

# Kelda Finance (No.1) Limited

## *Condensed Consolidated Interim Financial Statements*

For the six month period ended 30 September 2019

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# Information to accompany the Condensed Consolidated Interim Financial Statements

The consolidated results for Kelda Finance (No.1) Limited for the six month period ended 30 September 2019 are presented in this report.

These interim statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Kelda Finance (No.1) Limited is the holding company of a group including Kelda Finance (No.2) Limited, Kelda Finance (No.3) PLC, Yorkshire Water Services Holdings Limited and its subsidiary companies.

# Group Condensed Consolidated Statement of Profit and Loss

For the six month period ended 30 September 2019

		<b>Unaudited six month period ended 30 September 2019 £m</b>	Unaudited six month period ended 30 September 2018 £m
	<i>Note</i>		
<b>Group revenue</b>		<b>539.3</b>	529.4
Operating costs before exceptional items		<b>(407.7)</b>	(382.6)
Exceptional items	2	<b>(2.3)</b>	(18.9)
<b>Group operating profit from continuing operations</b>		<b>129.3</b>	127.9
Finance income		<b>61.7</b>	62.0
Fair value income	6	<b>52.2</b>	30.5
Finance costs		<b>(153.9)</b>	(164.5)
Fair value costs	6	<b>(390.9)</b>	(43.7)
<b>(Loss)/profit from continuing operations before taxation</b>		<b>(301.6)</b>	12.2
Tax credit/(charge) on continuing operations	3	<b>51.9</b>	(2.9)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(249.7)</b>	9.3
Profit from discontinued operations net of tax		-	0.1
<b>(Loss)/profit for the period</b>		<b>(249.7)</b>	9.4

# Group Condensed Consolidated Statement of Other Comprehensive Income

For the six month period ended 30 September 2019

	<b>Unaudited six month period ended 30 September 2019 £m</b>	<b>Unaudited six month period ended 30 September 2018 £m</b>
<b>(Loss)/profit for the period</b>	<b>(249.7)</b>	9.4
Other comprehensive income for the period	-	-
<b>Total comprehensive (expense)/income for the period</b>	<b>(249.7)</b>	9.4

# Group Condensed Consolidated Statement of Financial Position

As at 30 September 2019

		Unaudited at 30 September 2019 £m	Audited at 31 March 2019 £m
	Note		
<b>Non-current assets</b>			
Intangible assets		130.2	124.2
Property, plant and equipment		7,855.6	7,850.0
Right of use assets	12	78.5	-
Financial assets	6	167.6	117.8
Trade and other receivables		1,146.3	1,150.3
		<b>9,378.2</b>	<b>9,242.3</b>
<b>Current assets</b>			
Inventories		3.9	3.1
Trade and other receivables		274.7	250.2
Tax assets		1.6	2.4
Cash and cash equivalents	5	37.1	51.5
		<b>317.3</b>	<b>307.2</b>
<b>Total Assets</b>		<b>9,695.5</b>	<b>9,549.5</b>
<b>Current liabilities</b>			
Trade and other payables		(346.0)	(353.1)
Lease liabilities	12	(15.7)	-
Deferred grants and contributions on depreciated assets		(11.0)	(11.0)
Short term borrowings	5	(587.9)	(862.1)
		<b>(960.6)</b>	<b>(1,226.2)</b>
<b>Non-current liabilities</b>			
Long term borrowings	5	(5,006.0)	(4,689.5)
Long term payables		(6.7)	(5.0)
Lease liabilities	12	(84.6)	-
Financial liabilities	6	(2,431.7)	(2,094.7)
Deferred grants and contributions on depreciated assets		(462.4)	(455.6)
Provisions		(0.4)	(0.4)
Deferred tax liabilities		(331.3)	(387.0)
		<b>(8,323.1)</b>	<b>(7,632.2)</b>
<b>Total liabilities</b>		<b>(9,283.7)</b>	<b>(8,858.4)</b>
<b>Net assets</b>		<b>411.8</b>	<b>691.1</b>
<b>Equity</b>			
Share capital	9	-	-
Revaluation reserve		239.8	639.8
Retained earnings		172.0	51.3
<b>Total equity</b>		<b>411.8</b>	<b>691.1</b>

# Group Condensed Consolidated Statement of Cash Flows

For the six month period ended 30 September 2019

	Note	Unaudited six month period ended 30 September 2019 £m	Unaudited six month period ended 30 September 2018 £m	Audited year ended 31 March 2019 £m
<b>Cash flows from operating activities</b>	7	<b>290.9</b>	271.7	510.7
Income taxes paid		(13.1)	(11.5)	(11.4)
Interest paid	8	(141.1)	(134.8)	(233.7)
<b>Net cash generated from operating activities</b>		<b>136.7</b>	125.4	265.6
<b>Cash flows from investing activities</b>				
Interest received	8	61.6	57.1	117.2
Proceeds on disposals of property, plant and equipment		1.8	2.5	3.2
Purchases of property, plant and equipment		(250.8)	(255.6)	(553.2)
Capital grants and contributions		12.1	9.6	27.3
<b>Net cash used in investing activities</b>		<b>(175.3)</b>	(186.4)	(405.5)
<b>Cash flows from financing activities</b>				
Dividends paid	4	(29.6)	(27.6)	(67.5)
Borrowings raised (net of fees)		355.7	183.2	390.0
Repayment of borrowings		(292.9)	(82.7)	(72.9)
Repayments of obligations under finance leases and hire purchase agreements		(13.1)	(9.8)	(10.8)
Repayment of loan from parent company		4.1	4.1	33.1
Amount payable upon restructure of inflation-linked swaps		-	-	(121.7)
<b>Net cash from financing activities</b>		<b>24.2</b>	67.2	150.2
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14.4)</b>	6.2	10.3
<b>Cash and cash equivalents at the start of the period</b>		<b>51.5</b>	41.2	41.2
<b>Cash and cash equivalents at the end of the period</b>	5	<b>37.1</b>	47.4	51.5

# Group Condensed Consolidated Statement of Changes in Equity

For the six month period ended 30 September 2019

	Ordinary shares	Share premium	Revaluation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m
<b>At 31 March 2019</b>	-	-	639.8	51.3	691.1
Loss for the period	-	-	-	(249.7)	(249.7)
Shares issued	-	400.0	(400.0)	-	-
Capital reduction	-	(400.0)	-	400.0	-
Dividends paid	-	-	-	(29.6)	(29.6)
<b>At 30 September 2019</b>	-	-	239.8	172.0	411.8

	Ordinary shares	Share premium	Revaluation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m
<b>At 31 March 2018, as reported</b>	-	-	605.8	285.5	891.3
Adjustment from adoption of IFRS 9 – financial instruments	-	-	-	(6.0)	(6.0)
<b>Restated at 31 March 2018</b>	-	-	605.8	279.5	885.3
Profit for the period	-	-	-	9.4	9.4
Dividends paid	-	-	-	(27.6)	(27.6)
<b>At 30 September 2018</b>	-	-	605.8	261.3	867.1



# Notes to the Condensed Consolidated Interim Financial Statements

For the six month period ended 30 September 2019

## 1. Basis of preparation and accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies, methods of computation and presentation are consistent with those used for the audited financial statements of Kelda Finance (No.1) Limited for the year ended 31 March 2019 except for the adoption of new standards effective as of 1 January 2019. The group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These interim financial statements consolidate the results of Kelda Finance (No.1) Limited, Kelda Finance (No.2) Limited, Kelda Finance (No.3) PLC, Yorkshire Water Services Holdings Limited, and its subsidiary companies for the six months ended 30 September 2019.

### *New standards and interpretations*

The group applies, for the first time, IFRS 16 'Leases'. The transition disclosures can be found in note 12. The changes to the accounting policies are set out below:

On transition, the group elected to use the practical expedient allowing the standard to only be applied to those contracts previously identified as leases under IAS 17. As a result, the adoption of IFRS 16 has not resulted in any retrospective changes to the amounts recognised in the group's annual consolidated financial statements for the year ended 31 March 2019.

The group's lease portfolio predominantly relates to real estate and vehicles. On transition to IFRS 16 on 1 April 2019, assets controlled under operating lease contracts were brought onto the balance sheet as right-of-use assets, and the group has recognised a corresponding liability for the amounts payable under the lease contracts.

### *Estimates and Judgements*

The estimates and judgements applied in preparing these financial statements are consistent with those applied in the consolidated annual report and financial statements for the year ending 31 March 2019.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 2. Exceptional items

	<b>Unaudited for the period ended 30 September 2019 £m</b>	Unaudited for the period ended 30 September 2018 £m
<b>Included in operating profit</b>		
Operating costs	<u>(2.3)</u>	<u>(18.9)</u>

Exceptional operating costs

In the six month period the group has incurred £2.3m of operational costs associated with assets damaged in the flooding incident that occurred in December 2015. (£3.9m relating to the 2015 flooding and £15.0m of operational costs associated with the severe weather conditions in the six month period ended 30 September 2018).

## 3. Tax charge

	<b>Unaudited six month period ended 30 September 2019 £m</b>	Unaudited six month period ended 30 September 2018 £m
Tax relating to continuing operations:		
Current tax charge	(3.6)	(6.8)
Adjustments in respect of prior periods	-	0.2
Total current tax charge	<u>(3.6)</u>	<u>(6.6)</u>
Deferred tax credit	55.5	3.7
<b>Total tax credit/(charge)</b>	<u>51.9</u>	<u>(2.9)</u>

The current tax charge comprises corporation tax calculated at the estimated effective tax rates for the year.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 4. Dividends paid

	<b>Unaudited six month period ended 30 September 2019 £m</b>	<b>Unaudited six month period ended 30 September 2018 £m</b>
Cash dividends	<b>29.6</b>	27.6
<b>Total dividends</b>	<b>29.6</b>	27.6

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 5. Analysis of net debt

	Unaudited at 30 September 2019 £m	Audited at 31 March 2019 £m
<b>Cash and cash equivalents:</b>		
Cash at bank and in hand	18.4	37.4
Short term deposits	18.7	14.1
	<b>37.1</b>	<b>51.5</b>
<b>Short term borrowings:</b>		
Bank loans	(53.4)	(48.7)
Finance leases	-	(14.2)
Fixed rate guaranteed bonds due in less than 5 years	(199.5)	(474.2)
Other borrowings	(335.0)	(325.0)
	<b>(587.9)</b>	<b>(862.1)</b>
<b>Long term borrowings:</b>		
Bank loans	(680.2)	(695.2)
Fixed rate guaranteed bonds due in less than 5 years	(216.3)	(218.8)
Fixed rate guaranteed bonds due in more than 5 years	(2,286.1)	(1,918.1)
Index linked guaranteed bonds due in more than 5 years	(1,378.8)	(1,351.5)
Floating rate bonds due on more than 5 years	(74.4)	(74.3)
Fixed rate US Dollar bonds due in less than 5 years	(339.6)	(313.8)
Fixed rate AUS Dollar bonds due in more than 5 years	(30.6)	(30.0)
Finance lease liabilities	-	(87.8)
	<b>(5,006.0)</b>	<b>(4,689.5)</b>
Amounts owed by parent entities	1,154.4	1,158.5
Finance lease liability – current	(4.3)	-
Finance lease liability – non current	(84.6)	-
<b>Total net debt</b>	<b>(4,491.3)</b>	<b>(4,341.6)</b>

The long term bank loans stated above include £256.2m (£260.0m loan less £3.8m unamortised issue costs) held at Kelda Finance (No.2) Limited. Fixed rate guaranteed bonds due in less than five years includes £199.6m (£200.0m bond less unamortised issue costs of £0.4m) held at Kelda Finance (No.3) PLC. All other long term borrowings are held within the Yorkshire Water Services Holdings Limited group of companies.

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# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 5. Analysis of net debt (continued)

As at 30 September 2019, amounts owed by parent entities include £219.4m, (31 March 2019: £223.5m) in respect of an amount that reflected the fair value of inflation linked swaps at the date of novation from Saltaire Water Limited to Yorkshire Water in August 2008, and £743.9m (31 March 2019: £743.9m) in relation to an upstream loan to Kelda Eurobond Co Limited. Also included is a loan to Kelda Eurobond of £191.1m (31 March 2019: £191.1m) held at Kelda Finance (No.2) Limited.

As a result of the transition to IFRS 16, there has been a change in presentation of finance leases. As at 30 September 2019, £84.6m of long term finance lease liabilities and £4.3m of short term finance lease liabilities are now included within short term and long term lease liabilities in the balance sheet. They were previously classified as short and long term borrowings. For further details see note 12.

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# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 6. Other financial assets and liabilities (continued)

	Unaudited as at 30 September 2019 £m	Audited as at 31 March 2019 £m
Derivative financial assets:		
Fixed to floating interest rate swaps	80.0	55.4
Combined cross currency interest rate swaps	85.2	58.5
Energy derivative	2.4	3.9
	<u>167.6</u>	<u>117.8</u>
Financial liabilities:		
Finance lease interest swaps	(25.7)	(23.2)
Inflation linked swaps	(2,402.7)	(2,067.5)
Combined cross currency interest rate swaps	(3.3)	(4.0)
	<u>2,431.7</u>	<u>(2,094.7)</u>
	Unaudited for the period ended 30 September 2019	Unaudited for the period ended 30 September 2018
<b>Interest receivable and similar income</b>	<b>£m</b>	<b>£m</b>
Movement of fair value of combined cross currency interest rate swaps	27.4	18.2
Movement in fair value of fixed to floating interest rate swaps	24.6	-
Movement in fair value of debt associated with fixed to floating interest rate swaps	-	10.9
Movement of fair value of finance lease interest rate swap	-	1.4
Movement of fair value of energy derivative	0.2	-
	<u>52.2</u>	<u>30.5</u>
<b>Interest payable and similar charges</b>		
Movement of fair value of combined cross currency interest rate swaps		-
Movement in fair value of cross currency debt	(26.4)	(21.1)
Movement in fair value of fixed to floating interest rate swaps	-	(9.6)
Movement in fair value of debt associated with fixed to floating interest rate swaps	(23.0)	-
Movement of fair value of inflation linked swaps	(335.1)	(13.0)
Movement of fair value of finance lease interest rate swap	(4.7)	-
Movement of fair value of energy derivative	(1.7)	-
	<u>390.9</u>	<u>(43.7)</u>

In the period ended 30 September 2018, the movement of fair value of the energy derivative of £10.3m income was included within operating profit. In the period ended 30 September 2019, the movement in the derivative of £0.2m fair value income and £1.7m fair value charges have been reclassified into fair value income and charges, as shown above.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 6. Other financial assets and liabilities (continued)

### *Fixed to floating Interest rate swaps*

The company holds three fixed to floating interest rate swaps, which mature in 2029 and 2033. The movement in the fair value of the swaps from £55.4m asset to £80.0m asset resulted in income of £24.6m recognised in the income statement (six month period ended 30 September 2018: £9.6m charge). This is offset by the change in fair value of the associated bonds of £23.0m income (six month period ended 30 September 2018: £10.9m income). The charges relating to the fair value of the individual associated bonds are as follows:

- £4.6m (six month period ended 30 September 2018: £5.6m) of change in fair value of associated bonds relates to the 3.625% 2029 guaranteed bonds with a fair value of £107.5m at 30 September 2019 (31 March 2019: £102.9m);
- £6.3m (six month period ended 30 September 2018: £3.4m) change in fair value of associated bonds relates to the 4.965% 2033 Class B guaranteed bonds with a fair value of £112.2m at 30 September 2019 (31 March 2019: £105.9m); and
- £12.1m (six month period ended 30 September 2018: £1.9m) change in fair value of associated bonds relates to the 3.54% 2029 guaranteed bond issued during the year with a fair value of £276.7m at 30 September 2019 (31 March 2019: £264.6m).

### *Cross currency interest rate swaps*

The company entered into several multi-currency interest rate swap transactions involving fifteen Fixed US Dollar bonds and one AUS Dollar bond, referred to as Cross Currency swaps.

The net impact of the fair value movement on the swaps resulted in a net gain of £1.0m (six month period ended 30 September 2018: £2.9m loss) to the profit and loss account. This impact is split out as follows.

The fair value movement in combined cross currency swap assets from £58.5m to £85.2m of £26.7m income, plus the fair value movement in the combined cross currency swap liabilities from £4.0m to £3.3m of £0.7m income resulted in combined income of £27.4m being recognised in the income statement (six month period ended 30 September 2018: £18.2m income). This is offset by the change in fair value of the associated bonds resulting in a loss of £26.4m (six month period ended 30 September 2018: £21.1m loss). Of the change in fair value of the associated bonds, £25.8m loss (six month period ended 30 September 2018: £20.7m loss) relates to Fixed US Dollar bonds and £0.6m loss (six month period ended 30 September 2018: £0.4m loss) relates to the AUS Dollar bonds.

### *Energy derivative*

The group holds energy price swaps, which hedge the group's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price. The net movement of £1.5m (six months to 30 September 2018: £10.3m), in the derivative asset from £3.9m to £2.4m, has been recognised in the income statement within fair value income and charges (six months to 30 September 2018: in the income statement within operating expenses).

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 6. Other financial assets and liabilities (continued)

### *Finance lease interest swaps*

The company holds two floating to fixed interest rate swaps in relation to floating rate finance leases. These have a total nominal value of £45m. The movements in the fair value of floating to fixed rate swaps in respect of finance leases from a liability of £23.2m to a liability of £25.7m resulted in an expense of £2.5m recognised in the income statement as a fair value charge (six month period ended 30 September 2018: £1.4m). The remaining £2.2m movement is as a result of cash paid, resulting in an overall charge of £4.7m.

### *Inflation linked swaps*

The group holds a number of inflation linked swaps, with a notional value of £1,289.0m. There are three cashflows associated with these inflation linked swaps:

- six monthly interest receivable linked to LIBOR;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receives six monthly interest amounts based on a fixed rate.

Interest payments and receipts are accrued in the profit and loss account. The RPI bullet accumulated at the balance sheet date has been discounted using an appropriate rate applied to the specific life of the future accretion paydowns of the inflation linked swaps. This is accrued in the profit and loss account and recognised within financial liabilities. The RPI bullet accrued to 30 September 2019 was £209.1m (31 March 2019: £184.5m) which has been reduced by £63.2m (31 March 2019: £57.2m) when discounted to present value.

Given current six month LIBOR and applicable discount rates, Yorkshire Water's portfolio of inflation linked swaps gave rise to a fair value liability of £2,402.7m (31 March 2019: £2,067.5m). Included in this amount, £145.9m (31 March 2019: £127.3m) represents the discounted value of the RPI bullet accrued to 30 September 2019. This has been recognised within other financial liabilities.

The valuation model used by Yorkshire Water to determine the fair value of the inflation linked swap portfolio as at 30 September 2019 includes a funding valuation adjustment, credit valuation adjustment and debit valuation adjustment to reflect the long term credit risk of Yorkshire Water's inflation linked swap portfolio, which includes instruments with super-senior status as well as non-senior status derivatives. The funding valuation adjustments, credit valuation adjustments and debit value adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation, and therefore require estimation techniques to be adopted by management. Management uses a third party expert to advise on the appropriateness of these assumptions, and prepared sensitivity analysis in order to evaluate the impact of a reasonably possible range of assumptions on the resultant valuation. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £627.4m (31 March 2019: £544.3m).

The mark to market value of the inflation linked swaps excluding these adjustments as at 30 September 2019 is £3,084.6m (31 March 2019: £2,667.3m).



# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 7. Reconciliation of profit from continuing operations to cash generated by continuing operations

	Unaudited six month period ended 30 September 2019 £m	Unaudited six month period ended 30 September 2018 £m	Audited year ended 31 March 2019 £m
Total (loss)/profit for the period	(249.7)	9.4	(145.8)
Tax (credit)/charge	(51.9)	2.9	(25.9)
Profit from continuing operations before taxation	(301.6)	12.3	(171.7)
Finance income	(61.7)	(62.0)	(123.9)
Finance costs	153.9	164.5	274.9
Net exceptional finance costs	338.7	13.2	251.3
Movements of fair value of derivative financial instrument (energy contracts)	-	(10.3)	-
Depreciation	147.9	151.2	294.4
Profit on disposal of property, plant and equipment	(1.6)	(2.4)	(2.9)
Amortisation of intangibles	7.8	6.1	11.1
Impairment of property, plant and equipment	-	-	0.3
(Increase)/decrease in inventories	(0.8)	0.1	(0.1)
Increase in trade and other receivables	(26.2)	(27.5)	(9.4)
Increase/(decrease) in trade and other payables	40.0	31.4	(3.0)
Amortisation of capital grants	(5.5)	(5.1)	(10.3)
Other movements	-	0.2	-
<b>Cash generated from continuing operations</b>	<b>290.9</b>	<b>271.7</b>	<b>510.7</b>

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 8. Cash interest

	<b>Unaudited six month period ended 30 September 2019 £m</b>	Unaudited six month period ended 30 September 2018 £m
<b>Cash interest paid:</b>		
External interest on Kelda Finance facility	(11.6)	(7.2)
External interest paid by Yorkshire Water financing group	(129.5)	(127.6)
	<b>(141.1)</b>	<b>(134.8)</b>
<b>Cash interest received:</b>		
External interest received by Yorkshire Water financing group	31.7	28.1
Interest received from parent entities	29.9	29.0
	<b>61.6</b>	<b>57.1</b>

## 9. Share capital

	<b>Ordinary shares</b>	
	<b>Number</b>	<b>£</b>
Closing balance at 30 September 2019 and 31 March 2019	100	100

## 10. Post balance sheet event

On 1 October 2019, Scottish Water Business Stream Limited (Business Stream) acquired the non-household customer book of Yorkshire Water Business Services (YWBS). A consideration was paid on 1 October 2019 which is subject to future adjustment based on the actual customer book transferred and other measures which impact financial contribution.

## 11. Contingent liabilities

In September 2016 Yorkshire Water received a claim on behalf of Personal Search Companies (PSC) relating to a claim for historical fees that they have paid to Yorkshire Water for water and drainages reports obtained when buying a house. The PSCs state that the historical fees should not have been paid to Yorkshire Water as the information should have been provided for no fee.

At this stage it is not known if Yorkshire Water would be liable for these claims, the total value to which they could amount, or the timing of any cash outflow.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 12. Adoption of new accounting standards

In the six months ended 30 September 2019, the group applies, for the first time, IFRS 16 Leases.

The changes in accounting policies as a result are detailed in note 1.

The transition to the new standards is complete; however, the group will monitor emerging developments and interpretations of the new standard. The cumulative effect method of transition has been adopted, with the effect of initially applying the standard recognised at the date of initial application (1 April 2019). Accordingly, the comparative information presented has not been restated.

- (a) Right of use assets of £81.2m were recognised and presented separately in the balance sheet. This includes the lease assets recognised previously under finance leases of £69.9m that were reclassified from property, plant and equipment.
- (b) Additional lease liabilities totalling £113.3m were recognised separately on the balance sheet. This includes £102.0m previously recognised as finance leases that were reclassified from borrowings.

The cash flows of the group are not impacted by any of the adjustments above.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 12. Adoption of new accounting standards (continued)

The effect of adopting IFRS 16 as at 1 April 2019 is as follows:

	Year ended 31 March 2019 As previously reported £m	Transition adjustments £m	Adjusted balance sheet at 1 April 2019 £m
<b>Assets</b>			
Right of use assets	-	81.2	<b>81.2</b>
Property, plant and equipment	7,850.0	(69.9)	<b>7,780.1</b>
<b>Liabilities</b>			
Lease liabilities - current	-	(25.5)	<b>(25.5)</b>
Lease liabilities – non-current	-	(87.8)	<b>(87.8)</b>
Borrowings - current	(862.1)	14.2	<b>(847.9)</b>
Borrowings – non-current	(4,689.5)	87.8	<b>(4,601.7)</b>
<b>Total adjustment to equity:</b>			
Retained profits	51.3	-	<b>51.3</b>

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as at 31 March 2019 as follows:

	£m
Operating lease commitments as at 31 March 2019	<b>10.6</b>
Effect of discounting	<b>(0.6)</b>
Less: Commitments relating to short-term and low-value leases	<b>(1.6)</b>
Add: Adjustments to lease payments not recognised at 31 March 2019	<b>2.9</b>
Lease liabilities previously recognised as operating leases as at 1 April 2019	<b>11.3</b>

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six month period ended 30 September 2019

## 12. Adoption of new accounting standards (continued)

### Amounts recognised in the balance sheet and income statement

	Right of use assets			Total £m	Lease liabilities £m
	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m		
As at 1 April 2019	27.8	39.5	13.9	<b>81.2</b>	(113.3)
Additions	-	-	-	-	
Depreciation expense	(0.9)	(0.5)	(1.3)	<b>(2.7)</b>	-
Interest expense	-	-	-	-	(0.1)
Payments	-	-	-	-	13.1
At 30 September 2019	26.9	39.0	12.6	<b>78.5</b>	(100.3)

At 30 September 2019, £15.7m of the lease liabilities are current (at 1 April 2019: £25.5m) and £84.6m are non-current (at 1 April 2019: £87.8m).

