

Company registration number 04138736 (England and Wales)

WALSALL PUBLIC LIGHTING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



WALSALL PUBLIC LIGHTING LIMITED

COMPANY INFORMATION

Directors	T Cunningham J Scott
Secretary	N Brodie
Company number	04138736
Registered office	3rd Floor, South Building 200 Aldersgate Street London England EC1A 4HD
Auditor	Goodman Jones LLP 29-30 Fitzroy Square Fitzrovia London W1T 6LQ

WALSALL PUBLIC LIGHTING LIMITED

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WALSALL PUBLIC LIGHTING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of Walsall Public Lighting Limited ("the Company") continued to be that of the performance of a PFI contract with Walsall Metropolitan Borough Council for the design, installation, refurbishment and maintenance of certain street lighting.

Directors

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

T Cunningham

J Scott

K Rahuf

(Resigned 26 August 2022)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

BDO LLP resigned as auditors in the year. Goodman Jones LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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.

Small companies exemption

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

On behalf of the board



.....
J Scott

Director

28-06-23

Date:

WALSALL PUBLIC LIGHTING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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). 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.

WALSALL PUBLIC LIGHTING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WALSALL PUBLIC LIGHTING LIMITED

Opinion

We have audited the financial statements of Walsall Public Lighting Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

WALSALL PUBLIC LIGHTING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WALSALL PUBLIC LIGHTING LIMITED

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, 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 from the requirement to prepare a strategic report.

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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

WALSALL PUBLIC LIGHTING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WALSALL PUBLIC LIGHTING LIMITED

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available 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.

Goodman Jones LLP

Paul Bailey
Senior Statutory Auditor
For and on behalf of Goodman Jones LLP

28-06-23

Date:

Chartered Accountants
Statutory Auditor

29-30 Fitzroy Square
Fitzrovia
London
W1T 6LQ

WALSALL PUBLIC LIGHTING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover		6,024	2,862
Cost of sales		(5,393)	(2,340)
Gross profit		631	522
Interest receivable and similar income	4	468	528
Interest payable and similar expenses	5	(332)	(407)
Profit before taxation		767	643
Tax on profit	6	(145)	(123)
Profit for the financial year		622	520
Other comprehensive income			
Cash flow hedges gain arising in the year		482	473
Tax relating to other comprehensive income		(121)	(56)
Total comprehensive income for the year		983	937

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 9 to 17 form part of these financial statements.

WALSALL PUBLIC LIGHTING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £000	£000	2021 £000	£000
Current assets					
Debtors falling due after more than one year	8	5,047		6,091	
Debtors falling due within one year	8	1,376		1,375	
Cash at bank and in hand		1,382		222	
		<u>7,805</u>		<u>7,688</u>	
Creditors: amounts falling due within one year	9	<u>(2,345)</u>		<u>(1,716)</u>	
Net current assets			5,460		5,972
Creditors: amounts falling due after more than one year	10		<u>(3,102)</u>		<u>(4,443)</u>
Net assets			<u>2,358</u>		<u>1,529</u>
Capital and reserves					
Called up share capital	12		180		180
Hedging reserve	13		(57)		(418)
Profit and loss reserves	13		2,235		1,767
Total equity			<u>2,358</u>		<u>1,529</u>

The notes on pages 9 to 17 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28-06-23 and are signed on its behalf by:



J Scott
Director

Company Registration No. 04138736

WALSALL PUBLIC LIGHTING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000
Balance at 1 January 2021	180	(835)	1,601	946
Year ended 31 December 2021:				
Profit for the year	-	-	520	520
Other comprehensive income:				
Cash flow hedges gains	-	473	-	473
Tax relating to other comprehensive income	-	(56)	-	(56)
Total comprehensive income for the year	-	417	520	937
Dividends	-	-	(354)	(354)
Balance at 31 December 2021	180	(418)	1,767	1,529
Year ended 31 December 2022:				
Profit for the year	-	-	622	622
Other comprehensive income:				
Cash flow hedges gains	-	482	-	482
Tax relating to other comprehensive income	-	(121)	-	(121)
Total comprehensive income for the year	-	361	622	983
Dividends	-	-	(154)	(154)
Balance at 31 December 2022	180	(57)	2,235	2,358

The notes on pages 9 to 17 form part of these financial statements.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Walsall Public Lighting Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

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 unless otherwise specified within these financial statements. The principal accounting policies adopted are set out below.

1.2 Going concern

The Company is profitable and cash generating, and as per the financial modelling, will continue to be so and meet liabilities as they fall due with no support required from parent entities.

The Directors are mindful of current economic pressures but feel that due to tight controls over financing and the fixed agreements in place the Company will continue to operate as expected. Relationships with the local authority remain strong and are carefully managed to ensure compliance with the Project Agreement. The credit and performance risk of the FM contract supplier is monitored on a regular basis to ensure that the services are delivered on a continuing timely basis to the appropriate standard.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI finance debtor using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass-through income represents the direct pass-through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.4 Cash and cash equivalents

Cash and cash equivalents 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.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 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 statement of financial position 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.

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.

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.

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.

1.6 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.

1.7 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.9 Service concession

The Company is a special purpose entity that has been established to provide services under certain private finance agreements. Under the terms of these Agreements, the public sector customer (as grantor) controls the services to be provided by the Company over the contract term and substantially all the risks and rewards of ownership of the property asset remain with Walsall Metropolitan Borough Council. The underlying asset is therefore not treated as a fixed asset of the Company.

Based on the contractual arrangements the Company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements. The Company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10(i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2015). The nature of the asset has therefore not changed.

Under the terms of the arrangement, the Company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor, and as such the asset is accounted for as a finance debtor. The finance debtor has initially been recognised at the fair value of the consideration receivable, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Pursuant to section 23 of FRS 102, revenue associated with the finance debtor comprises service income related to facilities management, lifecycle maintenance and other administrative running costs of the Company.

During the construction phase of the project, all attributable expenditure including finance costs are included in amounts recoverable on contracts and turnover. Operating costs are added to the amounts recoverable on contract during the construction period. Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. Also during the operational phase, regular operating, maintenance costs and general overheads will be expensed to the profit and loss as incurred. The remainder of the PFI income will be allocated to the finance debtor.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge accounting

The Directors consider the Company to have met the criteria for cash flow hedge accounting. The Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

The fair value of the swaps recorded in the accounts are based on mark to market estimates provided by the bank.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the Statement of financial position date was a liability of £77,000 (2021 - £559,000 liability). The Directors do not consider the impact of own credit risk to be material.

Service concession arrangements

The Company accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate finance debtor rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the finance debtor; and also the service margin that is used to recognise service revenue.

3 Employees

The average monthly number of persons (not including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	-	-

4 Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable and similar income includes the following:		
Other interest income	468	528
	468	528

Other interest income relates to interest on the Finance debtor.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable and similar expenses includes the following:		
Interest on bank overdrafts and loans	5	19
Interest payable to group undertakings	327	388
	<u>332</u>	<u>407</u>

6 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	145	123
	<u>145</u>	<u>123</u>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £000	2021 £000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	121	56
	<u>121</u>	<u>56</u>

7 Financial instruments

	2022 £000	2021 £000
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	77	559
	<u>77</u>	<u>559</u>

Hedging arrangements

To hedge the potential volatility in future interest cash flows arising from movements in SONIA, the Company has entered into floating to fixed interest rate swaps with a nominal value equal to that initial borrowings, the same term as the loans and interest re-pricing dates identical to those of the variable rate loans. The fixed interest rate on the facility, after taking into consideration the swap is 6.62%.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102. The cash flow arising from the interest rate swap will continue until their maturity on 30 April 2026, coincidental with the repayment of the term loans.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps. The hedge is highly effective in the current and prior period and 100% of the change in fair value of the interest rate swaps of £482,000 gain (2021: gain of £473,000) was recognised in other comprehensive income in the period.

The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Debtors

	2022 £000	2021 £000
Amounts falling due within one year:		
Trade debtors	433	405
Finance debtor	935	894
Prepayments and accrued income	8	76
	<u>1,376</u>	<u>1,375</u>
Amounts falling due after more than one year:		
Finance debtor	5,028	5,951
Deferred tax asset (note 11)	19	140
	<u>5,047</u>	<u>6,091</u>
Total debtors	<u>6,423</u>	<u>7,466</u>

9 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank loans	1,072	1,011
Other borrowings	23	80
Trade creditors	1,068	213
Corporation tax	2	3
Other taxation and social security	111	98
Derivative financial instruments	-	209
Other creditors	21	10
Accruals and deferred income	48	92
	<u>2,345</u>	<u>1,716</u>

Other borrowings relates to loans from the parent undertaking. The loan was subject to interest rates at 12.5% per annum and was fully repaid on 30 January 2023 in line with the agreed repayment schedules.

10 Creditors: amounts falling due after more than one year

	Notes	2022 £000	2021 £000
Bank loans and overdrafts		3,025	4,093
Derivative financial instruments		77	350
		<u>3,102</u>	<u>4,443</u>

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Creditors: amounts falling due after more than one year

(Continued)

Bank loans are secured by fixed and floating charges on the assets of the Company, and a charge over the shares of the Company.

Bank Loans

The bank loans represent a term facility provided by Barclays Bank Plc and Bank of Scotland. The loan is repayable in semi-annual installments, based on an agreed percentage amount of the total facility, with full repayment due by 31 March 2026. Bank loans incur interest at a floating rate of 0.9% plus SONIA.

The Company has entered into two fixed interest rate swaps to mitigate its interest exposure. The first swap is with Aviva Life & Pensions UK Limited, has a maturity date of 30 April 2026 and is for a fixed rate of 5.72% against SONIA. The second swap is with Bank of Scotland Plc, has a maturity date of 30 April 2026 and is for a fixed rate of 5.72% against SONIA.

The Company will settle the difference between the fixed and floating rate interest on a net basis, semi-annually.

11 Deferred taxation

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

	Assets 2022 £000	Assets 2021 £000
Balances:		
Taxation in respect of the fair value of the cash flow hedge	19	140
	<u> </u>	<u> </u>
Movements in the year:		2022 £000
Asset at 1 January 2022		(140)
Charge to other comprehensive income		121
		<u> </u>
Asset at 31 December 2022		(19)
		<u> </u>

The deferred tax asset in relation to the cash flow hedge is expected to affect profit or loss over the period to maturity of the interest rate swap.

12 Called up share capital

	2022 Number	2021 Number	2022 £000	2021 £000
Ordinary share capital Issued and fully paid				
Allotted, called up and fully paid of £1 each	180,000	180,000	180	180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

WALSALL PUBLIC LIGHTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Reserves

Profit and loss reserve

The profit and loss reserve include all current and prior period profit and losses, net of dividends.

Hedging reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments, net of deferred tax. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

14 Events after the reporting date

The Company has declared an interim dividend of £287,094.71 on 31 January 2023.

15 Related party transactions

As the Company is indirectly owned by Jura Acquisition Limited via Fenton UK 3 Limited, the Company has taken advantage of the exemption under FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the Jura Acquisition Limited group. A copy of the financial statements of Jura Acquisition Limited can be obtained from its registered office at 1st Floor, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ.

16 Parent company

The Company's immediate parent undertaking is Walsall Public Lighting Holding Company Limited, a company incorporated in Great Britain and registered in England and Wales, with a registered address of 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD.

The Company's ultimate parent and controlling entity is Fenton Holdco Limited (registered address: 3rd Floor, South Building, 200 Aldersgate Street, London, England, EC1A 4HD). Copies of the their financial statements are available from Companies House.