
SCOTTISH WATER HORIZONS HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

**For the year ended
31 March 2017**

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Directors and Advisers

Directors

Lady Susan Rice	<i>(Chair)</i>
Samantha Barber	<i>(appointed 1 April 2017)</i>
Alan Bryce	
James Coyle	<i>(appointed 26 October 2016)</i>
Peter Farrer	
Iain Lanaghan	<i>(appointed 1 April 2017)</i>
Douglas Millican	
Lynne Peacock	
Alan Scott	
Matt Smith	
Paul Smith	<i>(appointed 26 October 2016)</i>
Geoff Aitkenhead	<i>(resigned 31 July 2016)</i>
James Spowart	<i>(resigned 31 March 2017)</i>
Andrew Wyllie	<i>(resigned 31 March 2017)</i>

Company Secretary

Emma Campbell	<i>(appointed 1 April 2017)</i>
Ramsay Milne	<i>(resigned 31 March 2017)</i>

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Registered Office

Scottish Water Horizons Holdings Limited
Castle House
6 Castle Drive
Dunfermline
KY11 8GG

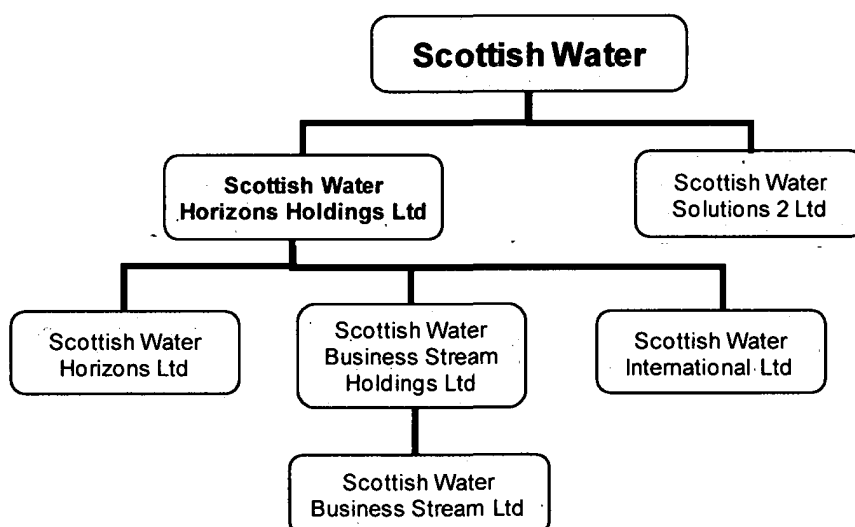
Registered Company Number: SC334620

Strategic report

The Directors present their report together with the audited financial statements for the year ended 31 March 2017.

Business Model

Scottish Water Horizons Holdings Limited (SWHH) commenced trading on 1 April 2008 and is a 100% owned subsidiary of Scottish Water. The results of SWHH are consolidated into the Scottish Water Group financial statements. Copies of the Scottish Water consolidated Annual Report and Accounts are available from: Scottish Water, Castle House, 6 Castle Drive, Dunfermline, KY11 8GG.



In terms of governance, Scottish Water exercises ownership responsibilities of Scottish Water Horizons Ltd (SWH), Scottish Water International Ltd (SWI) and Scottish Water Business Stream Holdings Ltd (SWBSH) through SWHH. SWHH also takes decisions for Scottish Water in relation to appointments to the Boards of its subsidiaries.

Financial Results for the Year

The results for the year are set out in the attached financial statements. The profit after taxation in the year amounted to £5.9m (2016: £6.1m). Details of the financial results and associated accounting policies are set out on pages 7 to 14. The Directors recommend that no dividend be paid (2016: £nil).

None of the directors received remuneration from the Company during the year to 31 March 2017 (2016: £nil).

Signed on behalf of the Board by

Alan P Scott
Director
31 May 2017

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), the effective date of which was 1 January 2015.

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;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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.

Directors' report continued

Going Concern

The Directors have a reasonable expectation that the company will continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. Therefore the financial statements have been prepared on the going concern basis.

Disclosure of information to Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' Interests

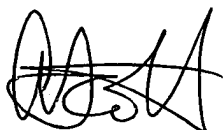
The Directors who were in office during the year and up to the date of signing the financial statements are noted on page 2. None of the Directors had any disclosable interests in the company during the period.

Independent Auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the appointment of KPMG LLP, as auditor of the company to 31 March 2021 was passed by the board on 1 June 2016.

Signed on behalf of the Board by

Alan P Scott
Director
31 May 2017



Independent auditor's report to the Members of Scottish Water Horizons Limited

We have audited the financial statements of Scottish Water Horizons Holdings Limited for the year ended 31 March 2017 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



**Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

6 June 2017

Statement of total comprehensive income

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Administrative expenses		(0.2)	-
Operating loss		(0.2)	-
Finance income	4	0.1	0.1
Dividend income from subsidiary undertaking	6	6.0	6.0
Profit on ordinary activities before taxation		5.9	6.1
Taxation	7	-	-
Profit for the financial year		5.9	6.1

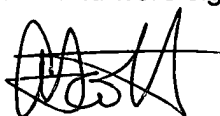
All of the company's activities relate to continuing operations.

Balance sheet

As at 31 March 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Investments	8	41.6	41.6
Current assets			
Cash and cash equivalents		38.5	32.6
		<u>38.5</u>	<u>32.6</u>
Total assets		80.1	74.2
Current liabilities		<u>-</u>	<u>-</u>
Net assets		80.1	74.2
Capital and reserves			
Share capital	9	37.6	37.6
Retained earnings		<u>42.5</u>	<u>36.6</u>
Total equity		80.1	74.2

The financial statements on pages 7 to 14 were approved by the board of directors on 31 May 2017 and were signed on its behalf by:



Alan P Scott
Director

Statement of changes in equity

For the year ended 31 March 2017

	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 31 March 2015	37.6	30.5	68.1
Profit for the financial year	-	6.1	6.1
Balance as at 31 March 2016	37.6	36.6	74.2
Profit for the financial year	-	5.9	5.9
Balance as at 31 March 2017	37.6	42.5	80.1

Notes to the financial statements

For the year ended 31 March 2017

1 Basis of preparation

Scottish Water Horizons Holdings Limited (SWHH) is a holding company. SWHH is a private company, incorporated and domiciled in the UK. The address of its registered office is shown on page 2.

The financial statements have been prepared for the company and do not contain consolidated financial information. The company has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Scottish Water.

The financial statements have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). SWHH is a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 79(a)(iv), 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Policies and Errors';
- the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of IFRS 7 'Financial Instruments: Disclosures'.

The principal accounting policies adopted by the company are set out in note 2.

The company's financial statements are presented in Pounds Sterling, rounded to the nearest million (£m) except when otherwise indicated.

Notes to the financial statements continued

For the year ended 31 March 2017

2 Accounting policies

The principal accounting policies adopted by the company are set out below. These have been consistently applied throughout the financial years presented.

2.1 Income recognition

a. Finance income

Finance income comprises interest receivable on short-term deposits and inter-company loans. Interest income is recognised in the income statement as it accrues, on an effective interest rate method.

b. Dividends

Dividend income is recognised on the date SWHH's right to receive payment is established.

2.2 Taxation

The tax charge or credit for the year comprises current and deferred tax. Tax is recognised in the income statement. Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred income tax is recognised, using the liability method, on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2.3 Investments

Investments in subsidiaries, held as non-current assets, are stated at cost less any provision for impairment. Any impairment is charged to the statement of comprehensive income as it arises.

2.4 Financial instruments

Financial assets and liabilities are recognised in the balance sheet when an obligation is identified and released as that obligation is fulfilled. SWHH's financial instruments comprise cash and cash equivalents, trade and other receivables, as well as trade and other payables that arise directly from operations.

Notes to the financial statements continued

For the year ended 31 March 2017

3 Administration expenses

	2017	2016
Sponsorship costs	£0.2m	-
Auditor's remuneration for audit services	£3,600	£4,000
(There were no other services provided by the auditor.)		

4 Finance income

	2017 £m	2016 £m
Interest from short-term deposits	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

5 Directors' remuneration and staff costs

None of the directors who served in the year received any remuneration from the company for their services (2016: nil).

There were no employees in the year (2016: nil).

6 Dividend income

A dividend of £6m (2016: £6m) to SWHH was declared by Scottish Water Business Stream Holdings Limited and paid on 29 June 2016. Within SWHH this is an exempt dividend.

Notes to the financial statements continued

For the year ended 31 March 2017

7 Taxation

	2017 £m	2016 £m
Analysis of tax charge recognised in the statement of comprehensive income		
Current tax: UK corporation tax on profit for the current year	-	-
Total tax charge	-	-

The total tax charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

Profit on ordinary activities before taxation	5.9	6.1
Corporation tax at standard rate of 20% (2016: 20%)	1.2	1.2
Exempt dividends received	(1.2)	(1.2)
Total tax charge for the year	-	-

8 Investment in subsidiaries

Details of the investments are as follows:

	2017 £m	2016 £m
Cost and net book value at 31 March	41.6	41.6

The directors believe that the carrying value of the investments is supported by their underlying net assets.

	Country of incorporation	% of ordinary shares & votes held	Principal activity
Scottish Water Horizons Limited	Scotland	100	Commercial non-regulated water and waste water services
Scottish Water International Limited	Scotland	100	Overseas Consultancy
Scottish Water Business Stream Holdings Limited	Scotland	100	Holding Company

Notes to the financial statements continued

For the year ended 31 March 2017

9 Share capital

The value of issued ordinary share capital at 31 March 2017 was £37.6m (2016: £37.6m), being 37.6 million ordinary shares of £1 each.

10 Ultimate controlling body

SWHH is a wholly owned subsidiary of Scottish Water. Scottish Water is a public sector body, classified as a public corporation of a trading nature, and is answerable to the Scottish Parliament through Scottish Ministers.

11 Related parties

The company has taken advantage of the exemption in FRS 101 from disclosing transactions with other members of the Scottish Water group. There were no other related party transactions.

12 Financial risk management

The company has no exposure to equity securities price risk as it holds no listed or other equity.