

Company registration number: 03102176

**Albion Water Limited
Filletered Annual Report and Financial Statements
for the Year Ended 30 June 2022**

ALBION WATER LIMITED

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(Registration number: 03102176)
 Balance Sheet as at 30 June 2022

		2022	(As restated) 2021
	Note	£ 000	£ 000
Fixed assets			
Intangible assets	<u>4</u>	21	25
Tangible assets	<u>5</u>	12,882	13,089
		<u>12,903</u>	<u>13,114</u>
Current assets			
Debtors	<u>6</u>	507	556
Cash at bank and in hand		60	165
		<u>567</u>	<u>721</u>
Creditors: Amounts falling due within one year	<u>7</u>	(632)	(1,586)
Net current liabilities		<u>(65)</u>	<u>(865)</u>
Total assets less current liabilities		12,838	12,249
Creditors: Amounts falling due after more than one year	<u>7</u>	(12,148)	(18,266)
Net assets/(liabilities)		<u>690</u>	<u>(6,017)</u>
Capital and reserves			
Profit and loss account		690	(6,017)
Total equity		<u>690</u>	<u>(6,017)</u>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006. The option not to file the profit and loss account and directors' report has been taken.

Approved and authorised by the Board on 30 March 2023 and signed on its behalf by:

A Shore
 Director

ALBION WATER LIMITED

Notes to the Financial Statements for the Year Ended 30 June 2022

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:
3 Filers Way
Weston Gateway Business Park
Weston-super-Mare
BS24 7JP

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The Company has adopted Financial Reporting Standard 102 Section 1A ("FRS102 1A") – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' this year. The effective date of the transition from International Financial Reporting Standards ("IFRS") to FRS102 1A was 1 July 2020. The directors have examined the implications of the transition on the opening position as at 1 July 2020 and 1 July 2021 ensuring the FRS102 1A policies have been consistently and materially applied and the years presented restated as required, unless otherwise stated. No material transition adjustments were identified. It was noted that IFRS 16 for leases had been adopted by the company, but the directors concluded that the impact on the opening positions at 1 July 2020 and 1 July 2021 would be immaterial and so no restatement has been made. The carrying value of the assets and associated liability at 1 July 2020 was £7,000 and at 1 July 2021 was £25,000.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

Going concern

During the period the company was purchased from its previous owners, Wessex Water Limited. The directors have implemented a new management team and are looking to improve the finances of the company. The company has net assets and there is sufficient finance in place for the company to meet its liabilities as they fall due. Therefore the financial statements have been prepared on a going concern basis.

**Notes to the Financial Statements
for the Year Ended 30 June 2022**

Turnover recognition

Supply of water and sewerage services:

The nature of the water industry in the UK is such that revenue recognition is subject to a degree of estimation. The assessment of water sales to customers is based on internal data where final settlement data is not yet available. At the end of each period, amounts of water delivered to customers are estimated and the corresponding billed and unbilled revenue is assessed and recorded in Revenue. For the purpose of the judgement various factors are considered such as seasonality, historic billing profiles, leakage data and general economic conditions.

The company, under the license granted by the Government, has the right to supply water and sewerage services to customers, together with an obligation to maintain and develop the network and ensure its continued availability. Revenue from contracts with customers is recognised when control of these goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

For metered customers this amount is determined by the meter reading. For unmetered customers, the amount to which the Company has a right to receive is determined by the passage of time during which the customer occupies a property within the Company's licensed region. Revenue represents income receivable in the ordinary course of business, excluding VAT, for services provided. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company.

Variable Consideration:

Unbilled receivables are considered to be a variable consideration which is not constrained as the Company considers it to be highly probable that a significant amount will not be reversed after year end. Unbilled receivables and the variable consideration are estimated using the most likely outcome approach.

Developer Services:

These are services related to the obligation under statute to allow property developers to establish an authorised connection to the water and/or sewerage network. In obtaining the connection the developer may require the Company to undertake one or more of the of the following:

- (i) Connections and meter installation in exchange for payment.
- (ii) Adoptions of water and wastewater mains.

The developer is also required to pay infrastructure charges being a contribution to network reinforcement.

Period over which performance obligations are satisfied:

From the perspective of the Company these activities are not separable nor distinct and instead form a bundle of activities necessary to establish an authorised connection from which the network access can be obtained. Also, the Company has an additional obligation under statute to keep the connection in place for all current and future occupiers and facilitate ongoing access to the network for as long as the property requires service provision. Consequently, revenue from Developer Services will be deferred over the shorter of expected period of service provision or the need to replace the assets at the end of their useful life (typically in the range 60 to 125 years).

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Notes to the Financial Statements for the Year Ended 30 June 2022

Deferred Grants and Contributions

Grants and contributions in respect of specific expenditure on non-infrastructure fixed assets are treated as contract liability and recognised in the profit and loss account over the expected useful economic lives of the related assets.

Grants and contributions relating to infrastructure assets are amortised over an average of between 60 and 125 years. Under FRS102-1A sewers adopted at nil cost to the company are shown in contract liabilities at a fair value, equivalent to the estimated cost of construction, and amortised at the same rate as infrastructure assets are depreciated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax liabilities are presented within provisions for liabilities on the balance sheet.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

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Notes to the Financial Statements for the Year Ended 30 June 2022

Depreciation of tangible assets

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.

Leases 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 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:

Asset class	Depreciation method and rate
Land and Buildings	10 - 125 years
Plant, equipment and vehicles	3 - 20 years
Office and IT equipment	3 - 15 years
Infrastructure assets	60 - 125 years

Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Specialised computer software	10 years
In-house software development	5 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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Notes to the Financial Statements for the Year Ended 30 June 2022

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Assets held under hire purchase agreements are capitalised as tangible fixed assets with the future obligation being recognised as a liability. Finance costs are recognised in the Profit and Loss Account calculated at a constant periodic rate of interest over the term of the liability.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year was 9 (2021 - 10).

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Notes to the Financial Statements for the Year Ended 30 June 2022

4 Intangible assets

	Other intangible assets £ 000	Total £ 000
Cost or valuation		
At 1 July 2021	89	89
At 30 June 2022	89	89
Amortisation		
At 1 July 2021	64	64
Amortisation charge	4	4
At 30 June 2022	68	68
Carrying amount		
At 30 June 2022	21	21
At 30 June 2021	25	25

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Notes to the Financial Statements for the Year Ended 30 June 2022

5 Tangible assets (as restated)

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant and machinery £ 000	Infrastructure assets £ 000	Total £ 000
Cost or valuation					
At 1 July 2021	1,092	15	1,690	11,977	14,774
Additions	-	-	122	-	122
Disposals	(33)	-	-	-	(33)
At 30 June 2022	1,059	15	1,812	11,977	14,863
Depreciation					
At 1 July 2021	114	15	146	1,411	1,686
Charge for the year	16	-	119	167	303
Eliminated on disposal	(8)	-	-	-	(8)
At 30 June 2022	122	15	265	1,578	1,980
Carrying amount					
At 30 June 2022	937	-	1,546	10,399	12,882
At 30 June 2021	978	-	1,544	10,567	13,089

Included within the net book value of land and buildings above is £937,210 (2021 - £978,000) in respect of freehold land and buildings.

As noted in note 11, fixed assets have been restated to remove £2,270,000 from assets under construction that had previously been capitalised.

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Notes to the Financial Statements for the Year Ended 30 June 2022

6 Debtors

	2022 £ 000	2021 £ 000
Trade debtors	42	321
Other debtors	185	203
Prepayments	35	32
Accrued income	245	-
	<u>507</u>	<u>556</u>

7 Creditors

Creditors: amounts falling due within one year

	Note	2022 £ 000	2021 £ 000
Loans and borrowings	<u>8</u>	-	528
Trade creditors		163	257
Amounts owed to connected undertakings		114	-
Other creditors		355	801
		<u>632</u>	<u>1,586</u>

Due after one year

Loans and borrowings	<u>8</u>	-	4,605
Deferred income and developer contributions		12,148	13,661
		<u>12,148</u>	<u>18,266</u>

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Notes to the Financial Statements for the Year Ended 30 June 2022

8 Loans and borrowings

	2022 £ 000	2021 £ 000
Current loans and borrowings		
Bank overdrafts	-	511
Other borrowings	-	17
	<u>-</u>	<u>528</u>
	2022 £ 000	2021 £ 000
Non-current loans and borrowings		
Other borrowings	-	4,605
	<u>-</u>	<u>4,605</u>

Other borrowings

On 8 March 2022 the entity share capital of the company was acquired by Albion Water Holdings Limited from Wessex Water Limited. Prior to the change in ownership it was agreed that the loans owing to Wessex Water Limited of £6,730,166 would be waived in full. A credit to profit of £6,760,166 has been recognised in the year.

9 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

Financial commitments

The total amount of financial commitments not included in the balance sheet is £37,708 (2021 - £-).

10 Prior year adjustment

An adjustment has been made with regards to costs capitalised in the prior year. It is considered that these costs are revenue rather than capital in nature and relate to repair costs to a sewerage facility. Therefore these costs have been transferred out of the balance sheet to the profit and loss account.

The effect of this was an additional expense to the prior year profit and loss account totalling £2,270,000. There was no impact on the opening reserves as at 1 July 2020.

11 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £8,159 (2021 - £20,000).

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Notes to the Financial Statements for the Year Ended 30 June 2022

12 Audit Report

The Independent Auditor's Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report on 31 March 2023 was Christopher Walford ACA, who signed for and on behalf of Albert Goodman LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.