

Cambridge Water PLC

**Annual Report and Financial Statements for the
year ended 31 March 2020**

(Company Registration No: 03175861)

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COMPANY INFORMATION

Company Name

Cambridge Water PLC

Company Registration No

03175861

Registered Office

90 Fulbourn Rd

Cherry Hinton

Cambridge

CB1 9JN

Directors

Mr P C Newland

R J O'Malley

Secretary

Mrs C A Stretton

Auditor

Deloitte LLP

Statutory Auditor

4 Brindley Place

Birmingham

B1 2HZ

United Kingdom

STRATEGIC REPORT

Company overview and principal activity

On 1 April 2013, the trade, assets and liabilities of the Company (except for those related to the final salary pension scheme) were legally transferred to South Staffordshire Water PLC by way of a Transfer Scheme in accordance with Schedule 2 of the Water Industry Act 1991. The liabilities transferred included debenture stock quoted on the London Stock Exchange in the name of Cambridge Water PLC; these debentures are no longer liabilities of the Company but are liabilities of South Staffordshire Water PLC. On the same day South Staffordshire Water PLC became the licensed water undertaker in the Cambridge region and the sole activity of Cambridge Water PLC became the administration of its final salary pension scheme in respect of former employees which is expected to continue for the foreseeable future.

Financial results and dividends

In the year ended 31 March 2020, there was £228,000 (2019: £239,000) finance income relating to the final salary pension scheme. Profit after tax for the year was £186,000 (2019: £198,000). The company made dividend payments of £nil in the year ended 31 March 2020 (2019: £nil). The directors do not propose a dividend post year end. The net assets of the company at 31 March 2020 were £14,861,000 (2019: £11,232,000).

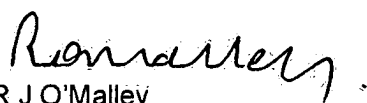
The directors do not consider there to be any key performance indicators relevant to the Company and do not expect any significant future developments.

Risk management

There is an established risk management and internal control framework in place within the Company. The Directors believe the most significant risk and uncertainty faced by the Company is its obligations in respect of its defined benefit pension scheme. As part of its normal activities, the Board of Directors regularly carry out robust assessments of this principle risks and are of the opinion that this is appropriately managed. Any changes in significant business risks or controls to mitigate the significant risk is reported to Audit Committee. Further details in respect of the group's risk management can be found in the Strategic Report of the South Staffordshire PLC annual report. Uncertainty around the UK's departure from the EU and the COVID 19 pandemic could also have an adverse impact on potential investment returns and discount rates and are of the opinion that these are being appropriately managed.

STRATEGIC REPORT (Continued)

This report was approved by the board and signed on its behalf.



R J O'Malley

Director

14 October 2020

DIRECTORS' REPORT

The directors present their annual report together with the financial statement and Auditor's report, for the year ended 31 March 2020. The Company did not have any trade during the year, the sole activity of Cambridge Water PLC is the administration of its final salary pension scheme in respect of former employees which is expected to continue for the foreseeable future.

Directors

The Directors who held office during the year and subsequently are as follows:

Mr P C Newland (Appointed 9 April 20)

R J O'Malley (Appointed 29 April 20)

Mr A P Page (Resigned 29 April 20)

Sir J F Perowne (Resigned 9 April 20)

Disclosure of Information to Auditor

In accordance with the provisions of s418 of the Companies Act 2006, the Directors confirm that as far as they are aware, there is no relevant audit information which the Company's auditor is unaware and that the Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The directors have no reason to believe any material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern with South Staffordshire Water PLC making deficit contributions, where necessary, to the defined benefit pension scheme on behalf of the Company. After factoring in any potential impact of COVID 19, it has been determined that the pandemic will not have any material impact on the going concern assessment. A 3% movement in the net accounting surplus of the scheme would result in a comprehensive income movement of £550,000. Based on these assessments of the Company's financial position, the directors have a reasonable expectation that the Company will be able to meet all its liabilities when they fall due. South Staffordshire PLC have also confirmed in writing that they will make any necessary contributions to the Cambridge Water PLC scheme if required for the next 12 months from the date of signing. Therefore, the directors deem it appropriate to prepare the financial statements on a going concern basis.

Company overview and principal activity

The company overview results and principal activities are disclosed in the Strategic Report on page 1.

DIRECTORS' REPORT (Continued)

Financial results and dividends

The financial results and dividends are disclosed in the Strategic Report on page 1.

Auditor

A resolution proposing the reappointment of Deloitte LLP as auditor will be put to the Board of Directors.

Approved by the Board of Directors and signed on its behalf by



R J O'Malley

Director

14 October 2020

Registered Office: 90 Fulbourn Road, Cherry Hinton, Cambridge, CB1 9JN

Registered in England and Wales, Number 03175861

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

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 to 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 CAMBRIDGE WATER PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cambridge Water Plc ('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 prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The profit and loss account;
- The statement of comprehensive income;
- The balance sheet;
- The statement of changes in equity; and
- The related notes 1 to 10

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 (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 company's ability to continue to

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE WATER PLC (Continued)

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE WATER PLC (Continued)

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 the 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 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, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE WATER PLC (Continued)

- 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

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.



Emre Saka (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

14 October 2020

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Finance Income	4	228	239
Profit before taxation		228	239
Tax on profit	5	(42)	(41)
Profit for the financial year		186	198

A statement of comprehensive income is presented on Page 11.

The result above is derived from continuing operations.

The accompanying notes are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		186	198
Other comprehensive income			
Net actuarial gain / (loss) relating to retirement benefit surplus	8	4,585	(61)
Deferred tax on net actuarial gain relating to retirement benefit surplus	6	(871)	10
Change in rate of deferred tax	6	(271)	-
Change in assumption for GMP equalisation relating to retirement benefit surplus	8	-	(300)
Deferred tax on GMP equalisation relating to retirement benefit surplus	9	-	51
Total comprehensive income for the year		3,629	(102)

BALANCE SHEET

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Current Assets			
Retirement benefit surplus	8	18,346	13,533
Total current assets		18,346	13,533
Provision for liabilities - deferred tax	6	(3,485)	(2,301)
		(3,485)	(2,301)
Net Assets		14,861	11,232
Capital and Reserves			
Called-up share capital	7	731	731
Capital redemption reserve		3,731	3,731
Profit and loss account		10,399	6,770
Shareholders' Funds		14,861	11,232

The accompanying notes are an integral part of these financial statements.

A statement of movements in reserves is given in the Statement of Changes in Equity.

The financial statements of Cambridge Water PLC (Company number 03175861) were approved by the Board of Directors and authorised for issue on 14 October 2020.


R J O'Malley
Director

STATEMENT OF CHANGES IN EQUITY

As at 31 March 2020

	Called-up Share Capital	Capital Redemption Reserve	Profit & Loss Account	Shareholders' Funds
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	731	3,731	6,872	11,334
Profit for the financial year	-	-	198	198
GMP Equalisation adjustment	-	-	(300)	(300)
Deferred tax GMP equalisation adjustment	-	-	51	51
Net actuarial gain relating to retirement benefit surplus	-	-	(61)	(61)
Deferred tax on net actuarial gain relating to retirement benefit surplus	-	-	10	10
Balance at 31 March 2019	731	3,731	6,770	11,232
Balance at 1 April 2019	731	3,731	6,770	11,232
Profit for the financial year	-	-	186	186
Net actuarial gain relating to retirement benefit surplus	-	-	4,585	4,585
Deferred tax on net actuarial gain relating to retirement benefit surplus	-	-	(871)	(871)
Deferred tax rate change	-	-	(271)	(271)
Balance at 31 March 2020	731	3,731	10,399	14,861

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) General information and basis of accounting

Cambridge Water PLC (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 90 Fulbourn Rd, Cherry Hinton, Cambridge, CB1 9JN. The principal activity of the Company is that of the administration of its final salary pension scheme in respect of former employees.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The following principal accounting policies have been applied:

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, South Staffordshire Plc. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, financial instruments, remuneration of key management personnel and related party transactions.

This information is included in the consolidated financial statements of South Staffordshire Plc as at 31 March 2020 and these financial statements may be obtained from their registered office, Green Lane, Walsall, WS2 7PD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Going concern

The directors have no reason to believe any material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern with South Staffordshire Water PLC making deficit contributions, where necessary, to the defined benefit pension scheme on behalf of the Company. After factoring in any potential impact of COVID 19, it has been determined that the pandemic will not have any material impact on the going concern assessment. A 3% movement in the net accounting surplus of the scheme would result in a comprehensive income movement of £550,000. Based on these assessments of the Company's financial position, the directors have a reasonable expectation that the Company will be able to meet all its liabilities when they fall due. South Staffordshire PLC have also confirmed in writing that they will make any necessary contributions to the Cambridge Water PLC scheme if required for the next 12 months from the date of signing. Therefore, the directors deem it appropriate to prepare the financial statements on a going concern basis.

c) Operating costs

Audit fees of £2,206 (2019: £2,266), are borne by fellow Group undertakings. There were no fees paid by the Company to the Company's auditor for non-audit services in either year.

d) Pensions

As the Cambridge Water section of the defined benefit Water Companies Pension Scheme has been closed to future accrual since 2010, there is no current service charge in the profit and loss account and only funding deficit contributions are paid to the section. The profit and loss in respect of this section represents the net interest income on the net surplus. This is credited within finance income. Actuarial gains and losses are charged or credited directly to the statement of comprehensive income net of deferred tax. The defined benefit scheme liabilities, valued using the projected unit method and the fair value of scheme assets, are recognised in the balance sheet as a net retirement benefit surplus before the related deferred tax which is reported separately in the balance sheet.

e) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- At fair value with changes recognised in the Profit and Loss Account if the shares are publicly traded or their fair value can otherwise be measured reliably.
- At cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

g) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- a. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- b. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) *Current and deferred taxation (continued)*

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. *Critical accounting judgements, estimates and assumptions*

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions in respect of the carrying amounts of assets and liabilities recognised in the financial statements. These are based on historical experience, future forecasts and other factors that are considered to be relevant. It is recognised that historical experience and forecasts change over time and these judgements, estimates and assumptions are therefore reviewed and amended where necessary on a regular basis. However, it is also recognised that the actual outcomes may still differ to the judgements, estimates and assumptions made.

Critical judgements in applying the Company's accounting policies

There have been no critical judgments applied to the Company's accounts.

Key accounting estimations

Defined benefit pension schemes

Judgements, assumptions and estimates are required to appropriately record the assets and liabilities of the defined benefit pension scheme in the balance sheet at each period end. The Directors use the services of professional actuaries to advise on the most appropriate valuations for these assets and liabilities in accordance with the relevant accounting standard. The net accounting surplus for these assets and liabilities as at 31 March 2020 in the balance sheet is £18,346,000 (2019: £13,533,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Provision for liabilities – Deferred tax

No employees were employed by the Company during the year or the previous year. During the year and the prior year, the Directors received no emoluments from the Company as Directors of this Company. The Directors were remunerated by the immediate parent company, South Staffordshire Plc or by another group undertaking, South Staffordshire Water Plc and the total of their emoluments received for their period of service during the year was

4. Finance Income

	2020 £'000	2019 £'000
Interest received	228	239
	228	239

5. Taxation on profit

	2020 £'000	2019 £'000
Deferred tax - current year	42	41
Total tax charge	42	41

Factors affecting tax charge for the year

The tax assessed for the year is equal to (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	228	239
Profit multiplied by standard UK corporation tax rate of 19% (2019: 17%)	42	45
Deferred tax provided at lower rate	-	(4)
Total tax charge	42	41

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Factors that may affect future tax charges

A reduction in the future UK corporation tax rate from 18% to 17% was substantively enacted in the Finance Act 2016 with effect from 1 April 2020. However, in the Spring Budget 2020, the Government announced that from the 1 April 2020 the corporation tax rate would remain at 19%. This new law substantively enacted on 17 March 2020 therefore its effects have been included in these financial statements. Current tax and deferred tax have been recognised at 19%.

6. Provision for liabilities – Deferred tax

	£'000
At 1 April 2019	2,301
Profit and loss account charge	42
Effect of change in deferred tax rate	271
Charge to other comprehensive income	871
Balance at 31 March 2020	3,485

7. Share Capital

	2020 £'000	2019 £'000
Alotted, called-up and fully-paid:		
14,621,152 Ordinary shares of £0.05 each	731	731

8. Pension Retirement Benefits

Defined Benefit Scheme

The Company operates a funded defined benefit pension scheme as a separate section of the Water Companies Pension Scheme of which the Company is a member. On 31 December 2010, the section closed to new entrants and future accrual. Details of the accounting policy for pension schemes are provided in note 1. As this section of the defined benefit scheme is closed to future benefit accrual only funding deficit contributions have been being paid into the Scheme in the year with these being £Nil in the year ended 31 March 2020 (2019: £Nil), which has been funded by South Staffordshire Water PLC and is therefore reported as a credit within the Statement of Comprehensive Income. These contributions paid have increased the assets of the section. No current service contributions

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. *Pension Retirement Benefits (continued)*

are paid and with effect from 31 December 2010 there has been no current service cost charge to the profit and loss account. A pension asset has been fully recognised for the section at both 31 March 2020 and 31 March 2019 as the Company would benefit from a refund of any surplus assets following a complete run-off of the section (i.e. following the final benefit payment from the section).

Additional disclosures regarding the Group's defined benefit pension scheme are required under provisions of FRS 102. Valuations each year are undertaken by a qualified actuary using assumptions that are consistent with the requirements of FRS 102. The market value of investments has been calculated using the bid price.

	£' 000
At 1 April 2019	2,301
Profit and loss account charge	42
Charge to other comprehensive income	1,142
Balance at 31 March 2020	3,485

The following table sets out the key assumptions used by the actuary:

	31 March 2020	31 March 2019
	%	%
Rate of increase in pensions	2.0	2.5
Discount rate	2.5	2.4
Annual inflation RPI	2.9	3.5
Annual inflation CPI	1.9	2.5

	31 March 2020	31 March 2019
	No. of Years	No. of Years
Life expectancy of male aged 60 at the balance sheet date	26.6	26.6
Life expectancy of male aged 60-35 at the balance sheet date	29.0	28.9
Life expectancy of female aged 60 at the balance sheet date	28.7	28.6
Life expectancy of male aged 60-35 at the balance sheet date	30.6	30.5

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Pension Retirement Benefits (continued)

A reconciliation of the market and fair value of the Section's assets is as follows:

	2020	2019
	£'000	£'000
Opening market value of scheme assets	54,795	54,657
Interest on Section assets	1,297	1,392
Actual return less interest on plan assets	873	1,148
Expenses	(104)	(116)
Benefits paid	(1,494)	(2,286)
Closing market value of schemes' assets	55,367	54,795

The current allocation of the Section's assets is as follows:

	2020	2019
Equity instruments	2%	11%
Diversified growth funds	5%	5%
Liability driven	76%	77%
investment Absolute	16%	9%
return bonds Other	1%	0%
	100%	100%

A reconciliation of the present value of the Section's liabilities is as follows:

	2020	2019
	£'000	£'000
Opening present value of scheme liabilities	41,262	41,002
Interest cost	965	1,037
Actuarial (gain)/loss	(3,412)	1,209
Benefits paid	(1,494)	(2,286)
GMP equalisation adjustment	-	300
Closing present value of scheme liabilities	37,321	41,262

The balance sheet position as at 31 March 2020 of £18,346,000 (2019: £13,533,000) is the net of the closing market value of the scheme assets and closing present value of the scheme liabilities. The actual return on Section's assets over the year ended 31 March 2020 was a gain of £2,170,000 (2019: £2,540,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. *Pension Retirement Benefits (continued)*

The net actuarial gain recognised in other comprehensive income in the prior year included the GMP equalisation adjustment and as such was £0.3m lower than the actual movement. The reversal of this entry has been deemed immaterial to the Company's financial statements and has been offset against the actuarial gain in the current year. This has not been restated and will remain as an error in the prior year.

9. **Related Party Transactions**

As a wholly owned subsidiary of South Staffordshire PLC, the Company has taken advantage of the exemption, under FRS 102, not to disclose transactions with other group companies. There were no other related party transactions requiring disclosure.

10. **Ultimate Controlling Party**

The immediate parent company is South Staffordshire Plc which is registered in England and Wales and is the smallest group preparing consolidated accounts that include Cambridge Water PLC.

During the year the ultimate parent company in the United Kingdom was Hydriades IV Limited, also registered in England and Wales which is the largest UK group preparing consolidated accounts that include Cambridge Water PLC. The consolidated accounts for both these companies can be obtained from their registered office, Green Lane, Walsall, WS2 7PD.

The ultimate controlling party during the year was Arjun Infrastructure Partners Limited, a Company registered in England and Wales, which controls and manages and is the General Partner of a UK registered investment entity that acquired a majority equity interest of a holding company of Hydriades IV Limited and therefore of the Company.