. In April we became the first water company in the UK to produce a draft 25-year Environment Plan, mapping out how we will help to create a more resilient environment across all parts of our operational area, now and into the long-term.

In April we also published the final version of our five-year Drought Plan. Both documents have been created with widespread community and stakeholder input from the outset.

A major focus area for us remains the way we can support our customers, especially those who may need extra help. Our Priority Services Register played a vital role in ensuring we were able to protect our most vulnerable customers during the summer water supply issues and registrations continue to rise.

We are proud of the collaborations we have formed with other organisations and stakeholders to make sure we identify and support customers who may be facing challenging circumstances.

This is critical work given the current cost of living crisis. We have continued to promote our affordability schemes and taken a sympathetic approach to arrears management in cases where customers have been struggling to pay their water bills.

Even with the extraordinary challenges we've faced over the summer, there have also been many positives during the first six months of this financial year. Some of the headlines for each of our company's four strategic pillars are summarised in this report. These four themes help us focus on how we run our business today and influence how we plan for the long-term future.

Find out more about our 25-year Environment Plan:
southeastwater.co.uk/25YP

In April we became the first water company in the UK to produce a draft 25-year Environment Plan

Results and key financial performance indicators

The results published in this statement summarise our performance for the six months ended 30 September 2022. The financial statements are prepared under International Financial Reporting Standards ("IFRS") and incorporate the performance of South East Water Limited and its subsidiary, South East Water (Finance) Limited.

Revenue for the period was £137.8 million compared with £130.8 million for the same period in the previous year. The additional £7.0 million of revenue is due to tariff increases of £4.6 million and the higher demand experienced during the summer heatwave of £3.4 million. This has been offset by a reduction in other sales of £1.0 million, with lower new connections income and infrastructure income as a result of the slowdown in the housing and construction industries in the current economic environment.

Net operating costs, including bad debt, for the period to 30 September 2022 were £110.2 million, which is £16.4 million more than the corresponding period last year. This increase has been caused by a combination of weather events and the significant increase in key elements of our cost base namely power and chemicals.

The combined impact of Storm Eunice, the summer heatwave and the application of TUBs has resulted in an additional cost of £4.9 million in the first half of the year. Additionally, recent high inflation has led to significant increases in the cost of power (£3.4 million) and chemicals and materials (£1.8 million). Contractor and consultant costs, including reactive maintenance, have increased by £2.7 million following last year's unusually low burst numbers. Other increases include personnel costs of £1.3 million, plus bulk supply and abstraction costs of £1.2 million.

Finance costs have increased from £23.2 million to £47.4 million. The increase of £24.2 million reflects higher indexation costs on the four indexed linked loans of £21.9 million due to sharp rise in inflation over the period. Additionally, cash interest on the index linked loans have increased by £0.8 million, interest on the variable rate bank loan has increased by £0.8 million due to the increase in SONIA and there is an additional charge of £0.5 million on the fixed rate loan notes issued in the second half of the last financial year. Other finance charges increased by £0.2 million.

Interest receivable for the six months to 30 September 2022, which comprises interest earned on bank deposits and returns on pension scheme assets, was £0.9 million compared to £0.3 million in the prior year.

Loss before tax in the six month period was £12.7 million. This compares to a profit before tax of £20.1 million in the same period last year.

The group tax credit of £4.5 million in the period compares to charge of £38.6 million for the same period last year. The current tax charge in the period is nil. The deferred tax credit is made up of deferred tax on the loss in the period and the deferral of capital allowances for future use.

The prior year included a charge of £35.9 million for the impact on deferred tax of the change in the tax rate from 19 per cent to 25 per cent, which is effective from 1 April 2023.

Chair and CEO joint report continued

The group has recorded a loss after tax of £8.2 million for the six months to 30 September 2022. This compares to a loss after tax of £18.6 million for the same period in the prior year. The loss for the year is primarily due to the rise in finance costs as a result of the sharp increase in inflation throughout the reporting period.

The dividend paid for the six months ended 30 September 2022 of £4.5 million is same as that paid in the corresponding period last year and this represents a nominal dividend yield of 1.8 per cent. The dividend is in line with our dividend policy and is lower than Ofwat's view of what is a reasonable nominal dividend yield, which is 4 per cent.

The cash generated from operations was £69.2 million for the six months to 30 September 2022, down from £80.3 million for the corresponding period last year. This reflects the reduction in operating profit in the period.

The group has cash and cash equivalent balances of £21.3 million as at 30 September 2022. This compares to the balance of £22.7 million as at 30 September 2021. During the period there has been no movement on the revolving credit facility which remains undrawn.

Going concern

We continue to comply with the financial covenants set out in our securitisation structure and continue to hold ratings from Moody's and Standard & Poor's consistent with the requirements of both our securitisation and our instrument of appointment.

In preparing the financial statements the directors considered the group's ability to meet its debts as they fall due for a period of one year from the date of this report, especially in light of the current economic uncertainty associated with various factors including high inflation, pressures on household finances, supply chain constraints and high power prices caused by Russia's invasion of Ukraine.

The group's business activities together with the factors likely to affect its future development were set out in the strategic report included in the group's annual report for the financial year ended 31 March 2022.

The group finances its working capital requirements through cash generated from operations and committed facilities that can be called upon as required.

The directors have assessed the going concern review that has been completed for the group. That assessment considered the output of the viability assessment for the year ended 31 March 2022 and performance since that date compared with budget. The assessment also took into account the material uncertainties that could affect going concern, reported by the company's ultimate parent, HDF (UK) Holdings Limited for the year ended 31 March 2022. The material uncertainties in HDF have no effect on the going concern status of the group nor on the ability of the group to carry out normal operational activities.

The combined impact of Storm Eunice, the summer heatwave and the application of temporary use bans has resulted in an additional cost of £4.9 million in the first half of the year

In adopting the going concern basis of preparation for these financial statements, the directors have considered the liquidity position of the group, financial forecasts, stress testing of principal risks and uncertainties and the impact of these stress tests on committed funding facilities levels and applicable covenants.

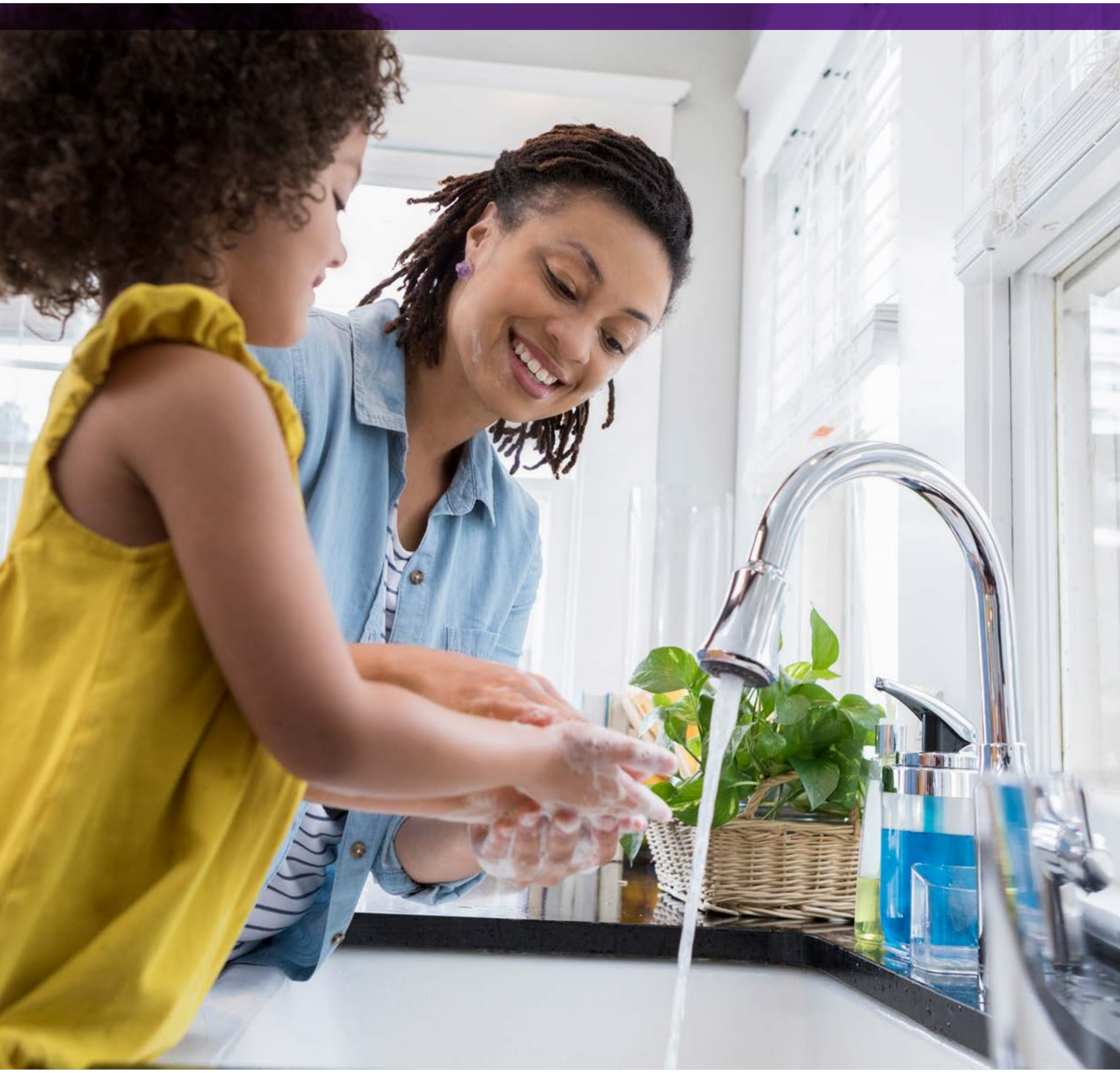
The directors have a reasonable expectation that the company has sufficient resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Chris Train OBE
CHAIR
7 DECEMBER 2022.

David Hinton
CEO
7 DECEMBER 2022.

Trusted and reliable service

How we build trust in what we do and deliver a high-quality service to our customers



"The treatment process at Woodgarston is now starting to benefit from new nitrate removal equipment that has been installed at the treatment works at a cost of £5.5 million

- The vast majority of our customers had no issues with their water supply in the summer, despite record-breaking temperatures, minimal rainfall, exceptional demand levels and unprecedented reports of leaks caused by the very dry ground. In total, 0.7 per cent of our 2.3 million customers regretfully experienced water supply interruptions while 0.06 per cent of the one million properties we supply suffered an interruption beyond 48 hours.
- Our dedicated teams worked 24/7 to treat and pump record amounts of water through our 9,000 miles of water mains and to investigate, prioritise and fix leaks. In August we fixed 50 per cent more leaks than planned.
- We reallocated resources quickly from flushing operations to optimise the effectiveness and speed of our incident response. Regular meetings have helped us to tackle the backlog of work in Kent, which was most affected by the summer incident.
- Collaboration and communication have been strengthened with neighbouring water companies who experienced similar challenges, including supply chain issues. Securing fuel supplies and chemicals to treat our raw water required a co-ordinated effort.
- Away from the main summer incident, we continued our satellite surveying programme to identify ground water composition levels around 2,500km of our Kent pipe network. By overlaying our pipe network on to the surveys, we can pinpoint other emerging leaks to proactively tackle.
- Our UKAS-accredited specialist laboratory at Farnborough in Hampshire conducted more than 100,000 water quality tests in the first half of the year, with 99.99 per cent passing the Drinking Water Inspectorate's (DWI) stringent quality standards.
- We have carried out more network pressure monitoring and servicing than ever before, prior to reallocating teams to support the summer demand response. Pressure changes can severely damage pipes, causing leaks and breaks, so this work is necessary to drive down leakage and prevent bursts.
- Our multimillion-pound refurbishment of the Arlington water treatment works safeguarded reliable water supplies for our Sussex customers, with no reported outages during the drought.
- We have performed strongly against the target and industry average in the DWI's new Compliance Risk Index performance measure in the first half of the year. This considers water quality compliance failures at water treatment works and in domestic household water plumbing (cause, location and customer impact). Our Event Risk Index, based on the seriousness of an event, how it's managed and its impact, is currently above our corporate target, mainly due to the summer incident, but we continue to fare very well against the industry average.
- Repairs to our drinking water storage tanks in mid-Kent are continuing following sinkhole damage in 2020. One reservoir cell has been back in operation for over a year, one has been safely demolished and the third, and largest, cell is being extensively repaired to strengthen the structure. When complete in 2023, the site will provide 14.6 million litres of drinking water a day.
- The treatment process at Woodgarston is starting to benefit from new £5.5 million nitrate removal equipment installed at the treatment works to future-proof the water supply from forecasted nitrate level increases in the area. We have also completed the installation of ten new UV disinfection plants across our network to make our disinfection process more resilient to parasites.

Thriving people

How we help the people who work with us to thrive

A further 20 apprentices joined the company, taking our total to 56. We are on track to increase this to 10 per cent of all employees by 2025

- We are proud of our colleagues from across the business who rose to every challenge during the difficult summer period, demonstrating dedication, commitment, resilience and agility.
- Welfare vehicles visited our frontline teams dealing with incidents and handing out bottled water in affected communities. This was a first for our company, providing a welcome pitstop with refreshments, a toilet and rest facilities.
- We held our first company wellbeing walks in June, aimed at encouraging colleagues to take time out, while around 40 of our more energetic colleagues have started a Couch to 5k running group.
- We are in the third year of our five-year people plan. Plans are progressing for a new Foundation for Leadership programme for line managers and a Leading for Change senior leadership programme.
- Our apprenticeship programme continues to thrive, offering opportunities for new joiners but also for existing employees to upskill. For the first time we are trialling apprenticeships in our customer services department and, with our new intake, we will have a 50/50 split between male and female apprentices. This new intake of 20 apprentices will bring our total up to 56 apprentices.
- We have launched a Domestic Abuse policy and also a Menopause policy to provide support to colleagues and to encourage open and honest conversations.
- We relaunched our Staff Council in June, giving our employee voice a higher profile and involving more people across the business. Members of the council meet regularly to discuss staff issues, including four times a year with our executive board.
- Our safety committee has more representatives across more areas of the business following a relaunch and we have a new safety policy. Our executive board conducted a deep dive into health and safety in April and we have re-started our pre-pandemic visible leadership tours of operational and construction sites. In the first six months of the year, we have had one reportable (RIDDOR) incident and no other lost time injuries.
- There has been a 225 per cent increase in the number of job applications we receive per vacancy between June and September. We are continuing to look at ways to attract top talent, and have used social media channels, including LinkedIn and Facebook, for the first time to promote our customer service vacancies.
- Our wellbeing programme continues to go from strength to strength. April marked the second anniversary of the launch of our mental health first aiders (MHFA). We now have 42 MHFAs who have been contacted 800 times in two years (including repeat contacts). In addition, we have 37 wellbeing champions, and organise lunch and learn sessions on a range of wellbeing issues. Our company intranet now features a wellbeing hub too.
- Our efforts to become a healthier place to work have resulted in us receiving a bronze wellbeing award from Kent and Medway's Healthy Workplace programme in recognition of the progress we are making to support health and wellbeing at work.

Community and society focussed

How we understand and respond
to the needs of society

“42 per cent of our customers now have an online My Account. Registrations have increased by 108 per cent since 2020

- 13,505 additional households (1.5 per cent) joined our Priority Services Register (PSR) in the first half of the year. We contacted vulnerable customers during the heatwave and implementation of the temporary use ban (TUB) to proactively inform them if they were exempt from the TUB. Almost 8,000 bottled water drops were made to PSR customers who lost/risked losing supply. We worked with councils to reach other ‘at risk’ customers.

- We have successfully recertified our BSI18477: Inclusive Service Provision standard and plan to join the first pilot group of water companies transitioning to the new BS ISO 22458 Customer Vulnerability standard. We were delighted to receive the Credit Awards 2022 Vulnerable Customer Strategy of the Year (Creditor) award in June.

- To auto-enrol more customers onto support tariffs, we have followed up our industry-first council datashare to join an industry/ Department for Work and Pensions project to help more eligible customers access our affordability tariffs, without having to apply. Our Trusted Partnership programme will support customers during the cost-of-living crisis.

- We have developed our East Grinstead Town Council partnership to sponsor community events and promote our vulnerability, affordability and water efficiency schemes. We have worked with West Sussex County Council on environment-focussed water efficiency messaging.

- Take-up of free water-saving devices has more than tripled since last year with nearly 209,000 devices given out in six months, compared to more than 59,000 in the same period last year. We are delivering water efficiency-focussed messaging and supporting low-income families in partnership with Kent County Council (KCC).

- Issuing a million pieces of information about the summer challenges led to more customers contacting us. Consequently, our overall downward complaints trend suffered; complaints peaked at 400 in a month. Upfront communications, via email, social media and My Account on our website, limited complaints. Investing in a fully automated communications system in 2023 will enhance our incident interaction with customers. 42 per cent of our customers now have an online My Account, with registrations increasing by 108 per cent since 2020. More customers are using My Account to track water use and compare use to neighbours, download bills and manage payments.

- With KCC we have helped to lead the distribution of a government hardship fund for those struggling with bills, with £500,000 given to customers in Kent.

- To better understand our customers’ needs, we have joined Centre for Sustainable Energy, Sustainability First, National Energy Action and SCOPE to implement a key horizon scanning project on vulnerability and affordability.

- We published our annual performance report (2021/22) on a dedicated interactive microsite in July to aid transparency and accessibility.

- To support the East Grinstead community impacted by Storm Eunice, when UK Power Networks failures meant we couldn’t pump/ move water into the area, we have distributed £100,000 to local charitable and community groups. We are also distributing £250,000 to parish councils affected by the summer demand challenges as a goodwill gesture. Councils will redistribute to local good causes. Furthermore, ten south east good causes received £2,000 from our company Community Chest fund in May.

Flourishing environment

How we contribute to an environment
that flourishes today and tomorrow

"As part of WINEP, the Environment Agency and Natural England asked us to research improvements to the habitat of numerous rivers and streams

- In April we became the first UK water company to produce a draft 25-year Environment Plan. This involved our largest ever consultation exercise when we emailed 500,000+ customers and stakeholders. We await feedback on our draft water resources management plan (dWRMP24) and Water Industry National Environment Programme (WINEP24) to ensure our final Environmental Plan is reflective of our stakeholder and customer views.
- We have prepared a Strategic Environmental Assessment (SEA), a key part of our dWRMP24, covering our long-term planning for 2025 to 2075. This ensures we consider the environment at all stages of the draft plan preparation.
- In June we launched a water saving week campaign to support the annual Waterwise water efficiency initiative with website, social media and blog content.
- We have continued to engage with farmers and landowners over land management improvements and capital grant scheme applications. We have agreed to fund a water harvesting/ water efficiency pilot project in the River Teise catchment, with support funding from Catchment Sensitive Farming. Through our award-winning catchment work, we have partnered with the Ouse and Adur Rivers Trust to seed-fund the development of a catchment-wide strategy to tackle Invasive Non-Native Species eg, Himalayan balsam, which impacts on the River Ouse.
- We successfully delivered more improvement schemes as part of the WINEP than ever before and held three stakeholder workshops across our regions to discuss environmental issues. This work will underpin our next WINEP 2025 to 2035. Through the WINEP, we have researched improvements to the habitat of numerous rivers and streams and worked with local environmental groups and elected stakeholders to discuss improvements to the River Darent in Kent and Maidenhead Ditch in Berkshire. We have also installed river habitat enhancements in a WINEP River Cuckmere pilot trial.
- Our final five-year Drought Plan was published following widespread consultation and Defra approval in May. This outlines the actions we will take before, during and after periods of drought to conserve water and secure supplies, while balancing the needs of the environment.
- A summer wart-biter bush cricket survey confirmed that the reintroduced population has expanded and spread out across the Deep Dean valley in East Sussex following a WINEP habitat restoration project. Two sand martin nesting banks and nesting islands for terns have been installed at the Wakehurst arm of Ardingly Reservoir and we part-funded the release of almost 100 water voles into the River Thames in Berkshire in a project led by Wild Cookham and the Berks, Bucks and Oxon Wildlife Trust to increase biodiversity and boost river health.
- We have surveyed thousands of square kilometres of land near the River Ouse, Cuckmere and River Stour using ultra-high resolution aerial imagery to identify leaks on company-owned or private water pipes. Our leakage and engagement teams use this information to liaise directly with landowners about the leaks and to offer other support (eg, water efficiency audits, rainwater harvesting).
- We continue to work with Sussex maize growers to trial different ways of preventing soil and valuable nutrients reaching rivers and groundwater. We plan to nearly double our funding for farmers who sow grass on their fields during the autumn too.
- Shortlisting is under way after we invited community groups and businesses to express their interest in running new recreational activities at Arlington Reservoir in East Sussex.
- An introductory report outlining our catchment restoration strategy and our flagship chalk stream project on the River Stour has been prepared and will be published shortly.

Condensed group income statement

for the six months ended 30 September 2022

	Note	**Six months ended 30 September 2022 £000**	Six months ended 30 September 2021 £000
Revenue	6	**137,839**	130,775
Bad debt		**(2,378)**	(2,128)
Net operating costs	8	**(107,857)**	(91,691)
Other income	6	**6,198**	5,952
Profit from operations		**33,802**	42,908
Finance income	9	**890**	345
Finance expense	9	**(47,394)**	(23,194)
(Loss)/profit before taxation		**(12,702)**	20,059
Taxation	10	**4,494**	(38,631)
Loss for the six months		**(8,208)**	(18,572)
Other comprehensive income:			
Items that will not be reclassified to the income statement:			
Net actuarial (loss)/gain on pension schemes		**(11,348)**	4,463
Deferred tax credit/(charge) on the net actuarial (loss)/gain		**1,959**	(1,375)
Other comprehensive (loss)/profit for the six months		**(9,389)**	3,088
Total comprehensive loss		**(17,597)**	(15,484)

		Six months ended 30 September 2022 Pence	Six months ended 30 September 2021 Pence
Loss per share attributable to the ordinary equity holders of the parent			
Basic and diluted	12	**(16.64)**	(37.66)

The notes on pages 28 to 40 form part of these financial statements.

Condensed group statement of financial position

as at 30 September 2022

	Note	**30 September 2022 £000**	31 March 2022 £000	30 September 2021 £000
Assets				
Non-current assets				
Property, plant and equipment	14	**1,692,091**	1,678,147	1,653,840
Right of use assets	14	**10,647**	10,980	11,525
Intangible assets	13	**8,152**	8,294	8,624
Defined benefit pension surplus		**49,001**	57,346	41,653
		1,759,891	1,754,767	1,715,642
Current assets				
Inventories		**832**	851	668
Trade and other receivables	15	**94,104**	84,037	88,821
Cash and cash equivalents		**21,261**	14,539	22,749
		116,197	99,427	112,238
Total assets		**1,876,088**	1,854,194	1,827,880
Liabilities				
Non-current liabilities				
Trade and other payables	16	**4,284**	4,154	4,062
Loans and borrowings	17	**1,148,687**	1,120,478	1,044,540
Defined benefit pension liability		**2,365**	2,869	3,221
Deferred tax liability		**222,416**	228,790	220,122
Deferred income		**3,974**	4,315	3,235
		1,381,726	1,360,606	1,275,180
Current liabilities				
Trade and other payables	16	**122,993**	99,851	102,997
Loans and borrowings	17	**409**	339	50,324
Deferred income		**6,224**	5,740	6,712
Provisions		**7,489**	8,314	10,375
		137,115	114,244	170,408
Total liabilities		**1,518,841**	1,474,850	1,445,588
Net assets		**357,247**	379,344	382,292
Issued capital and reserves attributable to owners of the parent				
Share capital		**49,312**	49,312	49,312
Revaluation reserve		**215,608**	217,906	219,922
Retained earnings		**92,327**	112,126	113,058
Total equity		**357,247**	379,344	382,292

The financial statements on pages 24 to 40 were approved and authorised for issue by the board of directors and were signed on its behalf by:

David Hinton
DIRECTOR
7 DECEMBER 2022.

Andrew Farmer
DIRECTOR
7 DECEMBER 2022.

The notes on pages 28 to 40 form part of these financial statements.

Condensed group statement of changes in equity

for the six months ended 30 September 2022

	Note	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2022		**49,312**	**217,906**	**112,126**	**379,344**
Comprehensive income for the six months					
Loss for the six months		-	-	(8,208)	(8,208)
Other comprehensive loss		-	-	(9,389)	(9,389)
Total comprehensive income for the six months		-	-	(17,597)	(17,597)
Dividends	11	-	-	(4,500)	(4,500)
Amortisation of revaluation reserve		-	(3,056)	3,056	-
Release revaluation reserve on disposals		-	(8)	8	-
Deferred tax on revaluation and retained earnings transfers[1]		-	766	(766)	-
		-	(2,298)	(2,202)	(4,500)
At 30 September 2022		**49,312**	**215,608**	**92,327**	**357,247**

	Note	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2021		49,312	235,774	130,741	415,827
Comprehensive income for the six months					
Loss for the six months		-	-	(18,572)	(18,572)
Other comprehensive loss		-	-	3,088	3,088
Total comprehensive loss for the six months		-	-	(15,484)	(15,484)
Dividends	11	-	-	(4,500)	(4,500)
Amortisation of revaluation reserve		-	(3,056)	3,056	-
Release revaluation reserve on disposals		-	(9)	9	-
Deferred tax on revaluation and retained earnings transfers[1]		-	764	(764)	-
Impact of deferred tax rate change		-	(13,551)	-	(13,551)
		-	(15,852)	(2,199)	(18,051)
At 30 September 2021		49,312	219,922	113,058	382,292

All transactions relate to the equity holders of the group.

[1] The movement between the revaluation reserve and retained earnings arises from the depreciation and associated deferred tax on the fair value uplift of assets at the time of transition to IFRS.

Condensed group statement of cash flows

for the six months ended 30 September 2022

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Cash flows from operating activities		
Loss for the six months	**(8,208)**	(18,572)
Adjustments for		
Depreciation and impairment of property, plant and equipment	**28,994**	28,404
Amortisation of intangible assets including impairment	**1,487**	1,432
Finance income	**(890)**	(345)
Finance expense	**47,394**	23,194
(Gain)/Loss on disposal of property, plant and equipment	**(126)**	67
Difference between pension contributions paid and amounts recognised in the income statement	**(2,791)**	(2,773)
Taxation on loss	**(4,494)**	38,631
	61,366	70,038
Movements in working capital:		
Increase in trade and other receivables	**(10,248)**	(1,474)
Decrease in inventories	**19**	5
Increase in trade and other payables	**18,095**	11,730
Cash generated from operations	**69,232**	80,299
Interest paid	**(14,989)**	(14,048)
Interest received	**148**	345
Income tax paid	**(522)**	(518)
Net cash generated from operating activities	**53,869**	66,078
Cash flows from investing activities		
Purchases of property, plant and equipment	**(41,320)**	(48,587)
Proceeds from disposal of property, plant and equipment	**159**	143
Purchase of intangibles	**(1,345)**	(1,269)
Contributions to infrastructure assets received	**-**	(562)
Net cash outflow from investing activities	**(42,506)**	(50,275)
Cash flows from financing activities		
Issue costs of debt	**(6)**	(66)
Credit facility repayment of borrowings	**-**	(80,000)
Loan notes issued	**-**	50,000
Debenture redemption	**(1)**	-
Dividends paid to shareholders	**(4,500)**	(4,500)
Payment of lease liabilities	**(134)**	(105)
Net cash used in financing activities	**(4,641)**	(34,671)
Net cash increase/(decrease) in cash and cash equivalents	**6,722**	(18,868)
Cash and cash equivalents at the beginning of six months	**14,539**	41,617
Cash and cash equivalents at the end of the six months	**21,261**	22,749

The notes on pages 28 to 40 form part of these financial statements.

Notes to the condensed group financial statements

for the six months ended 30 September 2022

1. Reporting entity

South East Water Limited (the 'company') is a limited company incorporated in the United Kingdom. The company's registered office is at Rocfort Road, Snodland, Kent, ME6 5AH. These consolidated financial statements comprise the company and its subsidiary South East Water (Finance) Limited (collectively the 'group'). The group's principal activities are the supply of water to a population of 2.3 million in an area of 5,700 square kms and the provision of certain ancillary services for customers, developers and other bodies within the limits of the relevant legislation.

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 September 2022 are set out on pages 24 to 40, and have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as endorsed by the UK endorsement board. The statements should be read in conjunction with the financial statements for the year ended 31 March 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the UK endorsement board.

The condensed group financial statements are presented in sterling.

These interim financial results have not been audited or reviewed by our auditor. The information herein for the year ended 31 March 2022 does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2022 were approved by the Board of Directors on 14 July 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was not qualified, did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

3. Key judgements and sources of estimation uncertainty

The preparation of interim financial statements requires the application of judgements and assumptions by management which affects the value of assets and liabilities at the balance sheet date and income and expenditure for the six months ended 30 September 2022. Actual results may differ from those arrived at based on management's judgements and assumptions. 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 Group Annual Report for the year ended 31 March 2022.

4. Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the current economic uncertainty and the impact that this might have on the business. The directors have concluded that it is correct to continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided in the Chair and Chief Executive's joint statement on page 14.

Notes to the condensed group financial statements

for the six months ended 30 September 2022

5. Accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements for the year ended 31 March 2022.

6. Revenue and other income

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Revenue		
Unmetered water income	**10,294**	10,233
Metered water income	**122,561**	114,556
Other sales	**4,984**	5,986
Total revenue	**137,839**	130,775
Other income		
Rental income	**625**	624
Other income	**5,573**	5,328
Total other income	**6,198**	5,952
Total income	**144,037**	136,727

Other sales comprise a number of income streams, including those associated with activities typically performed for property developers, which impact the group's infrastructure network assets, including diversions works to relocate water assets, and activities that facilitate the creation of an authorised connection through which properties can obtain water services. Other sales includes new connections income of £2.0 million (2021: £2.5 million), infrastructure income of £0.7 million (2021: £1.3 million) and capital contributions of £1.3 million (2021: £1.4 million).

Other income includes charges for billing and cash collection services amounting to £3.5 million (2021: £3.5 million) and laboratory income of £1.5 million (2021: £1.3 million).

Notes to the condensed group financial statements

for the six months ended 30 September 2022

7. Segmental analysis

Financial and other performance information is reported internally every month to the South East Water Executive Committee. The Executive Committee is responsible for the day to day running of the business, and accordingly the Executive Committee is considered to be the chief operating decision maker of the group for the purposes of segmental reporting under IFRS 8: Operating Segments. The Executive Committee considers that the Group's activities largely fall into one main business segment, namely Regulated Water, with all other activities included in "Other" below. Regulated Water is the supply of potable water on a wholesale and retail basis, both of which are governed by the Water Act 2014.

A segmental analysis of the management results are presented below together with a reconciliation to the statutory revenue and profit before tax.

	Regulated water £000	Other activities £000	Total £000
Six months to 30 September 2022			
Water revenue	**132,855**	**-**	**132,855**
Other income	**3,000**	**8,181**	**11,181**
Net operating costs	**(77,965)**	**(7,034)**	**(84,999)**
EBITDA	**57,890**	**1,147**	**59,037**
Depreciation and profit on disposal	**(30,331)**	**-**	**(30,331)**
Company operating profit	**27,559**	**1,147**	**28,706**

	Regulated water £000	Other activities £000	Total £000
Six months to 30 September 2021			
Water revenue	124,790	-	124,790
Other income	3,717	8,221	11,938
Net operating costs	(62,655)	(6,148)	(68,803)
EBITDA	65,852	2,073	67,925
Depreciation and loss on disposal	(29,870)	-	(29,870)
Company operating profit	35,982	2,073	38,055

Notes to the condensed group financial statements

for the six months ended 30 September 2022

7. Segmental analysis continued

The water revenue on a management accounts basis above of £132.9 million (2021: £124.8 million) compares with total revenue on a statutory basis of £137.8 million (2021: £130.8 million). The difference is Other sales of £4.9 million (2021: £6.0 million) (see note 6).

The business segments' management accounts operating profit is reconciled to the group's statutory operating profit and profit before tax as follows:

	30 September 2022 £000	30 September 2021 £000
Management operating profit	**28,706**	38,055
Results of South East Water (Finance) Limited [1]	**-**	1
Pension costs adjustment [2]	**2,791**	2,434
Additional loss on disposal of property, plant and equipment	**(24)**	(36)
Capitalistion of new connections [3]	**2,329**	2,456
Other statutory adjustments	**-**	(2)
Statutory profit from operations	**33,802**	42,908
Finance income	**890**	345
Finance expense	**(47,394)**	(23,194)
Statutory (loss)/profit before taxation	**(12,702)**	20,059

1) The losses of South East Water (Finance) Limited are consolidated into these financial statements but not included in the finance reports presented to the Executive Committee

2) The internal finance reports include pension costs on the basis of contributions paid whereas the financial statements include pension costs on the basis of IAS 19 Employee Benefits

3) The internal finance reports record the costs associated with new connections in operating costs but these costs are capitalised as Property, Plant and Equipment in the financial statements

Notes to the condensed group financial statements
for the six months ended 30 September 2022

8. Net operating costs

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Employees benefits expenses	**18,048**	16,126
Asset expenses	**30,355**	29,903
Operating lease rentals:		
Vehicles and office equipment	**206**	178
Land and buildings	**7**	8
Fee payable to group's auditor	**219**	239
Energy costs	**13,800**	9,708
Rates	**9,233**	9,235
Contractors	**19,430**	14,023
Bulk water supplies and abstraction licences	**5,163**	3,962
Chemicals	**2,855**	1,849
Insurance and related costs	**2,047**	1,600
Other	**8,663**	7,014
Other operating expenses charged to capital projects	**(2,169)**	(2,154)
	107,857	91,691

9. Finance income and expense

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Finance income		
Interest receivable on bank balances and short-term deposits	**140**	1
Net interest income on defined benefit assets	**750**	344
Total finance income	**890**	345
Finance expense		
Effective interest on listed debt	**7,231**	6,964
Indexation on listed debt	**12,559**	5,048
Interest on index linked loans	**6,958**	6,437
Indexation on index linked loans	**15,338**	982
Other finance costs	**6,133**	5,039
Interest capitalised	**(825)**	(1,276)
Total finance expense	**47,394**	23,194

Interest is capitalised at the weighted average rate of interest on the group senior long-term debt of 3.9 per cent (2021: 3.7 per cent).

Notes to the condensed group financial statements

for the six months ended 30 September 2022

10. Taxation

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Current taxation (credit)/charge	**(79)**	663
Deferred taxation (credit)/charge	**(4,415)**	37,968
	(4,494)	38,631

The current tax charge is based on management's estimate of the weighted average annual corporation tax rate expected for the full financial year.

The total deferred tax is estimated to be a credit of £4.4 million. This is due to the deferred tax on the loss for the period and the deferral of capital allowances.

The rate of corporation tax used for the deferred tax calculated at 25 per cent future corporation tax rate.

Factors that may affect future tax charges

From 1 April 2023, the corporation tax rate increases to 25 per cent under the Finance (c.26) Act June 2021.

11. Dividends

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Interim dividend of 4.6 pence (2021: 4.6 pence) per Ordinary share paid during the six months	**2,250**	2,250
Interim dividend of 4.6 pence (2021: 4.6 pence) per Ordinary share paid during the six months	**2,250**	2,250
	4,500	4,500

Notes to the condensed group financial statements
for the six months ended 30 September 2022

12. Earnings per share

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000
Loss for the six months from continuing operations	**(8,208)**	(18,572)

	Six months ended 30 September 2022 Number	Six months ended 30 September 2021 Number
Basic and diluted weighted average number of shares	**49,312,354**	49,312,354
Basic and diluted loss per share from continuing operations	**(16.64p)**	(37.66p)

13. Intangible assets

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Net book amount			
At 1 April	**8,294**	8,787	8,787
Additions for the period	**1,329**	2,499	1,269
Reclassifications of assets in the period	**16**	21	-
Amortisation for the period	**(1,487)**	(2,994)	(1,432)
Impairment charges	**-**	(19)	-
Closing balance as at	**8,152**	8,294	8,624

Notes to the condensed group financial statements

for the six months ended 30 September 2022

14. Property, plant and equipment

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Net book amount			
At 1 April	**1,689,127**	1,643,264	1,643,264
Additions for the period	**42,654**	102,465	50,715
Reclassifications of assets in the period	**(16)**	(21)	-
Depreciation for the period	**(28,995)**	(55,666)	(28,404)
Disposals for the period	**(32)**	(1,198)	(210)
Revaluations	**-**	283	-
Closing balance as at	**1,702,738**	1,689,127	1,665,365

14.1 Assets held under leases

The net book value of owned and leased assets included in the consolidated condensed statement of financial position is as follows:

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Property, plant and equipment owned	**1,692,091**	1,678,147	1,653,840
Right-of-use-assets, excluding investment property	**10,647**	10,980	11,525
	1,702,738	1,689,127	1,665,365

15. Trade and other receivables

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Financial asset receivables			
Trade receivables	**35,984**	35,547	38,147
Accrued income	**51,547**	41,953	43,556
Amounts due from parent and fellow subsidiary undertakings due within one year	**-**	-	75
Sundry debtors	**1,646**	2,077	1,594
	89,177	79,577	83,372
Non-financial asset receivables			
Prepayments	**4,927**	4,460	5,449
	94,104	84,037	88,821

Notes to the condensed group financial statements
for the six months ended 30 September 2022

16. Trade and other payables

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Current liabilities			
Financial liability payables			
Trade payables	**12,858**	10,919	8,404
Amounts due to parent and fellow subsidiary undertakings	**10,609**	11,209	11,047
Other payables	**11,092**	2,363	12,527
Accruals	**44,921**	33,032	34,445
	79,480	57,523	66,423
Non-financial liability payables			
Payments received in advance	**42,281**	41,207	34,680
Other taxes and social security	**1,232**	1,121	1,894
	43,513	42,328	36,574
Total trade and other payables	**122,993**	99,851	102,997
Non-current liabilities			
Financial liability payables			
Deposits payable to developers	**4,284**	4,154	4,062

17. Loans and borrowings

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Current			
Bank loan	**-**	-	50,000
Lease liabilities	**409**	339	324
	409	339	50,324
Non-current			
Irredeemable debenture stock	**984**	985	989
Listed bonds	**367,833**	355,194	346,598
Index linked loans	**433,897**	418,475	400,771
Variable rate loan	**119,026**	118,905	118,842
Fixed rate loan notes	**223,777**	223,744	173,858
Lease liabilities	**3,170**	3,175	3,482
	1,148,687	1,120,478	1,044,540

Notes to the condensed group financial statements

for the six months ended 30 September 2022

18. Financial instruments

Fair values of financial assets and financial liabilities

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. In the opinion of the directors, the fair values of the financial assets and liabilities of the group (apart from the specific items shown in the fair value table below) are not materially different from the book values.

The following tables provide comparison by category of the carrying amount and the fair values of the group's financial assets and financial liabilities at 30 September 2022.

	Book value 30 September 2022 £000	**Fair value 30 September 2022 £000**	Book value 31 March 2022 £000	Fair value 31 March 2022 £000	Book value 30 September 2021 £000	Fair value 30 September 2021 £000
Financial assets at amortised cost						
Trade and other receivables	**89,177**	**89,177**	79,577	79,577	83,372	83,372
Cash	**21,261**	**21,261**	14,539	14,539	22,749	22,749
	110,438	**110,438**	94,116	94,116	106,121	106,121
Financial liabilities at amortised cost						
Trade and other payables	**68,871**	**68,492**	46,314	46,082	55,376	55,071
Irredeemable debentures	**984**	**680**	985	681	989	861
Listed bonds	**367,833**	**501,736**	355,194	501,184	346,598	501,927
Index linked loans	**433,897**	**628,618**	418,475	628,059	400,771	596,775
Drawdown facility	**-**	**-**	-	-	50,000	50,000
Bank loan	**119,026**	**116,240**	118,905	125,073	118,842	116,079
Loan note	**223,777**	**224,156**	223,744	214,687	173,858	181,925
Lease liability	**3,579**	**3,559**	3,514	3,325	3,806	3,785
Amounts due to parent and group undertakings	**10,609**	**10,551**	11,209	11,153	11,047	10,986
Trade and other payables over one year	**4,284**	**4,260**	4,154	4,133	4,062	4,040
	1,232,860	**1,558,292**	1,182,494	1,534,377	1,165,349	1,521,449

The net book value is considered to equate to the fair value for trade and other receivables due to the short maturity of the amounts receivable. The fair value of trade and other payables and amounts due to parent and group undertakings have been adjusted for the appropriate credit risk. The fair value of irredeemable debentures and the lease liability have been calculated using the discounted cash flow method. The calculation includes all future capital and interest payments discounted by an amount representing credit risk and a further amount representing future inflation.

The fair value of the group's other long term debt, consisting of listed bonds, index-linked loans, variable rate loans and fixed rate loan notes have been calculated based on expected future yields on each of the debt instruments except where a current market valuation is available.

Notes to the condensed group financial statements
for the six months ended 30 September 2022

18. Financial instruments continued

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs with a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The group held the following financial instruments which are not measured at fair value but fair value disclosures are required:

30 September 2022	Total £000	Level 1 £000	Level 2 £000	Level 3 £000
Fair value of financial liabilities at amortised cost				
Trade and other payables	**68,492**	-	**68,492**	-
Irredeemable debentures	**680**	-	**680**	-
Listed bonds	**501,736**	-	**501,736**	-
Index linked loans	**628,618**	-	**628,618**	-
Variable loan rate	**116,240**	-	**116,240**	-
Loan notes	**224,156**	-	**224,156**	-
Lease liability	**3,559**	-	**3,559**	-
Amounts due to parent and group undertakings	**10,551**	-	**10,551**	-
Trade and other payables over 1 year	**4,260**	-	**4,260**	-
Total fair value of financial liabilities at amortised cost	**1,558,292**	-	**1,558,292**	-

31 March 2022	Total £000	Level 1 £000	Level 2 £000	Level 3 £000
Fair value of financial liabilities at amortised cost				
Trade and other payables	46,082	-	46,082	-
Irredeemable debentures	681	-	681	-
Listed bonds	501,184	193,611	307,573	-
Index linked loans	628,059	-	628,059	-
Variable loan rate	125,073	-	125,073	-
Loan notes	214,687	-	214,687	-
Lease liability	3,325	-	3,325	-
Amounts due to parent and group undertakings	11,153	-	11,153	-
Trade and other payables over 1 year	4,133	-	4,133	-
Total fair value of financial liabilities at amortised cost	1,534,377	193,611	1,340,766	-

Notes to the condensed group financial statements

for the six months ended 30 September 2022

18. Financial instruments continued

30 September 2021	Total £000	Level 1 £000	Level 2 £000	Level 3 £000
Fair value of financial liabilities at amortised cost				
Trade and other payables	55,071	-	55,071	-
Irredeemable debentures	861	-	861	-
Listed bonds	501,927	-	501,927	-
Index linked loans	596,775	-	596,775	-
Drawdown facility	50,000	-	50,000	-
Variable loan rate	116,079	-	116,079	-
Loan notes	181,925	-	181,925	-
Lease liability	3,785	-	3,785	-
Amounts due to parent and group undertakings	10,986	-	10,986	-
Trade and other payables over 1 year	4,040	-	4,040	-
Total fair value of financial liabilities at amortised cost	1,521,449	-	1,521,449	-

During the reporting period ended 30 September 2022 a transfer between level 1 and level 2 fair value measurements was made as there were no current market valuations for either of the group's listed bonds available. Similarly, in the reporting year to 31 March 2022 a transfer between level 1 and level 2 fair value measurements was made as there was no current market valuation for one of the group's listed bonds available. No transfers between level 1 and level 2 were made in the reporting period ended 30 September 2021. No transfers into or out of level 3 fair value measurements were made in the reporting periods ended 30 September 2022 and 2021 or the reporting year ended 31 March 2022.

19. Capital commitments

	30 September 2022 £000	31 March 2022 £000	30 September 2021 £000
Contracts placed for future capital expenditure not provided in the financial statements	**33,582**	28,227	39,296

All of the above capital commitments relate to property, plant and equipment.

Contingent liabilities

Through the ordinary course of operations, the group is party to various contract disputes. The directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the group's results from operations, cash flows or financial position.

Notes to the condensed group financial statements

for the six months ended 30 September 2022

20. Events after the reporting date

There are no post balance sheet events.

21. Parent company and ultimate controlling parties

The immediate parent company is South East Water (Holdings) Limited. The largest and smallest group of companies into which results of the company are consolidated is that headed by HDF (UK) Holdings Limited, a company which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of HDF may be obtained from the Company Secretary at the company's registered office at Rocfort Road, Snodland, Kent, ME6 5AH.

Utilities of Australia Pty Limited as Trustee for the Utilities Trust of Australia ("UTA"), NatWest Pension Trustee Limited as Trustee for the NatWest Group Pension Fund ("NWPF"), Régime de Rentes du Mouvement Desjardins ("RRMD"), Desjardins Financial Security Life Assurance Company ("DFSL") and Certas Home and Auto Insurance Company ("Certas") are the company's joint ultimate shareholders. UTA is incorporated in Australia. NWPF is incorporated in the United Kingdom, RRMD, DFSL and Certas are incorporated in Canada. It is the directors' belief that there is no single ultimate controlling party and that the joint ultimate shareholders control the company jointly.