Glen Water Limited

Annual Report and Financial Statements

Registered number: 05630642

for the year ended 31 March 2022

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Company Information

Directors	S Patton C Anderson D Hardingham A McKenna H Pownall
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 1 Bread Street London EC3M 8BA
Solicitors	Pinsent Masons LLP 5 Old Bailey London EC4M 7BA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Temple Quay Bristol BS2 0FR

Strategic report for the year ended 31 March 2022

The directors present their strategic report on the company for the year ended 31 March 2022.

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 loss before taxation in the year of £1,721,000 (2021: profit of £1,240,000) on turnover of £26,963,000 (2021: £29,183,000). Net liabilities of the company are £23,126,000 (2021: £28,521,000). Turnover is lower than prior year due to actual flows, partly offset by income indexation. Cost of sales have increased compared to prior year due to depreciation increase of £254,000 and one-off facilitation cost of £684,000. The overall effect is a loss before tax compared to the prior year.

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 company's revenue and costs are dependent on volumes of wastewater and sludge treatment facilities. 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 operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the company's directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition, the directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

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 .14 October 2022........and signed on its behalf.

Sinead Patton

....

S Patton

Director

Directors' report for the year ended 31 March 2022

The directors present their report and the audited financial statements of the company for the year ended 31 March 2022.

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 net loss for the financial year of £2,190,000 during the year (2021: profit of £731,000). The directors do not recommend the payment of a final dividend (2021: £nil).

Historically the company had 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. The parties entered a facilitation process to resolve the disputes and Settlement Agreements were signed on 17 August 2021 between Northern Ireland Water Limited (Client), Glen Water Limited and Veolia Water Outsourcing Limited (O&M provider). The Client provided £12,090,000 to Glen Water Limited which was subsequently passed down to the O&M provider. The O&M provider will use these funds for a programme of capital works which will improve the facilities, see notes 12,13 and 14 for details.

Going concern
Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. However, the company is cash generative and is forecast to remain cash positive over the next 12 months. 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 from signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' indemnity
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 approval of the financial statements.

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.

As described in note 3, the company is managing the risks arising from the interest rate benchmark reform by seeking to negotiate consistent terms, rates and transition dates, with the respective counterparties, to maintain hedge effectiveness, although formal transition has not yet completed.

Directors' report for the year ended 31 March 2022 (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
H Pownall (appointed 1 February 2022)

Political contributions

The company made no political contributions during the year (2021: £nil).

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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...12 October 2022......

David Hardingham
....
D Hardingham
Director

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 2022 and of its loss 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 and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Profit and loss account, the Statement of comprehensive income, the Statement of changes in equity and the Cash flow statement 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.

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 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 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

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

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

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax legislation, 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 financial results, including revenue recognition and manipulation of earnings before interest, tax, depreciation and amortisation and management bias in accounting estimates or significant judgements. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

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

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.

Andrew Latham

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Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 14th October 2022

Profit and loss account for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	5	**26,963**	29,183
Cost of sales		**(21,315)**	(20,081)
Gross profit		**5,648**	9,102
Administrative expenses		**(380)**	(534)
Operating profit	6	**5,268**	8,568
Interest payable and similar expenses	7	**(6,989)**	(7,328)
(Loss)/Profit before taxation		**(1,721)**	1,240
Tax on (loss)/profit	10	**(469)**	(509)
(Loss)/Profit for the financial year		**(2,190)**	731

All amounts above relate to continuing operations of the company.

Statement of comprehensive income for the year ended 31 March 2022

	2022 £'000	2021 £'000
(Loss)/Profit for the financial year	**(2,190)**	731
Other comprehensive income		
Fair value gain on derivatives	**8,548**	5,096
Deferred tax on fair value gain on derivatives	**(963)**	(474)
Other comprehensive income for the year	**7,585**	4,622
Total comprehensive income for the year	**5,395**	5,353

Balance sheet as at 31 March 2022

	Note	2022 £'000	As restated 2021 £'000
Fixed assets			
Tangible assets	11	**65,859**	72,356
Current assets			
Debtors	12	**17,238**	6,532
Cash at bank and in hand		**25,651**	27,733
		42,889	34,265
Creditors: amounts falling due within one year	13	**(12,996)**	(12,729)
Net current assets		**29,893**	21,536
Total assets less current liabilities		**95,752**	93,892
Creditors: amounts falling due after more than one year	14	**(118,128)**	(121,663)
Provisions for liabilities	15	**(750)**	(750)
Net liabilities		**(23,126)**	(28,521)
Capital and reserves			
Called up share capital	17	**1**	1
Cash flow hedge reserve		**(8,284)**	(15,869)
Accumulated losses		**(14,843)**	(12,653)
Total shareholders' deficit		**(23,126)**	(28,521)

The financial statements on pages 8 to 23 were approved by the Board of directors on ..12 October 2022...... and were signed on its behalf by:

Sinead Patton
....
S Patton
Director

David Hardingham
....
D Hardingham
Director

Registered number: 05630642

Statement of changes in equity for the year ended 31 March 2022

	Called-up share capital £'000	Cash flow hedge reserve £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance as at 1 April 2020	1	(20,491)	(13,384)	(33,874)
Profit for the financial year	-	-	731	731
Other comprehensive income, net of tax	-	4,622	-	4,622
Total comprehensive income for the year	-	4,622	731	5,353
Balance as at 31 March 2021	1	(15,869)	(12,653)	(28,521)

	Called-up share capital £'000	Cash flow hedge reserve £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance as at 1 April 2021	1	(15,869)	(12,653)	(28,521)
Loss for the financial year	-	-	(2,190)	(2,190)
Other comprehensive income, net of tax	-	7,585	-	7,585
Total comprehensive income for the year	-	7,585	(2,190)	5,395
Balance as at 31 March 2022	**1**	**(8,284)**	**(14,843)**	**(23,126)**

The notes on pages 12 to 23 form an integral part of these financial statements

Cash flow statement for the year ended 31 March 2022

	Note	**2022**	2021
		£'000	£'000
Net cash generated from operating activities	18	**12,352**	16,606
Tax paid		**(10)**	(32)
Net cash generated from operating activities		**12,342**	16,574
Cash flow used in investing activities			
Purchase of tangible fixed assets		**(1,500)**	(3,060)
Net cash used in investing activities		**(1,500)**	(3,060)
Cash flow used in financing activities			
Repayment of bank loans		**(7,627)**	(6,822)
Interest received		**7**	54
Interest paid		**(5,304)**	(5,632)
Net cash used in financing activities		**(12,924)**	(12,400)
Net (decrease)/increase in cash and cash equivalents in the year		**(2,082)**	1,114
Cash and cash equivalents at the beginning of the year		**27,733**	26,619
Cash and cash equivalents at the end of the year		**25,651**	27,733
Cash and cash equivalents consist of:			
Cash at bank and in hand		**25,651**	27,733
Cash and cash equivalents		**25,651**	27,733

Notes to the financial statements for the year ended 31 March 2022

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

Although the company's balance sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the company's cash flows over the duration of the PFI project. 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 from signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

New accounting standards adopted during the period

Interest rate benchmark reform

SONIA (Sterling Overnight Index Average) has replaced GBP LIBOR, with effect from 1 January 2022.

GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 1-, 3-, and 6-months) and is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate, based on a compound rate from observed overnight rates.

Furthermore, GBP LIBOR includes a credit spread over the risk-free rate (RFR), which SONIA does not. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences a 'Credit Adjustment Spread' ('CAS') is applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition. The CAS is agreed by the Lenders' Market Association ('LMA') and International Swaps and Derivative Association ('ISDA'). The CAS was published by Bloomberg, 5 March 2021, when the Financial Conduct Authority ('FCA') declared the cessation of GBP LIBOR, it is the 5-year historic median between GBP LIBOR and SONIA.

The entity has floating rate debt and related hedging instruments which are subject to LIBOR, as disclosed in note13,14 and 16. The risks arising from the transition relate principally to the potential impact of rate differences if the debt and related hedging instruments did not transition to the new benchmark interest rate simultaneously and/or the rates move by different amounts. This could result in hedge ineffectiveness. To avoid this, the company is seeking to negotiate consistent terms, rates and transition dates, with the respective counterparties, although formal transition has not yet completed. In the meantime, synthetic LIBOR is applied.

The FCA has confirmed it will allow the use of "Synthetic LIBOR" rates for all legacy contracts except cleared derivatives, to allow a wider time window for transitions to be completed. Synthetic LIBOR has however not been guaranteed beyond 31 December 2022. In addition, The Critical Benchmarks (References and Administrators' Liability) Act 2021 has been passed to amend the defined term of GBP LIBOR to 'synthetic LIBOR', such that "LIBOR" references are by law "synthetic LIBOR".

As the transition seeks to maintain hedge effectiveness, there is no change to the entity's overall risk management strategy as a result of the benchmark rate replacement.

Further details of the company's application of synthetic LIBOR are disclosed in notes 14 and 16.

Notes to the financial statements for the year ended 31 March 2022 (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.

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.

Notes to the financial statements for the year ended 31 March 2022 (continued)

(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.

(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).

Notes to the financial statements for the year ended 31 March 2022 (continued)

3 Accounting policies (continued)

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.

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, 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 recognised 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 2022 (continued)

3 Accounting policies (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

Effect of LIBOR reform

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, Glen Water Limited has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to SONIA during 2022, and the CAS will be the same as the CAS included in the interest rate swap used as the hedging instrument.
- The reform has not been used to change the commercial terms of the floating-rate instruments.

Taxation

Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussions with taxation authorities, advice from taxation advisors, and the determination of similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. 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. The directors have taken this into consideration in their assessment of deferred tax assets.

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 2022 (continued)

6 Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Depreciation of tangible assets	7,997	7,743
Fees payable to the company's auditors in respect of the audit of the financial statements	28	15
Fees payable to the company's auditors in respect of taxation services	10	38

7 Fair value gain on derivatives and similar expenses

	2022 £'000	2021 £'000
Interest payable on bank loans	5,178	5,633
Interest payable on unsecured loan notes	2,120	1,941
Fair value gain on derivatives	(352)	(242)
Other finance costs	50	50
Total interest payable	6,996	7,382
Interest receivable on bank deposits	(7)	(54)
Net interest payable	6,989	7,328

8 Employee information

The company did not employ any individuals during the year (2021: None).

9 Directors' emoluments

The directors did not receive any remuneration in respect of their services to the company during the year (2021: £nil).

10 Tax on (loss)/profit

Tax expense included in (loss)/profit	2022 £'000	2021 £'000
Current tax		
UK corporation tax	-	10
Total current tax charge	-	10
Deferred tax:		
Origination and reversal of timing differences	(150)	935
Change in tax rates	619	(436)
Total deferred tax (credit)/charge	469	499
Tax charge on (loss)/ profit	469	509

Notes to the financial statements for the year ended 31 March 2022 (continued)

10 Tax on (loss)/profit (continued)

The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK (2021: Higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%). The differences are reconciled below:

	2022	2021
	£'000	£'000
(Loss)/Profit before tax	**(1,721)**	1,240
(Loss)/Profit before tax multiplied by standard rate in the UK 19% (2021: 19%)	**(327)**	236
Effects of:		
Expenses not deductible for tax purposes	**177**	709
Change in tax rates	**619**	(436)
Tax (credit)/charge on profit/(loss)	**469**	509

Tax rate changes

On the 3 March 2021 the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 19%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11 Tangible assets

	Infrastructure assets £'000	Building & concrete structures £'000	Pumping equipment £'000	Other equipment £'000	Total £'000
Cost					
At 1 April 2021	17,839	50,346	81,631	10,866	160,682
Additions	943	-	-	557	1,500
At 31 March 2022	**18,782**	**50,346**	**81,631**	**11,423**	**162,182**
Accumulated depreciation					
At 1 April 2021	8,864	26,458	42,235	10,769	88,326
Charge for the year	683	2,322	4,762	230	7,997
At 31 March 2022	**9,547**	**28,780**	**46,997**	**10,999**	**96,323**
Net book amount					
At 31 March 2022	**9,235**	**21,566**	**34,634**	**424**	**65,859**
At 31 March 2021	8,975	23,888	39,396	97	72,356

Interest and other finance costs capitalised as at 31 March 2022 amount to £4,585,000 (2021: £5,054,000), which is stated after accumulated depreciation of those capitalised costs of £6,040,000 (2021: £5,571,000).

Tangible assets with a net book amount of £65,859,000 (2021: £72,356,000) is pledged as security against the company's borrowings.

Notes to the financial statements for the year ended 31 March 2022 (continued)

12 Debtors

	2022	As restated 2021
	£'000	£'000
Trade debtors	2,387	2,466
Amounts owed by related parties	2	28
Deferred tax asset	181	1,613
Other debtors	22	28
Prepayment – Facilitation	12,090	-
Prepayments and accrued income	2,556	2,397
	17,238	6,532

The restatement concerns the reclassification of the accrued March 2021 unitary charge of £2,302,000, previously listed in Trade debtors and now in Prepayments and accrued income.

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

The Facilitation prepayment represents the £12,090,000 paid to Veolia Water Outsourcing Limited under the Settlement Agreements that were signed on 17 August 2021, as described in the Director's report. The prepayment will be released and capitalised into fixed assets in line with the completion of the capital works programme.

	Deferred tax asset £'000
At 1 April 2021	1,613
Charged to the profit and loss account	(469)
Charged to other comprehensive income	(963)
At 31 March 2022	**181**

	2022	2021
	£'000	£'000
Deferred tax assets/(liabilities) are as follows:		
Tax losses	1,534	1,020
Derivative financial instruments	2,944	3,928
Excess of depreciation over capital allowances	(3,151)	(2,376)
Timing differences in respect of capitalised interest	(1,146)	(959)
	181	1,613

The company has tax losses of approximately £6,137,000 (2021: £5,370,000) available for offset against future trading profits. The company has a deferred tax asset of approximately £1,534,000 (2021: £1,020,000) arising from these tax losses.

The amount of deferred tax assets expected to reverse in the next 12 months is £nil (2021: £950,000) and after more than 12 months is £181,000 (2021: £663,000).

Notes to the financial statements for the year ended 31 March 2022 (continued)

13 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loan (note 14)	8,055	7,579
Trade creditors	18	101
Amounts owed to related parties (note 19)	2,109	2,873
Deferred income – Facilitation	746	-
Corporation tax	-	10
Accruals and deferred income	2,068	2,166
	12,996	12,729

The amount shown as Deferred income - Facilitation represents the £12,090,000 which was received from Northern Ireland Water Limited as part of the Settlement Agreements signed 17 August 2021. This amount will be released over the remaining concession period.

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%.

Details of the rate of interest for the bank loan are provided in Note 14.

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

14 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Bank loan	70,395	78,448
Unsecured loan notes due 2031	24,613	22,539
Deferred income – Facilitation	11,344	-
Derivative financial instruments	11,776	20,676
	118,128	121,663

The amount shown as Deferred income - Facilitation represents the £12,090,000 which was received from Northern Ireland Water Limited as part of the Settlement Agreements signed 17 August 2021. This amount will be released over the remaining concession period.

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 senior debt was subject to LIBOR plus variable margin until 31 December 2021, at which point the rate transferred to synthetic LIBOR plus variable margin. At the balance sheet date, the entity's LIBOR linked senior debt balance remained subject to synthetic LIBOR plus variable margin.

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 unpaid interest is capitalised into the loan. The maturity of the bank loan and unsecured loan notes is as follows:

	2022	2021
	£'000	£'000
Within one year	8,055	7,579
Between one and two years	8,719	8,054
Between two and five years	28,831	25,383
In more than five years	57,458	67,550
	103,063	108,566

The bank loan and unsecured loan notes are stated net of unamortised issue costs of £485,000 (2021: £535,000). All amounts falling due after more than five years are repayable by instalments.

Notes to the financial statements for the year ended 31 March 2022 (continued)

15 Provisions for liabilities

	Decommissioning provision £'000
At 1 April 2021 and at 31 March 2022	**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.

16 Financial instruments

The company has the following financial instruments:

	2022 £'000	As restated 2021 £'000
Financial assets that are a debt instrument measured at amortised cost		
- Trade debtors	**2,387**	2,466
- Amounts owed by related parties	**2**	28
- Other debtors, prepayments and accrued income	**2,575**	2,425
	4,964	4,919
Financial liabilities measured at fair value		
- Derivative financial instruments	**11,776**	20,676
Financial liabilities measured at amortised cost		
- Bank loan	**78,450**	86,027
- Unsecured loan notes	**24,613**	22,539
- Trade creditors	**18**	101
- Amounts owed to related parties	**2,109**	2,873
- Accruals	**2,068**	2,166
	107,258	113,706

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 2022 the fair value of the company's interest swap agreements is a liability of £11,776,000 (2021: £20,676,000).

The interest rate swaps were subject to LIBOR until 31 December 2021, at which point synthetic LIBOR became effective. At the balance sheet date, the swap balance remained subject to synthetic LIBOR.

17 Called up share capital

	2022 £'000	2021 £'000
Allotted and fully paid		
1,000 (2021: 1,000) ordinary shares of £1 each (2021: £1 each)	**1**	1

Notes to the financial statements for the year ended 31 March 2022 (continued)

18 Notes to the cash flow statement

Cash flow generated from operating activities

	2022	2021
	£'000	£'000
(Loss)/Profit for the financial year	**(2,190)**	731
Tax (credit)/charge on (loss)/profit	**469**	509
Net interest expense	**6,989**	7,328
Operating profit	**5,268**	8,568
Depreciation of tangible assets	**7,997**	7,743
(Increase)/Decrease in debtors	**(47)**	134
(Decrease)/Increase in creditors	**(866)**	161
Cash flow generated from operating activities	**12,352**	16,606

Net debt

	Bank loan £'000	Shareholder loan £'000	Derivative financial instruments £'000	Subtotal £'000	Cash £'000	Total £'000
Net debt as at 1 April 2021	(86,027)	(22,539)	(20,676)	(129,242)	27,733	**(101,509)**
Cash flows	7,627	-	-	7,627	(2,082)	**5,545**
Fair value & exchange movements	-	-	8,900	8,900	-	**8,900**
Other changes	(50)	(2,074)	-	(2,124)	-	**(2,124)**
Net debt as at 31 March 2022	**(78,450)**	**(24,613)**	**(11,776)**	**(114,839)**	**25,651**	**(89,188)**

19 Related party transactions

Transactions with related parties were as follows:

Name of related party (relationship)	**Nature of transaction**	**Amount of transaction 2022 £'000**	Amount of transaction 2021 £'000
Semperian Asset Management Limited (Related party)	Operating charges	**(401)**	(261)
Portfolio Solutions (Northern Ireland) Limited (shareholder)	Interest	**(1,060)**	(971)
Veolia Water Outsourcing Limited (shareholder)	Capital expenditure	**(1,500)**	(3,061)
	Interest	**(1,060)**	(971)
	Operating charges	**(11,001)**	(11,207)

Notes to the financial statements for the year ended 31 March 2022 (continued)

19 Related party transactions (continued)

Balances with related parties were as follows:

Name of related party	Nature of transaction	**Amount owed to related party 2022 £'000**	Amount owed to related party 2021 £'000
Portfolio Solutions (Northern Ireland) Limited	Shareholder loans and interest	**(12,306)**	(11,269)
Veolia Water Outsourcing Limited	Shareholder loans and interest	**(12,306)**	(11,269)
Veolia Water Outsourcing Limited	Operating charges	**(2,109)**	(2,873)

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.