ENVIROGEN WATER TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Registered Company Number 03289389

Envirogen Water Technologies Limited
Financial Statements
for the year ended 31 December 2021

	Page
Directors and Advisors	1
Strategic Report	2
Directors' Report	3
Statement of directors' responsibilities in respect of the financial statements	4
Independent Auditors' Report	5
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the financial statements	11

Envirogen Water Technologies Limited
Directors and Advisors

Directors	J Higgins T Metcalfe B Denyer
Registered Office	Unit 9 Wimsey Way Alfreton Trading Estate Somercotes Alfreton Derbyshire DE55 4LS
Independent Auditors	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ
Principal Bankers	HSBC Bank plc 26 Broad Street Reading Berkshire RG1 2BU
Registered company number	03289389

Envirogen Water Technologies Limited
Strategic Report for the year ended 31 December 2021

The directors present their strategic report of the Company for the year ended 31 December 2021.

Review of the business
The profit after taxation for the year is £708,000 (2020: loss of £416,000). The directors do not recommend a dividend for the year (2020: £nil dividend).

The Company's key financial and other performance indicators during the year were as follows:

	2021	2020
	£'000	£'000
Turnover	**9,617**	7,588
Gross profit	**3,421**	2,640
Gross profit %	**36%**	35%
Overheads	**(2,699)**	(3,042)
Operating profit/(loss) (before interest and tax)	**722**	(402)

Revenue is generated through the sale of goods in the form of water purification and process filtration systems and consumables and also through work servicing equipment. Consumables revenues have increased by £0.3 million to £1.6 million. Systems revenues have increased by £1.7 million to £5.8 million as the business secured new capital projects. Service revenues have decreased by £0.1 million to £2.1 million.

The Company has net liabilities of £8.4 million at the end of 2021 and, although the Company has positive cash reserves of £0.9 million at 31 December 2021, as explained in Note 2, it is dependent on debt financing from its ultimate parent undertaking and controlling party, Janili S.a r.l..

Principal risks and uncertainties

Credit risk
The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised. The Company has not experienced any additional credit risk arising from the coronavirus pandemic.

Liquidity risk
The Company actively manages the liquidity risk by preparing detailed budgets and forecasts. These budgets are actively monitored on a monthly basis and are revised regularly in the light of updated information. The Company then arranges adequate funding to ensure that the Company maintains its liquidity. The Company continues to receive support from its parent undertaking, Janili S.à r.l..

Interest rate risk
The Company's policy is to manage its cost of borrowing. The Company's policy is to use variable rate finance and to review this depending on the circumstances at each funding requirement. The Board monitors the interest rate risk but does not hedge this risk.

Foreign currency risk
The Company has foreign exchange rate exposure due to the high level of intercompany loans and balances. The Company's non Sterling loans and balances are held in Euros and US Dollars. The wider Group operates using these currencies and the Company is therefore able to mitigate its currency exposure through these operations.

Approved by the Board on 4 May 2022 and signed on behalf of the Board:

TCMetcalfe

T Metcalfe
Director
4 May 2022

Envirogen Water Technologies Limited
Directors' Report for the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Principal activities

The principal activities of the Company during the year were the sale and servicing of water purification and process filtration equipment.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J Higgins (appointed 22 September 2021)
DS Malvenan (resigned 22 September 2021)
T Metcalfe
B Denyer

The Company is a wholly owned subsidiary and the interests of the directors are disclosed in the financial statements of the ultimate parent company, Janili S.à r.l..

Result for the year

The Company made a profit in the year of £708,000 (2020: loss of £416,000). The directors do not propose a dividend in the year (2020: nil). Additional information on the performance, risks and uncertainties of the Company are provided in the Strategic report.

Future developments

The Company intends to continue to focus on its core strengths within the key markets it has identified.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are described in Note 2 to the financial statements.

Covid-19

The UK government and many other countries implemented a strategy over the last two years to restrict and contain the ill-health implications of the global pandemic which has arisen from the emergence of Covid-19. Management has taken action to both protect the business and its employees in limiting the effect of Covid-19.

Brexit

The company is not directly dependent on sales and purchases between the UK and the EU and as such Brexit has a limited impact on the business.

Independent Auditors

The resolution regarding the re-appointment of auditors will be considered at the next Annual General Meeting.

The financial statements on pages 8 to 25 were approved by the Board of Directors on 4 May 2022 and signed on its behalf by:

TCMetcalfe

T Metcalfe
Director
4 May 2022

Envirogen Water Technologies Limited
Directors' Responsibilities for the year ended 31 December 2021

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 financial statements, the directors are required to:

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Envirogen Water Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, Envirogen Water Technologies Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Direct taxes. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate manual journals to manipulate the financial position of the business and management bias in estimates. Audit procedures performed by the engagement team included:

- discussions with management, including enquiries into the existence and response to any known or suspected instances of non-compliance with laws and regulation and fraud;
- testing of journals which may appear to have unusual accounting entries;
- challenging assumptions and judgements made by management in relation to estimates and judgements; and
- reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

P.J. Norbury

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
4 May 2022

Envirogen Water Technologies Limited
Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	3	**9,617**	7,588
Cost of sales		**(6,196)**	(4,948)
Gross profit		**3,421**	2,640
Administrative expenses		**(2,699)**	(3,042)
Operating profit/(loss)	4	**722**	(402)
Finance costs	8	**(21)**	(30)
Net finance costs		**(21)**	(30)
Profit/(loss) before income tax		**701**	(432)
Income tax credit	9	**7**	16
Profit/(loss) for the financial year		**708**	(416)
Other comprehensive expense for the year		**-**	-
Total comprehensive income/(expense) for the year		**708**	(416)

The notes on pages 11 to 25 form an integral part of these financial statements.

Envirogen Water Technologies Limited
Statement of Financial Position

As at 31 December 2021

	Note	As at 31 December **2021** £'000	2020 £'000
Fixed assets			
Intangible assets	10	**119**	86
Property, plant and equipment	11	**272**	234
Right-of-use assets	12	**411**	610
		802	930
Current assets			
Inventories	13	**986**	997
Trade and other receivables	14	**3,542**	3,147
Cash and cash equivalents		**873**	705
		5,401	4,849
Creditors: amounts falling due within one year	15	**(14,423)**	(14,530)
Net current liabilities		**(9,022)**	(9,681)
Total assets less current liabilities		**(8,220)**	(8,751)
Creditors: amounts falling due after more than one year	16	**(227)**	(404)
Net liabilities		**(8,447)**	(9,155)
Equity			
Called up share capital	18	**-**	-
Accumulated losses		**(8,447)**	(9,155)
Total shareholders' deficit		**(8,447)**	(9,155)

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were approved and authorised for issue by the Board on 4 May 2022 and signed on its behalf by:

T C Metcalfe

T Metcalfe
Director
4 May 2022

Registered number: 03289389

Envirogen Water Technologies Limited
Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital £'000	Accumulated losses £'000	Total Shareholders' deficit £'000
Balance at 1 January 2020	-	(8,739)	(8,739)
Loss for the financial year	-	(416)	(416)
Total comprehensive expense for the year	-	(416)	(416)
Balance as at 31 December 2020	-	(9,155)	(9,155)
Profit for the financial year	-	708	708
Total comprehensive income for the year	-	708	708
Balance as at 31 December 2021	**-**	**(8,447)**	**(8,447)**

The notes on pages 11 to 25 are an integral part of these financial statements.

1 General Information

The financial statements of Envirogen Water Technologies Limited (the 'Company') for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 4 May 2022 and the Statement of Financial Position was signed on the Board's behalf by T Metcalfe.

Envirogen Water Technologies Limited is a private limited company limited by shares and incorporated in the United Kingdom and domiciled in England and Wales, registered number 03289389.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements are prepared in accordance with Finance Reporting Standards 101 "Reduced Disclosure Framework" ("FRS101") and the Companies Act 2006 as applicable to companies using FRS101 . The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The financial statements have been prepared under the historic cost convention.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

(a) paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

(b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' - comparative information in respect of:
- (1) paragraph 79(a)(iv) of IAS 1
- (2) paragraph 73(e) of IAS 16 Property, Plant and Equipment
- (3) paragraph 118(e) of Intangible Assets (reconciliations between the carrying amount at the beginning and end of the period)

(c) the requirements of paragraphs 10(d), 16, 38A, 38B-D, 111 and 134-136 of IAS 1 Presentation of Financial Statements

(d) the requirements of IAS 7 Statement of Cash Flows

(e) paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

(f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)

(g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(h) paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

(i) IFRS 7, 'Financial instruments: Disclosures'.

Where required, equivalent disclosures are given in the group financial statements of Janili S.à r.l.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the Company's financial statements.

2.2 Going Concern

In line with the Financial Reporting Council guidance on Going Concern issued in May 2020 and taking into account the FRC's guidance on risk management, internal control, related business and financial reporting issued in September 2014, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis. The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management position are described in the strategic report.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. There are a number of factors that the Directors have had to consider in deciding to prepare the financial statements on a going concern basis.

At 31 December 2021, the Company has net liabilities of £8.4 million (2020: £9.2m) and net current liabilities of £9.0 million (2020: £9.7m). This position is because the Company incurred significant net losses and negative cash flows in prior years as the Company expanded into more complex and larger projects that it had experienced difficulties executing and the Company contributed to the establishment of Group operations overseas.

2 Principal accounting policies (continued)

2.2 Going Concern (continued)

The Company is dependent on debt financing from its parent undertaking and controlling party, Janili S.á r.l.. Janili S.á r.l. has confirmed to the Board of Directors of the Company that it will provide adequate financial support to the Company such that the Company can meet its financial obligations as they fall due for at least the next 12 months from the date that the financial statements for the year ended 31 December 2021 are signed. At 31 December 2021, the consolidated financial statements of Janili S.á r.l. showed net current liabilities of €3.5 million (2020: €2.7m) and net assets of €5.9 million (2020: €6.7m).

During the year ended 31 December 2021, the operating results of the Group increased to an EBITDA (pre-exceptional costs) of €1.4 million compared to €1.3 million in 2020. The Net Debt (excluding lease liabilities) at 31 December 2021 was €2.9 million. The Net Debt includes healthy cash resources as this included cash and cash equivalents of €2.9 million.

The Board of Managers of Janili S.á r.l., against the background of the ongoing coronavirus pandemic, prepared a base case forecast of cash flows covering the period to 30 June 2023. The products and services that the Group provides have continued to be supplied as these are vital services to many industries in the UK and North America, including support to food and beverage companies, healthcare organisations and significant work in North America to treat contamination levels in a wide range of situations. The forecasts reflect an improvement in the Group's revenues but not to pre-pandemic levels. These confirm continued operating profits with appropriate cash resources being available to meet the obligations of the Group. These obligations primarily include bank facilities with Intesa Sanpaolo S.p.A. that run to 31 December 2023 with covenant tests in June and December of each year. Management considers that they have sufficient headroom in meeting the June 2022 and December 2022 covenants.

Furthermore, the Board of Managers have applied a severe but plausible downside scenario against the base case. This includes a review all major contracts in the base case before applying a level of probability against each contract to establish a much lower level of potential activity. This downside forecast indicated that the Group would still have sufficient cash resources to meet its obligations.

The Board of Managers is confident that the forecast revenue and operating profit levels in these forecasts will be achieved and the Group would meet its foreseeable future liabilities as they fall due.

Janili S.á r.l. has confirmed to the Board of Directors of the Company that it will provide adequate financial support to the Company such that the Company can meet its financial obligations as they fall due for at least the next 12 months from the date that the financial statements for the year ended 31 December 2021 are signed. Consequently the Directors have a reasonable expectation that the Company has sufficient resources to meet its liabilities as they fall due and believe that it is appropriate to prepare the financial statements on a going concern basis.

2.3 Significant judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the statement of financial position date and of the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Recognition of revenue from rendering of services
The Company recognises revenue from rendering of services by reference to the stage of completion of the respective contract. The stage of completion is determined based on total costs incurred to date for each contract by reference to total estimated costs for the project, taking into account certain milestones to be achieved. Due to the nature of the Company's business, there is a significant amount of management judgement involved in determining the percentage of completion for each contract, which affects the reported value of the assets, liabilities, revenue and expenses presented in these consolidated financial statements. The Board performs regular reviews of the judgments made by the Company with regard to the recognition of revenue and related costs on its most significant revenue contracts.

Development costs
Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2021, the carrying amount of capitalised development costs was £119,000 (2020: £86,000).

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

2 Principal accounting policies (continued)

2.4 Foreign currency translation

The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Customer relationships
The Company acquired the customer relationships of Derwent Water Technologies Limited in 2013. Customer relationships were valued on acquisition and are amortised over a period of 5 years reflecting the expected return on existing customer relationships.

Research and development costs
Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of the resources to complete the asset and the ability to measure reliably the expenditure during development.

Amortisation
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Such impairment tests are based on a comparison of the undiscounted cash flows to the recorded value of the asset. The estimate of future cash flows is based upon, among other things, assumptions about expected future operating performance. The Company's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, and changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount, the Company would record an impairment loss equal to the extent that the carrying amount exceeds the discounted cash flows.

2 Principal accounting policies (continued)

2.6 Intangible assets (continued)

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Customer relationships	20% straight-line
Research and Development	25% straight line

Impairment
Intangible assets with no indefinite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Such impairment tests are based on a comparison of the undiscounted cash flows to the recorded value of the asset. The estimate of future cash flows is based upon, among other things, assumptions about expected future operating performance. The Company's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, and changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount, the Company would record an impairment loss equal to the extent that the carrying amount exceeds the discounted cash flows.

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or production cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	20% straight-line
Plant and machinery	10-33% straight-line
Fixtures and fittings	20-25% straight-line
Motor vehicles	25% straight-line
Research and development	25% straight-line
Loan units	25% straight-line

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. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

2.8 Impairment of non-financial assets

The Company 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 Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. 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. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

2.9 Leases

The lease policy is described in note 12.

2 Principal accounting policies (continued)

2.10 Financial Instruments

Financial assets
Financial assets within the scope of IAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

The Company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the income statement.

Trade and other receivables
Trade and other receivables, which generally have 30 to 90 day credit terms, are recognised by the Company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being unrecoverable.

Cash and short term deposits
Cash and short term deposits comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Derecognition of financial assets
A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the future estimated cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans and Borrowings
After initial recognition, interest bearings loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

2 Principal accounting policies (continued)

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are determined on a first in first out basis and comprise purchase cost, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

The Company capitalises (within work in progress) the design costs incurred in the proposal phase of a project, representing material and labour costs incurred to design a prototype of the asset to be built for the customer. Initial capitalisation of design costs is based on management's judgement that technological and economic feasibility of the project is confirmed and that it is virtually certain that the work will be won, hence the costs will be recovered.

2.12 Income and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based on the tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised in full, using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception that when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.13 Revenue recognition

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and amended in April 2016. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard was applicable to all entities and superseded previous revenue recognition requirements.

The Company has the following classes of revenue and applies revenue recognition in each area as set out below.

Sale of goods
These consist of consumables, large bespoke systems and small standard systems and are recognised as follows:

- Consumables are purchased from suppliers to hold as stock items or bought specifically to meet specific customer orders. These are shipped by the Company or may go direct to the customer. Revenue is recognised when these are delivered to the customer.
- The Company provides bespoke water filtration systems to customers. These can include a design element, manufactured equipment, installation and commissioning and projects can take between 3 and 18 months to complete. These are recognised over time based on percentage of completion using the expected margin from the contract.
- Smaller systems projects that are standard designs are recognised on these when despatched to a customer.

2 Principal accounting policies (continued)

2.13 Revenue recognition (continued)

Rendering of Services
This is generated from annual maintenance contracts that the Company provides to customers, chargeable service work and consumables that are sold by the service team. Revenue is recognised on a straight-line basis on the maintenance contracts over the period of the contract. Revenue is recognised on chargeable service work and any associated consumables sold when the work or visit has been completed or when consumables are delivered to the customer.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This core principle is delivered in a five-step approach to revenue recognition which the Company has applied as set out below.

Identify the contract(s) with the customer
The contract is an agreement between the Company and the customer and is largely in the form of a purchase order from the customer. For larger and more complex pieces of work this is supported by a more detailed written contract that is tailored to the project. This is the start point to account for the related revenue. In certain circumstances, the contract is modified as additional goods and services are provided. These are agreed as variation orders. The Company does not account for revenue on these until they are approved by the customer.

Identify the separate performance obligations in the contract
A performance obligation is a promise to transfer a good or service to a customer. These are specified in the contracts we undertake with customers.

Determine the transaction price
The transaction price is the amount of consideration that an entity expects to receive for transferring the promised goods and services in the contract. The consideration is fixed in the Company's contracts. Revenue is measured at the fair value of the consideration received or receivable. This is net of discounts and excludes any value added tax, other sales taxes and duty.

The transaction price should be adjusted for any significant financing component in the arrangement where the period between the transfer of goods and services and payment is greater than one year. This can be when a customer pays in advance or in arrears but does not apply when there are multiple payments over contracts that may take more than one year to complete. In these circumstances, a discount rate is set at the inception of the contract and the amounts received are discounted using this rate. The discount rate used reflects external financing rates and is not amended after the inception of the contract.

The Company has decided to use the practical expedient provided in IFRS 15 and will not adjust the promised amount of the consideration for the effects of a significant financing component in the contracts, where the Company expects at contract inception, that the period between the transfer of service to the customer and when the customer pays for that service will be one year or less. Therefore, for short-term advances, the Company will not account for a financing component.

The Company has two transactions that have a financing component. Under these a plant has been built on a customer site and once commissioned the Company maintains the plant for a ten year period. The customer pays for the work over the ten year period in quarterly instalments. In both cases the build has been completed and the consideration for the plant and service components has been split based on their relative fair values when the plant was completed by reference to the cost of build of the plant. The amount receivable for the plant sale is in substance a finance lease. The lease is treated as an entitlement to receive a stream of payments that are substantially the same as blended principal and interest under a loan agreement. The discount rate applied in calculating the finance costs is the incremental borrowing rate of interest, which is the rate of interest the lessee would have to pay on a similar lease based on the rate at the inception of the lease. The rate used is 4% per annum on both contracts. The service element for both is recognised over the course of the maintenance period.

Allocate the transaction price to separate performance obligations
The transaction price is allocated to the separate performance obligations at the inception of the contract and is not adjusted thereafter. There are no complex variable consideration or cost plus arrangements.

Recognise revenue when (or as) each performance obligation is satisfied
Revenue is recognised when the goods or services are transferred to the customer and the customer obtains control of that goods or service. This is either over time or at a point in time. IFRS 15 states that if any of the following criteria are met that revenue is recognised over time:

- The customer receives and consumes the benefits provided by the entity's performance as the entity performs these.
- The entity's performance creates or enhances a customer controlled asset.
- The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

2 Principal accounting policies (continued)

2.13 Revenue recognition (continued)

Recognise revenue when (or as) each performance obligation is satisfied (continued)
Work under service contracts falls into criterion one for recognising revenue over time above. No asset is created and the customer consumes the service over the contract period.

Systems project work falls into criterion three for recognising revenue over time above. The systems are bespoke designs for each customer and fitted into their sites and so have no practical alternative use.

2.14 Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that a Company incurs in connection with the borrowing funds.

2.16 Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2.17 Government grants

Grants from the government are recognised in the statement of comprehensive income at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants are deducted from administrative expenditure in the statement of comprehensive income.

3 Revenue

The revenue recognised in the income statement is analysed as follows:

	2021	2020
	£'000	£'000
Sale of goods	**7,459**	5,330
Rendering of services	**2,136**	2,242
Other income	**22**	16
	9,617	7,588

An analysis of revenue by geographical area is given below:

	2021	2020
	£'000	£'000
United Kingdom	**8,957**	6,927
Overseas sales	**660**	661
	9,617	7,588

4 Operating profit/(loss)

	2021	2020
	£'000	£'000
Operating profit/(loss) is stated after charging/(crediting):		
Amortisation of intangible assets	**32**	59
Depreciation of owned fixed assets	**86**	79
Depreciation of right-of-use assets	**220**	236
Foreign exchange (profit)/losses	**(289)**	352
Government grant receivable	**(24)**	(115)
Exceptional costs (Note 5)	**-**	74

The auditors' remuneration for the Company in the years ended 31 December 2020 and 31 December 2021 is borne by Envirogen Group UK Limited.

The Company received government grants which are netted off administrative expenditure in the Statement of Comprehensive Income. No grants of a capital nature have been received during the year.

5 Exceptional items

Exceptional items are within administrative expenses and consist of the following item:

	2021	2020
	£'000	£'000
Termination of long term contract	**-**	74
	-	74

Termination of long term contract
There was a settlement of a long-standing contract in 2020.

6 Staff costs and numbers

	2021 £'000	2020 £'000
Wages and salaries	**2,085**	2,077
Social security costs	**251**	249
Other pension costs	**88**	90
	2,424	2,416

Pension costs relate to contributions made to defined contribution pension schemes.

The average monthly number of employees during the year was made up as follows:

	2021 Number	2020 Number
Production	**31**	33
Sales and Marketing	**8**	8
Administration	**10**	10
	49	51

7 Directors' remuneration

The remuneration of three directors are paid by the ultimate parent company which makes a management recharge to the Company. The directors are directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of these three directors. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

The other director was paid by the Company. There was one director (2020: one) remunerated by the Company

	2021 £'000	2020 £'000
Salaries and other short-term employee benefits	**161**	151
Company contributions to defined contribution pension schemes	**16**	16
	177	167

In respect of the highest paid director	2021 £'000	2020 £'000
Salary	**160**	151
Defined contribution pension scheme	**16**	16

8 Finance costs

	2021 £'000	2020 £'000
On lease liabilities	**21**	27
Bank interest payable	**-**	3
	21	30

9 Income tax credit

Tax charged in the Statement of Comprehensive Income

	2021	2020
	£'000	£'000
Current income tax:		
UK corporation tax	(7)	(16)
Total current tax credit	(7)	(16)
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax credit included in the Statement of Comprehensive Income	(7)	(16)

A reconciliation of the income tax credit applicable to the accounting profit/(loss) before tax at the statutory income tax rate to total taxation for the Company is below. The tax credit for the year is higher (2020: lower) than the standard UK corporation tax rate of 19% (2020: 19%).

	2021	2020
	£'000	£'000
Profit/(loss) before taxation	701	(432)
Profit/(loss) before taxation multiplied by the standard UK corporation tax rate of 19% (2020: 19%)	133	(82)
Effects of:		
Expenses not deductible for tax purposes	(1)	(9)
Accelerated capital allowances	5	2
Tax effect of losses carried forward	(137)	89
Research and development tax credit	(7)	(16)
Tax credit	(7)	(16)

Unrecognised tax losses
The Company has UK tax losses at 31 December 2021 of £7,462,000 (2020: £8,087,000) that are available indefinitely for offset against future taxable profits of the Company. Deferred tax assets of £1,800,000 (2020: £1,494,000) have not been recognised in respect of these losses as there is uncertainty over the recoverability.

Factors affecting current and future tax charges
In the Finance Bill 2018, it was substantively enacted to reduce the corporation tax from 19% to 17% from 1 April 2020. In March 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%). In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% has been substantively enacted, substantive enactment occured on 24 May 2021, therefore, its effects are included in these financial statements.

10 Intangible assets

	Research and development	Customer relationships	Total
	£'000	£'000	£'000
Cost			
As at 1 January 2021	792	998	1,790
Additions	65	-	65
As at 31 December 2021	857	998	1,855
Accumulated amortisation			
As at 1 January 2021	706	998	1,704
Amortisation for the year	32	-	32
As at 31 December 2021	738	998	1,736
Net book value			
As at 31 December 2020	86	-	86
As at 31 December 2021	119	-	119

Intangible assets amortisation is recorded in administrative expenses in the income statement.

11 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Loan units £'000	Total £'000
Cost					
As at 1 January 2021	59	60	242	305	666
Additions	6	59	30	29	124
As at 31 December 2021	**65**	**119**	**272**	**334**	**790**
Accumulated depreciation					
At 1 January 2021	50	60	201	121	432
Charge for the year	7	-	26	53	86
As at 31 December 2021	**57**	**60**	**227**	**174**	**518**
Net book value					
As at 31 December 2021	**8**	**59**	**45**	**160**	**272**
Net book value					
As at 31 December 2020	9	-	41	184	234

Property, plant and equipment depreciation is recorded in administrative expenses in the income statement.

12 Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to

	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	**242**	313
Equipment	**9**	13
Vehicles	**160**	284
	411	610
Lease liabilities		
Current	**189**	203
Non-current	**227**	404
	416	607

Additions to the right-of-use assets during the 2021 financial year were £21,000 (2020: £290,000).

12 Leases (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation charge on right-of-use assets		
Buildings	71	85
Equipment	4	4
Vehicles	145	147
	220	236
Interest expense (included in finance costs)	21	27

There was no expenditure relating to leases of low-value assets or short-term leases that are not shown above (2020: nil).

There was no expenditure incurred relating to variable lease payments (2020: nil).

The total cash outflow for leases in 2021 was £232,000 (2020: £258,000).

(iii) The Company's leasing activities and how these are accounted for

The Company leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods up to 10 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company which do not have recent third party financing; and
- Makes adjustments specific to the lease. - for example, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

12 Leases (continued)

(iii) The Company's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs, if any are required.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets can be recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

13 Inventories

	2021	2020
	£'000	£'000
Work in progress	**289**	335
Finished goods and goods for resale	**697**	662
	986	997

Inventories recognised as an expense and included in cost of sales amounted to £6,092,000 (2020: £4,753,000).

Inventories are stated after provisions for impairment of £68,000 (2020: £54,000). The movement in the provision is recognised in cost of sales and reflects additional inventory items requiring a provision.

14 Trade and other receivables

	2021	2020
	£'000	£'000
Receivables from trade customers	**1,592**	1,442
Contract assets	**333**	240
Amounts owed by group undertakings	**1,295**	1,171
Other debtors	**30**	30
Prepayments and accrued income	**292**	264
Total	**3,542**	3,147

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Trade receivables are stated after provisions for impairment of £54,000 (2020: £88,000). All amounts included in accounts receivable from trade customers are expected to be recoverable, with any amounts that are not expected to be recovered being provided at 100%.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	**1,127**	671
Amounts owed to group undertakings	**11,016**	12,437
Lease liabilities (note 12)	**189**	203
Other creditors including taxation and social security:		
PAYE and Social security	**95**	88
VAT	**178**	281
Accruals and deferred income	**1,796**	839
Other creditors	**22**	11
	14,423	14,530

Amounts owed to group undertakings have no set repayment dates and are interest free.

16 Creditors: Amounts falling due after more than one year

	2021 £'000	2020 £'000
Lease liabilities (note 12)	**227**	404

17 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

18 Called up share capital

	Number of shares	2021 £	2020 £
Ordinary share capital of £1 each - authorised, allotted, called up and fully paid			
At 1 January and 31 December	**100**	**100**	100

19 Ultimate parent company

The company's immediate parent undertaking is Envirogen Group UK Limited, a company incorporated in United Kingdom. The Company is a wholly owned subsidiary of Envirogen Group UK Limited.

The company's ultimate parent undertaking is Janili S.à r.l., a company incorporated in Luxembourg. The registered address of Janili S.à r.l is 18, rue de l'Eau, L-1449 Luxembourg. The results of Envirogen Water Technologies Limited are included in the Consolidated Financial Statements of Janili S.à r.l; these are the smallest and largest Consolidated Financial Statements that the results are consolidated into. The Consolidated Financial Statements may be obtained from 18, rue de l'Eau, L-1449 Luxembourg.

There is no ultimate controlling party.