

Caledonian Environmental Levenmouth Treatment Services Limited

Annual Report and Financial Statements

for the year ended 31 March 2023



Registered Number 03991397

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Strategic report

The directors of Caledonian Environmental Levenmouth Treatment Services Limited (the 'company') present their Strategic report for the year ended 31 March 2023.

Principal activity and review of the business

The company is a private limited company incorporated in England and Wales and domiciled in the UK. The company's principal activity during the year was fulfilling the contract for the operation and maintenance of the Levenmouth Purification Scheme for Caledonian Environmental Services plc ('CES'), (the 'contract') at the wastewater treatment works in Levenmouth (the 'plant').

The company's profit after tax for the year amounted to £6,409,000 (2022: £2,425,000). The increase in profit is due to an increase in revenue offset by increases in operating expenses. The company had net assets at 31 March 2023 of £13,849,000 (31 March 2022: £7,440,000). The directors have not set any Key Performance Indicators for the company.

During the year the company continued operating the plant in accordance with the contract.

Future developments

The company will continue to develop within the framework of the contract with CES which expires on 29 October 2040.

Climate change

The company considers that the impact of climate change does not give rise to a material impact on these financial statements.

Principal risks and uncertainties

The company's principal financial instrument is cash. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the company's operating activities.

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

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

Liquidity risk

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

Credit risk

All of the sales transactions are with related parties. The company therefore has no significant risk of exposure to external credit risk.

Approved by the Board of directors on 2 October 2023 and signed by order of the Board



S N Crake
Director

10 October 2023

Directors' report

The directors present their annual report together with the audited financial statements and audit opinion for the year ended 31 March 2023.

Results and dividends

The company's profit after tax for the year amounted to £6,409,000 (2022: £2,425,000). The increase in profit is due to an increase in revenue offset by increases in operating expenses. The company had net assets at 31 March 2023 of £13,849,000 (31 March 2022: £7,440,000). The directors do not recommend the payment of a final dividend (2022: £nil).

Principal risks and uncertainties and future developments

The directors have chosen to disclose information regarding liquidity risk, credit risk and future developments in the Strategic report; they form part of this report by cross reference.

Going concern

The operations are expected to be profitable over the term of the contract. The company has considered its principal risks and uncertainties, has net current assets and is forecasting to be profitable and cash generative for the period commencing 12 months from the date of the signing of these financial statements. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Directors

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

S N Crake

G B Southall (Resigned 31 December 2022)

R Warneford

Indemnification of directors

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

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Treasury policies

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

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

Directors' report (continued)

Political donations

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

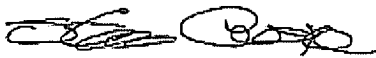
Subsequent events

There have been no subsequent events since the year end up to the date of signing this report.

Auditor

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as the company's auditor for the ensuing year.

Approved by the Board of directors on 2 October 2023 and signed by order of the Board



S N Crake
Director
10 October 2023

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the members of Caledonian Environmental Levenmouth Treatment Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Caledonian Environmental Levenmouth Treatment Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the company which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) 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

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Caledonian Environmental Levenmouth Treatment Services Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent auditor's report to the members of Caledonian Environmental Levenmouth Treatment Services Limited (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, Pensions legislation and Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists namely tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue is billed to CES monthly on a fixed pre-determined amount with adjustment occurring at year-end to true-up the position, in the contractual arrangement. The billing model for the whole of revenue involves input such as rainfall data and indexation amounts which if misstated, could result in a material adjustment to revenue.

In response to the above, we have performed the procedures below:

- We tested the integrity of the revenue data and calculation by agreeing terms into the signed contract with CES where possible.
- We challenged management's judgements regarding the appropriateness of the inputs by benchmarking inputs against readily available market data indices where possible and discussed with management if these benchmarks differed from their inputs in order to reach our conclusion.
- We have also confirmed revenue to subsequent payments received from Scottish Water.
- We assessed the appropriateness of revenue recognition in line with the requirements of IFRS 15.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Caledonian Environmental Levenmouth Treatment Services Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

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.



David Johnson FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

10 October 2023

Statement of comprehensive income for the year ended 31 March 2023

		Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
	Note		
Revenue	4	15,858	10,305
Operating costs		(7,965)	(7,320)
Operating profit	5	7,893	2,985
Finance income		24	-
Profit before taxation		7,917	2,985
Tax	8	(1,508)	(560)
Profit for the financial year		<u>6,409</u>	<u>2,425</u>

Revenue and operating profit are all derived from continuing operations.

There were no items of other comprehensive income in the year.

Balance sheet as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Property, plant and equipment	9	125	142
Deferred tax	10	22	22
		<u>147</u>	<u>164</u>
Current assets			
Trade and other receivables	11	2,632	1,406
Cash and bank balances		<u>13,068</u>	<u>7,668</u>
		15,700	9,074
Total assets		<u>15,847</u>	<u>9,238</u>
Current liabilities			
Trade and other payables	12	<u>(1,998)</u>	<u>(1,798)</u>
Net current assets		<u>13,702</u>	<u>7,276</u>
Total assets less current liabilities		<u>13,849</u>	<u>7,440</u>
Total liabilities		<u>(1,998)</u>	<u>(1,798)</u>
Net assets		<u>13,849</u>	<u>7,440</u>
Equity			
Called up share capital	13	-	-
Retained earnings		<u>13,849</u>	<u>7,440</u>
Equity attributable to owners of the company		<u>13,849</u>	<u>7,440</u>

The financial statements of the company (Registered Number 03991397) were approved by the Board of directors and authorised for issue on 2 October 2023. They were signed on its behalf by:



S N Crake
Director
10 October 2023

Statement of changes in equity for the year ended 31 March 2023

	<i>Called up share capital £000</i>	<i>Retained earnings £000</i>	<i>Total £000</i>
At 1 April 2021	-	5,015	5,015
Profit for the year and total comprehensive income	-	2,425	2,425
At 31 March 2022	-	7,440	7,440
Profit for the year and total comprehensive income	-	6,409	6,409
At 31 March 2023	-	13,849	13,849

Notes to the financial statements

1. General information

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

The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on the front page. The nature of the company's operations and its principal activities are set out in the Directors' report on page 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates. All values are rounded to the nearest one thousand pounds except where otherwise stated.

These financial statements are separate financial statements. The group financial statements of NWGL are available to the public and can be obtained as set out in note 16.

2. Significant accounting policies

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, financial instruments and presentation of comparative information in respect of certain assets.

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

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

There were no new accounting standards adopted in the year.

The principal accounting policies adopted are set out below.

Going concern

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

Retirement benefit costs

The company participates in the Northumbrian Water defined contribution pension scheme. Costs are charged to the Statement of comprehensive income in the period in which they are incurred.

Taxation

Tax in the Statement of comprehensive income represents the sum of current tax and deferred tax.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. Significant accounting policies (continued)

Deferred tax

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

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

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

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

Current tax and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment is initially recorded at cost.

Depreciation is provided on all tangible fixed assets, evenly over the expected useful life of each asset, at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition and is charged to operating costs.

The expected useful life range of plant and machinery is 5 - 20 years.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2. Significant accounting policies (continued)

Finance income

Finance income is income from interest and is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue recognition

Revenue is stated net of value added tax. Revenue, profit before taxation and net assets are mainly attributable to the principal activity of the company, being the operation and maintenance of the Levenmouth Purification Scheme for CES, and arise solely within the United Kingdom.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and can be reliably measured based on volumes flowing through the plant during the period.

3. Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no key accounting estimates or critical judgements made in the current or prior year.

4. Revenue

Revenue is mainly attributable to the principal activity of the company, being the design, construction, financing and operation of the Levenmouth Purification Scheme for Scottish Water and arises solely within the United Kingdom.

5. Operating profit

This is stated after charging:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Staff costs (note 7)	858	805
Depreciation of property, plant and equipment (note 9)	17	22
Other external charges	7,083	6,483
Fees payable to the company's auditor for the audit of the company's financial statements	7	9
Loss on disposal of tangible fixed assets	-	1
	<u>7,965</u>	<u>7,320</u>

Other external charges represent costs incurred in running the plant, in line with the terms of the contract.

6. Directors' emoluments

The directors are remunerated in full by other group companies, namely, NWGL, Northumbrian Water Limited ('NWL') and NWG Commercial Solutions Limited ('NWGCSL'), and, as such, no emoluments were provided in the current or prior year by the company. No emoluments were recharged from either company. The proportion of their time relating to the company is considered to be so small that any apportionment of salary costs would be immaterial and therefore have not been calculated or disclosed.

7. Staff costs

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Wages and salaries	728	686
Social security costs	79	70
Other pension costs	51	49
	<u>858</u>	<u>805</u>

The monthly average number of employees during the year was:

	No.	No.
Management	2	2
Administration	1	1
Operational	14	14
	<u>17</u>	<u>17</u>

8. Tax

(a) Tax in the Statement of comprehensive income

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
<i>Current tax:</i>		
Group relief payable for the year at 19% (2022: 19%)	1,510	569
Adjustments in respect of prior years:		
- Group relief	(2)	(3)
Total corporation tax	<u>1,508</u>	<u>566</u>
<i>Deferred tax:</i>		
Impact of opening rate increase	-	(5)
Movement in the year at 25% (2022: 25%)		
Origination and reversal of temporary differences in the year	1	(1)
Adjustments in respect of prior years	(1)	-
Movement in the year	-	(1)
Total deferred tax (note 10)	<u>-</u>	<u>(6)</u>
Total tax charge	<u>1,508</u>	<u>560</u>

The rate of UK corporation tax for the current year was 19%. Under the provisions of Finance Act 2021 the rate will increase from 19% to 25% with effect from 1 April 2023.

(b) Reconciliation of the total tax charge

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Profit before tax	<u>7,917</u>	<u>2,985</u>
Profit before tax multiplied by the rate of UK corporation tax of 19% (2022: 19%)	1,504	567
Effects at 19% (2022: 19%) of :		
- Expenses not deductible for tax purposes	7	1
- Impact of rate increase on opening deferred tax	-	(5)
- Adjustments in respect of prior years	(3)	(3)
- Transfer pricing adjustments	(1)	(6)
- Transfer pricing - balancing payment	1	6
Total tax charge (note 8a)	<u>1,508</u>	<u>560</u>

(c) Factors that may affect future tax charges

Future tax charges will be impacted by the rate change referred to in note 8a above, which is effective from 1 April 2023.

9. Property, plant and equipment

	<i>Plant and machinery</i> £000
Cost:	
At 1 April 2022 and 31 March 2023	<u>423</u>
Depreciation:	
At 1 April 2022	281
Provided during the year	<u>17</u>
At 31 March 2023	<u>298</u>
Net book value at 31 March 2023	<u>125</u>
Net book value at 31 March 2022	<u>142</u>

10. Deferred tax

The following are the deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

	<i>Excess of capital allowances over depreciation</i> £000
At 1 April 2021	16
Credit in the Statement of comprehensive income	<u>6</u>
At 31 March 2022	22
Credit in the Statement of comprehensive income	<u>-</u>
At 31 March 2023	<u>22</u>

The company is expected to generate sufficient future taxable profits against which the above deferred tax asset can be offset.

11. Trade and other receivables

	31 March 2023 £000	31 March 2022 £000
Trade debtors	35	-
Amounts owed by related undertakings	2,563	1,384
Other debtors	6	6
Prepayments and accrued income	<u>28</u>	<u>16</u>
	<u>2,632</u>	<u>1,406</u>

Included in amounts owed by related undertakings is £549,000 (2022: £58,000) in respect of tax losses provisionally surrendered by this company.

Other amounts owed by related undertakings are interest free and are repayable within 30 days of the invoice date.

12. Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Amounts owed to related undertakings	251	59
Trade payables	105	88
Other taxes and social security costs	1,067	678
Accruals and deferred income	575	973
	<u>1,998</u>	<u>1,798</u>

Amounts owed to related undertakings are interest free and are repayable within 30 days of the invoice date.

13. Called up share capital

	31 March 2023 £	31 March 2022 £
Authorised, issued and fully paid: Ordinary shares of £1 each	No. 4 <u>4</u>	<u>4</u>

14. Financial commitments

Cross guarantees

The company is party to a cross guarantee arrangement with other group companies in respect of bank facilities. Overdrafts outstanding at 31 March 2023 in respect of the arrangement amounted to £7.5m (2022: £5.6m). The directors do not expect any loss to arise as a result of this arrangement.

15. Related parties

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

CES is considered to be a related party under the definition of IAS 24 'Related Party Disclosures' for which the company is not exempt from disclosing.

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revenue		
CES	<u>15,802</u>	<u>10,256</u>

15. Related parties (continued)

	31 March 2023 £000	31 March 2022 £000
Amounts receivable from related parties are set out below:		
CES	<u>1,957</u>	<u>1,316</u>

16. Ultimate parent undertaking and controlling party

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

The directors of the company consider that NWGL is the ultimate parent undertaking and controlling party of the company.

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

On 22 December 2022, Nimbus UK Bidco Limited (a company incorporated in England and Wales and indirectly owned by KKR & Co. Inc.) acquired 25 per cent of the entire issued share capital of each of Northumbrian Water Group Limited and Northumbrian Services Limited (a sister group of Northumbrian Water Group Limited), on a pro rata basis from shareholders.