

# **Northumbrian Water Projects Limited**

## **Annual Report and Financial Statements**

**for the year ended 31 March 2020**

**Registered Number 02528704**

Registered Office:  
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## **Directors' report**

The directors present their annual report and the audited financial statements for Northumbrian Water Projects Limited (the company) for the year ended 31 March 2020.

The financial statements are presented in Euros as this is the currency of the country in which the company carries out its trading activities.

### **Results and dividends**

The company's profit after tax amounted to €46,000 (2019: €2,221,000). The directors do not recommend the payment of a final dividend (2019: €nil) and no dividends have been paid since the year end.

### **Principal activity and review of the business**

The company is incorporated in England and Wales and domiciled in the United Kingdom.

The company is a partner in Consort Joint Venture (CJV) which has a contract with Irish Water for the design and construction of a wastewater treatment plant and outfall at Carrigrenan, Cork, followed by the operation and maintenance of the plant for a period of 20 years. The company's responsibilities within CJV cover only the operation and maintenance portion of the contract.

The Taking-Over Certificate for the design and construction part of the contract was issued on 15 September 2004 which also marked the commencement of the operation and maintenance period. During the period the company continued operating the plant in accordance with CJV's contract with Irish Water.

The company also carries out the operation and maintenance of wastewater treatment plants at Fermoy and Mallow, County Cork. This 20 year contract with Irish Water was awarded in May 2011 and it has been preliminarily agreed that the contract will cease early with effect from 3 May 2021.

The company, through its joint venture Coffey Northumbrian Limited (CNL), undertook the delivery of services to Irish Water for: Water Network Management, South East and South West regions; Regional New Connections, Midlands region; and the Tubbercurry, Grange, Strandhill and Ballinacorney wastewater treatment works design, build, and operate. The company sold its interest in CNL after the year end as detailed in the post balance sheet event section below.

The company also owns a 100% subsidiary, NWG Bioenergy Limited (NWGB) whose principal activity is to operate a gas to grid anaerobic digestion plant. The plant was commissioned in September 2016 and exports biogas to the gas grid.

### **Future developments**

The company will continue to develop within the framework of CJV's contract with Irish Water to operate and maintain the wastewater treatment plant and outfall at Carrigrenan, Cork, along with the contract to operate and maintain the wastewater treatment plants at Fermoy and Mallow, Cork up to its cessation on 3 May 2021.

### **Treasury policies**

The company's board is responsible for the financing strategy of the company which is determined within treasury policies set by the company's intermediate parent company, Northumbrian Water Group Limited (NWGL). The aim of this strategy is to assess the ongoing capital requirement of the company and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

The treasury department of NWGL carries out treasury operations on behalf of the company. Surplus funds are invested based upon forecast requirements, in accordance with the treasury policies adopted by it. On occasion, derivatives are used as part of this process, but the treasury policy prohibits their use for speculation.

## **Directors' report (continued)**

### **Principal risks and uncertainties**

The company's principal financial instruments comprise cash, trade receivables and trade payables. Other financial assets and liabilities, such as group balances, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

Given that the majority of the risks below derive from transactions with the NWG group, the company does not undertake any hedging activity locally. Significant financial risks from an NWGL perspective are addressed on a case-by-case basis at NWGL level.

### **Liquidity risk**

As regards day to day liquidity, the company is responsible for cash management but is reliant upon the committed borrowing facilities available to the group. NWGL's policy is to have available standby committed bank borrowing facilities with a value of no less than £50m and with a bank agreement availability period of no less than 3 months.

### **Credit risk**

Risk of exposure to external credit risk regarding sales transactions is concentrated with two parties as all sales are with these. However, the risk of financial loss as a result of their failure to honour their contractual obligations is considered remote. The company also has a further exposure to external credit risk through the loans to its subsidiary company NWGB. The risk of financial loss from this arrangement is dependent upon NWGB's ability to make repayments as they fall due.

The directors, having assessed detailed forecasts of NWGB's future performance and, following the rebasing of the loan to 0%, the extension of the loan term and the impairment recognised in 2018 have deemed that the loans are fully recoverable and no further impairment is necessary.

### **Foreign currency risk**

At 31 March 2020, the company had currency exposures with its Sterling bank account, the loan mentioned above together with a further loan owed to NWGL and UK corporation tax owed by the company.

### **Brexit risk**

The company has considered risks to the business which could result from the UK leaving the European Union (EU) with no deal, but does not consider this to be a principal risk.

### **Covid-19 risk**

The company has assessed the potential risk presented by the ongoing Covid-19 pandemic but does not consider this to be a principal risk.

### **Going concern**

The directors have considered the company's detailed budgets, forecasts and principal risks and uncertainties, including the effects of reasonably possible changes, and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The operations are expected to be profitable over the term of the contract and performance to date is in accordance with this expectation. However due to the overdraft position the directors have elected to obtain a letter of support from NWGL confirming that, should they be required, adequate resources will be made available for the company to continue in operational existence for at least twelve months from the date of signing these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Directors**

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

D Hall  
G B Southall  
R Warneford

## **Directors' report (continued)**

### **Indemnification of directors**

Directors' and officers' insurance was in place for the period. On 21 March 2017, NWGL entered into a deed of indemnity to grant the directors of NWGL and its subsidiaries further protection against liability to third parties, and this remains in place. The company is a subsidiary of NWGL.

### **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 its 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 ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

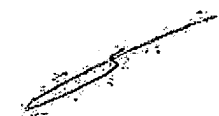
### **Auditor**

Pursuant to s487 of the Companies Act 2006, Deloitte LLP, the auditor is deemed to be re-appointed for the ensuing year.

### **Post balance sheet event**

On 11 September 2020 the company sold its investment in CNL to its former JV partner Coffey Water Limited (CWL) for €500,000.

Approved for issue by the Board of Directors



G B Southall  
Director  
10 December 2020

## **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 adequate 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.

## **Independent auditor's report to the members of Northumbrian Water Projects Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Northumbrian Water Projects Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Northumbrian Water Projects Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters 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 the 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 members of Northumbrian Water Projects Limited (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 the requirement to prepare a Strategic report.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



Anthony Matthews FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Newcastle upon Tyne, United Kingdom  
10 December 2020

## Statement of comprehensive income for the year ended 31 March 2020

		Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
	Note		
<b>Revenue</b>	2	5,610	6,479
Operating costs		(5,044)	(3,970)
<b>Operating profit</b>	4	566	2,509
Investment revenue	7	-	250
Finance costs	8	(13)	(64)
Foreign exchange loss		(90)	(18)
Impairment of assets	12,13	(305)	-
<b>Profit before taxation</b>		158	2,677
Tax	9	(112)	(456)
<b>Profit for the financial year</b>		46	2,221

Revenue and operating profit are all derived from continuing operations.

## Balance sheet as at 31 March 2020

	Note	31 March 2020 €000	31 March 2019 €000
<b>Non-current assets</b>			
Intangible assets	10	52	63
Property, plant and equipment	11	24	16
Investment in subsidiary undertakings	12	11	11
Other investments	13	500	805
Deferred tax assets	14	31	32
		<u>618</u>	<u>927</u>
<b>Current assets</b>			
Trade and other receivables	15	18,068	20,376
Cash and bank balances		<u>4,434</u>	<u>5,436</u>
		<u>22,502</u>	<u>25,812</u>
<b>Total assets</b>		<u>23,120</u>	<u>26,739</u>
<b>Current liabilities</b>			
Trade and other payables	16	(13,640)	(17,028)
<b>Net current assets</b>		<u>8,862</u>	<u>8,784</u>
<b>Total assets less current liabilities</b>		<u>9,480</u>	<u>9,711</u>
<b>Non-current liabilities</b>			
Deferred income	17	(1,422)	(1,699)
		<u>(1,422)</u>	<u>(1,699)</u>
<b>Total liabilities</b>		<u>(15,062)</u>	<u>(18,727)</u>
<b>Net assets</b>		<u>8,058</u>	<u>8,012</u>
<b>Equity</b>			
Called up share capital	19	-	-
Retained earnings		<u>8,058</u>	<u>8,012</u>
<b>Equity attributable to owners of the company</b>		<u>8,058</u>	<u>8,012</u>

The financial statements of the company (registered number 02528704) were approved by the Board of directors and authorised for issue on 10 December 2020. They were signed on its behalf by:



G B Southall  
Director  
10 December 2020

## Statement of changes in equity for the year ended 31 March 2020

	<i>Called up share capital</i> €000	<i>Retained earnings</i> €000	<i>Total</i> €000
At 1 April 2018	-	5,791	5,791
Profit for the year and total comprehensive income	-	2,221	2,221
At 31 March 2019	-	8,012	8,012
Profit for the year and total comprehensive income	-	46	46
At 31 March 2020	-	8,058	8,058

## Notes to the financial statements

### 1. General information

The company is incorporated in the United Kingdom under the Companies Act 2006.

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 3.

These financial statements are presented in Euros because that is the currency of the country in which the company operates.

These financial statements are separate financial statements. The group financial statements of NWGL are available to the public and can be obtained as set out in note 22. The company is therefore exempt from preparing consolidated accounts as per s401 of the Companies Act 2006.

### 2. Significant accounting policies

#### *Basis of accounting*

The company meets the definition of a qualifying entity under FRS 101 issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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, standards not yet effective, financial instruments, presentation of comparative information in respect of certain assets and capital management.

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*

The directors continue to adopt the going concern basis in preparing the financial statements. Further information is included in the Directors' report.

#### *Intangible assets*

Intangible fixed assets comprise directly attributable bid costs, incurred after it is virtually certain that a contract will be obtained, which are capitalised only to the extent that they lead to the creation of an enduring asset, which delivers benefits at least as great as the amount capitalised.

Bid development costs are stated at cost, net of amortisation and any provision for impairment which are charged to operating costs. Amortisation is provided on a straight line basis over the 20 year operational phase of the contract with CJV.

#### *Property, plant and equipment*

All property, plant and equipment are initially recorded at cost.

Depreciation is provided on all property, plant and equipment, evenly over the expected useful life of each asset, at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition of each asset.

The expected useful life of property, plant and equipment is as follows:

Plant and machinery	–	4 to 5 years
Motor vehicles	–	4 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **2. Significant accounting policies (continued)**

### ***Taxation***

The tax expense represents the sum of the current tax charge and deferred tax.

#### ***Current tax***

The current tax charge is based on the taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of comprehensive income 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.

#### ***Deferred income***

Deferred income, which comprises advance payments received, is released evenly over the course of the 20 year contract for the operation and maintenance of the wastewater treatment plant in Carrigrenan, Cork.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance sheet date. All differences are taken to the statement of comprehensive income.

#### ***Pensions***

The company operates a defined contribution pension scheme. Costs are charged to the statement of comprehensive income in the period in which they are incurred.

#### ***Non-current asset investments***

Other investments are valued on a cost basis and are assessed for impairment when factors arise which may indicate a reduction in the recoverable amount of the investment in accordance with IAS 36 'Impairment of Assets'.

## **2. Significant accounting policies (continued)**

### ***Finance costs***

The finance cost recognised in the statement of comprehensive income in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

### ***Investment revenue***

Investment revenue represents dividends receivable from the company's joint venture companies together with loan interest receivable and interest receivable on surplus cash balances. Dividends receivable are accounted for in the period in which they are received. Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### ***Investments***

Investments are shown at cost less provision for any impairment in value.

### ***Joint ventures***

Joint ventures are accounted for using the cost method.

### ***Financial instruments***

Financial assets and financial liabilities are recognised in the company's Balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### ***Revenue recognition***

Revenue is stated net of value added tax. Revenue is measured based on the consideration which the company expects to be entitled to in a contract with a customer based upon volumes flowing through the operating plants during the period and excludes amounts collected on behalf of third parties. The company incurred no losses from bad debt during the period. Revenue, dividends, profit before tax and net assets are wholly attributable to the principal activities of the company and arise solely within the UK and Ireland.

### ***Borrowings***

Borrowings are initially measured at fair value, net of transaction costs.

### ***Accounting standards***

The company adopted IFRS 16 with effect from 1 April 2019. No material changes were recognised as a result of adopting this standard.

### 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 (other than those involving estimates) that have a significant impact on the amounts recognised and to make 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.

#### Impairment of investments and loans

In considering the key judgement surrounding the potential impairment of the NWGB loans the directors have considered assumptions regarding availability of financing, and the current year operating loss. Based on these assumptions and latest forecasts, the directors expect that NWGB will become profit making in the future and in aggregate over the term of the contract, however the present value of future cash flows is lower than the carrying value of the investment, and the loans. For this reason impairments were made to the investment and the loans in the year ended 31 March 2018, which are disclosed in notes 12 and 15 to the Financial Statements.

There are no key sources of estimation uncertainty.

### 4. Operating profit

This is stated after charging:

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
Staff costs	1,196	1,125
Depreciation of owned assets	9	8
Amortisation of bid development costs	11	11
Fees payable to the company's auditor for the audit of the company's financial statements	8	7
Other operating costs	3,820	2,818
Loss on disposal of tangible fixed assets	-	1
	<u>5,044</u>	<u>3,970</u>

Other operating costs represent external costs incurred in running the plants, in line with the terms of the contracts.

### 5. Directors' emoluments

The directors are remunerated in full by another group company, namely NWGL. No emoluments were provided in the current or prior years by the company. The proportion of their time relating to the company is considered to be so small that any apportionment of salary costs would be immaterial and therefore have not been calculated or disclosed.



## 6. Staff costs

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
Wages and salaries	1,041	981
Social security costs	119	109
Other pension costs	36	35
	<u>1,196</u>	<u>1,125</u>

	No.	No.
The monthly average number of employees during the year was:		
Management	3	3
Administration	1	1
Operational	11	11
Maintenance	6	5
	<u>21</u>	<u>20</u>

## 7. Investment revenue

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
Dividends received	-	250
	<u>-</u>	<u>250</u>

## 8. Finance costs

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
Interest payable to group undertakings	13	64
	<u>13</u>	<u>64</u>

## 9. Tax

### (a) Tax in the Statement of comprehensive income

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
<i>Corporation tax:</i>		
Overseas tax payable for the year	88	307
Group relief payable for the year at 19% (2019: 19%)	14	149
Adjustments in respect of prior years:		
- Group relief	9	(5)
Total corporation tax	<u>111</u>	<u>451</u>
<i>Deferred tax:</i>		
Reduction due to opening rate change	(4)	-
Movement in the year at 19% (2019: 17%)		
Origination and reversal of temporary differences in the year	5	4
Adjustments in respect of prior years	-	1
Movement in the year	<u>5</u>	<u>5</u>
Total deferred tax	<u>1</u>	<u>5</u>
Total tax charge	<u>112</u>	<u>456</u>

Overseas tax relates to the taxation of profits arising from the company's operations in Ireland, where the rate of tax for the current year was 12.5% (2019: 12.5%). The rate of UK corporation tax for the current year was 19% (2019: 19%). The planned reduction to 17% on 1 April 2020 has been cancelled and the rate of 19% is expected to apply for the foreseeable future.

### (b) Reconciliation of total tax charge

	Year ended 31 March 2020 €000	Year ended 31 March 2019 €000
Profit before tax	<u>158</u>	<u>2,677</u>
Profit before tax multiplied by the rate of UK corporation tax of 19% (2019: 19%)	30	509
Effects at 19% (2019: 19%) of:		
Expenses not deductible for tax purposes	71	8
Non-taxable dividends received	-	(48)
Non-taxable income	6	(9)
Impact of rate reduction on opening deferred tax	(4)	-
Double tax relief	(89)	(307)
Overseas tax charge	89	307
Adjustments in respect of prior years	9	(4)
Transfer pricing adjustments	87	185
Balancing payments receivable	(87)	(185)
Total tax charge (note 9a)	<u>112</u>	<u>456</u>

## 10. Intangible assets

	<i>Bid development costs</i>
	<i>Total</i>
	<i>€000</i>
Cost:	
At 1 April 2019 and 31 March 2020	<u>224</u>
Amortisation:	
At 1 April 2019	161
Provided during the year	<u>11</u>
At 31 March 2020	<u>172</u>
Net book value:	
At 31 March 2020	<u>52</u>
At 31 March 2019	<u>63</u>

## 11. Property, plant and equipment

	<i>Motor vehicles</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
Cost:			
At 1 April 2019	77	262	339
Additions	-	17	17
At 31 March 2020	<u>77</u>	<u>279</u>	<u>356</u>
Depreciation:			
At 1 April 2019	61	262	323
Provided during the year	8	1	9
At 31 March 2020	<u>69</u>	<u>263</u>	<u>332</u>
Net book value at 31 March 2020	<u>8</u>	<u>16</u>	<u>24</u>
Net book value at 31 March 2019	<u>16</u>	<u>-</u>	<u>16</u>

## 12. Investment in subsidiary undertakings and joint ventures

	<i>Joint ventures</i>	<i>Subsidiaries</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
At 1 April 2019 and 31 March 2020	<u>-</u>	<u>11</u>	<u>11</u>

The company holds a 50% interest in the ordinary share capital of Coffey Northumbrian Limited (CNL), a jointly controlled entity incorporated in Republic of Ireland (Registered office: 1 O'Curry Street, Limerick, Ireland). The carrying value of this investment was nominal and was impaired to nil in the year ended 31 March 2020. CNL's financial statements for the year ended 31 December 2019 show a loss for the year of €3,232k (2018: €53k profit) and capital and reserves of €1,172k (2018: €4,404k). The company sold its shares in CNL on 11 September 2020.

The company also holds 100% of the share capital of NWGB, a company incorporated in England and Wales (Registered office: Northumbria House, Abbey Road, Durham, England, DH1 5FJ). NWGB's financial statements for the year ended 31 March 2020 show a loss for the year of £936k (2019: £662k) and a capital and reserves deficit of £3,866k (2019: £2,930k). In the year ended 31 March 2018 an impairment of €3,103k was recognised against the company's investment and loans to NWGB.

### 13. Other investments

	31 March 2020 €000	31 March 2019 €000
Loan receivable from joint venture company	500	805
	<u>500</u>	<u>805</u>

The amounts above represent a loan issued to the company's joint venture company CNL.

The loan issued to CNL was drawn down in full on 20 September 2013 at a rate of 0% to facilitate the cash coverage of a bond between CNL and Irish Water.

The loan was impaired in the year ending 31 March 2020 due to the company selling its interest in CNL for €500,000 on 11 September 2020.

### 14. Deferred tax assets

The deferred tax asset provided in the financial statements comprises:

	<i>Accelerated tax depreciation</i> €000	<i>Other</i> €000	<i>Total</i> €000
At 1 April 2018	36	1	37
(Charge) in the statement of comprehensive income	(4)	(1)	(5)
At 31 March 2019	32	-	32
(Charge)/credit in the statement of comprehensive income	(2)	1	(1)
At 31 March 2020	<u>30</u>	<u>1</u>	<u>31</u>

### 15. Trade and other receivables

	31 March 2020 €000	31 March 2019 €000
Trade debtors	454	1,745
Amounts owed by subsidiary undertakings	15,605	16,095
Amounts owed by other group undertakings	9	93
Other debtors	905	816
Other taxation and social security	34	40
Overseas tax receivable	21	-
Prepayments and accrued income	1,040	1,587
	<u>18,068</u>	<u>20,376</u>

## 15. Trade and other receivables (continued)

Amounts owed by subsidiary undertakings above represent three secured loans at fixed rates of 0% per annum and repayable on demand which were provided to the company's subsidiary NWGB.

The loans were all rebased to an interest rate of 0% from 1 April 2018, having previously been at 16%, 10% and 10% respectively.

The first draw down of the initial loan was issued on 22 October 2015 and the loan was drawn down in full by 18 March 2016. Repayments commenced on 31 January 2017 and the loan is due to be repaid in full by 31 March 2031.

The full draw down of the second loan was issued on 21 September 2016. Repayments are due to commence by 31 March 2031 and the loan is due to be repaid in full by 31 March 2033.

The first draw down of the third loan was issued on 29 March 2017 and the loan was drawn down in full by 22 September 2017. Repayments are due to commence by 31 March 2033 and the loan is due to be repaid by 31 March 2034.

All loans are secured via fixed and floating charges over NWGB's assets.

The loans with NWGB also include an impairment of €1,256k following a review of the discounted cash flows of the project in the year ended 31 March 2018.

Amounts owed by other group undertakings include €nil (2019: €84,000) in respect of tax losses provisionally surrendered by this company.

## 16. Trade and other payables

	31 March 2020 €000	31 March 2019 €000
Trade creditors	220	106
Bank overdraft	2,225	5,742
Amounts owed to group undertakings	10,633	10,803
Other creditors	25	-
Other taxes and social security costs	43	38
Overseas tax payable	-	37
Accruals and deferred income	494	302
	<u>13,640</u>	<u>17,028</u>

Included in amounts owed to group undertakings is €208,000 (2019: €nil) in respect of group relief provisionally claimed. This amount is interest free and is due to be settled on 14 March 2021.

## 17. Deferred income

	Deferred income €000
At 1 April 2019	1,699
Released to the statement of comprehensive income	(277)
At 31 March 2020	<u>1,422</u>

Deferred income relates to advance payments received under the terms of the operation and maintenance contract for Carrigrenan, Cork.

## 18. Borrowings

	31 March 2020 €000	31 March 2019 €000
Loans are repayable as follows:		
In one year or less	<u>10,367</u>	<u>10,693</u>
	<u>10,367</u>	<u>10,693</u>
Disclosed as due:		
Within one year:		
Amounts owed to group undertakings	<u>10,367</u>	<u>10,693</u>

The amounts above represent an unsecured loan at a fixed rate of 0% per annum which is due to the company's intermediate parent company NWGL. The loan was provided in order to facilitate a loan to the company's subsidiary company NWGB. The first draw down on the loan was issued on 22 October 2015 and the loan was drawn down in full by 21 March 2016. Repayments commenced on 31 January 2017 and the loan is due to be repaid by 31 March 2029.

This loan was rebased from 6% to 0% from 1 April 2018 and the loan term extended in line with the repayment profile of the loan to NWGB.

## 19. Called up share capital

	31 March 2020 €	31 March 2019 €
Authorised, issued and fully paid:		
Ordinary shares of £1 each	<u>No. 2</u>	<u>2</u>

## 20. Commitments and contingent liabilities

### Cross guarantees

The company is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Overdrafts outstanding at 31 March 2020 in respect of the arrangement amounted to £5.9m (2019: £10.2m). The directors do not expect any loss to arise as a result of this arrangement.

## 21. Related parties

The company is an indirectly wholly owned subsidiary of NWGL which produces publicly available consolidated financial statements which include the company. Accordingly, the company is exempt under the terms of IAS 24 'Related Party Disclosures' from disclosing transactions with other members of the group headed by NWGL.

CNL and Northumbrian Services Limited (NSL) are considered to be related parties under the definition of IAS 24 'Related Party Disclosures' for which the company is not exempt from disclosing.

During the year, the company carried out a number of transactions with CNL and NSL in the normal course of business and on an arm's length basis. The transactions are summarised below:

	31 March 2020 €000	31 March 2019 €000
NSL - Interest charges on cash balances	<u>13</u>	<u>63</u>
The following amounts were outstanding at the Balance sheet date:		
CNL - Loans to related parties	500	805
NSL - Interest charges on cash balances	<u>-</u>	<u>5</u>

## 22. Ultimate parent undertaking and controlling party

At the Balance sheet date, the company's immediate parent undertaking was NWGCSL, a company registered in England and Wales and a wholly owned subsidiary of NWGL.

The company has been informed by the former ultimate parent and controlling party, CK Hutchison Holdings Limited (CKHH) (incorporated in the Cayman Islands) that by virtue of contractual arrangements entered into with other parties, with effect from 30 December 2019, it ceased to have a controlling interest in the company and, as required by the applicable accounting standards, it has ceased accounting for the company as a subsidiary from that date.

The results of the company before 30 December 2019 are consolidated in the financial statements of CKHH. The directors of the company consider that CKHH was the ultimate parent and controlling party of the company prior to 30 December 2019.

The directors of the company consider that, with effect from 30 December 2019, NWGL has become the ultimate controlling party of the company.

The parent undertaking of the largest and 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 will be available in due course from its registered address: Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

## 23. Post balance sheet event

On 11 September 2020 the company sold its investment in CNL to its former JV partner Coffey Water Limited for €500,000. This transaction required the nominal carrying value of the investment in CNL to be impaired to nil and the loan to CNL to be impaired by €305,000 to its net realisable value of €500,000.