

Northumbrian Holdings Limited

Annual Report and Financial Statements

for the year ended 31 March 2016

Registered Number 02366698

Registered Office:
Northumbria House
Abbey Road
Pity Me
Durham
DH1 5FJ
United Kingdom

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Results

The company has not traded during the year and has therefore made neither an operating profit nor loss (period ended 31 March 2015: £nil). As part of a wider group reorganisation the company entered into various transactions which resulted in it ceasing to trade by 31 March 2016.

The loss in the Income statement relates to the waiving of the loan of £69.6m due from its previous parent company, Northumbrian Water Services Limited (NSL) which was part of the group reorganisation referred to above.

Principal activity

Northumbrian Holdings Limited ("the company") is incorporated in England and Wales and domiciled in the UK. During the year ended 31 March 2016 the principal activity was the holding of a loan note with NSL, until the loan was waived and the company ceased trading.

Future developments

The company no longer holds a loan note with NSL, and is therefore not expected to trade in future.

Treasury policies

The company's board is responsible for the financing strategy of the company. The Treasury department of Northumbrian Water Group Limited (NWGL), a sister company, carries out treasury operations on behalf of the company. Surplus funds are invested based upon forecast requirements, in accordance with the treasury policy. On occasion, derivatives are used as part of this process, but the treasury policies prohibit their use for speculation.

The treasury activities of the company are conducted in accordance with the NWGL policies summarised below.

Risks arising from the company's financial instruments

The main risks arising from the company's financial instruments are liquidity risk and interest rate risk. As noted above, the company's financing strategy is developed in accordance with the treasury policies of NWGL, whose board reviews and agrees policies for managing each of these risks. These are summarised below. The treasury activities of the company are conducted in accordance with these policies.

Liquidity risk

As regards day to day liquidity, NWGL's policy is to have available standby committed bank borrowing facilities with a value of no less than £50 million and with a bank agreement availability period of no less than three months. At 31 March 2016, NWGL had £350 million of undrawn committed bank facilities (2015: £258m).

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. It borrows at both fixed and floating rates of interest and, accordingly, uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

Market price risk

The company's exposure to market price risk principally comprises interest rate exposure. The company's policy is to accept a degree of interest rate risk. On the basis of the company's analysis, it is estimated that a 1% rise in interest rates would not have a material effect.

Directors' report (continued)

Foreign currency risk

The Group's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature, or £3 million sterling equivalent of a translation nature, should be covered immediately on recognition. At 31 March 2016, the company had no currency exposures (31 March 2015: nil).

Directors

The directors who held office during the year and up to the date of signing were as follows:

H Mottram

C I Johns

Indemnification of directors

The Group has in place directors' and officers' insurance and, on 28 November 2005, entered into a deed of indemnity to grant the directors of the Group and its subsidiaries further protection against liability to third parties.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' assessment of going concern

In accordance with the technical requirements of FRS 101, and as a result of the cessation of trade in the year, the financial statements have been prepared on a basis other than that of a going concern. No adjustments to the financial statements arose as a consequence of adopting this basis for preparing the financial statements.

Auditor

Deloitte LLP has expressed its willingness to continue in office for the ensuing year.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 101 paragraphs 7A to 9. The company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by NWG Commercial Solutions Limited, as the immediate parent of the entity.

Approved by Board of Directors and signed:



M Parker (Company Secretary)

20 December 2016

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of Northumbrian Holdings Limited

We have audited the financial statements of Northumbrian Holdings Limited for the year ended 31 March 2016 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

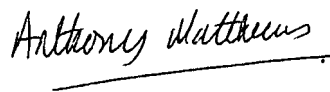
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

Independent auditor's report to the member of Northumbrian Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic report or in preparing the Directors' report.



Anthony Matthews FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
20 December 2016

Income statement

for the year ended 31 March 2016

	Year ended 31 March 2016	Period ended 31 March 2015
Note	£000	£000
Intercompany loan waived	(69,578)	-
(Loss)/result on activities before taxation	4 (69,578)	-
Tax on profit/(loss) on ordinary activities	6 -	-
(Loss)/result on activities after taxation	<u>(69,578)</u>	<u>-</u>

Statement of comprehensive income

for the year ended 31 March 2016

There are no recognised gains or losses other than the loss attributable to the shareholder of the company of £69,578,210 in the year ended 31 March 2016 (period ended 31 March 2015:nil).

Balance sheet

As at 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
Non-current assets			
Investments	7	-	-
Trade and other receivables	8	-	69,578
		-	69,578
Current assets			
Cash and bank balances		-	5,322
		-	5,322
Net assets		-	74,900
Equity			
Called up share capital	9	-	28,954
Share premium account		-	45,863
Retained earnings		-	83
Equity attributable to shareholder of the company		-	74,900

The financial statements were approved and authorised for issue by the Board of Directors on 20 December 2016 and signed on its behalf by:



H Mottram
Director

Statement of changes in equity
for the year ended 31 March 2016

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Total</i>
At 1 January 2014 and 31 March 2015	28,954	45,863	83	74,900
Loss for the year	-	-	(69,578)	(69,578)
Share capital reduction	(28,954)	-	28,954	-
Share premium reduction	-	(45,863)	45,863	-
Dividends paid	-	-	(5,322)	(5,322)
At 31 March 2016	-	-	-	-

Notes to the financial statements

1. General information

Northumbrian Holdings Limited (the company) is a company incorporated in the United Kingdom under the Companies Act.

The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on the front page. The nature of the company's operations and its principal activities are set out in the Directors' report on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The group financial statements of Northumbrian Water Group Limited (NWGL) are available to the public and can be obtained as set out in note 12.

The company has applied FRS 101 'Reduced Disclosure Framework' (FRS 101) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2. Significant accounting policies

Basis of accounting

The company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016 the company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

There were no adjustments required to the prior period financial statements on adoption of FRS 101 in the current year.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of NWGL.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted are set out below.

Going concern

In accordance with the technical requirements of FRS 101, and as a result of the cessation of trade in the year, the financial statements have been prepared on a basis other than that of a going concern. No adjustments to the financial statements arose as a consequence of adopting this basis for preparing the financial statements.

Investments

Investments are shown at cost less provision for any impairment in value. Where such dividends reduce the recoverable value of the investment below its carrying value and impairment is recognised.

2. Significant accounting policies (continued)

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Based on the nature of the company's operations, the directors consider that there are no critical accounting judgements and key sources of estimation uncertainty that are required to be disclosed.

4. Operating result

Auditor's remuneration of £3,109 (period ended 31 March 2015: £2,636) was paid by Northumbrian Services Limited, the company's immediate parent at the time of the costs arising. The remuneration related solely to audit work.

The company has no employees, so has no staff costs in the current year or prior periods.

5. Directors' emoluments

The directors of the company are remunerated in full by the Northumbrian Water Group and, as their services to Northumbrian Holdings Limited are incidental to the services provided to other Group companies, receive no remuneration in respect of qualifying services to Northumbrian Holdings Limited.

6. Taxation

(a) Tax on (loss)/result on ordinary activities

	Year ended 31 March 2016 £000	Period ended 31 March 2015 £000
Current tax:	-	-
Total current tax	-	-

The standard rate of corporation tax was reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (with effect from 1 April 2017) and to 18% (with effect from 1 April 2020) have been enacted by Finance (No. 2) Act 2015. Accordingly, deferred tax has been provided in line with the rates at which temporary differences are expected to reverse.

(b) Reconciliation of total tax charge

	Year ended 31 March 2016 £000	Period ended 31 March 2015 £000
(Loss)/result before tax	(69,578)	-
(Loss)/result before tax multiplied by standard rate of corporation tax of 20% (Period ended 31 March 2015: 21.39%)	(13,916)	-
Effects at 20% (Period ended 31 March 2015: 21.39%) of:		
Non-taxable write off of inter-company loan	13,916	-
Transfer pricing adjustments	101	103
Balancing payment payable	(101)	(103)
Total current tax (6(a))	-	-

Transfer pricing adjustments relate to an interest free loan made to the parent company and notional interest on the bank balance.

Factors affecting future tax charges

In addition to the changes to the rate of UK corporation tax referred to above, a further reduction of 1% is included in the Finance Act 2016 which will introduce a rate of 17% with effect from 1 April 2020. Had this change been enacted by the balance sheet date there would not have been any material change to the company's deferred tax position.

7. Dividends paid and proposed

	Year ended 31 March 2016 £000	Period ended 31 March 2015 £000
Equity dividends on ordinary share:		
Interim dividends paid for the year ended 31 March 2016: 18.38p per share (2015: nil)	5,322	-
Final dividends proposed	-	-
	<u>5,322</u>	<u>-</u>

8. Investments

The Company's interests in subsidiaries at 31 March 2016 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Company (%)	Business activity
Analytical & Environmental Services Ltd	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Mexico Ltd	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Share Scheme Trustees Ltd	England and Wales	Ordinary shares of £1	100	Dormant

The carrying value of the above investments is £nil (2015: £nil).

9. Trade and other receivables

	31 March 2016 £000	31 March 2015 £000
<i>Amounts falling due after one year:</i>		
Amounts due from other group companies	-	69,578
	<u>-</u>	<u>69,578</u>

10. Called-up share capital

	31 March 2016 no.	31 March 2015 no.	31 March 2016 £000	31 March 2015 £000
Allotted, called-up and fully paid:				
Ordinary shares of £1 each	<u>1</u>	<u>28,954,422</u>	<u>-</u>	<u>28,954</u>

11. Financial commitments

The company is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Overdrafts outstanding at 31 March 2016 in respect of the arrangement amounted to £34.9 million (31 March 2015: £4.9 million). The directors do not expect any loss to arise as a result of this arrangement.

12. Related parties

The company is an indirectly wholly owned subsidiary of Northumbrian Water Group Limited (NWGL) which produces publicly available consolidated financial statements which include the company. Accordingly, the company is exempt under the terms of Financial Reporting Standard Number 8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by NWGL.

13. Ultimate parent undertaking and controlling party

At the balance sheet date, the company's immediate parent undertaking was NWG Commercial Solutions Limited (NWGCSL).

In the Directors' opinion, the ultimate parent undertaking and controlling party of NWGCSL, and therefore the company, is CK Hutchison Holdings Limited (CKHH), a company listed on the Hong Kong Stock Exchange. This is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member. Copies of CKHH's group financial statements, which include the company, are available from <http://www.ckh.com.hk/en/ir/annual.php>.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the reporting company is a member is NWGL. Copies of NWGL's group financial statements are available from Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

14. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 issued by the Financial Reporting Council. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the period ended 31 March 2015 and the date of transition to FRS 101 was therefore 1 January 2014.

As a consequence of adopting FRS 101, there have been no material changes in accounting policies, and no adjustments were required on transition to comply with the standard.