CH

Reiver Finance Limited

Registered No: 04872988

Annual Report and Financial Statements

for the year ended 31 March 2018

Annual Report and Financial Statements

for the year ended 31 March 2018

Contents

Company Information

Registered No: 04872988

Director
C I Johns

Company Secretary
M Parker

Auditor
Deloitte LLP
Statutory Auditor
One Trinity Gardens
Broad Chare
Newcastle Upon Tyne
United Kingdom
NE1 2HF

Banker
Deutsche Bank
6 Bishopsgate
London
EC2P 2AT

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

Strategic report

The Director of Reiver Finance Limited (RFL or the Company) is pleased to present his Strategic Report for the year ended 31 March 2018.

Principal activity and review of the business
RFL is incorporated and domiciled in the UK. The Company's principal activity during the year continued to be to act as a special purpose financing vehicle in respect of the securitisation of revenue receivable from the Environment Agency (EA) under the Water Resources Operating Agreement (WROA) relating to Kielder Reservoir. No new finance was raised during the year. The Company's immediate parent company is Reiver Holdings Limited (RHL). At 31 March 2018 the Company had net liabilities of £61,939,000 (2017: £66,144,000).

Results and dividends
The profit for the year, after taxation, amounted to £4,205,000 (2017: loss of £13,491,000). This is primarily due to the profit arising from the market valuation in finance costs arising on derivative financial instruments of £6,079,000 (2017: loss of £14,471,000) (note 5). The Director does not recommend the payment of a final dividend (2017: nil). The Director does not consider the setting of KPIs to be relevant to the Company's operations as a special purpose financing vehicle with a fixed income stream from the EA under the terms of the WROA.

Risks arising from the Company's financial instruments
The main risk arising from the Company's financial instruments is liquidity risk.

The Company's financing strategy is developed in accordance with the treasury policies of Northumbrian Water Group Limited (NWGL or the Group), whose board reviews and agrees policies for managing each of these risks. These are summarised below and the treasury activities of the Company are conducted in accordance with these policies.

Liquidity risk
The Company utilises revenue received from the EA under the WROA to fund interest payments arising on its loan from Bakethin Finance Plc (BFP). The revenue receivable is indexed annually by the Retail Prices Index (RPI). At the inception of the securitisation, an RPI inflation swap was entered to provide certainty of future cash flows, and this remains in place. This is the only financial instrument used by the Company.

Interest rate risk
The interest payable on the loan to BFP is at a fixed rate for the full duration of the loan. Only interest receivable on cash balances is at variable rate.

Strategic report (continued)

Foreign currency risk
NWGL's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature, or £3,000,000 sterling equivalent of a translation nature, should be covered immediately on recognition. At 31 March 2018, the Company had no currency exposures (2017: nil) and does not anticipate any foreign currency exposures in the future.

Market price risk
The Company's exposure to market price risk principally comprises interest rate exposure. The Company's policy is to accept a degree of interest rate risk. On the basis of the Company's analysis, it is estimated that a 1% rise in interest rates would not have a material effect.

Approved by the Board and signed

MParker

M Parker
Company Secretary
19 September 2018

Director's report

The Director presents his Annual Report and audited Financial Statements for the year ended 31 March 2018.

Director
The only director to have served during the year and up to the date of signing is C I Johns.

Results and dividends
Information on results and dividends is contained in the Strategic Report.

Going concern
The Company has net liabilities at 31 March 2018 of £61,939,000 (2017: £66,144,000). NWGL has confirmed that adequate resources will be made available for the Company to continue in operational existence for at least twelve months from the date of approval of these Financial Statements.

The Director confirms that, in his opinion, the Company has sufficient resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. In arriving at his decision the Director has taken into account the confirmation of support by NWGL and the certainty of cash flows receivable from the EA under the WROA.

Accordingly the Director continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Future developments
The Director has no plans to expand the existing operations of the Company.

Treasury operations
The Company's Board is responsible for the financing strategy of the Company, which is determined within treasury policies set by 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 policy. On occasion, derivatives are used as part of this process, but the treasury policies prohibit their use for speculation.

Financial instruments
The Company's policy in relation to the use of financial instruments is set out in the Strategic Report.

Political donations
There have been no political donations during the current or prior years.

Director's report (continued)

Director's declaration
As required under Section 418 of the Companies Act 2006, as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Indemnification of directors
NWGL had Directors' and Officers' insurance in place for the year ended 31 March 2018. 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, subject to the conditions set out in the Companies Act 2006, and this remains in place.

Auditor
Pursuant to s487 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 and signed

MParker

M Parker
Company Secretary
19 September 2018

Director's responsibilities statement

The Director is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Director to prepare Financial Statements for each financial period. Under that law the Director has 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 Director must not approve the Financial Statements unless he is 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 Director is required to:

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

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. He is 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 Reiver Finance Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 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 Reiver Finance Limited (the 'Company') which comprise:

- the income statement;
- 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Reiver Finance Limited (continued)

Other information

The Director is 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 Director's responsibilities statement, the Director is 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.

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.

Independent auditor's report

to the members of Reiver Finance 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 Director's 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 Director's 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Director's report and from the requirement to prepare a Strategic report.

We have nothing to report in respect of these matters.

Anthony Matthews

Anthony Matthews FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Newcastle Upon Tyne, United Kingdom
19 September 2018

Income Statement
for the year ended 31 March 2018

Continuing operations	*Notes*	*2018* *£'000*	*2017* *£'000*
Revenue	2	16,263	15,833
Operating Costs	3	(2,060)	(2,067)
Operating Profit		14,203	13,766
Net finance costs	5	(8,722)	(29,344)
Profit / (loss) before taxation		5,481	(15,578)
Taxation	6	(1,276)	2,087
Profit/ (loss) for the year attributable to the shareholder of the Company		4,205	(13,491)

Statement of comprehensive income
for the year ended 31 March 2018

There was no other comprehensive income attributable to the shareholder of the Company other than the profit of £4,205,000 for the year ended 31 March 2018 and the loss of £13,491,000 for the year ended 31 March 2017.

Balance Sheet
as at 31 March 2018
(Registered number 04872988)

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	7	186,286	188,143
Investments	8	11,353	11,320
Deferred tax assets	9	5,098	6,131
		202,737	205,594
Current assets			
Trade and other receivables	10	245	245
Investments	8	36	35
Cash at bank and in hand		8,318	8,447
		8,599	8,727
Total assets		211,336	214,321
Current liabilities			
Trade and other payables	11	(2,799)	(2,847)
Borrowings	12	(1,564)	(1,063)
		(4,363)	(3,910)
Non-current liabilities			
Borrowings	12	(238,927)	(240,491)
Financial instruments	13	(29,985)	(36,064)
		(268,912)	(276,555)
Total liabilities		(273,275)	(280,465)
Net liabilities		(61,939)	(66,144)
Capital and reserves			
Share capital	14	-	-
Profit and loss account		(61,939)	(66,144)
Equity attributable to the shareholder of the Company		(61,939)	(66,144)

Approved by the Director on 19 September 2018 and signed

C I Johns

Statement of changes in equity
for the year ended 31 March 2018

	Share capital	*Retained earnings*	*Total*
	£'000	£'000	£'000
At 1 April 2016	-	(52,653)	(52,653)
Loss for the year and total comprehensive loss	-	(13,491)	(13,491)
At 31 March 2017	-	(66,144)	(66,144)
Profit for the year and total comprehensive income	-	4,205	4,205
At 31 March 2018	-	(61,939)	(61,939)

Notes to the Financial Statements
for the year ended 31 March 2018

1. Accounting Policies

General information

RFL is a company 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 page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 4.

These Financial Statements are presented in sterling and all values are rounded to the nearest one thousand pounds (£000) except where otherwise indicated.

Basis of accounting

The Company is a qualifying entity for the reduced disclosure framework under FRS 101. These Financial Statements have been prepared in accordance with FRS 101, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The Financial Statements have been prepared under the historical cost convention modified to include certain items at fair value.

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, impairment of assets, presentation of comparative information for certain assets, related party transactions, financial instruments and capital management.

No new International Financial Reporting Standards (IFRSs) came into effect in the year which had a material impact on the Company.

The principal accounting policies adopted are set out below.

Amendments to IFRSs in issue but not yet effective

At the balance sheet date, the following significant new accounting standards were in issue but not yet effective:

- IFRS 9 - Financial Instruments (effective for periods beginning on or after 1 January 2018);
- IFRS 15 - Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2018); and
- IFRS 16 - Leases (effective for periods beginning on or after 1 January 2019).

A description of these standards, and their expected impact, is set out in the Annual Report and Financial Statements of NWL. The Directors do not anticipate that adoption of the new standards will have a material impact on the Company in the period of initial application

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

1. Accounting policies (continued)

Going concern
The Director continues to adopt the going concern basis in preparing the Financial Statements. Further information is included in the Director's report.

Revenue
Revenue, which excludes Value Added Tax, represents the income receivable in the ordinary course of business for services provided to the EA under a WROA for Kielder Reservoir.

Interest bearing loans and borrowings
All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Taxation
Current tax
The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that 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.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

1. Accounting policies (continued)

Current tax and deferred tax for the year
Current and deferred tax are recognised in the income statement, 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.

Intangible assets
The intangible asset represents the right to receive income under the operating agreement with the EA in respect of the WROA for Kielder Reservoir for a period of 30 years. The asset is initially recorded at cost. Amortisation is provided to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, evenly over its expected useful life of 30 years, being the period for which the rights to the income have been assigned to the company.

Investments
Investments are held at cost less any provision for impairment.

Interest bearing loans and borrowings
All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of 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.

Derivative Financial Instruments
The Company utilises inflation rate swaps as derivative financial instruments. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Group's risk management policies. Such instruments are used for economic hedging purposes and are not considered to be financial hedges.

Under IFRS 13, derivative financial instruments are measured at fair value, which is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction reflecting the credit risk of the counterparties in the principal (or most advantageous) market under market conditions as at the balance sheet date.

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

1. Accounting policies (continued)

Any gains or losses arising from changes in fair value of inflation rate swaps are taken directly to the income statement.

Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The Director considers that there are no significant judgements or estimates applied at the balance sheet date which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

2. Revenue

Revenue is attributable to one continuing activity in the United Kingdom, the right to receive annual sums from the EA under the WROA relating to Kielder Reservoir, which was assigned to the Company by NWL. The Company holds an RPI inflation swap to fix the future inflation-linked cash flows under this agreement (note 13).

3. Operating costs

	2018	2017
	£'000	£'000
Amortisation of intangible asset	1,857	1,855
Auditor's remuneration	17	13
Other costs	186	199
	2,060	2,067

Auditor's remuneration in respect of fees for the Company's annual Financial Statements amounted to £6,195 (2017: £4,781). The Company also incurred costs of £10,829 (2017: £8,673) in respect of audit fees for the annual Financial Statements of RHL, Bakethin Holdings Limited (BHL) and BFP.

4. Staff costs

Excluding the Director, there were no employees during the year (2017: nil). The Director did not receive any remuneration in respect of his services to the Company.

The Director of the Company is remunerated by Northumbrian Water Limited (NWL), an intermediate holding company, and NWGL and, as his services to the Company are incidental to the services provided to NWL and NWGL, receives no remuneration in respect of qualifying services to RFL.

5. Net finance costs

	2018	2017
	£000	£000
Finance costs payable		
Interest payable on loan from BPF	15,370	15,439
Finance income receivable		
Bank interest receivable	(569)	(566)
Fair value (profit) / loss on derivative financial instruments from associated undertaking	(6,079)	14,471
Net finance costs payable	8,722	29,344

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

6. Taxation

	2018	2017
	£000	£000
(a) Tax in the income statement		
Current tax		
Group relief payable for the year at 19% (2017: 20%)	239	150
Tax funding payable for the current year	5	5
Adjustments in respect of prior periods :		
- Group relief (receivable) / payable	(1)	2
Total current tax	243	157
Deferred tax		
Opening tax rate change	-	216
Movement in the year at 17% (2017: 17%):		
- Origination and reversal of temporary differences in the year	1,033	(2,460)
Total deferred tax (note 9)	1,033	(2,244)
Total tax charge / (credit)	1,276	(2,087)

The rate of UK corporation tax for the current year was 19%. Finance Act 2016 provides that this will be reduced to 17% with effect from 1 April 2020. Deferred tax has been provided wholly at 17% as amounts that are expected to reverse at the higher rate are insignificant.

	2018	2017
(b) Reconciliation of the tax charge / (credit)	£000	£000
Profit / (loss) before tax	5,481	(15,578)
Profit / (loss) before tax multiplied by the rate of UK corporation tax of 19% (2017: 20%)	1,041	(3,115)
Effects at 19% (2017: 20%) of :		
Expenses not deductible for tax purposes	353	371
Deferred tax movement not at average rate for year	(122)	434
Adjustments in respect of prior years	(1)	2
Impact of rate reduction on opening deferred tax	-	216
Tax funding payable for current year	5	5
Total tax charge / (credit) (note 6a)	1,276	(2,087)

The Company pays a contribution to fund the tax liabilities of BHL, BFP and RHL.

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

7. Intangible assets

	£000
Cost:	
At 1 April 2017 and 31 March 2018	212,129
Amortisation:	
At 1st April 2017	23,986
Provided during the year	1,857
At 31 March 2018	25,843
Net book value:	
At 31 March 2018	186,286
At 31 March 2017	188,143

8. Investments

	£000
Cost:	
At 1 April 2017	11,355
Additions	34
At 31 March 2018	11,389

	2018	2017
	£000	£000
Disclosed as:		
Current asset	36	35
Non-current asset	11,353	11,320
	11,389	11,355

The investments represent guaranteed investment contracts with Financial Security Assurance (UK) Limited. Of this total, £1,389,000 matures in instalments between 16 July 2018 and 16 January 2034, and £10,000,000 matures on 16 January 2034.

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

9. Deferred tax assets

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting periods:

	Financial instruments
	£000
At 1 April 2016	3,887
Credit in the income statement	2,244
At 31 March 2017	6,131
Charge in the income statement	(1,033)
At 31 March 2018	5,098

Deferred tax is recognised on financial instruments as the fair value will ultimately unwind over the term of the swap (see note 13).

10. Trade and other receivables

	2018	2017
	£000	£000
Prepayments and accrued Income	245	245

11. Trade and other payables

	2018	2017
	£000	£000
Interest payable	2,669	2,684
Accruals and deferred income	94	113
Amounts owed to other group companies	36	50
	2,799	2,847

Interest payable relates to amounts owed to BFP, a quasi-subsidiary of NWGL, in relation to a loan granted (note 12).

Included in accruals and deferred income is £4,400 (2017: £4,600) in respect of tax funding to BFP. Amounts owed to other group companies of £35,512 (2017: £50,360) is in respect of losses provisionally surrendered as group relief.

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

12. Borrowings

	2018	2017
	£000	£000
Current instalments due on loan from BFP	1,564	1,063
Non-current instalments due on loan from BFP	238,927	240,491
	240,491	241,554

Interest is payable at 5.88526% and the loan is repayable by increasing instalments ending in January 2034. The loan is secured on the revenue receivable from the EA under the WROA.

13. Financial instruments

Financial liabilities carried at fair value through profit and loss:

	2018	2017
	£000	£000
Inflation swap	29,985	36,064

As at 31 March 2018 and 31 March 2017, the Company held a RPI inflation swap. The swap was used to convert variable inflation-linked revenue from the EA under the WROA, to a fixed income stream.

The inflation-linked revenues are accounted for in the income statement on an accruals basis. However, the long-term inflation swap that fixes these variable cash flows is measured at fair value with changes in fair value recognised in the income statement. The changes in the fair value reflects the change in the present value of the future cash flows which incorporates future expectations of inflation over the full term of the swap.

Notional amount	Annual swap cash flow paid	Start date	Termination date	Fixed
£000	£000			%
2,900	700	12 May 2004	09 January 2034	2.56

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

14. Share capital

	2018	2017
	£	£
Authorised		
100 Ordinary Shares of £1 each (2017: 100)	100	100
Allotted, called up and unpaid		
1 Ordinary Share of £1 each (2017: 1)	1	1

15. Related parties

The Company is an indirectly wholly owned subsidiary of NWGL, whose publicly available consolidated Financial Statements include the Company. Accordingly, the Company is exempt under the terms of FRS 101 from disclosing transactions with other members of the Group headed by NWGL.

16. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is RHL.

In the Director's opinion, the Company's ultimate parent undertaking and controlling party is CK Hutchison Holdings Limited (CKHH), a company listed on the Hong Kong Stock Exchange. This is 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. Copies of CKHH's group Financial Statements, which include the Company, are available from http://www.ckh.com.hk/en/ir/annual.php. CKHH's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and is incorporated in the Cayman Islands with limited liability.

The parent undertaking of the smallest group of undertakings for which group Financial Statements are drawn up, and of which the reporting Company is a member, is NWGL, which is incorporated in England and Wales. Copies of NWGL's group Financial Statements are available from Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.