NI Water Clear Limited

Annual report and financial statements

Registered number NI647548

Year ended 31 March 2020

Contents

Directors and advisors

Directors

R Larkin
S Venning

Company secretary

M Ellesmere

Independent auditors

KPMG
Chartered Accountants and Statutory Auditors
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

Registered office

Westland House
40 Old Westland Road
Belfast
BT14 6TE

Bankers

Danske Bank
Donegall Square West
Belfast
BT1 6JS

Directors' report

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

Principal activity

The Company was incorporated to act as a holding company for the acquisition on 20 November 2017 of Dalriada Holdings Limited and Northern Ireland Water Alpha Limited.

Results and dividends

The profit for the financial year amounts to £893k (2019: £1,022k).

The directors have not recommended the payment of a dividend.

Going concern

The directors consider that the impact of Covid 19 will not be significant to the financial performance of the Company. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company Northern Ireland Water Limited.

Events since the end of the year

There have been no significant events since the end of the year.

Directors

The directors of the Company who were appointed on the incorporation of the Company and in office up to the date of signing the financial statements were:

R Larkin
S Venning

Political donations and expenditure

The Company made no political contributions nor incurred any political expenditure during the accounting year to 31 March 2020 (2019: £Nil).

Directors' statement as to disclosure of information to the auditor

So far as the directors are each aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' and officers' liability insurance

Directors' and Officers' liability insurance in respect of the Company and its directors is in place through the Northern Ireland Water Group policy.

Small company's exemption

In preparing the directors' report, the directors have taken the small companies exemption under Section 414(B) of the Companies Act 2006 not to prepare a strategic report.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG will therefore continue in office.

Refinancing

During the year the loan due and the equity held by Northern Ireland Water Limited were refinanced. Further information is provided at note 13 to the Financial Statements.

Future Developments

The company will continue to act as a holding company for Dalriada Holdings Limited and Northern Ireland Water Alpha Limited.

Directors' report

On behalf of the board

S Venning
Director
25 June 2020

Statement of director’s responsibilities in respect of the directors’ report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

M Ellesmere

Company Secretary

25 June 2020

KPMG
Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

Independent auditor's report to the members of NI Water Clear Limited

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of NI Water Clear Limited ('the Company') for the year ended 31 March 2020, which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- 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 FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

KPMG

Independent auditor's report to the members of NI Water Clear Limited (continued)

1 Report on the audit of the financial statements *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

John Poole

John Poole, Senior Statutory Auditor
for and on behalf of
KPMG Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

26 June 2020

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2020

	Note	**2020** **£000**	2019 £000
Turnover	*2*	**-**	-
Operating costs		**(7)**	(6)
Operating loss		**(7)**	(6)
Interest receivable and similar income	*5*	**1,498**	1,389
Interest payable and similar expenses	*6*	**(389)**	(361)
Profit before taxation		**1,102**	1,022
Tax on profit	*7*	**(209)**	-
Profit for the year		**893**	1,022

All of the results of the Company derive from continuing operations.

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

The notes on pages 11 to 19 form part of these financial statements.

Balance Sheet
as at 31 March 2020

	Note	**2020 £000**	2019 £000
Fixed Assets			
Investments	*8*	**12,627**	12,627
Current assets			
Debtors	*9*	**20,911**	19,413
Cash at bank and in hand		**1,809**	1,815
		22,720	21,228
Creditors: amounts falling due within one year	*10*	**(9,133)**	(32,416)
Net current assets/(liabilities)		**13,587**	(11,188)
Total assets less current liabilities		**26,214**	1,439
Creditors: amounts falling due after more than one year	*11*	**(18,882)**	-
Net assets		**7,332**	1,439
Capital and reserves			
Called up share capital	*12 & 13*	**3,000**	-
Share premium account	*12 & 13*	**2,000**	-
Profit and loss account		**2,332**	1,439
Total shareholders' funds		**7,332**	1,439

The notes on pages 11 to 19 form part of these financial statements.

The financial statements were approved by the board of directors on 25 June 2020 and were signed on its behalf by:

R Larkin
Director

Company registered number: NI647548

Statement of Changes in Equity
for the year ended 31 March 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 April 2018	-	-	417	**417**
Total comprehensive income for the year				
Profit	-	-	1,022	**1,022**
Total comprehensive income for the year	-	-	1,022	**1,022**
Balance at 31 March 2019	-	-	1,439	**1,439**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 April 2019	-	-	1,439	**1,439**
Shares issued in the financial year	3,000	2,000	-	**5,000**
Total comprehensive income for the year				
Profit	-	-	893	**893**
Total comprehensive income for the period	-	-	893	**893**
Balance at 31 March 2020	**3,000**	**2,000**	2,332	**7,332**

The notes on pages 11 to 19 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

NI Water Clear Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in the UK. The registered number is NI647548 and the registered address is Westland House, 40 Old Westland Road, Belfast BT14 6TE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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.

The Company's ultimate parent undertaking, Northern Ireland Water Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Northern Ireland Water 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 the Company's website www.niwater.com or from Northern Ireland Water Limited's registered office, Westland House, 40 Old Westland Road, Belfast, BT14 6TE.

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

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- 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. No judgements made by the directors, in the application of these accounting policies have significant effect on the financial statements and there are no estimates with a significant risk of material adjustment.

The Company has adopted the following IFRSs in these financial statements:

- IFRS 16: Leases – This has not had a significant impact on the financial statements.
- IFRIC 23: Uncertainty over Income Tax Treatments – This has not had a significant impact on the financial statements.
- Amendments to IAS 9: Plan Amendment, Curtailment or Settlement – This has not had a significant impact on the financial statements.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures – This has not had a significant impact on the financial statements.
- Amendments to IFRS 9: Prepayments Features with Negative Compensation – This has not had a significant impact on the financial statements.
- Annual Improvements to IFRS Standards 2015-2017 Cycle – This has not had a significant impact on the financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

As stated in the director's report the directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its parent company Northern Ireland Water Limited. The Company has refinanced its loan arrangements with its parent company such that at 31 March 2020 a substantial proportion of the new loan is included in creditors amounts falling due more than one year £18,882k (2019: nil). See note 13 to the financial statements for more information.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment.

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.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

(b) Subsequent measurement and gains and losses (continued)

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

(iii) Impairment (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Expenses

Interest receivable and interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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. Foreign currency gains and losses are reported on a net basis.

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 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 is it probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements *(continued)*

2 Turnover

Turnover represents the value of goods and services supplied to third parties. There was no turnover during the year.

3 Expenses and auditor's remuneration

Included in profit are the following:

	2020 **£000**	2019 £000
Auditor's remuneration: Audit of these financial statements	3	3

4 Staff costs and directors' emoluments

The Company did not have any employees during the year ended 31 March 2020 (2019: £Nil).

The directors did not receive any emoluments for their services to the Company.

5 Interest receivable and similar income

	2020 **£000**	2019 £000
Interest receivable from parent and fellow subsidiary undertakings	**1,498**	1,389
Total interest receivable and similar income	**1,498**	1,389

6 Interest payable and similar expenses

	2020 **£000**	2019 £000
Interest payable to parent undertaking	**(389)**	(361)
Total interest payable and similar expenses	**(389)**	(361)

Notes to the financial statements *(continued)*

7 Taxation

Total tax charge recognised in the profit and loss account

	2020	2019
	£000	£000
UK corporation tax		
Current tax on income for the year	**209**	-
Total current tax	**209**	-
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Total deferred tax	**-**	-
Tax on profit	**209**	-

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit for the year	**1,102**	1,022
Total tax expense	**-**	-
Profit excluding tax	**1,102**	1,022
Tax using the UK corporation tax rate of 19% (2019: 19%)	**209**	194
Group relief not paid for	**-**	(194)
Total tax expense	**209**	-

Factors affecting future tax charge

The Company’s deferred tax for 2019/20 has been calculated at an appropriate rate which is expected to apply when assets are realised or liabilities are settled. In preparing the calculation, a prudent approach has been taken when considering the rate at which timing differences, including losses, will reverse. The rate enacted at the balance sheet date is 19% for the year from 1 April 2019 to 31 March 2020 and thereafter.

From April 2017 two new pieces of legislation were introduced which may impact the future tax charge as follows:

- A restriction on the use of brought forward losses may affect Groups that were previously loss making that become profit making, and have profits over £5m. This measure may result in cash tax being payable before all of the trading losses brought forward have been utilised.
- The Corporate Interest Restriction legislation was introduced. The Group considers itself to be a qualifying infrastructure company for the Public Infrastructure Exemption and does not anticipate that the new rules will impact on the deductibility of interest payable by members of the Group.

In the 2018 Budget the government announced two changes that will have an impact on capital allowances claims in future years:

- From April 2019 there has been a reduction in the annual writing down allowance available for assets in the special rate pool from 8% to 6%.
- A new allowance for capital expenditure, a Structures and Buildings Allowance was introduced for eligible costs incurred where all contracts were entered on or after 29th October 2018. Structures and Buildings Allowances will be available when the asset is brought into use at a flat rate of 2% per annum.

Notes to the financial statements *(continued)*

8 Fixed assets Investments

	Shares in group undertakings
	£000
Cost	
At 1 April 2019	**12,627**
Additions	-
At 31 March 2020	**12,627**
Net book value at 31 March 2020	**12,627**

As at 31 March 2020, the Company has the following investments in subsidiaries:

	Registered Office	Principal activity	Class of share held	Percentage of shares held
Northern Ireland Water Alpha Limited	9 Dunore Road Aldergrove, Crumlin Co. Antrim BT29 4DZ	Operating treatment works	Ordinary	100%
Dalriada Water Holdings Limited	Westland House, 40 Old Westland Road, Belfast BT14 6TE	Holding Company	Ordinary	100%
Dalriada Water Limited*	9 Dunore Road Aldergrove, Crumlin Co. Antrim BT29 4DZ	Construction and financing of clean water treatment facilities	Ordinary	100%

*The shares of Dalriada Water Limited are held 100% by Dalriada Water Holdings Limited.

Notes to the financial statements *(continued)*

9 Debtors

	2020	2019
	£000	£000
Loan to group undertakings	**14,539**	13,115
Amounts owed by group undertakings	**6,372**	6,298
	20,911	19,413
Due within one year	**7,684**	7,091
Due after more than one year	**13,227**	12,322

The loan to group undertakings represents sub-ordinated debt owed by Dalriada Water Limited. The terms of the sterling loan are: fixed nominal interest rate of 10.58%; repaid 6 monthly; and a maturity date of 2031.

Amounts owed by group undertakings relate to intercompany trading balances and are unsecured, with a floating rate of interest of LIBOR plus 0.4% per annum and repayable on demand.

10 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Loan from group undertakings	**1,118**	-
Amounts owed to group undertakings	**7,798**	32,410
Tax and social insurance	**210**	-
Accruals and deferred income	**7**	6
	9.133	32,416

The loan from group undertakings is in sterling, unsecured and repayable by instalments to maturity date of 2031 with a fixed rate of interest payable at 7% per annum.

The amounts owed to group undertakings (which relate to intercompany trading balances) are unsecured, at a floating rate of interest of LIBOR plus 0.4% per annum and repayable on demand.

11 Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Loan from group undertakings	**18,882**	-
	18,882	-

The loan from group undertakings is in sterling, unsecured and repayable by instalments to maturity date of 2031 with a fixed rate of interest payable at 7% per annum. Included within this are amounts repayable after five years by instalments of £13,570k (2019: nil)

Notes to the financial statements *(continued)*

12 Capital and reserves

	2020	2019
	£000	£000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	**3,000**	-
Shares classified in shareholders' funds	**3,000**	-

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. See note 13 below on the issue of the new shares in the year.

13 Capital Restructuring

During the year NI Water Clear Limited was restructured to replace a working capital loan to NI Water as follows:

> 3,000,000 ordinary shares of £1.00 were issued by NI Water Clear Limited and were acquired by NI Water Limited in consideration for the discharge of £5,000,000 of the working capital loan;
>
> A debt instrument of £20m was issued by NI Water Clear Limited to NI Water in consideration for the discharge of £20m of the working capital loan. The debt instrument has a fixed interest rate of 7% and the principal is repayable by instalments until maturity in 2031. At 31 March 2020 the loan is in included at note 10 creditors amounts falling due less than one year £1,1182k (2019: nil) and at note 11 creditors amounts falling due more than one year £18,882k (2019: nil).
>
> The remainder of the existing working capital loan was transferred to a cash pooling agreement at a floating rate of interest of LIBOR plus 0.4% per annum. The balance at 31 March 2020 was £7,702k (2019: nil) and is included at note 10 creditors falling due less than one year.

In addition, a cash pooling arrangement has been put in place at a floating rate of interest of LIBOR plus 0.4% per annum between NI Water Clear Limited and Northern Ireland Water Alpha Limited to replace the existing informal loan. The balance at 31 March 2020 was £6,268k and is included in Debtors at note 9.

14 Related parties

Identity of related parties with which the Company has transacted

Since 100% of the Company's voting rights are controlled by Northern Ireland Water Limited, the Company has taken advantage of the exemption not to disclose transactions or balances with other wholly owned subsidiaries.

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Northern Ireland Water Limited which is the ultimate parent company and controlling party.

The results of the Company are consolidated in the financial statements of Northern Ireland Water Limited, incorporated in Northern Ireland. No other group financial statements include the results of the Company. The consolidated financial statements of Northern Ireland Water Limited are available to the public and may be obtained from the Company Secretary at its registered address, Westland House, 40 Old Westland Road, Belfast, BT14 6TE.