

**Kelda Water Services Limited**

Annual report and financial statements

Registered number 02180706

Year ended 31 March 2020

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## **Directors and advisers**

### **Directors**

E M Barber  
B P Raistrick

### **Company secretary**

K O H Smith

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
1 City Square  
Leeds  
LS1 2AL  
United Kingdom

### **Registered office**

Western House  
Halifax Road  
Bradford  
West Yorkshire  
BD6 2SZ

### **Bankers**

National Westminster Bank PLC  
Leeds, City Office  
8 Park Row  
Leeds  
LS1 5HD

## **Strategic report**

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

### **Principal activities and review of business**

The principle activity of Kelda Water Services Limited ('KWS' and the 'company') is to act as a holding company for its subsidiaries. This includes setting the strategy for the business, ensuring good corporate governance, pursuing new opportunities and optimising the performance of the existing subsidiaries.

On 18 December 2018, four subsidiaries were sold, leaving one active subsidiary, Kelda Energy Services (Old Whittington) Limited, which owned and operated a wind turbine located on Yorkshire Water's Old Whittington waste water treatment site. During the year the wind turbine held in the subsidiary was sold to Yorkshire Water Services Limited ("Yorkshire Water"). The power generated by the turbine was previously subject to a Power Purchase Agreement for the power offtake to Yorkshire Water. The subsidiary will receive, and hold, any future assets subject to the requirements of the group.

Following a balance sheet review, on 30 March 2020, the issued share capital of the company was reduced from £600,000 to £60 by cancelling and extinguishing to the extent of £0.9999 on each issued fully paid up ordinary share of £1 each in the company and reducing the nominal value of each issued fully paid up ordinary share from £1 to £0.0001 (0.01p). The overall effect of these transactions was to transfer £600,000 from share capital to profit and loss reserve.

### **Performance**

In the year the company had turnover of £nil and operating loss of £572,000 (2019: turnover of £22,000 and operating profit of £310,000 respectively).

### **Key performance indicators**

Profit before tax indicates the company's operating performance from a financial perspective. The loss before taxation for the year was £345,000 (2019: profit of £10,393,000). The loss in the current year is mainly as a result of the write down of investments of £510,000, whilst the profit in the prior year was primarily due to the profits from the divestment of subsidiaries.

The company is in a net assets position at the year-end of £661,000 (2019: £1,039,000). The reduction is principally due to the loss for the financial year. The company's going concern position is discussed further in the directors' report.

### **Principal risks and uncertainties**

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, given the nature of its activities, apart from those mentioned below.

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. Therefore, they can only provide reasonable, not absolute, assurance against material misstatement or loss.

Throughout the financial year, the directors of the respective companies reviewed the strategic risk registers. Risks are evaluated both in financial terms and in relation to their impact and likelihood and appropriate mitigation actions are assigned following the review.

Although at present there are no immediate risks considered likely to have a significant impact on the short or long-term value of the group, the principal risks identified are as follows:

#### *Financial risk management*

The business' principal financial instruments comprise bank balances, debtors and creditors. The main purpose of these instruments is to finance the business' operations. The liquidity risk of creditors is managed by ensuring sufficient funds are available to meet amounts due.

## **Strategic report** *(continued)*

### **Health, safety and environment**

Kelda Energy Services (Old Whittington) Limited's key health and safety risks relate to the management of contractors as it has no direct employees, contractors are managed by Yorkshire Water staff whose time is recharged to the company. The management of health and safety risks is discussed in the Yorkshire Water Annual Report and Financial Statements (which do not form part of this report). As part of the turbine's planning consent conditions, ecological monitoring surveys were required, these began during the previous year and have continued during the current year up to the date of disposal.

### **Outlook and future developments**

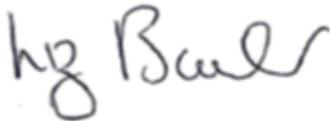
KWS' strategy remains focused on delivering the wider Kelda group vision.

A key focus for the coming year is to maintain safe and stable operations for Kelda Energy Services (Old Whittington) Limited in the event assets are transferred into this company from elsewhere within the group.

### **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 that of a holding company. It does not have employees, business relationships with suppliers, customers or others, and its operations do not impact on the community or the environment. Through their actions, the directors operate the company in a manner consistent with Kelda group'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 the audited financial statements of the company for the year ended 31 March 2020.

### **Results and dividends**

The loss for the financial year was £378,000 (2019: profit £10,325,000).

The company paid dividends of £nil during the year (2019: £19,150,000).

### **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. Kelda Water Services Limited acts as a holding company within the Kelda Holdings Limited group ('Kelda group'). Notwithstanding the loss for the financial year, the company has net current assets of £879,000 which is sufficient to cover its contractual cash flows with the directors believing that the company has adequate resources to continue in operational existence for at least 12 months after these financial statements are signed. The directors have considered the quality of the asset base noting that £1,565,000 is due from group undertakings and repayable on demand, the directors believe that the going concern for the company is inherently linked to the going concern of the Kelda group. 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 Yorkshire Water Services Limited ('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**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

E M Barber

C S Haysom (resigned 30 April 2019)

B P Raistrick

### **Future development and financial risk management**

Future developments and financial risk management are included within the Strategic Report.

## **Directors' report (continued)**

### **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.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on pages 2 to 3.

### **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.

### **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** *(continued)*

### **Directors' responsibilities statement**

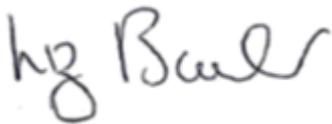
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Kelda Water Services Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Kelda Water Services 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 19.

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).

#### **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 Kelda Water Services 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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 Kelda Water Services 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.



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*

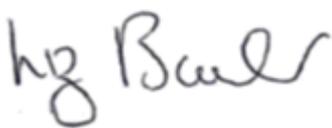
	<i>Note</i>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Turnover</b>	3	-	22
Operating costs before exceptional costs		<b>(62)</b>	(276)
Exceptional items	7	-	564
Amounts written off investments	12	<b>(510)</b>	-
<b>Operating (loss)/profit</b>	4	<b>(572)</b>	310
Income from shares in group undertakings		<b>224</b>	9,580
Other interest receivable and similar income	8	<b>47</b>	530
Interest payable and similar charges	9	<b>(44)</b>	(27)
<b>(Loss)/profit before taxation</b>		<b>(345)</b>	10,393
Taxation	10	<b>(33)</b>	(68)
<b>(Loss)/profit for the financial year</b>		<b>(378)</b>	10,325

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

**Balance sheet**  
*as at 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Fixed assets</b>			
Investments	<i>12</i>	-	10
<b>Current assets</b>			
Debtors	<i>13</i>	<b>1,565</b>	2,199
Cash at bank and in hand		<b>5</b>	235
		<hr/> <b>1,570</b>	<hr/> 2,434
<b>Creditors:</b> amounts falling due within one year	<i>14</i>	<b>(691)</b>	(1,134)
<b>Net current assets</b>		<hr/> <b>879</b>	<hr/> 1,300
<b>Total assets less current liabilities</b>		<hr/> <b>879</b>	<hr/> 1,310
<b>Creditors:</b> amounts falling due after more than one year	<i>15</i>	-	(53)
<b>Provisions for liabilities</b>			
Other provisions	<i>16</i>	<b>(218)</b>	(218)
<b>Net assets</b>		<hr/> <b>661</b>	<hr/> 1,039
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>	-	600
Profit and loss account	<i>18</i>	<b>661</b>	439
<b>Total shareholders' funds</b>		<hr/> <b>661</b>	<hr/> 1,039

These financial statements on pages 10 to 22 have been approved by the board of directors, authorised for issue and are signed on its behalf by:



**E M Barber**  
*Director*

31 July 2020  
 Company registered number: 02180706

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

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholders' equity £'000</b>
Balance at 1 April 2019	600	439	<b>1,039</b>
<b>Total comprehensive expense for the year</b>			
Loss for the financial year	-	(378)	<b>(378)</b>
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(378)	<b>(378)</b>
	<hr/>	<hr/>	<hr/>
<b>Transactions with owners recorded directly in equity</b>			
Reduction of share capital (note 18)	(600)	600	-
Dividends (note 11)	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>661</b>	<b>661</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholders' equity £'000</b>
Balance at 1 April 2018	600	9,264	9,864
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	10,325	10,325
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	10,325	10,325
	<hr/>	<hr/>	<hr/>
Dividends (note 11)	-	(19,150)	(19,150)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	600	439	1,039
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements

### 1 Accounting policies

Kelda Water Services 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 in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling.

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 as adopted by the EU 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 is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Transactions between wholly-owned subsidiaries, or with their parent.

As the consolidated financial statements of Kelda Eurobond Co Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments*.

The financial statements have been prepared in accordance with applicable law and Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### ***Measurement convention***

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

## 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. Kelda Water Services Limited acts as a holding company within the Kelda Holdings Limited group ('Kelda group'). Notwithstanding the loss for the financial year, the company has net current assets of £879,000 which is sufficient to cover its contractual cash flows with the directors believing that the company has adequate resources to continue in operational existence for at least 12 months after these financial statements are signed. The directors have considered the quality of the asset base noting that £1,565,000 is due from group undertakings and repayable on demand, the directors believe that the going concern for the company is inherently linked to the going concern of the Kelda group. 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 Yorkshire Water Services Limited ('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.

#### **Classification of financial instruments issued by the company**

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## **Notes to the financial statements** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Basic financial instruments***

##### *Other debtors*

Other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Other creditors*

Other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

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.

##### *Cash and cash equivalents*

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

##### *Investments*

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. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. 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 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, largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" ("CGU")).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

## **Notes to the financial statements** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Turnover***

Turnover is recognised as services are provided to other KWS group companies.

#### ***Exceptional items***

Exceptional items are items which derive from events or transactions that fall within the company and which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. Items of significance that fall outside the normal activities are also deemed exceptional.

#### ***Interest receivable and payable***

Interest receivable and payable is recognised in profit or loss as it accrues, using the effective interest method.

#### ***Dividends receivable***

Dividends receivable are included in the company financial statements in the period in which the related dividends are actually received.

#### ***Employee benefits***

##### ***Defined contribution plans***

A defined contribution plan is post-employment benefit 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.

#### ***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 income, in which case it is recognised directly in equity or other comprehensive income.

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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### **2 Accounting estimates and judgements**

The preparation of financial statements under FRS 102 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

Turnover is wholly attributable to the value of services provided to other KWS group companies, the company's principal activity, and arises solely within the United Kingdom.

### 4 Operating (loss)/profit

*Operating (loss)/profit is stated after (crediting)/charging:*

	2020 £'000	2019 £'000
Exceptional items (note 7)	-	(564)
Amounts written off investments (note 12)	510	-
Audit of these financial statements	6	11
	<u>6</u>	<u>11</u>

### 5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Administration	-	2
	<u>-</u>	<u>2</u>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	-	194
Social security costs	-	1
Other pension costs	-	19
Release of LTIP accruals	-	(202)
	<u>-</u>	<u>12</u>
	<u>-</u>	<u>12</u>

Wages and salaries in the prior year reflects the release of accruals of £202,000 for payments due under the Long Term Incentive Plan.

### 6 Directors' remuneration

	2020 £'000	2019 £'000
Emoluments	-	408
Amounts receivable under long term incentive schemes	-	143
Company contributions to money purchase pension schemes	-	16
	<u>-</u>	<u>567</u>
	<u>-</u>	<u>567</u>

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1
Defined benefit schemes	-	1
	<u>-</u>	<u>1</u>
	<u>-</u>	<u>1</u>

**Notes to the financial statements** *(continued)*

**6 Directors' remuneration** *(continued)*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration of the highest paid director:		
Emoluments	-	358
	<u>          </u>	<u>          </u>

In the current year, all the directors are employees, or directors, of other group undertakings and are remunerated by the relevant undertaking and received no emoluments in respect of their services to the company. In the prior year, the highest paid director is a member of the company's defined benefit pension scheme and had accrued entitlements of £32,000 under the scheme at the end of that year.

**7 Exceptional items**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit on sale of investments	-	564
	<u>          </u>	<u>          </u>

In the prior year, the profit on sale of investments relates to the disposal of non-regulated businesses as described in the Strategic Report.

**8 Other interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from group undertakings	47	526
Other interest receivable	-	4
	<u>          </u>	<u>          </u>
Total other interest receivable and similar income	<u>47</u>	<u>530</u>

**9 Interest payable and similar charges**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts payable to group undertakings	44	27
	<u>          </u>	<u>          </u>
Total interest payable and similar charges	<u>44</u>	<u>27</u>

## Notes to the financial statements *(continued)*

### 10 Taxation

#### Total tax charge recognised in the profit and loss account

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<i>Current tax</i>		
UK corporation tax on profits for the period	-	16
Adjustments in respect of prior periods	-	13
	<hr/>	<hr/>
Total current tax	-	29
<i>Deferred tax</i>		
Origination and reversal of timing differences	37	44
Change in tax rate	(4)	(5)
	<hr/>	<hr/>
Total deferred tax	33	39
	<hr/>	<hr/>
Total tax charge	<b>33</b>	68
	<hr/> <hr/>	<hr/> <hr/>

#### Reconciliation of effective tax rate

	<b>2020</b>	2019
	<b>£'000</b>	£'000
(Loss)/profit before taxation	<b>(345)</b>	10,393
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2019: 19%)	<b>(65)</b>	1,975
Effects of:		
Non-deductible expenses	<b>110</b>	42
Deferred tax not provided	<b>1</b>	-
Adjustments in respect of prior periods	-	14
Income not taxable for tax purposes	<b>(42)</b>	(1,957)
Transfer pricing adjustments	-	(1)
Tax rate changes	<b>(4)</b>	(5)
Intercompany transfer of DT asset in relation to LTIPs	<b>33</b>	-
	<hr/>	<hr/>
Total tax charge included in profit or loss	<b>33</b>	68
	<hr/> <hr/>	<hr/> <hr/>

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)

### 11 Dividends

The following dividends were declared by the company during the year:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
£nil (2019: 31.92p) per qualifying share	-	19,150
	-	19,150

Pence per share is rounded to two decimal places.

### 12 Investments

	<b>Shares in subsidiary undertakings</b>
	<b>£'000</b>
<i>Cost</i>	
At 1 April 2019	10
Additions	500
Amount written off investments	(510)
<b>Net book value</b>	-
<b>At 31 March 2020</b>	-
At 31 March 2019	10

During the year, the following rationalisation transactions took place:

Kelda Energy Services (Old Whittington) Limited issued 10,000 ordinary shares of £1 each to the company for a cash consideration of £500,000 in part settlement of intercompany debt. The investment of £510,000 was subsequently impaired by £509,998.

The subsidiary undertakings of the company at the year end, whose registered office, unless otherwise stated, is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ, are as follows:

	<b>Country of incorporation</b>	<b>Principal activity</b>		<b>Percentage of ordinary shares held</b>
				<b>2020</b>
<i>Subsidiary undertakings</i>				
Kelda Energy Services (Old Whittington) Limited	England & Wales	Holding of operational assets on behalf of Kelda group companies		100%
Safe-Move Limited	England & Wales	Dormant		100%
Kelda Water Services (Projects) Limited	England & Wales	Dormant		100%

## Notes to the financial statements *(continued)*

### 13 Debtors

	2020 £'000	2019 £'000
Amounts owed by group undertakings	1,565	2,121
Other debtors	-	45
Deferred tax assets (see note 17)	-	33
	<b>1,565</b>	<b>2,199</b>
	<b>1,565</b>	<b>2,166</b>
Due after more than one year	-	33
	<b>1,565</b>	<b>2,199</b>
	<b>1,565</b>	<b>2,199</b>

Amounts owed by group undertakings include an amount of £115,000 (2019: £2,091,000) owed from Kelda Energy Services (Old Whittington) Limited, which bears interest at three months LIBOR + 0.4%, is unsecured and repayable on demand. All other balances are interest free and repayable on demand.

### 14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	691	965
Accruals and deferred income	-	169
	<b>691</b>	<b>1,134</b>
	<b>691</b>	<b>1,134</b>

All amounts owed to group undertakings are unsecured and repayable on demand. The amounts include £681,000 (2019: £767,000) owed to Kelda group companies which bear interest at 0.4% over LIBOR, with the remainder being interest free.

### 15 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Other creditors	-	53
	<b>-</b>	<b>53</b>
	<b>-</b>	<b>53</b>

### 16 Other provisions

	2020 £'000	2019 £'000
Other provisions	218	218
	<b>218</b>	<b>218</b>
	<b>218</b>	<b>218</b>

The provision of £218,000 recorded in the year ended 31 March 2019 relates to an indemnity claim received from the purchaser of Kelda Water Services (Defence) Limited for performance failures prior to the sale of the company. The timings of any payments are unknown and cannot be reliably estimated.

## Notes to the financial statements *(continued)*

### 17 Deferred tax assets

Deferred tax assets are attributable to the following:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Accelerated capital allowances	-	1
Other	-	32
	-	33
Tax assets	-	33

The company has deferred tax assets not recognised (at the closing rate) due to fixed asset timing differences of £1,000 (2019: £nil).

### 18 Capital and reserves

<b>Called up share capital</b>	<b>2020</b>	2019
	<b>£'000</b>	£'000
<i>Allotted, called up and fully paid</i>		
600,000 (2019: 600,000) ordinary shares of £0.0001 each (2019: £1)	-	600
	-	600

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.

Following a balance sheet review, on 30 March 2020, the issued share capital of the company was reduced from £600,000 to £60 by cancelling and extinguishing to the extent of £0.9999 on each issued fully paid up ordinary share of £1 each in the company and reducing the nominal value of each issued fully paid up ordinary share from £1 to £0.0001 (0.01p). The overall effect of these transactions was to transfer £600,000 from share capital to profit and loss reserve.

Dividends paid during the year are disclosed in note 11.

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

### 19 Ultimate parent company and ultimate controlling party

The company is a subsidiary undertaking of Kelda Group Limited, incorporated in England and Wales. The ultimate controlling party 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, BD6 2SZ.