

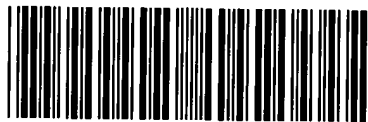
Company Registration No. 06021063 (England and Wales)

**LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER  
LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

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# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## COMPANY INFORMATION

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<b>Directors</b>	David Glover Victoria Manfredi Timothy Power Lee Wallace
<b>Company number</b>	06021063
<b>Registered office</b>	The Greenhouse MediaCityUk Salford United Kingdom M50 2EQ
<b>Auditor</b>	Deloitte LLP Statutory Auditor Manchester United Kingdom
<b>Business address</b>	The Greenhouse MediaCityUk Salford United Kingdom M50 2EQ

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# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

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# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 MARCH 2020***

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On 31 May 2019, Leep Networks (Water) Limited, formerly SSE Water Limited, "SSEW", was purchased by Leep Nav Networks Limited and now operates under the 'Leep Utilities' brand. Leep Utilities is now administering the operation of SSE Water under Leep Networks (Water) Ltd, "LNWL", and has succeeded to all the rights and responsibilities of SSEW. In that respect, these accounts will be signed by an authorised representative of LNWL.

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

The directors' report has been prepared in accordance with the provisions applicable to the small companies exemption. Accordingly a strategic report has not been prepared.

The company meets the definition of a small entity under the Companies Act 2006 and has therefore taken advantage of the reduced disclosure requirements including the presentation of a cash flow statement.

### **Principal activities**

The principal activity of the company continued to be that of provision of water services.

COVID-19 is an illness that has spread globally to the extent that it is classified as a Public Health Emergency of International Concern by the World Health Organisation. There is an elevated concern globally about the impact that COVID-19 crisis will have on the global economy.

Following the UK Government announcement on 23 March 2020 of UK lockdown, a number of changes to standard working practices were implemented, the intent of which was to reduce the personnel on site to those defined as operationally critical.

Any safety critical activity was formally risk assessed to take cognisance of additional controls necessary to protect core personnel from COVID-19, hence safeguarding safety critical work at all times.

As of the date of signing these financial statements the Company continues to provide water services at levels similar to those pre-pandemic and, looking forward, the directors expect this to remain to be the case. Although the directors cannot predict the extent and duration of the COVID-19 crisis, they and the shareholders have undertaken an assessment of the potential impact of COVID-19 for at least 12 months from the date of signing these financial statements. Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of this assessment, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

In making this statement, the directors have received confirmation from the relevant associated group undertakings that any liabilities due will not be called up in the next twelve months to the detriment of the company.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Going concern**

The directors have received confirmation that Leep Utilities Topco Limited ("Leep"), the division's holding company, will continue to provide the necessary level of support to enable the company to continue to operate for the foreseeable future. In considering the ability of Leep to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate, the directors have obtained an understanding of Leep's forecasts, the continuing availability of its facilities and its strategic and contingent plans.

The board have considered the appropriateness of the going concern basis given the fact the company is in a net liability position. However, we note that this is due to intragroup borrowings, and understand this will not be called up to the detriment of the business.

Leep Networks Water Limited has net current liabilities of £703 (2019:£1,847) stated after amounts owed to group undertakings of £1,232 (2019: £5,034). The Directors have sought confirmation that this will not be called up to the detriment of Leep Networks Water Limited and therefore consider it appropriate to prepare the accounts on a going concern basis.

Taking all these factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the directors. The company does not use derivative financial instruments for speculative purposes.

### **Cash flow risk**

The company has no exposure to either foreign currency risk or interest rate risk.

### **Credit risk**

Trade debtors as presented in the notes to the Balance Sheet are net of provisions for doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company can rely on appropriate funding from the group it belongs to.

### **Future developments**

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the coming year. The future departure of the UK from the EU gives rise to uncertainty and this will be closely monitored. The company trades entirely within the UK therefore, the directors believe the UK's departure from the EU will not materially impact the company's performance.

### **Directors' indemnities**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

David Glover	(Appointed 31 May 2019)
Victoria Manfredi	(Appointed 31 May 2019)
Timothy Power	(Appointed 31 May 2019)
Lee Wallace	(Appointed 31 May 2019)
Gregor Alexander	(Resigned 31 May 2019)
Nathan Sanders	(Resigned 31 May 2019)

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

#### Results

The results for the year are set out on page 8.

#### Auditor

Deloitte LLP were appointed in the year to audit Leep Networks Water Limited as it is the first year the company has traded within the Leep Utilities Group.

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Lee Wallace  
Director

2 November 2020

# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Leep Networks (Water) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

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

- the 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.

We have nothing to report in the respect of these matters.



# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

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#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Report on other legal requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

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#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.


We have nothing to report in respect of these matters.

#### **Other Matter**

As we have been appointed as statutory auditors during the current year, we have not audited the corresponding amounts for the prior year.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Rachel Argyle (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**Manchester**  
**United Kingdom**

2 November 2020

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Turnover	2	7,167	7,166
Cost of sales		(4,819)	(4,942)
<b>Gross profit</b>		<b>2,348</b>	<b>2,224</b>
Administrative expenses		(2,290)	(3,780)
<b>Operating profit/(loss)</b>	3	<b>58</b>	<b>(1,556)</b>
Interest payable and similar expenses	5	(7)	(647)
<b>Profit/(loss) before taxation</b>		<b>51</b>	<b>(2,203)</b>
Tax credit/(charge)	6	282	(8)
<b>Profit/(loss) for the financial year</b>		<b>333</b>	<b>(2,211)</b>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

There are no other gains and losses than as presented in the above profit and loss account, and accordingly, no separate statement of comprehensive income is presented.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

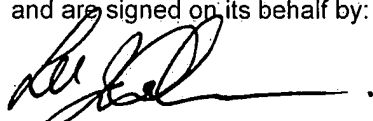
## BALANCE SHEET

AS AT 31 MARCH 2020

		2020		2019	
	Notes	£000	£000	as restated	£
<b>Fixed assets</b>					
Tangible assets	7		11,557		10,217
<b>Current assets</b>					
Debtors	8	3,745		5,627	
Cash at bank and in hand		426		1,574	
		4,171		7,201	
<b>Creditors: amounts falling due within one year</b>	9	(4,874)		(9,048)	
<b>Net current liabilities</b>			(703)		(1,847)
<b>Total assets less current liabilities</b>			10,854		8,370
<b>Creditors: amounts falling due after more than one year</b>	10		(3,483)		(15,517)
<b>Deferred Taxation</b>	11		-		(282)
<b>Net assets/(liabilities)</b>			7,371		(7,429)
<b>Capital and reserves</b>					
Called up share capital			-		-
Capital contribution reserve			14,467		-
Distributable profit and loss reserves			(7,096)		(7,429)
<b>Shareholders funds/(deficit)</b>			7,371		(7,429)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A-small entities.

The financial statements were approved by the board of directors and authorised for issue on 2 November 2020 and are signed on its behalf by:

  
Lee Wallace  
Director

Company Registration No. 06021063

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2018	-	-	(5,218)	(5,218)
Year ended 31 March 2019:				
Loss and total comprehensive expense for the year	-	-	(2,211)	(2,211)
Balance at 31 March 2019	-	-	(7,429)	(7,429)
Year ended 31 March 2020:				
Profit for the year	-	-	333	333
Other comprehensive income:				
Increase to capital contribution reserve in year	-	14,467	-	14,467
Balance at 31 March 2020	-	14,467	(7,096)	7,371

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

#### Company information

Leep Networks (Water) Limited (Formerly SSE Water Limited) is a private company limited by shares incorporated in the United Kingdom, registered in England and Wales. The registered office is The Greenhouse, MediaCityUK, Salford, United Kingdom, M50 2EQ.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The directors have received confirmation that Leep Utilities Topco Limited ("Leep"), the division's holding company, will continue to provide the necessary level of support to enable the company to continue to operate for the foreseeable future. In considering the ability of Leep to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate, the directors have obtained an understanding of Leep's forecasts, the continuing availability of its facilities and its strategic and contingent plans.

The board have considered the appropriateness of the going concern basis given the fact the company is in a net liability position. However, we note that this is due to intragroup borrowings, and understand this will not be called up to the detriment of the business.

Taking all these factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and financial statements.

#### 1.3 Turnover

Turnover, stated net of value added tax, represents income associated with operating and maintaining a water distribution network within the UK. Revenue is recognised as the water services are provided to the customer.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Network Assets	2.5% straight line per annum
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# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 1 Accounting policies

(Continued)

#### Developer contributions

Developer contributions towards construction or acquisition of Water networks received pre 1 April 2014, are recorded as deferred income and released to the profit and loss account over the estimated life used in calculating contributions. Where there is no ongoing service obligation, developer contributions received post 1 April 2014 are taken to income in the period.

These contributions are being amortised over their useful life in line with the underlying assets and are classified as current or non-current based on their remaining useful economic life.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.7 Financial Instruments

(Continued)

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 a 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.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.



# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.7 Financial Instruments

(Continued)

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Other financial liabilities**

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 hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.9 Taxation

##### **Current tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### 1.9 Taxation

###### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### 1.10 Related party transactions

The company has taken advantage of the exemption in Section 33 of FRS 102 and has not disclosed details of transactions with fellow wholly owned undertakings within the Leep Utilities Topco Limited group of companies.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 1 Accounting policies

(Continued)

#### 1.11 Capital contribution

The capital contribution reserve represents the forgiveness of previous loans payable from SSE Water Limited to the SSE Group as at the date of acquisition.

### 2 Turnover

An analysis of the company's turnover is as follows:

	2020 £000	2019 £000
<b>Turnover analysed by class of business</b>		
Provision of water services	7,167	7,166
	<u>7,167</u>	<u>7,166</u>

The total turnover of the company for the year has been wholly undertaken in the United Kingdom.

### 3 Operating profit/(loss)

	2020 £000	2019 £000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	455	773
Amortisation of developer contributions	(66)	(324)
	<u>389</u>	<u>449</u>

The auditor's remuneration of £1,500 for audit work was borne by Leep Holdings (Utilities) Limited, (a group company) (2019: £500) and was not recharged. There has been no remuneration in the year for non-audit services (2019: same).

The prior year audit was undertaken by KPMG LLP for the period that Leep Networks Water Limited was owned by the SSE Group. The current year audit has been undertaken by Deloitte LLP.

### 4 Employees

There were no employees during the year apart from the directors (2019: none).

The directors remuneration is borne by Leep Holdings (Utilities) Limited, a group company and is not recharged as no fair apportionment can be determined.

### 5 Interest payable and similar expenses

	2020 £000	2019 £000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts	7	-
Interest payable to group undertakings	-	647
	<u>7</u>	<u>647</u>

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 6 Taxation

	2020 £000	2019 £000
<b>Deferred tax</b>		
Total tax per income statement	(288)	8
Adjustment in respect of prior periods	6	-
	<u>          </u>	<u>          </u>
Total deferred tax	<u>(282)</u>	<u>8</u>

The actual (credit)/charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Profit/(loss) before taxation	<u>51</u>	<u>(2,202)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019:19.00%)	70	(419)
Tax effect of expenses that are not deductible in determining taxable profit	1	-
Tax losses	-	312
Transfer pricing adjustment	-	115
Adjustment to tax in respect of previous periods	6	-
Tax rate changes	34	-
Deferred tax not provided	<u>(393)</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Taxation (credit)/charge in the financial statements	<u>(282)</u>	<u>8</u>

Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 March 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year ended 31 March 2020.

Deferred tax assets of £393,000 have not been recognised due to the uncertainty of timing of future taxable profits with which to offset the deferred tax asset against.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 7 Tangible fixed assets

	Construction in Progress	Network Assets	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2019	148	19,019	19,167
Additions	712	1,084	1,796
Transfers	(690)	690	-
At 31 March 2020	170	20,793	20,963
<b>Depreciation and impairment</b>			
At 1 April 2019	-	8,951	8,951
Depreciation charged in the year	-	455	455
At 31 March 2020	-	9,406	9,406
<b>Carrying amount</b>			
At 31 March 2020	170	11,387	11,557
At 31 March 2019	148	10,068	10,216

### 8 Debtors

	2020	2019
Amounts falling due within one year:	£000	£000
Trade debtors	1,708	1,077
Corporation tax recoverable	-	120
Amounts owed by group undertakings	-	2,696
Other debtors	487	234
Prepayments and accrued income	1,551	1,499
	3,746	5,626

Amounts owed from group companies do not carry interest and are repayable on demand.

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 9 Creditors: amounts falling due within one year

	2020	2019 as restated
	£000	£000
Trade creditors	57	1,586
Amounts owed to group undertakings	1,232	5,034
Accruals and deferred income	3,585	2,428
	<u>4,874</u>	<u>9,048</u>

Amounts due to group undertakings do not carry interest and are repayable on demand. Prior year group undertakings relate to amounts owed to the SSE group by Leep Networks (Water) Limited, formerly SSE Water Limited.

Developer Contributions have been restated to show their current and non current split. Amounts due after more than one year have been deducted from 'Accruals and deferred income'. See note 13.

### 10 Creditors: amounts falling due after more than one year

	2020	2019 as restated
	£000	£000
Developer Contributions	3,483	2,800
Amounts owed to group undertakings	-	12,717
	<u>3,483</u>	<u>15,517</u>

The prior year balance within amounts owed to group undertakings is the intercompany loan value that Leep Networks (Water) Limited, formerly SSE Water Limited, had with the SSE Group immediately prior to the acquisition by the Leep Utility Group, at which point it was forgiven as part of the acquisition cost of the business and credited to a capital contribution reserve.

Developer Contributions have been restated to show their current and non current split. See also note 13.

### 11 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020	Liabilities 2019
	£000	£000
Balances:		
Tax losses	-	282
	<u>-</u>	<u>282</u>

# LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 11 Deferred taxation

(Continued)

	2020 £000
<b>Movements in the year:</b>	
Liability at 1 April 2019	282
Credit to profit or loss	(288)
Adjustment in respect to prior years	6
	<hr/>
Liability at 31 March 2020	-
	<hr/>

### 12 Parent company

The immediate parent company is Leep Nav Networks Limited following the acquisition of Leep Networks (Water) Limited on 31 May 2019.

Leep Utilities Topco Limited is the parent company undertaking of the only group, of which the company was a member to consolidate these accounts. A copy of the consolidated accounts is available from its registered office at Grenville Street, St Helier, Jersey, JE4 8PX.

The Company is ultimately controlled by Ancala UK Infrastructure Platform B LP, who does not prepare consolidated accounts for public use.

### 13 Prior period adjustment

The restatement as shown below is developer contributions due after one year being split out from Creditors due within one year where it sat in 'Accruals and deferred income'. This was not reflected in the statutory accounts for the year ended 31 March 2019.

Following acquisition of this entity by the Leep Utilities group, management reviewed the accounting treatment of developer contributions and understood they are being amortised over the useful economic life of their associated assets. As such the economic benefit for the majority of the developer contributions is to be realised in greater than one year. As such, a prior year adjustment has been recorded as below to restate the balance sheet as at 31 March 2019.

#### Changes to the balance sheet

	At 31 March 2019		
	As previously reported	Adjustment	As restated
	£000	£000	£000
<b>Creditors due within one year</b>			
Trade creditors	1,586	-	1,586
Amounts owed to group undertakings	5,034	-	5,034
Accruals and deferred income	5,228	(2,800)	2,428
	<hr/>	<hr/>	<hr/>
	11,848	(2,800)	9,048
	<hr/>	<hr/>	<hr/>

# **LEEP NETWORKS (WATER) LIMITED (FORMERLY SSE WATER LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

### **13 Prior period adjustment**

**(Continued)**

	<b>At 31 March 2019</b>		
	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
<b>Créditors due after one year</b>			
Developer Contributions	-	2,800	2,800
Amounts owed to group undertakings	12,717	-	12,717
	<u>12,717</u>	<u>2,800</u>	<u>15,517</u>