ENVIROGEN GROUP UK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered Company Number 04996871

Envirogen Group UK Limited
Financial statements
for the year ended 31 December 2020

Envirogen Group UK Limited
Directors and Advisors

Directors	DS Malvenan 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 Herald Way East Midlands DE74 2UZ
Principal Bankers	HSBC Bank plc 26 Broad Street Reading Berkshire RG1 2BU
Registered company number	04996871

Envirogen Group UK Limited
Strategic Report for the year ended 31 December 2020

The directors present their strategic report of the Company for the year ended 31 December 2020.

Review of the business
The profit after taxation for the year is £117,000 (2019: loss of £803,000). The directors do not recommend a dividend for the year (2019: £nil dividend).

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

	2020 £'000	2019 £'000	Change %
Operating (loss)/profit	(559)	496	-213%
Profit/(loss) for the financial year	117	(803)	-115%

There has been a change in the operating result such that an operating loss of £559,000 has been recorded in the year compared to a profit of £496,000 in the prior year. This is a result of foreign exchange movements. There was a £384,000 foreign exchange loss (2019: gain of £643,000) on the translation of intercompany debt, bank loans, the other loan and loan notes as these are denominated in Euros.

Exceptional items have increased due to additional refinancing costs as a result of the Group amending and extending its debt facilities during 2020.

The other principal cost of the Company relates to finance costs. The Company has part of the Janili S.à r.l. Group's bank debt, loan notes and an other loan that were all taken out between December 2017 and December 2018 to assist with the funding of the Group. The finance expense on these in 2020 was £298,000 (2019: £327,000). However, also recorded within finance costs is the effective interest cost on the loan notes that were issued by the Company in December 2017 and June 2018. As described in note 3, this is calculated based on an estimated exit date and is not a cash cost to the Company until an exit event occurs. The estimate of the exit date was reassessed in the year from 31 December 2022 to 31 December 2024. A credit of £974,000 was recognised in the year in the Statement of Comprehensive Income compared to a charge of £972,000 in 2019.

The Company has net liabilities of £2,126,000 at the end of 2020 and as explained in Note 2 is dependent on debt financing from its parent undertaking and controlling party, Janili S.á r.l..

Principal risks and uncertainties

Credit risk
The Company is a holding company that holds a portion of the Group bank debt and thus does not have credit risk with customers.

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 10 May 2021 and signed on behalf of the Board:

T C Metcalfe

T Metcalfe
Director
10 May 2021

Envirogen Group UK Limited
Directors' Report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Principal activities

The principal activities of the Company during the year were the holding of investments in subsidiary companies and portion of the group bank debt.

Directors

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

DS Malvenan
T Metcalfe
B Denyer

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

Result for the year

The profit after taxation for the year is £117,000 (2019: loss of £803,000). The directors do not recommend a dividend for the year (2019: £nil dividend). Additional information on the performance, risks and uncertainties of the Company are provided in the Strategic report.

Future developments

The Company intends to remain an intermediate holding company, providing group management services.

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

Subsequent to the period end the UK government and many other countries implemented a strategy 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.

Small Company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption (CA 2006, S415a).

The financial statements on pages 8 to 21 were approved by the Board of Directors on 10 May 2021 and signed on its behalf by:

TCMetcalfe

T Metcalfe
Director
10 May 2021

Envirogen Group UK Limited
Directors' Responsibilities for the year ended 31 December 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (United Kingdom Accounting Standards and applicable law). 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 year.

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
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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Independent auditors' report to the members of Envirogen Group UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Envirogen Group UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 Annual Report, which comprise: the Statement of Financial Position as at 31 December 2020; 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.

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

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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 2020 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' responsibility 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.

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.

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Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Tax and related 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. 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 posting inappropriate journal entries to manipulate the financial performance of the business, and management bias in accounting estimates. . Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non--compliance with laws and regulation and fraud; Consideration of any changes to the control environment as a result of Covid-19; Identifying and testing unusual journal entries to manipulate the financial performance of the business; Assessing key judgements and estimates made by management for evidence of inappropriate bias.

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
10 May 2021

Envirogen Group UK Limited
Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	**2020**	2019
		£'000	£'000
Administrative expenses			
- Normal		**(85)**	(73)
- Exceptional items	4	**(90)**	(74)
- Total		**(175)**	(147)
Other operating (expense)/income	3	**(384)**	643
Operating (loss)/profit	3	**(559)**	496
Interest income/(expense) and similar charges	6	**676**	(1,299)
Profit/(loss) before taxation		**117**	(803)
Income tax expense	7	**-**	-
Profit/(loss) for the financial year		**117**	(803)
Other comprehensive expense for the year		**-**	-
Total comprehensive income/(expense) for the year		**117**	(803)

The notes on pages 11 to 21 form an integral part of these financial statements.

Envirogen Group UK Limited
Statement of Financial Position

As at 31 December 2020

	Note	**As at 31 December** **2020** **£'000**	2019 £'000
Fixed assets			
Intangible assets	8	**4**	7
Investments	9	**603**	603
		607	610
Current assets			
Trade and other receivables	10	**10,596**	11,519
Cash and cash equivalents		**7**	7
		10,603	11,526
Creditors: amounts falling due within one year	11	**(2,884)**	(3,358)
Net current assets		**7,719**	8,168
Total assets less current liabilities		**8,326**	8,778
Creditors: amounts falling due after more than one year	12	**(10,452)**	(11,021)
Net liabilities		**(2,126)**	(2,243)
Equity			
Called up share capital	14	**1**	1
Share premium account		**1,909**	1,909
Capital redemption reserve		**6**	6
Accumulated losses		**(4,042)**	(4,159)
Total shareholders' deficit		**(2,126)**	(2,243)

The notes on pages 11 to 21 are an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved and authorised for issue by the Board on 10 May 2021 and signed on its behalf by:

TCMetcalfe

T Metcalfe
Director
10 May 2021

Registered number: 04996871

Envirogen Group UK Limited
Statement of Changes in Equity

For the year ended 31 December 2020

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Accumulated losses £'000	Total Shareholders deficit £'000
Balance at 1 January 2019	1	1,909	6	(3,356)	(1,440)
Loss for the financial year	-	-	-	(803)	(803)
Total comprehensive expense for the year	-	-	-	(803)	(803)
Balance as at 31 December 2019	1	1,909	6	(4,159)	(2,243)
Profit for the financial year	-	-	-	117	117
Total comprehensive income for the year	-	-	-	117	117
Balance as at 31 December 2020	**1**	**1,909**	**6**	**(4,042)**	**(2,126)**

The notes on pages 11 to 21 are an integral part of these financial statements.

1 General Information

The financial statements of Envirogen Group UK Limited (the 'Company') for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 10 May 2021 and the Balance Sheet was signed on the Board's behalf by T Metcalfe.

Envirogen Group UK Limited is a private limited company limited by shares and incorporated in the United Kingdom and domiciled in England and Wales, registered number 04996871.

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 2020.

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 2020 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 2020, the Company has net liabilities of £2.1 million (2019: net liabilities of £2.2 million), however, this includes loans due from group companies of £10.6 million (2019: £11.4 million). This position is because the UK business incurred significant net losses and negative cash flows during the three years ended 31 December 2020. These arose due to the expansion of the UK business into more complex and larger projects that it has 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 2020 are signed. At 31 December 2020, the consolidated financial statements of Janili S.á r.l. showed net current liabilities of €2.7 million (2019: €1.0m) and net assets of €6.7 million (2019: €7.9m).

During the year ended 31 December 2020, the operating results of the Group reduced to an EBITDA (pre-exceptional costs) of €1,327,000 compared to €5,015,000 in 2019. The Net Debt (excluding lease liabilities) at 31 December 2020 was €4,134,000. The Net Debt includes healthy cash and cash equivalents totalling €3,129,000.

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 2022. 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 2021 and December 2021 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 base case and downside scenarios assume that the government loan of €1.1 million received in February 2021 under the Paycheck Protection Program will be forgiven.

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 2020 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 balance sheet 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:

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 7.

Recognition and measurement of the Loan Notes
The Company has issued €4,000,000 Loan Notes to the shareholders of the ultimate parent company, Janili S.á r.l. The Loan Notes are repayable or redeemable in accordance with the Conditions which requires that the Loan Notes are subordinated in all respects to the banking facilities and no payment may be made under or in respect of the Loan Notes by the Company prior to the full discharge and termination of the banking facilities. The Loan Notes issued have a Redemption Multiple.

At the issuance date of the Loan Notes, the Company is required to assess the fair value of the instruments which is considered to be its nominal value. After the initial recognition and at the end of the reporting period, the Loan Notes assumptions with regard to the exit date and the multiples were assessed and the Loan Notes are carried at amortised cost. Amortised cost is calculated by discounting the estimated liability when the loan notes are estimated to be settled using the effective interest rate.

In order to measure these Loan Notes, the management use the following judgements and assumptions:
- The instrument is not a derivative as its only variable is non-financial – i.e. the date of the exit event.
- Management have estimated that the exit event is likely to take place on 31 December 2022. The liability is therefore recorded on the balance sheet based on these assumptions with the difference between the initially recognised value and the value at the end of the reporting date taken as an expense in the profit and loss account within financing costs.

2 Principal accounting policies (continued)

2.3 Significant judgements and key sources of estimation uncertainty (continued)

Recognition and measurement of the Loan Notes (continued)

At each subsequent reporting period, the assumptions with regard to the exit date and the redemption multiple are reassessed. Due to the impact of the coronavirus pandemic on the Group, management have reassessed the exit event date and assessed that it is likely to take place on 31 December 2024. As a result of the change in this estimate, the carrying amount of the liability has been adjusted to reflect the revised estimated cash flows. This has resulted in a credit in the profit and loss account within financing costs in note 6.

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 balance sheet 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 fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any 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.

Brands
Brands have been valued by independent valuers in 2010 and have been assessed to have an estimated useful economic life of 10 years. This has been applied consistently for all assets in the category.

Trademarks
The trademarks have been valued by independent valuers in 2010. The industrial items therein have been amortised over the estimated useful economic life based on the nature of the items. Their estimated useful life is 3 to 10 years.

2 Principal accounting policies (continued)

2.6 Intangible assets (continued)

Customer relationships
Customer relationships have been valued on a consistent basis across the Company based on customer retention over a five year period. Customer relationships were recognised in 2011 on an acquisition made in 2010 as the Company completed an exercise to value these intangibles.

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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

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	5 years straight line
Brands	10 years straight line
Trademarks	3 to 10 years straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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 Investments

Investments in subsidiaries are accounted for at cost less any provision for impairment.

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 Principal accounting policies (continued)

2.9 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 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, o (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, bank overdrafts, loans and borrowings.

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

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.

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.

2 Principal accounting policies (continued)

2.10 Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if: (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as an interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The Company's 608,943,134 cumulative preference shares have been accounted for as financial liabilities.

2.11 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 balance sheet 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 balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

2.12 Borrowing costs

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

2.13 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.

3 Operating (loss)/profit

	2020	2019
	£'000	£'000
Operating (loss)/profit is stated after charging/(crediting):		
Amortisation of intangible assets	3	3
Exceptional costs (Note 4)	90	74
Loss/(profit) on foreign currency translation*	384	(643)

*The loss/(profit) on foreign currency translation is shown as an other operating (expense)/income in the Statement of Comprehensive Income.

The Company does not have any employees (2019: none).

The remuneration of two directors are paid by the ultimate parent company which makes a management recharge to the trading companies in the Group; one of which is a subsidiary of 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 his remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of these two directors. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

The subsidiary pays the other director directly in respect of his services as a director of the subsidiary. There is no recharge made to the Company and it is not possible to make an accurate apportionment of his remuneration in respect of the Company.

4 Exceptional items

Exceptional items consist of the following items:

	2020	2019
	£'000	£'000
Legal and professional fees relating to the debt with Intesa Sanpaolo S.p.A.	90	74
	90	74

Fees relating to refinance with Intesa

The costs associated with the 2018 refinancing are being prepaid over the initial term of the debt facilities to 31 December 2021. The facilities were amended and extended during 2020 through to 31 December 2023. The costs associated with the amendment of the facilities in 2020 are being deferred and amortised over the revised term of the debt facilities to 31 December 2023.

5 Auditors' remuneration

The audit fees for the Company were £7,000 (2019: £7,000).

6 Interest income/(expense) and similar charges

	2020	2019
	£'000	£'000
Interest (expense) on interest bearing loans and borrowings	(298)	(327)
Interest income/(expense) using the effective interest rate on loan notes	974	(972)
	676	(1,299)

7 Income tax expense

Tax charged in the Statement of Comprehensive Income

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax:		
Deferred tax	-	-
Total deferred tax	-	-
Tax expense included in the Statement of Comprehensive Income	-	-

A reconciliation of the income tax charge applicable to the accounting profit/(loss) before tax at the statutory income tax rate to total taxation for the Company is below. The tax charge for the year is lower (2019: higher) than the standard UK corporation tax rate of 19.00% (2019: 19.00%).

	2020	2019
	£'000	£'000
Profit/(loss) before taxation	117	(803)
Profit/(loss) before taxation multiplied by the standard UK corporation tax rate of 19.00% (2019: 19.00%)	22	(153)
Effects of:		
Amounts not chargeable to tax	(185)	185
Carry forward tax losses	163	-
Use of brought forward tax losses	-	(32)
Income tax expense	-	-

Unrecognised deferred tax losses

The Company has UK tax losses at 31 December 2020 of £3,093,000 (2019: £2,068,000) that are available indefinitely for offset against future taxable profits of the Company. Deferred tax assets of £589,000 (2019: £352,000) have not been recognised in respect of these losses as there is uncertainty over the recoverability.

Factors affecting current and future tax charges

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2018. These reduce the main rate 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%). The unprovided deferred tax asset has been calculated at 19%. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, had it been substantively enacted by the balance sheet date, this would have no effect on the financial statements.

8 Intangible assets

	Customer Relationships	Brands	Trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020 and 31 December 2020	698	513	204	1,415
Accumulated amortisation				
At 1 January 2020	698	513	197	1,408
Amortisation for the year	-	-	3	3
At 31 December 2020	698	513	200	1,411
Net book value				
As at 31 December 2019	-	-	7	7
As at 31 December 2020	-	-	4	4

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

9 Investments

	2020 £'000	2019 £'000
Subsidary undertakings		
At 1 January	**603**	603
Impairment in the year	**-**	-
At 31 December	**603**	603

The company owns 100% of the issued ordinary share capital of all the companies listed below. All of the companies are registered in England and Wales, and they operate in the water treatment, process filtration and purification sector.

Name of Company	*Location*	*Principal activities*
Puresep Technologies Limited	UK	Dormant
Puresep Water Filtration Limited	UK	Dormant
Envirogen Water Technologies Limited	UK	Engineering/design of water treatment systems

The registered office of these companies is Unit 9 Wimsey Way, Somercotes, Alfreton, Derbyshire, England, DE55 4LS.

10 Trade and other receivables

	2020 £'000	2019 £'000
Current financial assets at amortised cost		
Other debtors and prepayments	**20**	76
Amounts owed by group undertakings	**10,576**	11,443
Total	**10,596**	11,519

Amounts owed by group undertakings

This represents balances owed by subsidiary companies Envirogen Water Technologies Limited, Puresep Technologies Limited, Puresep Water Technologies Limited, Envirogen Technologies BV and Janili S.á r.l.. These are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans (note 12)	**565**	1,182
Trade creditors	**42**	8
Amounts owed to group undertakings	**2,036**	2,148
Accruals and deferred income	**241**	20
	2,884	3,358

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

12 Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans	**2,166**	2,028
Amounts owed to group undertakings	**2,550**	2,550
Liability component of preference shares (note 14)	**61**	61
Loan notes	**4,333**	5,113
Other loan	**1,342**	1,269
	10,452	11,021

12 Creditors: Amounts falling due after more than one year (continued)

Bank loans (including those due within one year)

The Janili S.á r.l. Group has held a multicurrency senior term and revolving credit facility with Intesa Sanpaolo S.p.A since 11 December 2018. The Company is an obligor to this facility. The Company drew down its full senior term loan of £3,346,000 (€3,700,000) and £904,000 (€1,000,000) of the revolving credit facility of €2,000,000 on that day and to repay HSBC Bank plc in full and settle its share of the refinancing costs.

€1,000,000 of the revolving credit facility remained undrawn at 31 December 2019 and 31 December 2020.

The interest for the senior term loans is LIBOR/EURIBOR + 3.50% p.a. and these were originally repayable in 10 equal quarterly instalments from 30 September 2019 to 31 December 2021.

The senior term loans were amended and extended during 2020. As part of this, the quarterly repayment of the senior term loans at 30 June 2020 was deferred until to 31 December 2021. Then on 30 September 2020, the senior terms loans were extended to 31 December 2023 with the remaining loan balances to be paid in 14 equal quarterly instalments from 30 September 2020 to 31 December 2023.

The revolving credit facility bears interest at LIBOR/EURIBOR + 2.50% p.a with 30% of the interest payable for non-utilisation. This facility was initially renewed on 31 March 2020 through to 31 December 2020 and then on 30 September 2020, it was extended to 31 December 2023.

The security provided by Envirogen Group UK Limited for this loan is in the form of a debenture.

The Company incurred £210,000 of bank arrangement and related legal fees refinancing with Intesa Sanpaolo S.p.A. during 2018. A further £100,000 of fees were incurred by the Company when it amended and extended the facilities during 2020. These have been prepaid and are being released to exceptional costs over the remaining life of the facility. The amount prepaid at December 2020 is £150,000 (2019: £140,000). This amount is offset against the amounts owed to Intesa Sanpaolo S.p.A.

Amounts owed to group undertakings

Amounts owed to group undertakings represents a loan provided by Envirogen Group S.A. to fund specific projects. This is non-interest bearing and repayable after more than one year. There is no fixed repayment date.

Liability component of preference shares

At 31 December 2020 and 31 December 2019, there were 608,943,134 preference shares in issue. Each share has a nominal value of £0.0001. The dividend rights are cumulative and non-redeemable.

Loan Notes

On 20 December 2017, the Company issued non-interest bearing Loan Notes to the shareholders of Janili S.á r.l. for €2,500,000. These Loan Notes are repayable or redeemable in accordance with the Conditions which requires that these Loan Notes are subordinated in all respects to the banking facilities and no payment may be made under or in respect of the Loan Notes by the Company prior to the full discharge and termination of the banking facilities. These Loan Notes issued are redeemable at a Redemption Multiple of 3.2x. These Loan Notes shall not incur interest at any time. These Loan Notes have no fixed repayment date and have been treated as non-current debt.

On 1 June 2018, the Company issued interest bearing Loan Notes to the shareholders of Janili S.á r.l. totalling €1,500,000. These Loan Notes are repayable or redeemable in accordance with the Conditions which requires that these Loan Notes are subordinated in all respects to the banking facilities and no payment may be made under or in respect of these Loan Notes by the Company prior to the full discharge and termination of the banking facilities. These Loan Notes issued are redeemable at a Redemption Multiple of 2.0x if these Loan Notes are redeemed within 24 months of the subscription date and a Redemption Multiple of 2.5x if these are redeemed beyond that date. These Loan Notes accrue interest at a rate of EURIBOR + 15.00% p.a. from 1 June 2021 if they are not redeemed at that point. These Loan Notes have no fixed repayment date and have been treated as non-current debt.

The Loan Notes are held at amortised cost as 31 December 2020 of €7,540,000 (2019: €7,540,000) as this amount held includes the initial Loan Note proceeds and the effective interest on the Loan Notes.

The judgement and assumptions made in relation to the measurement and recognistion of these Loan Notes are set out in Note 2.

12 Creditors: Amounts falling due after more than one year (continued)

Other loan

In March 2018, Envirogen Group UK Limited entered into a loan facility with Gecos Invest Srl under which €1,500,000 was advanced to the Group. In December 2018, the facility was extended to run to 31 December 2021 and in April 2021, this was further extended to 31 December 2023. The interest rate was increased in December 2018 to 15%. At 31 December 2020 and 31 December 2019, €1,500,000 was owed. The interest on the loan was paid in the 2019 financial year and no interest was owed at 31 December 2019. There was £203,000 of loan interest payable for 2020. This was accrued at 31 December 2020 and was paid in January 2021. There are no repayment dates prior to 31 December 2023 other than the annual interest.

13 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 FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

14 Called up share capital

	Number	**2020**	2019
Allotted and called up:		**£'000**	£'000
Shares of £0.0001 each:			
Ordinary (Non-voting) shares	7,956,716	**1**	1
Preference shares	608,943,134	**61**	61
	616,899,850	**62**	62

	2020	2019
Amounts presented in equity:	**£'000**	£'000
7,956,716 (2019: 7,956,716) Ordinary (non-voting shares) of £0.0001 each	**1**	1
Amounts presented in liabilities		
608,943,134 (608,943,134) Preference shares of £0.0001 each	**61**	61

The rights of the classes of shares are as follows:

(a) Ordinary shares have no voting rights but retain their capital rights.

(b) Preference shares have voting rights and have capital rights.

15 Ultimate parent company

The company's immediate parent undertaking is Envirogen Group S.A., a company incorporated in Luxembourg. The Company is a wholly owned subsidiary of Envirogen Group S.A..

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 9, rue de Bitbourg, L-1273 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, which are publicly available. Therefore the Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The Consolidated Financial Statements may be obtained from 9, rue de Bitbourg, L-1273 Luxembourg.

There is no ultimate controlling party.