

GENECO LIMITED

Annual report and financial statements 30 June 2019

Registered in England and Wales No. 06842738



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DIRECTORS' REPORT

The Directors present their report and accounts for the year to 30 June 2019.

Principal Activities

The Company owns and operates a food waste plant at Avonmouth near Bristol.

Results

The profit for the year was £339k (2018 - £476k).

Directors

The Directors of the Company during the year were:

Colin Skellett
Mark Watts

Colin Skellett and Mark Watts are also Directors of Wessex Utility Solutions Ltd, Wessex Concierge Ltd, Wessex Water Ltd, Wessex Water Services Ltd, Wessex Water Services Finance Plc, Wessex Engineering & Construction Services Ltd, GENeco (South West) Ltd, YTL Land and Property (UK) Ltd and YTL Utilities (UK) Ltd.

Colin Skellett is also a Director of Enterprise Laundry Services Ltd and Bristol Wessex Billing Services Ltd. Mark Watts is also a Director of Albion Water Ltd and Flipper Ltd.

Directors' emoluments

Directors' emoluments and share interests in respect of services to group companies for Colin Skellett and Mark Watts are shown in the accounts of Wessex Water Ltd, a parent company (see note 21). There were no material services to the Company.

Directors' share interests

a) share options

The Directors were granted ordinary share options of Malaysian Ringgit RM0.50 each in YTL Power International Berhad, a subsidiary of the pre-penultimate parent company YTL Corporation Berhad (see note 21). The share options held by Colin Skellett and Mark Watts are shown in the accounts of Wessex Water Ltd.

b) Shares held

The ordinary shares of YTL Power International Berhad held by Mark Watts are shown in the accounts of Wessex Water Ltd.

Political donations

The Company made no political donations nor incurred any political expenditure during the year (2018: £nil).

Basis of preparation

This report has been prepared under small companies' regime, hence strategic report has not been prepared.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT *(continued)*

Appointment of auditor

Following the resolution of the board, Ernst & Young LLP were reappointed as the auditor of the company for the current financial year.

By order of the Board,

A handwritten signature in black ink, appearing to be 'Mark Watts', with a long, sweeping flourish extending upwards and to the right.

Mark Watts, Director
Claverton Down
Bath BA2 7WW
23rd October 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENECO LIMITED

Opinion

We have audited the financial statements of Geneco Limited for the year ended 30 June 2019 which comprise the Income Statement and Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENECO LIMITED *(continued)*

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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
- the directors are not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date: 23rd October 2019

Income Statement and Statement of Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 £000	2018 £000
Revenue	3	2,793	2,915
Raw materials and consumables used		(388)	(430)
Staff costs	5	(316)	(308)
Depreciation and amortisation		(541)	(493)
Other expenses		(1,174)	(1,158)
Total expenses		(2,419)	(2,389)
Operating profit		374	526
Financial expenses	6	(30)	(26)
Net financing expense		(30)	(26)
Profit before tax		344	500
Taxation	7	(5)	(24)
Profit for the year		339	476
Other comprehensive income for the year		-	-
Total comprehensive income for the year		339	476

The notes on pages 11 to 23 are an integral part of these financial statements.

Balance Sheet

At 30 June 2019

	Note	2019 £000	2018 £000 (restated)
Non-current assets			
Property, plant and equipment	9	6,247	5,899
Current assets			
Trade and other receivables	10	192	255
Cash and cash equivalents	11	301	81
		493	336
Total assets		6,740	6,235
Current liabilities			
Other interest-bearing loans and borrowings	12	(5,200)	(5,200)
Trade and other payables	13	(681)	(270)
		(5,881)	(5,470)
Non-current liabilities			
Deferred tax liabilities	14	(433)	(428)
Total liabilities		(6,314)	(5,898)
Net assets		426	337
Equity			
Share capital	15	-	-
Retained earnings		426	337
Total equity		426	337

The notes on pages 11 to 23 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23rd October 2019 and signed on its behalf by:



Mark Watts
Director

Statement of Changes in Equity

For the year ended 30 June 2019

	<i>Note</i>	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2017		-	361	361
Effect of change in accounting policy		-	-	-
Balance at 1 July 2017 restated		-	361	361
Total comprehensive income for the year				
Profit for the year		-	476	476
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	476	476
Transactions with owners, recorded directly in equity				
Dividends	8	-	(500)	(500)
Total contributions by and distributions to owners		-	(500)	(500)
Balance at 30 June 2018		-	337	337
Balance at 1 July 2018		-	337	337
Total comprehensive income for the year				
Profit for the year		-	339	339
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	339	339
Transactions with owners, recorded directly in equity				
Dividends	8	-	(250)	(250)
Total contributions by and distributions to owners		-	(250)	(250)
Balance at 30 June 2019		-	426	426

Cash Flow Statement*For the year ended 30 June 2019*

	<i>Note</i>	2019 £000	2018 £000 (restated)
Cashflow from operating activities			
Profit for the year		339	476
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		541	493
Financial expense		30	26
Taxation		5	24
		915	1,019
Decrease / (increase) in trade and other receivables		63	29
Increase / (decrease) in trade and other payables		161	(37)
		224	(8)
Tax paid		-	-
Net cashflow from operating activities		1,139	1,011
Cashflow used in investing activities			
Acquisition of property, plant and equipment		(889)	(21)
Net cashflow used in investing activities		(889)	(21)
Cashflow used in financing activities			
Repayment of loan		-	(650)
Interest paid		(30)	(26)
Dividends paid		-	(500)
Net cashflow used in financing activities		(30)	(1,176)
Increase/(Decrease) in cash and cash equivalents		220	(186)
Cash and cash equivalents at 1 July		81	267
Cash and cash equivalents at 30 June	11	301	81

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

GENeco Limited (the “Company”) is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 06842738 and the registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.2 Going concern

The Directors have considered the financial position of the Company and have concluded that they will be able to meet their liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these accounts.

1.3 Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost (receivables)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.3 Financial instruments (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes intercompany loans receivable in less than 12 months.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and intercompany loans.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the financial statements (continued)

1.4 *Property, plant and equipment* (continued)

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Land and buildings 10 to 60 years
- Plant, equipment and vehicles 3 to 20 years
- Office and IT equipment 3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.5 *Impairment*

Financial assets (including receivables)

For trade receivables and contract assets that are expected to have a maturity of one year or less, the Company has applied the practical expedient and followed the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

1.6 *Employee benefits*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The Company's employees are members of the Wessex Water Ltd Group pension scheme. The Company recognises a cost equal to its contribution payable for the period. The assets of the scheme are held separately from those of the Group.

Notes to the financial statements (continued)

1.6 *Employee benefits* (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.7 *Revenue*

The group adopted IFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient.

The company has short term agreements with multiple companies based on a gate fee per tonne of waste, the rate being determined by the contaminant content and the potential gas yields of each waste stream. Due to waste regulations there are no storage options and waste is either treated immediately or bulked up and treated at an external facility. The customers obligations to the waste are discharged on completion of waste transfer notes at time of delivery to the facility.

Revenue is recognised in the period the waste is received, the acceptance of waste from the customer being the fulfilment of the performance obligation.

1.8 *Expenses*

Financing income and expenses

Financing expenses comprise interest payable. Financing income comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.9 *Taxation*

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.10 *Dividends*

Dividends are proposed by the Board and immediately afterwards are authorised by the shareholder and are therefore recognised as a liability in the accounts until paid.

Notes to the financial statements (continued)

1.12 *Adopted IFRS not yet applied*

The following Adopted IFRSs have been issued but have not been applied in these financial statements:

The following Adopted IFRS's have been issued but have not been applied in these financial statements:

- Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2
- Annual Improvements to IFRSs – 2014-2016 Cycle
- Annual Improvements to IFRSs – 2015-2017 Cycle

The Company does not currently expect that adoption of these standards will have a significant effect on the results or financial position of the company but may affect disclosure requirements.

IFRS 16 Leases

IFRS 16 Leases is effective from 1 January 2019. This standard replaces IAS 17 Leases and sets out the principles for the recognition and, measurement, presentation and disclosure of leases. As the Company owns most of its assets outright the adoption of this standard will not have a significant effect on the group's results or financial position. As the lessee, current estimates indicate right of use assets and lease liabilities of approximately £200k each will be incorporated into the Company's financial position.

2. Changes in accounting policies and disclosures

2.1 *New and amended standards and interpretations*

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company adopted IFRS 15 on 1 July 2018, applying the standard retrospectively with the cumulative effect of initial application recognised at the date of initial application as an adjustment to retained earnings. Prior period comparatives have therefore not been restated and are in accordance with IAS 18. The Company has elected to use the practical expedient whereby any contracts that were completed in accordance with accounting standards as at 30 June 2018 need not be restated on an IFRS 15 basis. This transition approach resulted in no financial impact.

IFRS 9 Financial Instruments

The company has adopted IFRS 9 'Financial Instruments: Recognition and Measurement' as at 1 July 2018 and applied the new rules using a modified retrospective approach, including the practical expedients permitted in the standard, where applicable. The Company has undertaken an assessment of its accounting policy as a result of the changes in the standard:

Classification and Measurement

The review included an assessment of the contractual cash flow characteristics of financial instruments, in order to determine their classification and measurement under IFRS.

Notes to the financial statements (continued)

2. Changes in accounting policies and disclosures (continued)

2.1 New and amended standards and interpretations (continued)

Management's assessment was to consider whether the contractual cash flows of the financial instruments represented solely payments of principal and interest (SPPI) in order to determine whether the financial instruments should be classified at amortised cost or fair value through profit and loss.

Management concludes that the financial instruments should continue to be held at amortised cost. There are no changes in classification or measurement of its assets and liabilities as a result of adopting IFRS 9.

IFRS 9 introduces a new impairment model which requires the recognition of impairment provision based on expected credit losses rather than incurred credit losses, as were required under IAS 39.

A credit loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An expected credit loss is then calculated by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

As a result of this assessment, management have determined that no changes to the level of provision is required.

2.2 Prior period adjustments

During the year it was noted that in the Accounts of 30th June 2018 74k of prepayments had been incorrectly classified to, and deducted from, accrued expenses. This amount has been restated, resulting in an increase in prepayments in the prior year from 39k to 113k. Similarly, accrued expenses increased in the prior year from 12k to 86k. There was no effect on any other assets or liabilities and retained earnings remained unchanged.

3. Revenue from contracts with customers

	2019 £000	2018 £000
Revenue type		
Gas sales	1,883	1,818
Food Waste	333	619
Biosolids	6	3
Intra-group income	571	475
	2,793	2,915

The Company's revenue derives from the provision of waste services and gas sales in the UK. All performance obligations are satisfied on a point in time basis.

4. Expenses and audit fee information

Audit fees of £2k (2018 - £1k) are included in operating expenses.

Notes to the financial statements (continued)

5. Staff numbers and costs

The average number of employees (including Directors) during the year was as follows:

	Number of employees	
	2019	2018
Average number of employees	<u>7</u>	<u>7</u>

The employees engaged on the food waste activity are recharged to the Company from Wessex Water Services Ltd. The aggregate payroll costs of these employees is as follows:

	2019 £000	2018 £000
Wages and salaries	<u>316</u>	<u>308</u>

No Directors' emoluments are charged to the Company (see Directors' Report) – (2018: £nil).

6. Finance expense

	2019 £000	2018 £000
Interest payable to immediate holding company	<u>30</u>	<u>26</u>
Net interest payable	<u>30</u>	<u>26</u>

7. Taxation

Recognised in the income statement

	2019 £000	2018 £000
<i>Current tax expense</i>		
Current year	-	-
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	9	24
Adjustments for prior years	<u>(4)</u>	<u>-</u>
Deferred tax expense	<u>5</u>	<u>24</u>
Tax expense in income statement	<u>5</u>	<u>24</u>

Notes to the financial statements (continued)

7. Taxation (continued)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	339	476
Total tax expense	<u>5</u>	<u>24</u>
Profit excluding taxation:	349	500
Tax using the UK corporation tax rate of 19% (2018 - 19.00%)	65	95
Non-deductible expenses	20	9
Under provided in prior years	(4)	-
Group relief for nil consideration	<u>(76)</u>	<u>(80)</u>
Total tax expense	<u>5</u>	<u>24</u>

Factors that may affect future tax changes:

The statutory rate of corporation tax was 19% for the current and prior year. Deferred tax balances have been measured at 17% in both periods, in line with legislation introduced as part of the Finance Act 2016.

8. Dividends

	2019 £000	2018 £000
Dividends for the current year	<u>250</u>	<u>500</u>

Notes to the financial statements (continued)**9. Property, Plant & Equipment**

	Land & buildings £000	Plant, equipment & vehicles £000	Office & IT equipment £000	Company total £000
Cost				
Balance at 1 July 2017	1,277	6,749	13	8,039
Additions	-	21	-	21
Disposals	-	-	-	-
Balance at 30 June 2018	1,277	6,770	13	8,060
Balance at 1 July 2018	1,277	6,770	13	8,060
Additions	-	889	-	889
Disposals	-	-	-	-
Balance at 30 June 2019	1,277	7,659	13	8,949
Depreciation and impairment				
Balance at 1 July 2017	(126)	(1,534)	(8)	(1,668)
Depreciation charge for the year	(28)	(464)	(1)	(493)
Disposals	-	-	-	-
Balance at 30 June 2018	(154)	(1,998)	(9)	(2,161)
Balance at 1 July 2018	(154)	(1,998)	(9)	(2,161)
Depreciation charge for the year	(28)	(512)	(1)	(541)
Disposals	-	-	-	-
Balance at 30 June 2019	(182)	(2,510)	(10)	(2,702)
Net Book Value				
At 1 July 2017	1,151	5,215	5	6,371
At 30 June 2018	1,123	4,772	4	5,899
At 30 June 2019	1,095	5,149	3	6,247

Assets under construction included in the values above were £10k (2018 - £9k).

Notes to the financial statements (continued)**10. Trade and other receivables**

	2019	2018
	£000	£000
		(restated)
Trade receivables	37	101
Owed by fellow subsidiaries	43	41
Prepayments	100	113
VAT debtor	12	-
	192	255

Trade and other receivables are due in less than one year.

All outstanding related party receivable balances are owed on commercial terms and arise through normal business operations. The Company has considered the present value of the contractual cash flows and compared this to a prudent assessment of the present value of the cash flows that are expected to be received. Having performed this assessment, the Company has determined that no material expected credit loss provisions are required as at year-end for related party balances owed.

11. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank	301	81

12. Other interest-bearing loans and borrowings

	2019	2018
	£000	£000
Current liabilities		
Loan from immediate holding company	5,200	5,200
	5,200	5,200

The loan from the parent company is a rolling 3-month facility at 3-month GBP LIBOR plus 0.75%.

13. Trade and other payables

	2019	2018
	£000	£000
		(restated)
Current		
Payable to immediate holding company	286	94
Payable to fellow subsidiaries	48	88
Trade payables	2	-
Dividend payable	250	-
Other creditors	2	2
Accrued expenses	93	86
	681	270

Notes to the financial statements (continued)**14. Deferred tax liabilities***Recognised deferred tax liabilities*

Deferred tax liabilities are attributable to the following:

	Liabilities		Assets		Net	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	433	428	-	-	433	428
Tax liabilities	433	428	-	-	433	428
Net tax liabilities	433	428	-	-	433	428

Movement in deferred tax during the year

	1 July 2018 £000	Recognised in income £000	30 June 2019 £000
Property, plant and equipment	428	5	433
	428	5	433

Movement in deferred tax during prior year

	1 July 2017 £000	Recognised in income £000	30 June 2018 £000
Property, plant and equipment	404	24	428
Provisions	-	-	-
	404	24	428

15. Capital and Reserves**Ordinary shares**

	2019 £	2018 £
Allotted and called up		
100 Ordinary shares of £1.00 each	100	100
Shares classified in shareholders' funds	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the financial statements (continued)

16. Capital Management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

17. Financial Instruments

There are no financial instruments in the Company apart from the bank balance, trade payables and receivables and loans from the immediate holding company disclosed in notes 11 and 12.

18. Operating Leases

Operating lease rentals payable by the Company were £176k (2018: £174k). This includes £20k (2018: £20k) that would have been classified as finance lease rentals under the provisions of IFRS 16 Leases.

Future leasing commitments are as follows:

	2019
Term	£'000
Less than one year	20
One to two years	20
Two to five years	60
More than five years	155
Total	255

19. Commitments

The Company has made no commitments (2018 - £nil).

20. Contingencies

There are no material contingent liabilities at 30 June 2019 for which provision has not been made in these accounts (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21. Significant transactions with related parties

There were no transactions with Directors. Directors' emoluments have been disclosed in the Director's Report.

There have been no transactions with pre-penultimate, penultimate and ultimate holding companies described in note 22.

	2019	2018
	£000	£000
Sales of goods and services:		
Immediate holding company	1,908	1,818
Fellow subsidiaries	546	-
Interest expense:		
Fellow subsidiaries	30	26
Purchase of goods and services:		
Fellow subsidiaries	624	181
Immediate holding company	159	157
Year-end balances owing by:		
Immediate holding company	43	41
Year-end balances owing to:		
Fellow subsidiaries	48	88
Immediate holding company	5,486	5,294

22. Ultimate parent company and parent company of the larger group

The immediate parent of GENeco Limited is Wessex Water Enterprises Limited.

The smallest group into which the financial statements of the Company are consolidated is that headed by Wessex Water Ltd, a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The pre-penultimate, penultimate and ultimate holding companies are YTL Corporation Berhad, Yeoh Tiong Lay & Sons Holdings Sdn Bhd (both registered in Malaysia) and Yeoh Tiong Lay & Sons Family Holdings Ltd registered in Jersey.

The largest group in which the results of the Company are consolidated is that headed by YTL Corporation Berhad incorporated in Malaysia. The consolidated financial statements of these groups are available to the public and can be obtained from Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

23. Accounting Estimates and Judgements

In preparing the financial statements and applying the accounting policies, the Company is required to make reasonable estimates and judgements based on the available information. The most significant are the asset lives used to determine depreciation disclosed in note 1.4.