Registered number: 05630642

Glen Water Limited
Annual report
for the year ended 31 March 2020

Glen Water Limited

Annual report for the year ended 31 March 2020

Glen Water Limited

Directors and advisers

Directors

S Patton
C Anderson
D Hardingham
A McKenna

Company secretary

Semperian Secretariat Services Limited

Registered office

Third Floor Broad Quay House
Prince Street
Bristol
BS1 4DJ

Bankers

Bank of Ireland Limited
Bow Bells House
1Bread Street
London
EC3M 8BA

Solicitors

Pinsent Masons LLP
5 Old Bailey
London
EC4M 7BA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Strategic report for the year ended 31 March 2020

The directors present their strategic report on the company for the year ended 31 March 2020.

Principal activities, review of business and future developments

The principal activity of the company is the designing, building, financing and operation, including the provision of wastewater treatment and sludge disposal services, of a series of waste water treatment plants and sludge incinerators in Northern Ireland.

The company has recorded a profit before taxation in the year of £956,000 (2019: loss of £1,234,000) on turnover of £28,734,000 (2019: £26,488,000). Net liabilities of the company are £33,874,000 (2019: £34,549,000).

The company's results for the year and its financial position at the end of the year were considered to be satisfactory by the directors who expect the company to maintain its present level of activity in future years. Management have acted to mitigate the impact that Coronavirus (Covid-19) has on the business and have worked closely with NI Water and the key sub-contractor to maintain onsite operations and the business has operated at full capacity throughout the pandemic.

Principal risks and uncertainties

As the company's services are provided to its customer under a Private Finance Initiative contract, the company's risks are limited to those arising from service performance. The risk of failing to meet the required service performance levels is mitigated through the company subcontracting the operation of the water treatment facilities to a company that specialises in managing and operating the water treatment facilities. The board closely monitors the service performance level of its facilities to ensure that the required service performance levels are met.

Key performance indicators

The company's key performance indicator is cash generated, which for the year ended 31 March 2020 was an inflow of £1,760,000 (2019: inflow of £365,000).

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments. The board of directors receives regular reports on compliance with the policies and procedures established by the shareholders and in respect of the company's performance against the standards set out in those policies.

This report was approved by the board on 29th March 2021 and signed on its behalf.

S Patton
Director

Directors' report for the year ended 31 March 2020

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

Future developments

The section on future developments which is detailed in the Strategic report, is included in this report by cross reference.

Results

The company made a profit for the financial year of £723,000 during the year (2019: loss of £1,122,000). The directors do not recommend the payment of a final dividend (2019: £nil).

Going concern

The company has recurring accounting losses and accordingly net liabilities. In view of the structure of the company's Private Finance Initiative contract with its customer, the company is expected to continue to make accounting losses until 2023 and is expected to have negative liabilities until 2030. However, the company is cash generative and is forecast to remain cash positive over that period. The directors are satisfied that the company's cash flows are sufficient to enable the company to continue as a going concern and settle all liabilities as they fall due for at least the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' indemnities

The company has made a qualifying third-party indemnity provision for the benefit of its directors during the year and it remained in force at the date of this report.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risks.

Given the size of the company, the directors have retained the responsibility of monitoring financial risk management and have not delegated this responsibility to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Credit risk

As the company's customer is a government owned company, exposure to credit risk is limited.

Liquidity risk

The company's exposure to liquidity risk is limited as it has sufficient cash reserves to fund short term working capital requirements, whilst its contract with its customer generates sufficient monies to meet the company's obligations under its bank loan and loans from related parties.

Interest rate risk

The company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets consist of cash balances which earn interest at variable rates. Interest bearing liabilities consist of bank loans on which the company pays variable rates of interest and loans from related parties which the company pays fixed rates of interest. The company has entered into interest rate swaps in order to hedge the interest rate cash flow risk arising from its variable rate bank debt.

Directors' report for the year ended 31 March 2020 (continued)

Directors

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

S Patton
C Anderson
D Hardingham
A McKenna

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Directors' report for the year ended 31 March 2020 (continued)

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

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

On behalf of the Board on

D Hardingham
Director
29 March 2021

Independent auditors' report to the members of Glen Water Limited

Report on the audit of the financial statements

Opinion

In our opinion, Glen Water Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the profit and loss account, the statement of comprehensive income, the cash flow statement, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to 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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Glen Water Limited (continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 March 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' responsibilities in respect of the financial statements set out on page 4, 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.

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 received 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.

Cowie

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
30 March 2021

Profit and loss account for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	5	**28,734**	26,488
Cost of sales		**(19,891)**	(19,707)
Gross profit		**8,843**	6,781
Administrative expenses		**(61)**	(72)
Operating profit	6	**8,782**	6,709
Interest payable and similar expenses	7	**(7,826)**	(7,943)
Profit/(loss) before taxation		**956**	(1,234)
Tax on profit/(loss)	10	**(233)**	112
Profit/(loss) for the financial year		**723**	(1,122)

All amounts above relate to continuing operations of the company.

Statement of comprehensive income for the year ended 31 March 2020

	2020 £'000	2019 £'000
Profit/(loss) for the financial year	**723**	(1,122)
Other comprehensive (expense)/income		
Fair value (loss)/gain on derivatives	**(58)**	1,410
Deferred tax on fair value (loss)/gain on derivatives	**10**	(240)
Other comprehensive income for the year	**(48)**	1,170
Total comprehensive income for the year	**675**	48

Balance sheet as at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	11	77,039	82,908
Current assets			
Debtors	12	7,639	7,982
Cash at bank and in hand		26,619	24,859
		34,258	32,841
Creditors: amounts falling due within one year	13	(11,745)	(12,035)
Net current assets		22,513	20,806
Total assets less current liabilities		99,552	103,714
Creditors: amounts falling due after more than one year	14	(132,676)	(137,513)
Provisions for liabilities	15	(750)	(750)
Net liabilities		(33,874)	(34,549)
Capital and reserves			
Called up share capital	17	1	1
Cash flow hedge reserve		(20,491)	(20,443)
Accumulated losses		(13,384)	(14,107)
Total shareholders' deficit		(33,874)	(34,549)

The financial statements on pages 8 to 25 were approved by the Board of directors on 29th March 2021 and were signed on its behalf by:

S Patton
Director

D Hardingham
Director

The notes on pages 12 to 25 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 March 2020

	Called-up share capital £'000	Cash flow hedge reserve £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance as at 1 April 2018	1	(21,613)	(12,985)	(34,597)
Loss for the financial year	-	-	(1,122)	(1,122)
Other comprehensive income, net of tax	-	1,170	-	1,170
Total comprehensive income for the year	-	1,170	(1,122)	48
Balance as at 31 March 2019	1	(20,443)	(14,107)	(34,549)

	Called-up share capital £'000	Cash flow hedge reserve £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance as at 1 April 2019	1	(20,443)	(14,107)	(34,549)
Profit for the financial year	-	-	723	723
Other comprehensive income, net of tax	-	(48)	-	(48)
Total comprehensive income for the year	-	(48)	723	675
Balance as at 31 March 2020	**1**	**(20,491)**	**(13,384)**	**(33,874)**

Glen Water Limited

Cash flow statement for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	18	**15,816**	14,781
Tax paid		**(25)**	(14)
Net cash generated from operating activities		**15,791**	14,767
Cash flow used in investing activities			
Purchase of tangible fixed assets		**(1,891)**	(2,625)
Net cash used in investing activities		**(1,891)**	(2,625)
Cash flow used in financing activities			
Repayment of bank loans and subordinated loan notes		**(6,208)**	(5,417)
Interest received		**168**	131
Interest paid		**(6,100)**	(6,491)
Net cash used in financing activities		**(12,140)**	(11,777)
Net increase in cash and cash equivalents in the year		**1,760**	365
Cash and cash equivalents at the beginning of the year		**24,859**	24,494
Cash and cash equivalents at the end of the year		**26,619**	24,859
Cash and cash equivalents consist of:			
Cash at bank and in hand		**26,619**	24,859
Cash and cash equivalents		**26,619**	24,859

Notes to the financial statements for the year ended 31 March 2020

1 General information

Glen Water Limited ('the company') principal activities are the designing, building, financing and operation, including the provision of wastewater treatment and sludge disposal services, of a series of waste water treatment plants and sludge incinerators in Northern Ireland.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ.

2 Statement of compliance

The company's financial statements of Glen Water Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 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.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The company has recurring accounting losses and accordingly net liabilities. In view of the structure of the company's Private Finance Initiative contract with its customer, the company is expected to continue to make accounting losses until 2023 and is expected to have negative liabilities until 2030. However, the company is cash generative and is forecast to remain cash positive over that period. The directors are satisfied that the company's cash flows are sufficient to enable the company to continue as a going concern and settle all liabilities as they fall due for at least the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies (continued)

Accounting for Private Finance Initiative contracts (service concession arrangements)

Where it can be demonstrated that the balance of risks and rewards derived from the underlying asset are not borne by the company, the asset created and/or provided under the contract is accounted for as a finance lease receivable or as a financial asset; otherwise, it is classified as a fixed asset.

Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash at bank and in hand is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each has been met, as described below.

Turnover in respect of the provision of water and sewerage services is recognised on the basis of daily usage.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies (continued)

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Borrowing Costs

All borrowing costs are recognised in profit and loss in the year in which they are incurred.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Infrastructure, building & concrete structures, pumping equipment and other equipment

Infrastructure, building & concrete structures, pumping equipment and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation and residual values

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

Infrastructure assets	-	24 years
Building & concrete structures	-	24 years
Pumping equipment	-	20 years
Other equipment	-	7 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies (continued)

Tangible fixed assets (continued)

(iii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(iv) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in Administrative expenses.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Accounting policies (continued)

Financial instruments (continued)

(iv) Hedging arrangements

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same company. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company financial statements.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company has adopted the going concern basis in preparing the financial statements as described in note 3.

Critical judgements in applying the company's accounting policies

There were no critical judgements in applying the company's accounting policies.

5 Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

Notes to the financial statements for the year ended 31 March 2020 (continued)

6 Operating profit

	2020	2019
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible assets	7,630	7,707
Loss on disposal of tangible assets	130	27
Fees payable to the company's auditors in respect of the audit of the financial statements	12	12
Fees payable to the company's auditors in respect of taxation services	12	27

7 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest payable on bank loans	6,023	6,370
Interest payable on unsecured loan notes	1,783	1,628
Fair value loss on derivatives	138	26
Other finance costs	50	50
Total interest payable	7,994	8,074
Interest receivable on bank deposits	(168)	(131)
Net interest payable	7,826	7,943

8 Employee information

The company did not employ any individuals during the year (2019: None).

9 Directors' emoluments

The directors did not receive any remuneration in respect of their services to the company during the year (2019: £nil).

Notes to the financial statements for the year ended 31 March 2020 (continued)

10 Tax on profit/(loss)

Tax expense included in profit/(loss)	2020 £'000	2019 £'000
Current tax		
UK corporation tax	32	25
Total current tax charge	32	25
Deferred tax:		
Origination and reversal of timing differences	196	(114)
Change in tax rates	5	(23)
Total deferred tax charge/(credit)	201	(137)
Tax charge/(credit) on profit/(loss)	233	(112)

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit/(loss) before tax	956	(1,234)
Profit/(loss) before tax multiplied by standard rate in the UK 19% (2019: 19%)	182	(234)
Effects of:		
Expenses not deductible for tax purposes	46	145
Change in tax rates	5	(23)
Tax charge/(credit) on profit/(loss)	233	(112)

Tax rate changes

In the March 2020, Budget the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). As the proposal to keep the rate at 19% had not been substantively enacted at the Balance sheet date its effects are not included in these financial statements.

Notes to the financial statements for the year ended 31 March 2020 (continued)

11 Tangible assets

	Infrastructure assets £'000	Building & concrete structures £'000	Pumping equipment £'000	Other equipment £'000	Total £'000
Cost					
At 1 April 2019	17,739	50,346	77,336	10,866	156,287
Additions	100	-	1,791	-	1,891
Disposals	-	-	(556)	-	(556)
At 31 March 2020	**17,839**	**50,346**	**78,571**	**10,866**	**157,622**
Accumulated depreciation					
At 1 April 2019	7,516	22,252	33,860	9,751	73,379
Charge for the year	739	2,191	4,538	162	7,630
Disposals	-	-	(426)	-	(426)
At 31 March 2020	**8,255**	**24,443**	**37,972**	**9,913**	**80,583**
Net book amount					
At 31 March 2020	**9,584**	**25,903**	**40,599**	**953**	**77,039**
At 31 March 2019	10,223	28,094	43,476	1,115	82,908

Interest and other finance costs capitalised as at 31 March 2020 amount to £5,523,000 (2019: £5,992,000), which is stated after accumulated depreciation of those capitalised costs of £5,102,000 (2019: £4,633,000).

Tangible assets with a net book amount of £77,039,000 (2019: £82,908,000) is pledged as security against the company's borrowings.

12 Debtors

	2020 £'000	2019 £'000
Trade debtors	**5,000**	5,114
Amounts owed by related parties	**2**	13
Deferred tax asset	**2,586**	2,777
Other debtors	**51**	78
	7,639	7,982

Amounts owed by related parties are interest free, unsecured and repayable on demand.

Notes to the financial statements for the year ended 31 March 2020 (continued)

12 Debtors (continued)

	Provision for deferred tax £'000
At 1 April 2019	2,777
Charged to the profit and loss account	(201)
Credited to other comprehensive income	10
At 31 March 2020	**2,586**

	2020 £'000	2019 £'000
Deferred tax asset is as follows:		
Tax losses	**1,763**	2,613
Derivative financial instruments	**4,422**	4,389
Excess of depreciation over capital allowances	**(2,660)**	(3,206)
Timing differences in respect of capitalised interest	**(939)**	(1,019)
	2,586	2,777

The company has tax losses of approximately, £10,370,000 (2019: £15,370,000) available for offset against future trading profits. The company has a deferred tax asset of approximately £1,763,000 (2019: £2,613,000) arising from these tax losses.

The amount of deferred tax assets expected to reverse after more than 12 months is £2,586,000 (2019: £2,777,000).

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loan (note 14)	**6,772**	6,158
Trade creditors	**31**	27
Amounts owed to related parties (note 19)	**2,876**	3,761
Corporation tax	**32**	25
Accruals and deferred income	**2,034**	2,064
	11,745	12,035

The bank loan is secured by a fixed and floating charge over the assets of the company and by way of guarantees given by the parent undertakings of the corporate shareholders. The loan carries interest at a rate of LIBOR plus 0.95% to 1.15%.

Amounts owed to related parties are interest free, unsecured and repayable on demand.

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Bank loan	86,028	92,800
Unsecured loan notes due 2031	20,634	18,896
Derivative financial instruments	26,014	25,817
	132,676	137,513

The bank loan is secured by a fixed and floating charge over the assets of the company. The loan carries interest at a rate of LIBOR plus 0.95% to 1.15%.

The unsecured subordinated loan notes are repayable in varying instalments commencing 31 December 2009 with full repayment due by 31 December 2031 and carry interest at a rate of 9% per annum. The maturity of the bank loan and unsecured loan notes is as follows:

	2020	2019
	£'000	£'000
Within one year	6,772	6,158
Between one and two years	7,578	6,773
Between two and five years	25,511	24,356
In more than five years	73,573	80,567
	113,434	117,854

The bank loan and unsecured loan notes are stated net of unamortised issue costs of £585,000 (2019: £634,000). All amounts falling due after more than five years are repayable by instalments.

15 Provisions for liabilities

	Decommissioning provision £'000
At 1 April 2019 and **at 31 March 2020**	**750**

Decommissioning provision

The decommissioning provision relates to anticipated costs that are required to be carried out at sludge facilities at the end of their use.

Notes to the financial statements for the year ended 31 March 2020 (continued)

16 Financial instruments

The company has the following financial instruments:

	2020 £'000	2019 £'000
Financial assets that are a debt instrument measured at amortised cost		
- Trade debtors	**5,000**	5,114
- Amounts owed by related parties	**2**	13
- Other debtors	**51**	78
	5,053	5,205
Financial liabilities measured at fair value		
- Derivative financial instruments	**26,014**	25,817
Financial liabilities measured at amortised cost		
- Bank loan	**92,800**	98,958
- Unsecured loan notes	**20,634**	18,896
- Trade creditors	**31**	27
- Amounts owed to related parties	**2,876**	3,761
- Accruals	**2,034**	2,064
	118,375	123,706

Derivatives

The company has entered into interest rate swap agreements with certain financial institutions in order to swap the variable interest arising on the company's bank loan with fixed interest. As at 31 March 2020 the fair value of the company's interest swap agreements is a liability of £26,014,000 (2019: £25,817,000).

17 Called up share capital

	2020 £'000	2019 £'000
Allotted and fully paid		
1,000 (2019: 1,000) ordinary shares of £1 each (2019: £1 each)	**1**	1

Notes to the financial statements for the year ended 31 March 2020 (continued)

18 Notes to the cash flow statement

	2020 £'000	2019 £'000
Profit/(loss) for the financial year	**723**	(1,122)
Tax charge/(credit) on profit/(loss)	**233**	(112)
Net interest expense	**7,826**	7,943
Operating profit	**8,782**	6,709
Depreciation of tangible assets	**7,630**	7,707
Loss on disposal of tangible assets	**130**	27
Movement in debtors	**152**	(398)
Movement in creditors	**(878)**	736
Cash flow generated from operating activities	**15,816**	14,781

Net debt

	Bank loan £'000	Shareholder loan £'000	Derivative financial instruments £'000	Subtotal £'000	Cash £'000	Total £'000
Net debt as at 1 April 2019	(98,958)	(18,896)	(25,817)	(143,671)	24,859	**(118,812)**
Cash flows	6,208	-	-	6,208	1,760	**7,968**
Fair value & exchange movements	-	-	(197)	(197)	-	**(197)**
Other changes	(50)	(1,738)	-	(1,788)	-	**(1,788)**
Net debt as at 31 March 2020	**(92,800)**	**(20,634)**	**(26,014)**	**(139,448)**	**26,619**	**(112,829)**

19 Related party transactions

Transactions with related parties were as follows:

Name of related party (relationship)	**Nature of transaction**	**Amount of transaction 2020 £'000**	Amount of transaction 2019 £'000
Imagile Infrastructure Management Limited (Related party)	Operating charges	**(120)**	(153)
Portfolio Solutions (Northern Ireland) Limited	Operating charges	**-**	-
(shareholder)	Interest	**(891)**	(814)
Veolia Water Outsourcing Limited (shareholder)	Capital expenditure	**(1,891)**	(2,626)
	Interest	**(891)**	(814)
	Operating charges	**(11,612)**	(11,539)

Notes to the financial statements for the year ended 31 March 2020 (continued)

19 Related party transactions

Balances with related parties were as follows:

Name of related party	Nature of transaction	Amount owed by/(to) related party 2020 £'000	Amount owed by/(to) related party 2019 £'000
Portfolio Solutions (Northern Ireland) Limited	Shareholder loans and interest	**(10,549)**	(9,657)
	Other balances	**-**	-
Veolia Water Outsourcing Limited	Shareholder loans and interest	**(10,549)**	(9,657)
	Other balances	**(2,876)**	(3,761)

20 Ultimate controlling party

The immediate parent undertaking is Glen Water (Holdings) Limited, a company incorporated in England.

The only group of undertakings for which group financial statements are drawn up and of which the company is a member is Glen Water (Holdings) Limited. Copies of the group financial statements of Glen Water (Holdings) Limited are available from the company secretary at Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ.

There is no ultimate controlling party. Portfolio Solutions (Northern Ireland) Limited and Veolia Water Outsourcing Limited are 50% shareholders in Glen Water (Holdings) Limited. Portfolio Solutions (Northern Ireland) Limited and Veolia Water Outsourcing Limited are incorporated in England.

21 Contingent liability

The company has received a number of claims from its operating and construction contractors in respect of the operation and construction of the company's water treatment and sludge facilities. These claims amount to approximately £23,660,000 (2019: £23,660,000).

The company has delegated the construction and operation of its facilities to related entities. These activities are sub-contracted to a construction contractor and to an operating contractor (which is a shareholder of the company) and therefore any issues arising are considered by the directors to be the responsibility of one or more of the company's customer, the construction contractor and / or the operating contractor.

In the event that issues arising are assessed to be the responsibility of the company's customer then the company will formally have to make the claim on its customer. Under the agreements with the company's related construction and operating contractors, the company is required to pay across the benefit of any successful claims against its customer to the construction and operating contractors.

In the event that issues arising are assessed not to be the responsibility of the company's customer then under the agreements with and between the company's related construction and operating contractors, the construction and operating contractors will be required to make those claims directly of each other.

Consequently the directors consider that the likelihood of losses arising from these claims to be low.