

NORTHUMBRIAN SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Registered number 03114615

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COMPANIES HOUSE

Registered office
Northumbria House
Abbey Road
Pity Me
Durham
DH1 5FJ

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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STRATEGIC REPORT

The Directors of Northumbrian Services Limited (NSL or the Company) are pleased to present their Strategic Report on the affairs of the Company and its direct and indirect subsidiaries (together the "Group"), along with their Directors' Report, the Independent auditor's report and the audited financial statements for the year ended 31 March 2020.

Principal activities

Northumbrian Services Limited

NSL owns a number of companies which, together with NSL, form the Group. The Company's principal activity is that of a holding company. Its trading subsidiaries account for a significant proportion of the Group's result. The main trading companies within the Group are Ayr Environmental Services Limited and Caledonian Environmental Services plc.

Ayr Environmental Services Limited (AyrES)

AyrES' principal activity is the operation and maintenance of the wastewater treatment works at Meadowhead, Stevenston and Inverclyde and a sludge treatment centre at Meadowhead under its contract with Scottish Water for their design, construction, financing and operation.

Caledonian Environmental Services plc (CES)

CES' principal activity is the fulfilment of the contract for the design, construction, financing and operation of the Levenmouth Purification Scheme for Scottish Water.

Business overview

NSL is a holding company with direct investments in Wastewater Management Holdings Limited (WMH) and Caledonian Environmental Services Holdings Limited (CESH) which in turn hold the two main trading companies, AyrES and CES respectively.

The Group made a profit for the year ending 31 March 2020 of £0.5m (2019: £1.0m). As at 31 March 2020 the Group had net liabilities of £16.2m (2019: £16.7m). The Group has substantial cash and short-term deposits of £35.8m available as at 31 March 2020 (2019: £36.1m) and net current assets as at 31 March 2020 were £17.9m (2019: £17.4m). As a result, the Directors are satisfied with the going concern status of the Group.

Future developments

NSL will continue in its role as a holding company with AyrES and CES continuing to develop within the framework of their contracts with Scottish Water expiring on 29 September 2032 and 29 October 2040 respectively.

Key performance indicators

The activity of both AyrES and CES involves adhering to specific financial requirements of the contract documents as agreed with Scottish Water and other parties, including funders. The financial aspects of the contract are primarily a function of the funding provided to carry out the design and construction of the project facilities and are assessed on a periodic basis, principally with reference to performance against the debt service cover ratio (DSCR). AyrES and CES met their operational contractual obligations and maintained their DSCR for the 12 months to 31 March 2020.

Key performance indicators of a financial nature are operating profit and interest cover:

	AyrES		CES	
	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019
Operating profit	£5.1m	£4.6m	£3.8m	£3.9m
Interest cover	1.42	1.24	0.78	0.8

STRATEGIC REPORT (continued)

Group structure

Directly below NSL sit two intermediate holding companies, CESH which holds the Company's investment in CES and WMH, which holds the Company's investment in AyrES.

Also directly below NSL sit two dormant entities, Northumbrian Overseas Investments Limited (NOIL) and Waterco Six Limited (WSL).

Note 17 describes the Group's relationship with CK Hutchison Holdings Limited (CKHH). The Group has been informed by CKHH 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 as defined by the applicable accounting standards. The current year is the first year that the accounts of the Company are consolidated with previous years being the Company only.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group finances its activity with a combination of borrowings and cash. The treasury department of Northumbrian Water Group Limited (NWGL), a related company, carries out treasury operations on behalf of the Group. Surplus funds are invested based upon forecast requirements, in accordance with the treasury policy. Derivatives may be used as part of this process, but the treasury policies prohibit their use for speculation. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities.

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts.

Credit risk

The Group's risk of exposure to external credit risk is concentrated with one party as the majority of sales transactions are with Scottish Water. The risk of financial loss as a result of Scottish Water's failure to honour its obligations is considered remote.

Interest rate risk

The Group finances its operations through a mixture of retained profits and borrowings. It borrows at a fixed rate of interest to ensure certainty of costs. The Group invests surplus cash in floating rate interest yielding deposit accounts. Financial assets can therefore be affected by movements in interest rates.

Brexit risk

The UK has left the European Union (EU) with a deal, as a result of Brexit. The Group has considered risks which result from the UK leaving the EU, but does not consider them to be a principal risk.

Covid-19 risk

The Group has assessed potential risks presented by the ongoing Covid-19 pandemic but does not consider this to be a principal risk. The underlying trading of the Group, being the wastewater treatment and sludge treatment services performed by AyrES and the purification scheme performed by CES on behalf of Scottish Water is considered an essential service. As a result there have been no trading disruptions off the back of the national lockdowns or Covid-19 as a whole.



Approved for issue by the Board of Directors

M Parker

Company Secretary

30 March 2021

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements and audit opinion for the year ended 31 March 2020.

Directors

The Directors who served during the year and up to the date of signing were as follows:

A J Hunter	Director
C Johns	Director (alternate to H Mottram) (resigned 30 May 2020)
H L Kam	Director
D N Macrae	Alternate Director (alternate to A J Hunter)
H Mottram CBE	Director
M Porter	Director (alternate to H Mottram) (appointed 21 October 2020)

Information about Directors' remuneration is contained in note 3 to the financial statements.

Results and dividends

The Group's profit after taxation for the year ended 31 March 2020 was £0.5m (2019: £1.0m). The Directors do not recommend the payment of a final dividend (2019: £nil) and no dividends have been paid after the year end. The Group's net liabilities at 31 March 2020 were £16.2m (2019: £16.7m) and cash and short-term deposits totalled £35.8m (2019: £36.1m).

Principal risks and uncertainties

The Directors have chosen to disclose information regarding its principal risks and uncertainties, including liquidity risk, credit risk and interest rate risk in the Strategic Report.

Directors' assessment of going concern

The Directors have considered the detailed budgets and forecasts of the Company's trading subsidiaries AyrES and CES and expect them to be profit making over the term of their contracts with Scottish Water. The Group has a strong cash position and net current assets as at 31 March 2020 were £17.9m (2019: £17.4m). Overall the Group is in a net liabilities position, however due to the profitable nature of the trading subsidiaries and the strong cash position the Directors believe the Group will continue to be a going concern. On the basis of their assessment of the Group's financial position, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Due to the Group being in a net liabilities position a letter of support has been obtained from NWGL stating that it will provide financial support to the Group to meet its liabilities should it be needed.

Indemnification of Directors

Directors' and Officers' insurance was in place for the Group for the year. On 21 March 2017, NSL entered into a deed of indemnity to grant its Directors and those of its subsidiaries further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006, and this remains in place.

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 Groups 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. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Political donations

The Group does not support any political party and there have been no donations made to any political party or other political organisation during the year.

DIRECTORS' REPORT (continued)

Subsequent events

Three notable subsequent events have occurred since the year end and to the date of signing this report. The UK leaving the EU, COVID-19 pandemic resulting in numerous national lockdowns and the planned change to corporation tax. Neither leaving the EU or the COVID-19 pandemic had any material impact on the Group or its underlying trading performance. As part of the 2021 budget announcement it was announced that corporation tax would increase to 25% from April 2023. As disclosed in note 6 if this was effective in the current year it would not have had a material impact on any current year charges however would have resulted in an increase in deferred tax liability on the balance sheet.

Auditor

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



Approved for issue by the Board of Directors

M Parker

Company Secretary

30 March 2021

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 Group financial statements in accordance with IFRS as adopted by the European Union and the parent company 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 the parent Company 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;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED

Opinion

In our opinion:

- the financial statements of Northumbrian Services Limited (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent Company statements of changes in equity;
- the consolidated and parent Company balance sheets;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 17; and
- the related parent Company notes 1 to 8.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 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 group and the parent 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 (the '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 group's or the parent 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.

Other matter

As described in note 17 to the consolidated financial statements this is the first year that consolidated financial statements have been prepared since the incorporation of the parent company. Therefore, we have not audited the prior year comparatives being the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement and the corresponding consolidated amounts for that year.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED (continued)

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 group's and the parent 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 group or the parent 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. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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:

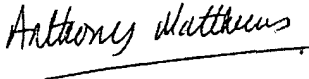
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED (continued)

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

30 March 2021

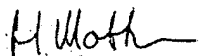
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Continuing operations			
Revenue		29.1	27.3
Operating costs	2	(20.0)	(18.7)
Profit before interest		9.1	8.6
Net finance costs	5	(6.9)	(7.0)
Profit before taxation		2.2	1.6
Current taxation	6	(1.2)	(1.0)
Deferred taxation	6	(0.5)	0.4
Profit for the year		0.5	1.0

CONSOLIDATED BALANCE SHEET
As at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Goodwill	7	3.6	3.6
Intangible assets	7	5.4	5.7
Property, plant and equipment	8	58.5	62.1
		67.5	71.4
Current assets			
Trade and other receivables	9	6.9	7.1
Short term cash deposits	10	21.0	8.0
Cash and cash equivalents	10	14.8	28.1
		42.7	43.2
Total assets		110.2	114.6
Non-current liabilities			
Interest bearing loans and borrowings	12	(87.7)	(91.8)
Provisions	13	(1.8)	(2.0)
Deferred tax	6	(10.7)	(10.2)
Deferred income	14	(1.4)	(1.5)
		(101.6)	(105.5)
Current liabilities			
Interest bearing loans and borrowings	12	(20.3)	(19.9)
Trade and other payables	11	(4.3)	(5.3)
Income tax payable	11	(0.2)	(0.6)
		(24.8)	(25.8)
Total liabilities		(126.4)	(131.3)
Net liabilities		(16.2)	(16.7)
Capital and reserves			
Called up share capital	15	4.8	4.8
Accumulated deficit		(21.0)	(21.5)
Equity shareholders' deficit		(16.2)	(16.7)
Non-controlling interests		-	-
Total capital and reserves		(16.2)	(16.7)

Approved by the Board of Directors and authorised for issue on 30 March 2021 and signed on its behalf by:



H Mottram
Director
Registered number 03114615

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Equity share capital £m	Retained earnings £m	Total £m
At 1 April 2018	4.8	(22.5)	(17.7)
Profit for the year and total comprehensive income	-	1.0	1.0
At 31 March 2019	4.8	(21.5)	(16.7)
Profit for the year and total comprehensive income	-	0.5	0.5
At 31 March 2020	4.8	(21.0)	(16.2)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020

	Note	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Operating activities			
Reconciliation of profit before interest to net cash flows			
Profit before interest		9.1	8.6
Depreciation, amortisation and impairment losses		4.4	4.4
Other non-cash charges and credits		(0.1)	-
Net (credit)/charge for provisions, less payments		(0.2)	2.0
Decrease/(increase) in trade and other receivables		0.2	(0.6)
(Decrease)/increase in trade and other payables		(1.0)	0.6
Cash generated from operations		12.4	15.0
Interest paid		(6.6)	(6.6)
Income taxes paid		(1.6)	(0.6)
Net cash flows from operating activities		4.2	7.8
Investing activities			
Interest received		0.1	-
Purchase of property, plant and equipment		(0.5)	(0.4)
Net cash flows from investing activities		(0.4)	(0.4)
Financing activities			
Repayment of borrowings		(4.1)	(3.2)
Net cash flows from financing activities		(4.1)	(3.2)
(Decrease)/increase in cash and cash equivalents		(0.3)	4.2
Cash and cash equivalents at start of year	10	36.1	31.9
Cash and cash equivalents at end of year	10	35.8	36.1
Cash and cash equivalents at end of year	10	14.8	28.1
Short term cash deposits	10	21.0	8.0
Total cash, cash equivalents and short-term cash deposits		35.8	36.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union as it applies to the financial statements of the Group for the year ended 31 March 2020 and in accordance with the Companies Act 2006.

The Directors have considered the detailed budgets and forecasts of its trading subsidiaries Ayres and CES and expect them to be profit making over the term of their contracts with Scottish Water. The Group has a strong cash position and net current assets as at 31 March 2020 of £17.9m ((2019: £17.4m). Overall the Group is in a net liabilities position, however due to the profitable nature of the trading subsidiaries and the strong cash position the Directors believe the Group will continue to be a going concern. On the basis of their assessment of the Group's financial position the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Due to the Group being in a net liabilities position a letter of support has been obtained from NWGL stating that it will provide financial support to the Group to meet its liabilities should it be needed.

The Directors consider the following accounting policies to be relevant in relation to the Group's financial statements. The financial statements of the Group for the year ended 31 March 2020 were authorised for issue by the Board of Directors on xx March 2021 and the balance sheet was signed on the Board's behalf by H Mottram.

NSL is a private company, limited by shares and is registered, incorporated and domiciled in England and Wales.

The Group financial statements are presented in sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

The Group has adopted a number of standards, amendments to standards and interpretations during the year. There was no material impact on the financial statements.

IFRS 16 – Leases

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

(b) Basis of consolidation

The consolidated financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value. The consolidated financial statements include the Company and its subsidiary undertakings. The results of subsidiaries acquired during the period are included from the date of their acquisition. The results of subsidiaries disposed of during the period are included to the date of their disposal. Inter-segment revenue and profits are eliminated fully on consolidation.

Where necessary, adjustments are made to bring the accounting policies used under relevant local GAAP in the individual financial statements of the Company and its subsidiaries into line with those used by the Group under IFRS.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(c) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

1. ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment and depreciation

Property, plant and equipment comprises two wastewater treatment schemes.

Property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount incurred and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Infrastructure assets are depreciated over the course of the life of the wastewater treatment scheme contracts. Operational structure assets that may be replaced or improved by major capital expenditure are depreciated over the period until the capital expenditure is needed in accordance with the Groups asset replacement plan, this period ranges from 5 to 38 years. When subsequent capital expenditure takes place, it is capitalised as part of the cost of the asset. The remaining assets, fixtures and fittings, are depreciated on a straight-line basis to operating costs over the same life range as the operational assets.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

(e) Financial instruments

Financial assets and financial liabilities are recognised in the Groups balance sheet when the Group 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.

(f) Revenues

Revenue, which excludes value added tax, represents the fair value of the income receivable in the ordinary course of business for services provided to Scottish Water through the Groups wastewater treatment plants. In accordance with IFRS 15, revenue is recognised as performance obligations to the customer are satisfied. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured based on volumes flowing through the operating plants during the year. Advance payments received under the terms of the contracts are carried forward as deferred income and released over the performance period of the contract.

(g) Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are 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 assets and liabilities 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.

1. ACCOUNTING POLICIES (continued)

(h) Interest bearing loans and borrowings

All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing. Finance costs (including issue costs) are taken to the statement of comprehensive income over the term of the debt at a constant rate on the balance sheet carrying amount. The carrying amount is increased by the finance charges amortised and reduced by payments made in respect of the accounting period. Other borrowing costs are recognised as an expense when incurred.

(i) Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial time to prepare for its intended use are capitalised while the asset is being constructed as part of the cost of that asset.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal, and use of each part ceases upon substantial completion of that part, a weighted average cost of borrowings is used.

(j) Cash and cash equivalents and short-term cash deposits

Cash and cash equivalents disclosed in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity on acquisition of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables are measured at fair value on initial recognition. If there is objective evidence that the amount receivable is impaired, it is written down to its recoverable amount, with the irrecoverable amount being recognised as an expense in operating costs.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required, and a reliable estimate can be made of the amount of the obligation.

(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

(n) Accounting standards

At the date of signing of these financial statements, there are no standards or interpretations in issue but not yet adopted which the Directors anticipate will have a material impact on the Group. The Directors anticipate that the Group will adopt these standards on their effective dates.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group as it does not have any instances of hedge accounting.

1. ACCOUNTING POLICIES (continued)

(o) Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimates) that have a significant impact on the amount 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 Directors have considered the Group's accounting policies and have concluded no key source of estimation uncertainty has been made in the year that would have a material impact on the results as stated. The Directors note a critical judgement in relation to revenue recognition within AyrES and CES. Revenue is recognised in line with the contract with Scottish Water which uses complex inputs that refer to market indices and thus variations to these indices, may cause a material adjustment to revenue billed.

2. OPERATING COSTS

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Amortisation	0.3	0.3
Depreciation	4.1	4.1
Other operating expenses	15.6	14.3
Operating costs	20.0	18.7

Auditor's remuneration for auditing the financial statements of the Group was £22,650 (2019: £21,990), remuneration for the Company only was £3,320 (2019: £3,225). There was no remuneration to the auditor for non-audit services relating to the Group.

3. DIRECTORS' EMOLUMENTS

The Directors are remunerated in full by a related company, namely NWGL, and as such no emoluments were provided in the current or prior year by the Group. The proportion of their time relating to the Group is considered to be so small that any apportionment of salary costs would be immaterial and therefore have not been calculated or disclosed.

4. STAFF COSTS

The Group did not employ any staff during the year (2019: none).

5. NET FINANCE COSTS

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Interest receivable and other income:		
Interest receivable on related company loans (Note 16)	(0.1)	(0.2)
Finance income	(0.1)	(0.2)
Interest payable and other similar charges:		
Interest payable on bank loans and similar charges	6.7	6.9
Interest payable on related company loans (Note 16)	0.2	0.2
Amortisation of issue costs on Eurobond	0.1	0.1
Net finance costs	6.9	7.0

6. TAXATION

(a) Tax on profit

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Current tax:		
- UK corporation tax on profits of the year at 19% (2019 : 19%)	1.1	1.0
- Adjustments in respect of prior years	0.1	-
	<u>1.2</u>	<u>1.0</u>
Deferred tax:		
Increase due to opening rate change	1.2	-
Movement in the period at 19% (2019 : 17%)		
- Origination and reversal of timing differences in the period	(0.7)	(0.6)
- Adjustments in respect of prior years	-	0.2
	<u>0.5</u>	<u>(0.4)</u>
Total tax charge	<u>1.7</u>	<u>0.6</u>

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 March 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The UK government's March 2021 Budget contained a proposal to increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. Had this rate applied during the current year there would not have been a material impact on the current tax charge or the deferred tax credit for the year, but the closing deferred tax liability shown in (c) below would have increased to c£14m.

b) Reconciliation of total tax charge

	Year to 31 March 2020 £m	Year to 31 March 2019 £m
Profit before taxation	2.2	1.6
Profit before tax multiplied by standard rate of corporation tax of 19% (2019 : 19%)	0.4	0.3
Effects of :		
- Deferred tax movement not at average rate for year	-	0.1
- Impact of rate increase on opening deferred tax	1.2	-
- Adjustments in respect of prior years	0.1	0.2
Total tax charge	<u>1.7</u>	<u>0.6</u>

(c) Deferred tax

The movements in the deferred tax liability during the current and prior reporting periods, by category, are as follows:

	Accelerated tax depreciation £m
At 1 April 2018	10.6
Credit in statement of comprehensive income	(0.4)
At 31 March 2019	10.2
Charge in statement of comprehensive income	0.5
At 31 March 2020	<u>10.7</u>

7. INTANGIBLE ASSETS

	Bid development costs £m	Goodwill £m	Total £m
Cost:			
At 1 April 2019	11.0	3.6	3.6
At 31 March 2020	11.0	3.6	3.6
Amortisation:			
At 1 April 2019	5.3	-	5.3
Provided during the year	0.3	-	0.3
At 31 March 2020	5.6	-	5.6
Net book value at 31 March 2020	5.4	3.6	9.0
Net book value at 31 March 2019	5.7	3.6	9.3

Goodwill arose upon the acquisition of a further 25% share in WMH in 2005, taking the total stake in WMH to c.75%.

8. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure assets £m	Operational structures, plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost:				
At 1 April 2019	23.7	64.8	26.1	114.6
Additions	-	0.5	-	0.5
Disposals	-	(0.2)	-	(0.2)
At 31 March 2020	23.7	65.1	26.1	114.9
Depreciation:				
At 1 April 2019	9.5	29.4	13.6	52.5
Charge for the year	0.6	2.4	1.1	4.1
Disposals	-	(0.2)	-	(0.2)
At 31 March 2020	10.1	31.6	14.7	56.4
Net book value at 31 March 2020	13.6	33.5	11.4	58.5
Net book value at 31 March 2019	14.2	35.4	12.5	62.1

9. TRADE AND OTHER RECEIVABLES

	31 March 2020 £m	31 March 2019 £m
Trade receivables	0.3	0.2
Amounts owed by related parties (Note 16)	1.6	1.4
Prepayments and accrued income	4.9	5.5
Other receivables	0.1	-
	6.9	7.1

10. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	31 March 2020 £m	31 March 2019 £m
Cash at bank and in hand	14.8	28.1
Cash equivalent deposits	21.0	8.0
Cash and cash equivalents	35.8	36.1

11. TRADE AND OTHER PAYABLES

	31 March 2020 £m	31 March 2019 £m
Trade payables	-	0.1
Other payables	0.7	0.3
Amounts payable to related parties (Note 16)	3.0	4.3
Accruals and deferred income	0.6	0.6
Income tax payable	0.2	0.6
	4.5	5.9

Other payables represents amounts owed in respect of value added tax.

12. INTEREST BEARING LOANS AND BORROWINGS

	31 March 2020 £m	31 March 2019 £m
Loans are repayable as follows:		
In one year or less	20.3	19.9
In more than one year but not more than two years	4.7	4.2
In more than two years but not more than five years	12.6	12.4
In more than five years	70.4	75.2
	108.0	111.7
Disclosed as due:		
Within one year:		
Bank loan	3.6	3.6
Eurobond	0.6	0.3
Related parties (Note 16)	16.1	16.0
	20.3	19.9
After one year:		
Bank loan	29.5	33.1
Eurobond	55.9	56.5
Subordinated loan stock (Note 16)	2.3	2.2
	87.7	91.8

Bank loan

The bank loan is repayable in half yearly instalments ending on 30 September 2029.

The bank loan is stated net of unamortised issue costs of £259,000 (2019: £288,000). The bank loan bears an interest rate of 7.1%.

The bank loan is secured by a fixed charge over the assigned accounts and investments and a floating charge over the remaining assets of AyrES.

Eurobond

The Eurobond is listed on the London Stock Exchange's market for listed securities. The first repayment date was 30 September 2008 and the remaining repayment dates are half yearly until 31 March 2037.

The Eurobond is secured by fixed and floating charges over the assets of CES, bears an interest rate of 6.627%, fixed until maturity and is repayable by instalments.

The Eurobond is net of unamortised issue costs of £1,385,000 (2019: £1,504,000).

Subordinated loan stock

The subordinated loan stock, payable to Semperian PPP Holdings Limited (Semperian), shall be repaid at par in instalments or in one lump sum at the option of the lenders subject to there being sufficient monies available and subject covenants of the senior loan agreement. The subordinated loan stock bears fixed interest at 11% per annum payable six monthly.

13. PROVISIONS

	Tendon provision £m
At 1 April 2018	-
Provided during the year	2.6
Credited to the Statement of comprehensive income	(0.6)
At 1 April 2019	2.0
Credited to the Statement of comprehensive income	(0.2)
At 31 March 2020	1.8

There was a tendon failure at the AyrES site back in 2015. As a result a claim for construction defects was raised, this resulted in a settlement in 2018. This provision is intended to cover costs relating to potential future tendon failures on the AyrES site. The provision will be fully utilised by 29 September 2032.

14. DEFERRED INCOME

	Total £m
At 1 April 2019	1.5
Credited to the Statement of comprehensive income	(0.1)
At 31 March 2020	1.4

Deferred income represents advance payments received for the operation of the CES plant until 2040.

15. AUTHORISED AND ISSUED SHARE CAPITAL

	Number	£m
Authorised, issued and fully paid:		
Ordinary shares £0.01 each		
At 31 March 2019 and 31 March 2020	481,266,400	4.8

16. RELATED PARTIES

The following entities are considered to be related parties to the Group under the definition of IAS 24 Related Party Disclosures:

Ayr Environmental Services Operations Limited (AESOps), Caledonian Environmental Levenmouth Treatment Services Limited (CELTS), NWG Commercial Solutions Limited (NWGCSL), Essex and Suffolk Water Limited (ESW), Northumbrian Water Projects Limited (NWP) and NWGL as companies within the CKHH group.

Semperian as a minority shareholder of WMH.

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

Trading transactions

	Charges in respect of services £m	Interest income/ (charge) £m	Amounts payable to related parties £m	Amounts receivable from related parties £m
Related party:				
Year ended 31 March 2020				
AESOps	(7.6)	-	(2.4)	0.1
CELTS	(6.0)	-	(0.6)	0.2
NWGCSL	(0.4)	-	-	-
Semperian	-	-	(2.3)	1.1
NWGL	-	0.1	-	-
ESW	-	(0.2)	(16.1)	0.2
Year ended 31 March 2019				
AESOps	(6.1)	-	(2.3)	-
CELTS	(6.5)	-	(2.0)	-
NWGCSL	(0.4)	-	-	-
Semperian	-	-	(2.2)	1.3
NWGL	-	0.1	-	-
ESW	-	(0.2)	(16.0)	0.1
NWP	-	0.1	-	-

17. ULTIMATE PARENT COMPANY

The Company has been informed by the former ultimate parent and controlling party, 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 prior to 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.

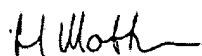
The Directors of the Company consider that, with effect from 30 December 2019, there has been no ultimate controlling party of the Company.

COMPANY BALANCE SHEET
As at 31 March 2020

	Notes	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Investments in subsidiary undertakings	2	1.6	1.6
Debtors: due after one year	3	21.3	20.9
		22.9	22.5
Current assets			
Trade and other receivables	3	0.3	0.1
Cash and cash equivalents		21.9	22.0
		22.2	22.1
Total assets		45.1	44.6
Current liabilities			
Trade and other payables	4	(16.5)	(16.9)
Total assets less current liabilities		28.6	27.7
Non-current liabilities	5	(12.8)	(12.6)
Total liabilities		(29.3)	(29.5)
Net assets		15.8	15.1
Equity			
Called up share capital	6	4.8	4.8
Retained earnings		11.0	10.3
Equity attributable to owners of the Company		15.8	15.1

The profit dealt with in the financial statements of the parent Company is £0.7m (2019: £1.4m).

Approved by the Board on 30 March 2021 and signed on its behalf by:



H Mottram
Director
Registered number 03114615

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Called up share capital £m	Retained earnings £m	Total £m
At 1 April 2018	4.8	8.9	13.7
Profit for the year and total comprehensive income	-	1.4	1.4
31 March 2019	4.8	10.3	15.1
Profit for the year and total comprehensive income	-	0.7	0.7
At 31 March 2020	4.8	11.0	15.8

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

(a) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 "Reduced Disclosure Framework" as issued by the Financial Reporting Council.

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, standards not yet effective and remuneration of key management personnel. As permitted by s 408 of the Companies Act 2006, no profit and loss account has been presented for the parent Company.

Where relevant, equivalent disclosures have been given in the group accounts of NSL.

The financial statements have been prepared under the historical cost convention. The Company is a private company, limited by shares and is registered, incorporated and domiciled in England and Wales.

The principal accounting policies adopted are set out below.

The financial statements have been prepared on a going concern basis which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future. The Directors have taken specific account of the impacts of the Covid-19 pandemic when making this assessment. As at 31 March 2020, the Company had net current assets of £5.7m (2019: £5.2m). The Directors have also reviewed the Company's cash flow requirements and available resources and believe it is appropriate to prepare the financial statements on a going concern basis.

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 adopted IFRS 16 with effect from 1 April 2019. The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(b) Fixed asset investments

Fixed asset investments are stated at their purchase cost, less any provision for impairment.

(c) Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through the statement of comprehensive income or available for sale. Gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

(d) Cash and bank balances

Cash and bank balances disclosed on the balance sheet comprise cash at bank and short-term deposits with a remaining maturity of up to three months, which are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(e) Interest bearing loans and borrowings

All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing. Finance costs (including issue costs) are taken to the statement of comprehensive income over the term of the debt at a constant rate on the balance sheet carrying amount. The carrying amount is increased by the finance charges amortised and reduced by payments made in respect of the accounting period.

(f) Employees

Excluding the Directors, there are no employees of the Company (2019: nil).

1. ACCOUNTING POLICIES (continued)

(g) 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 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 assets and liabilities 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.

(h) Significant accounting judgements and key sources of estimation uncertainty

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.

2. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

					£m
At 31 March 2019 and 31 March 2020					1.6
Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group (%)	Business activity	
Caledonian Environmental Services Holdings Limited ¹	England and Wales	Ordinary shares of £1	100	Holding company	
Caledonian Environmental Services plc ²	Scotland	Ordinary shares of £1	100	Wastewater services	
Wastewater Management Holdings Limited ³	Scotland	Ordinary A shares of £1	75	Holding company	
Ayr Environmental Services Limited ³	Scotland	Ordinary shares of £1	75	Wastewater services	
Northumbrian Overseas Investments Limited ¹	England and Wales	Ordinary shares of £1	100	Dormant	
Waterco Six Limited ¹	England and Wales	Ordinary shares of £1	100	Dormant	

1. Registered office: Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

2. Registered office: C/O Celts Ltd, Elm Park, Methilhaven Road, Methil, Leven, Fife, KY8 3WA.

3. Registered office: Meadowhead Wastewater Treatment Works & Sludge Treatment Centre, Meadowhead Road, Irvine, Ayrshire, KA11 5AY.

3. TRADE AND OTHER RECEIVABLES

	31 March 2020 £m	31 March 2019 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	0.1	-
Amounts owed by related parties (Note 7)	0.2	0.1
	0.3	0.1
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	21.3	20.9
	21.3	20.9

Included in amounts owed by other subsidiary undertakings within and after one year are subordinated loans and associated interest with group companies, as detailed below:

Wastewater Management Holdings Limited

Loan value of £6.8m, with fixed interest of 11% per annum, payable six monthly. Loan principal repayable at par in instalments or in one lump sum at the option of the lenders, subject to there being sufficient monies available and subject to the borrower meeting the covenants of the senior loan agreement.

Caledonian Environmental Services plc

Loan value of £14.5m, with fixed interest of 5.25% per annum, payable six monthly. Loan principal repayable at par in instalments or in one lump sum at the option of the lenders, subject to there being sufficient monies available.

4. TRADE AND OTHER PAYABLES

	31 March 2020 £m	31 March 2019 £m
Amounts owed to related parties (Note 7)	16.1	16.2
Income tax payable	0.2	0.4
Accruals and deferred income	0.2	0.3
	16.5	16.9

Included in amounts owed to related parties is £nil (2019: £0.2m) in respect of group relief.

5. NON-CURRENT LIABILITIES

	31 March 2020 £m	31 March 2019 £m
Amounts owed to subsidiary undertakings	12.8	12.6

Included in amounts owed to subsidiary undertakings is £12.8m (2019: £12.6m) in respect of group relief.

6. AUTHORISED AND ISSUED SHARE CAPITAL

	Number	£m
Authorised, issued and fully paid:		
Ordinary shares £0.01 each		
At 31 March 2019 and 31 March 2020	481,266,400	4.8

7. RELATED PARTIES

The following entities are considered to be related parties under the definition of IAS 24 "Related Party Disclosures" for which the Company is not exempt from disclosing:

AESOps, Northumbrian Water Projects Limited (NWP), NWGL and ESW as companies within the CKHH group.

During the year, the Company entered into transactions, in the ordinary course of business, and on an arm's length basis, with these related parties. Transactions entered into and trading balances outstanding at the balance sheet date between the Company and its related parties are as follows:

Trading transactions

	Charges in respect of services £m	Interest on cash balances £m	Loan interest £m	Amounts owed by related party £m	Amounts owed to related party £m
Year ended 31 March 2020					
AESOps	(0.1)	-	-	-	-
ESW	-	-	0.2	0.2	(16.1)
NWGL	-	(0.1)	-	-	-
Year ended 31 March 2019					
ESW	-	-	0.2	0.1	(16.0)
NWGL	-	(0.1)	-	-	(0.2)
NWP	-	(0.1)	-	-	-

8. ULTIMATE PARENT COMPANY

The Company has been informed by the former ultimate parent and controlling party, 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 prior to 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, there has been no ultimate controlling party of the Company.