Loop Customer Management Limited

Annual report and financial statements
Registered number 03816217
Year ended 31 March 2020

Contents

Directors and advisers

Directors

E M Barber
J Harding
Z A Burns-Shore

Company secretary

K O H Smith

Independent auditor

Deloitte LLP
Statutory Auditor
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Leeds
LS1 2AL
United Kingdom

Registered office

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Bankers

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Leeds, City Office
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LS1 5HD

Strategic report

The directors present their strategic report on the company for the year ended 31 March 2020.

Principal activities and business review

The company's principal activity continues to be the provision of customer management services.

Loop Customer Management Limited ('Loop') was created in 2000 to provide complete customer management services for Yorkshire Water Services Limited ('Yorkshire Water') fellow subsidiary of Kelda Holdings Limited ('Kelda'), and to other prospective clients. Over twenty years of operation have seen Loop develop in both size and commercial experience. We are maintaining a highly focussed approach within our core competence, primarily delivering outstanding customer service on behalf of our clients.

Customers are at the heart of everything we do and we recognise that to deliver great service, it is important that we value our people. We are passionate about our employees and are committed to our core competence of customer service provision. Our ethos remains one of providing 'great customer experiences through great people'.

We work in partnership with our clients, allowing us to understand their operations and intelligently develop the best solution for their customer needs. Loop employees are recruited, developed and supported to embrace the culture of our clients so they can provide an integral service on their behalf.

We manage inbound and outbound customer contacts across a full multi-media platform including; telephony, paper based correspondence, e-Correspondence, Short Messaging Services ('SMS'), web chat and Twitter.

We also house a dedicated billing and fulfilment service tailored to client specifications with an excellent track record in collections. We excel at all forms of customer management, from high volume transaction processing to highly personalised services. We stay at the forefront of technology trends and continuously review our processes. This, combined with our highly trained workforce, gives us a service offering that is hard to match.

Financial performance and outlook

The profit for the financial year was £2,044,000 (2019: £2,056,000).

The year to 31 March 2020 saw the company continuing to focus on maximising customer service performance for Yorkshire Water. It does this by contributing to the delivery of Yorkshire Water's customer objectives “We are keeping bills as low as possible” and “We are providing the levels of customer service you expect and value” through six associated performance commitments as disclosed in the Yorkshire Water annual report, which can be found at https://www.yorkshirewater.com/reports.

From 1st April 2020, Ofwat have introduced a new comparative measure of customer service for water companies called C-Mex. The new measure surveys both customers who have contacted Yorkshire Water as well as the general perception of the organisation from people who live in the region. Loop will continue to focus on providing high levels of satisfaction with Yorkshire Water's billing services to support their ambition to be in the upper quartile of this measure by the end of the AMP7 period.

Loop’s approach to support for vulnerable customers continues to be industry leading. The Performance Commitment for the number of customers helped to pay their bill was exceeded with financial support being given to 35,939 customers to the value of £9.2 million. More information on Performance Commitments is provided in the Yorkshire Water Annual Performance Report, which can be found at https://www.yorkshirewater.com/ourperformance.

The Performance Commitment on bad debts as a ratio of average bill was also exceeded at 3.06% compared to a target of 3.16%. This means Loop is effectively keeping the cost of collection as low as possible.

Loop has continued to provide banking, bill production and document management services for Yorkshire Water Business Services under a shared service contract with Three Sixty Water Limited ('ThreeSixty') for non-household customers in the retail market.

Strategic report *(continued)*

Financial performance and outlook *(continued)*

Engaging colleagues has been a key initiative and will remain a focus in the coming year. Health, safety and wellbeing performance has continued to improve. Loop has supported the Kelda Life Saving Rules programme and several wellbeing projects have been implemented over the year, ensuring that health, safety and wellbeing is at the heart of the company culture.

Loop has retained Great Place to Work accreditation from Best Companies, which was based on colleague feedback and the Investors in People Bronze standard.

Principal risks and uncertainties

Strategic, financial, commercial, operational, social, environmental and ethical risks are all considered as part of the company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. These controls can only provide reasonable, not absolute, assurance against material misstatement of losses.

At present there are no immediate risks considered likely to have a significant impact on the short or long term value of the company, the principal risk is the loss of its key contract with Yorkshire Water which would have a significant impact on the company. The company also operate a shared services contract providing billing and document management activity to the Three Sixty Water Limited (ThreeSixty) group of companies, part of the Kelda Holdings group. This will continue during 2020/21 and until the ThreeSixty agreement with Business Stream ends.

The principal risks and uncertainties for the Kelda Holdings group, including Covid-19, and how these are mitigated, are discussed in the Kelda Holdings Limited Annual Report and Financial Statements (which do not form part of this report). There are not considered to be any specifically relating to this company, apart from those mentioned above. Covid-19 has caused increased uncertainty within the economy, the directors are closely monitoring the situation but do not foresee any adverse material impact on the company.

Key performance indicators

In addition to operating profit (page 12), the company uses key performance indicators of business performance across customer and colleague metrics.

	2020	2019
Cost of bad debt to customers - Percentage of the average customer's bill	**3.06%**	3.02%
Vulnerable Customer Support - Number of customers given financial support	**35,939**	31,606
Overall customer satisfaction - Percentage of "satisfied" customers according to an independent survey by the Consumer Council for Water (CCW)	**94% water** **90% wastewater**	95% water 88% wastewater
Service Incentive Mechanism (SIM) - Score out of 100 for the quality of our customer service	**83.2***	84.0
Customer Satisfaction Score (CMEX) - Customer survey score out of 10 for billing services	**8.4**	n/a
Employee Engagement Score - Percentage engagement through a colleague workplace survey	**78**	71

*The score reported above is the Ofwat 'shadow' measure which represents the move from SIM to C-Mex.

Strategic report *(continued)*

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually. Covid-19 has caused increased uncertainty within the economy, the directors are closely monitoring cash collections and any subsequent impact as the situation develops.

Liquidity risk

The company actively maintains a mixture of long-term and short-term intercompany finance that is designed to ensure the company has sufficient available fund for operations and planned expansions.

Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at a floating rate. The company has a policy of maintaining debt at a floating rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company did not use derivative financial instruments to manage interest rate costs during the year and as such, no hedge accounting is applied.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) of s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2020. The company's principal activity is the provision of customer management services for Yorkshire Water Services Limited a fellow subsidiary of Kelda Holdings Limited. Through their actions, the directors operate the company in a manner consistent with Yorkshire Water's high standards of business conduct. The company's ultimate holding company is Kelda Holdings Limited, a copy of whose s172(1) Statement can be found in its 2020 annual report and financial statements. This statement sets out how the group's decisions and policies affect employees, customers and other stakeholders, suppliers and the impact of the group's operations on the community and the environment.

Approved by the board and signed on its behalf by:

E M Barber
Director

31 July 2020

Directors' report

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

Proposed dividend

The directors paid a final dividend of £1,300,000 (2019: £1,300,000).

Future developments

The directors' view on the company's future outlook is discussed in the Strategic Report on page 2.

Financial risk management

The company's approach to financial risk management is discussed in the Strategic Report on page 4.

Directors

The directors listed below have served the company throughout the year and up to the date of approval of the financial statements, unless otherwise stated:

E M Barber
J Harding
Z A Burns-Shore

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Disclosure of information to independent auditor

As at the date of this report, as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware and the directors have taken all the steps that they ought to have as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and the board has passed a resolution confirming their reappointment.

Directors' report

Going concern

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the financial statements on the going concern basis is appropriate, Loop Customer Management Limited ('Loop') was created to provide complete customer management services for Yorkshire Water Services Limited ('Yorkshire Water' or 'YWS'), a fellow subsidiary of Kelda Holdings Limited ('Kelda'), and to other prospective clients. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

Kelda Holdings Limited has available a combination of cash and committed undrawn bank facilities totalling £853.4m at 31 March 2020 (2019: £609.2m). At 30 June 2020, Kelda Holdings Limited had available a combination of cash and committed undrawn bank facilities totalling £775.2m, comprising £530m undrawn committed bank facilities and £245.2m of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of YWS, as the main subsidiary of the group, including the potential impact of identified risks such as Covid-19 and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements. In addition, YWS has an indefinite licence to operate as a water and sewerage operator terminable with a 25 year notice period. The securitised financing arrangements of the group includes covenants with 'trigger' and 'default' thresholds, which are reported bi-annually and are explained fully within the YWS annual report and financial statements. In summary though, a baseline model, established from YWS's business plan, shows sufficient liquidity and clear headroom for debt covenants, when considering 'trigger' as well as 'default' thresholds. Whilst in a reasonably possible downside sensitivity to that base case, YWS could hit a 'trigger' event, this would not affect the Kelda group ability to continue to trade.

As a result of this analysis, the directors believe that despite the high level of uncertainty due to the early stages of the economic impact of the Covid-19 pandemic, the strength of the mitigations available are such that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the financial statements.

Directors' report *(continued)*

Employees and employment policies

The company continues to place an importance on ensuring a positive working environment for all colleagues and a culture of open, honest internal communications and feedback. The Company Values provide the framework for the consistent behaviours expected from colleagues.

Colleague engagement takes place using a range of channels including regular operational 'hubs', the intranet, 'Team Buzz' and 'Leading Loop' sessions with line managers and directors, annual business plan cascades, 'people leader' events to cascade key business performance messages and quarterly 'Post Your Views' surveys. All line managers are encouraged to develop and implement action plans with their teams, taking accountability for developing colleague morale, engagement and trusted relationships.

To further promote successful employee relations, collective bargaining arrangements are in place with the company's recognised trade union, UNISON. In addition, Communication and Consultation forums take place across the company, comprising elected union and non-union employees meeting regularly with directors and senior managers to share performance information and discuss health and safety issues. These meetings also provide an opportunity to seek employee views which can then be taken into account in decision making.

The company is committed to providing a diverse and inclusive working environment which reflects its customer base and is committed to equality of opportunity for all. Loop contributes to a Kelda group, director-sponsored, Diversity and Inclusion Working Group which actively drives progress in this area; ensuring the policy is reviewed regularly, setting targets, monitoring progress and ensuring that the aspirations of the company are been met. The group has three prioritised areas of focus, gender, ability and ethnicity, these have been identified as key areas of focus to help us become a more diverse and inclusive employer and better reflect our customer base.

Key to achieving operational excellence is ensuring that every individual understands their role and how they can make a difference while feeling valued for their contribution. The company is committed to rewarding the right performance and provide salary and benefits packages which are designed to be competitive. Performance related pay gives colleagues at all levels the opportunity to share in the success of the business, through quarterly or annual bonus payments linked to the achievement of individual and business plan targets.

Disabled Persons

The policy of the company with regard to the employment of disabled persons is to provide equal opportunities with other employees to train for, and attain, any position in the company having regard to the maintenance of a safe working environment and the constraints of their disabilities. Close attention is given to welfare of employees with regard to the requirements of health and safety.

Employee Involvement

It is company policy to keep employees informed of matters affecting their interests through normal management channels and due consideration is given to their interests in making management decisions. An employee forum is in place where colleagues elected by their peers have an opportunity to influence how the company is operated.

Directors' report *(continued)*

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Approved by the board and signed on its behalf by:

E M Barber
Director

31 July 2020

Independent auditor's report to the members of Loop Customer Management Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Loop Customer Management Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Loop Customer Management Limited
(continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

Independent auditor's report to the members of Loop Customer Management Limited
(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

J Boardman.

Jane Boardman BSc FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

31 July 2020

Profit and loss account
for the year ended 31 March 2020

	Note	**2020 £'000**	2019 £'000
Turnover	*3*	**31,030**	31,439
Operating costs		**(28,865)**	(29,307)
Operating profit	*4*	**2,165**	2,132
Interest receivable and similar income	*7*	**60**	35
Interest payable and similar expenses	*8*	**(76)**	(2)
Profit before taxation		**2,149**	2,165
Taxation	*9*	**(105)**	(109)
Profit for the financial year		**2,044**	2,056

There are no other items of comprehensive income or expense in the current or prior year, therefore no separate statement of other comprehensive income has been presented.

Balance sheet
as at 31 March 2020

	Note	**2020** **£'000**	2019 £'000
Fixed assets			
Tangible assets	*11*	**534**	398
Right of use assets	*12*	**3,556**	-
		4,090	398
Current assets			
Debtors	*13*	**8,803**	7,891
Cash at bank and in hand		**40**	319
		8,843	8,210
Creditors: amounts falling due within one year	*14*	**(4,457)**	(4,088)
Net current assets		**4,386**	4,122
Total assets less current liabilities		**8,476**	4,520
Creditors: amounts falling due after more than one year	*15*	**(63)**	(61)
Lease liabilities	*16*	**(3,273)**	-
Deferred tax liability	*17*	**-**	(63)
Net assets		**5,140**	4,396
Capital and reserves			
Called up share capital	*18*	**-**	-
Profit and loss account	*18*	**5,140**	4,396
Total Shareholders' funds		**5,140**	4,396

These financial statements on pages 12 to 26 were approved by the board of directors and authorised for issue on 31 July 2020 and were signed on its behalf by:

E M Barber
Director

Company registered number: 03816217

Statement of changes in equity
for the year ended 31 March 2020

	Called up share capital £'000	**Profit and loss account £'000**	**Total shareholders' funds £'000**
Balance at 1 April 2019	-	4,396	4,396
Profit for the financial year	-	2,044	2,044
Total comprehensive income for the year	-	2,044	2,044
Dividends paid (note 10)	-	(1,300)	(1,300)
Balance at 31 March 2020	**-**	**5,140**	**5,140**

	Called up share capital **£'000**	Profit and loss account **£'000**	Total shareholders' funds **£'000**
Balance at 1 April 2018	-	3,640	3,640
Profit for the financial year	-	2,056	2,056
Total comprehensive income for the year	-	2,056	2,056
Dividends paid (note 10)	-	(1,300)	(1,300)
Balance at 31 March 2019	-	4,396	4,396

Notes to the financial statements

1 Accounting policies

Loop Customer Management Limited (the "company") is a private company limited by shares, incorporated in England and Wales and resident for tax in the UK.

These financial statements were prepared on a going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Kelda Eurobond Co Limited, a parent company incorporated in England and Wales, includes the company in its consolidated financial statements. The consolidated financial statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries and the company's parent;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of key management personnel.

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 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Going concern

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the financial statements on the going concern basis is appropriate, Loop Customer Management Limited ('Loop') was created to provide complete customer management services for Yorkshire Water Services Limited ('Yorkshire Water' or 'YWS'), a fellow subsidiary of Kelda Holdings Limited ('Kelda'), and to other prospective clients. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

Kelda Holdings Limited has available a combination of cash and committed undrawn bank facilities totalling £853.4m at 31 March 2020 (2019: £609.2m). At 30 June 2020, Kelda Holdings Limited had available a combination of cash and committed undrawn bank facilities totalling £775.2m, comprising £530m undrawn committed bank facilities and £245.2m of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of YWS, as the main subsidiary of the group, including the potential impact of identified risks such as Covid-19 and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements. In addition, YWS has an indefinite licence to operate as a water and sewerage operator terminable with a 25 year notice period. The securitised financing arrangements of the group includes covenants with 'trigger' and 'default' thresholds, which are reported bi-annually and are explained fully within the YWS annual report and financial statements. In summary though, a baseline model, established from YWS's business plan, shows sufficient liquidity and clear headroom for debt covenants, when considering 'trigger' as well as 'default' thresholds. Whilst in a reasonably possible downside sensitivity to that base case, YWS could hit a 'trigger' event, this would not affect the Kelda group ability to continue to trade.

As a result of this analysis, the directors believe that despite the high level of uncertainty due to the early stages of the economic impact of the Covid-19 pandemic, the strength of the mitigations available are such that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Other debtors

Other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Fixtures and fittings 5 to 20 years

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

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment 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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than 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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 profit and loss account in the periods during which services are rendered by employees.

Group plans

The company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is Kelda Group Limited. The company then recognises a cost equal to its contribution payable for the period.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises charges for customer management services excluding value added tax and relates to the company's continuing principal activity within the United Kingdom. Revenue is recognised when the performance obligations have been discharged to the customer with respect to these services, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges includes interest payable. Other interest receivable and similar income includes interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive loss, in which case it is recognised directly in equity or other comprehensive loss.

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 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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

New standards and interpretations

In the current year, the company has applied an amendment to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

The company applies, for the first time, IFRS 16 'Leases.' The impacts of the transition are set out below:

IFRS 16 has superseded the current lease guidance including IAS 17 Leases, the date of initial application of IFRS 16 for the company was 1 April 2019. The modified retrospective application of IFRS 16 has been applied in accordance with IFRS 16:C5(a). Consequently, the comparative information has not been restated. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. On transition to IFRS 16, the practical expedient has been used, allowing management not to reassess whether a contract is or contains a lease.

On initial application of IFRS 16, a right-of-use asset and liability has been recognised in the statement of financial position, initially measured at the present value of the future lease payments. There is also a depreciation charge recognised in respect of the right-of-use asset and an interest expense on lease liabilities in the statement of profit or loss.

Under IFRS 16, right-of-use assets have been tested for impairment in accordance with IAS 36 *Impairment of Assets* . This has replaced the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

2 Accounting estimates and judgements

The preparation of financial statements under FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no such areas of judgement or estimation uncertainty deemed significant in these financial statements.

Notes to the financial statements *(continued)*

3 Turnover

	2020	2019
	£'000	£'000
Customer management services	**31,030**	31,439
Total turnover	**31,030**	31,439

4 Operating profit

Included in the operating profit are the following:

	2020	2019
	£'000	£'000
Depreciation	**136**	203
Depreciation - right of use assets	**716**	-
Amortisation - intangible assets	**-**	180
Operating leases (under IAS 17)	-	718

Auditor's remuneration:

	2020	2019
	£'000	£'000
Audit of these financial statements	**7**	11

5 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, were as follows:

	Number of employees	
	2020	2019
Administration	**18**	18
Operations	**630**	638
	648	656

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	**13,848**	13,825
Social security costs	**1,148**	1,109
Other pension costs	**1,046**	928
	16,042	15,862

Notes to the financial statements *(continued)*

6 Directors' remuneration

	2020	2019
	£'000	£'000
Directors' emoluments	**356**	238
Amounts receivable under long term incentive schemes	**52**	35
Company contributions to money purchase schemes	**35**	17
	443	290

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**1**	1
Money purchase schemes	**1**	1

All directors' emoluments have been included in the financial statements of Loop Customer Management Limited with the exception of E M Barber which was provided by other group companies and whose emoluments are shown in the financial statements of those companies. No amounts were received for their services to the company (2019: £nil).

The highest paid director had emoluments of £180,000 (2019: £156,000), is a member of the Kelda group's defined benefit pension scheme and had accrued pension of £28,000 and accrued lump sum of £24,000 at the end of the year.

7 Interest receivable and similar income

	2020	2019
	£'000	£'000
Amounts receivable from group undertakings	**60**	35
Total interest receivable and similar income	**60**	35

8 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Amounts payable to group undertakings	**-**	2
Interest expense on lease liabilities	**76**	-
Total interest payable and similar expenses	**76**	2

Notes to the financial statements *(continued)*

9 Taxation

Total tax charge recognised in the profit and loss account

	2020	2019
	£'000	£'000
Current tax		
Total current tax on profits for the year	**204**	143
Total current tax	**204**	143
Deferred tax (see note 17)		
Current year	**24**	(38)
Effect of changes in tax rate	**(6)**	4
Adjustments in respect of prior periods	**(117)**	-
Total deferred tax	**(99)**	(34)
Tax on profit	**105**	109

The tax for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

Reconciliation of effective tax rate

	2020	2019
	£'000	£'000
Profit before taxation	**2,149**	2,165
Tax using the UK corporation tax rate of 19% (2019: 19%)	**408**	411
Effects of:		
Non-deductible expenses	**1**	1
Adjustments in respect of prior periods	**14**	-
Tax rate changes	**(6)**	4
Transfer pricing adjustments	**(312)**	(307)
Total tax charge included in profit and loss	**105**	109

The corporation tax rate of 19%, enacted in the Finance Act (No 2) Act 2015 and applicable from 1 April 2017, has been used in preparing these financial statements.

Whilst the intention of Budget 2016 was that the Corporation Tax rate would be set at 17% from 1 April 2020 onwards, legislation will be introduced in Finance Bill 2020 to amend the main rate of corporation tax to 19% from 1 April 2020. This change was announced in Budget 2020 and the cancellation of the enacted cut to 17% made under a Budget resolution passed on 17 March 2020. As this has statutory effect, the 19% rate for 1 April 2020 onward is substantively enacted at 17 March 2020 and accordingly the deferred tax liability at 31 March 2020 has been calculated using this rate.

Notes to the financial statements *(continued)*

10 Dividends

The following dividends were recognised during the year:

	2020	2019
	£'000	£'000
£1,300,000 (2019*: £1,300,000*) per qualifying ordinary share	**1,300**	1,300

11 Tangible assets

	Land and buildings £'000	**Fixtures & fittings £'000**	**Total £'000**
Cost			
Balance at 1 April 2019	52	6,357	6,409
Additions	-	272	272
Disposals	-	(12)	(12)
Balance at 31 March 2020	52	6,617	6,669
Accumulated Depreciation			
Balance at 1 April 2019	1	6,010	6,011
Depreciation charge for the year	3	133	136
Disposals	-	(12)	(12)
Balance at 31 March 2020	4	6,131	6,135
Net book value			
At 31 March 2020	**48**	**486**	**534**
At 31 March 2019	51	347	398

12 Right of use assets

	Land and buildings £'000	**Fixtures & fittings £'000**	**Total £'000**
Cost			
New leases recognised	4,237	35	4,272
Balance at 1 April 2019	4,237	35	4,272
Balance at 31 March 2020	4,237	35	4,272
Depreciation and impairment			
Charge for the year	709	7	716
Balance at 31 March 2020	709	7	716
Net book value			
At 31 March 2020	**3,528**	**28**	**3,556**

Notes to the financial statements *(continued)*

13 Debtors

	2020	2019
	£'000	£'000
Amounts owed by group undertakings	**7,531**	7,506
Other debtors	**919**	6
Prepayments	**317**	379
Deferred tax *(note* 17*)*	**36**	-
	8,803	7,891

Amounts owed by group undertakings includes £4,888,000 (2019: £4,802,000) owed by Kelda group companies, which is unsecured, bears interest at three month LIBOR, has no contractual repayment date and is repayable on demand. The balance of the amounts owed by group undertakings relates to intercompany trading, which is unsecured, interest free and repayable on demand. The deferred tax asset is recoverable within 12 months.

14 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	**1,217**	158
Amounts owed to group undertakings	**867**	835
Taxation and social security	**844**	1,009
Lease liabilities	**504**	-
Accruals and deferred income	**1,025**	2,086
	4,457	4,088

Amounts owed to group undertakings includes £203,000 (2019: £143,000) owed to Kelda group companies for group relief; £585,000 (2019: £648,000) is owed to Yorkshire Water Services Limited for monthly charges and contract charge reimbursement; £52,000 (2019: £nil) is owed to Three Sixty Water (Yorkshire) Limited and £27,000 (2019: £43,000) is owed to Kelda Group Limited both amounts relating to intercompany trading. All amounts owed to group companies are unsecured, interest free and repayable on demand.

15 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Accruals and deferred income	**63**	61

16 Lease liabilities

	2020	2019
	£'000	£'000
Amounts dues for settlement after 12 months	**3,273**	-

Notes to the financial statements *(continued)*

17 Deferred tax (asset)/liability

Recognised deferred tax (assets)/liabilities

Deferred tax (assets)/liabilities are attributable to the following:

	Assets 2020 £'000	**Liabilities 2020 £'000**	**Net 2020 £'000**	Assets 2019 £'000	Liabilities 2019 £'000	Net 2019 £'000
Accelerated capital allowances	**(4)**	**-**	**(4)**	-	13	13
Short term timing differences	**(32)**	**-**	**(32)**	-	50	50
Tax (assets) / liabilities	**(36)**	**-**	**(36)**	-	63	63

Movement in deferred tax during the year

	1 April 2019 £'000	**Recognised in profit and loss account £'000**	**31 March 2020 £'000**
Accelerated capital allowances	**13**	**(17)**	**(4)**
Short -term timing differences	**50**	**(82)**	**(32)**
	63	**(99)**	**(36)**

Movement in deferred tax during the prior year

	1 April 2018 £'000	Recognised in profit and loss account £'000	31 March 2019 £'000
Accelerated capital allowances	70	(57)	13
Short -term timing differences	27	23	50
	97	(34)	63

18 Capital and reserves

Called up share capital	**2020 £'000**	2019 £'000
Allotted, called up and fully paid		
1 (2019: 1) ordinary share of £1 (2019: £1)	**-**	-

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.

The profit and loss account represents cumulative profits or losses, net of dividends paid.

Notes to the financial statements *(continued)*

19 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Kelda Group Limited, incorporated in England and Wales. The ultimate parent company is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors, there is no ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Kelda Holdings Limited, the registered office of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. The smallest group in which they are consolidated is that headed by Kelda Eurobond Co Limited, the registered office of which is the same as that of the company. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

20 Transition disclosure

In the year ended 31 March 2020, the company applies, for the first time, IFRS 16 Leases. The changes in accounting policies as a result are detailed out in note 1. The comparative information presented has not been restated in line the modified retrospective application approach.

The effects of adopting IFRS 16 as at 1 April 2019 is as follows:

a) Right of use assets of £4,272,000 were recognised and presented separately on the balance sheet.
b) Additional lease liabilities totalling 4,272,000 were recognised separately on the balance sheet.

	Year ended 31 March 2019 As previously reported £'000	Transition adjustments £'000	Adjusted balance sheet at 1 April 2019 £'000
Assets			
Right of use assets (note 12)	-	4,272	4,272
Liabilities			
Lease liabilities - current	-	(495)	(495)
Lease liabilities - non-current	-	(3,777)	(3,777)

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as at 31 March 2019 as follows:

	£'000
Operating lease commitments as at 31 March 2019	3,789
Effect of discounting	(11)
Add: Adjustments to lease payments not recognised at 31 March 2019	494
Lease liabilities previously recognised as operating leases as at 1 April 2019	4,272