Preliminary results for the year ended 31 March 2020

Portsmouth Water Limited, a supplier of water to Hampshire and West Sussex, announced its results for the year to 31 March 2020.

Company Number: 2536455

Highlights

- Lowest water bills in the industry with an average bill of £106, against an industry average of £186
- Highest SIM score for customer service in industry over AMP6
- RoSPA Order of Distinction Award winner for continuous high achievement in health and safety over sixteen years
- Conclusion of our PR19 Business Plan to Ofwat and planning for next AMP period
- Continued progress made with Havant Thicket Winter Storage Reservoir

2020 RoSPA Order of Distinction

ServiceMark
Accredited from Apr '18 to Apr '21
The Institute of Customer Service

Turnover

£43.1m

2020	43.1m
2019	42.2m
2018	40.5m

Cash generated from operations

£10.8m

2020	10.8m
2019	9.8m
2018	23.6m

Capital expenditure

£19.7m

2020	19.7m
2019	14.8m
2018	7.5m

Operating profit[1]

£8.1m[1]

2020	8.1m
2019	7.9m
2018	6.4m

Loss before tax

£(1.3)m

(1.3)m	2020
(0.7)m	2019
(1.1)m	2018

[1]Operating profit before exceptional items relating to gain/loss on disposal of fixed assets and National Insurance costs relating to share proceeds and COVID related bad debt provision.

Chairman's Statement

I have great pleasure in presenting the Annual Report and Accounts for the final year of the 5 year PR14 regulatory cycle and my final year as Chairman. This has been a busy year with completion of the Business Plan, conclusion of the Final Regulatory Determination and delivery of key operational activities - including continued excellent customer service levels and achieving significant and sustained reductions in leakage.

This has also been a significant year of transition – to ready the business for delivery of the highly challenging 2020-2025 Business Plan and preparing for the successful delivery of a major regional water resource – Havant Thicket Winter Storage Reservoir project ('HTWSR').

We are proud to deliver the best customer service in the industry whilst having the lowest household bill in the country. The Board, reflecting on the views of stakeholders, has updated the Company's "purpose" formally recognising the "community" aspect of our Company mission that had always been implicit – delivering excellence for our customers, our people, the environment and the communities that we serve. As part of this commitment we have developed the Company's Community Partnership.

Facing the Challenges of COVID-19

Although the impacts of the COVID-19 pandemic were only just emerging as we ended the 2019/20 financial year it was clear that this would result in extensive operational challenges and adversely impact the finances of the business. As the provider of a key public service our overarching objectives are to maintain the provision of high quality water supplies to our customers whilst adhering to Government guidance.

We have acted swiftly, through our COVID-19 action plan, to implement new ways of working, with the vast majority of employees now working remotely to maintain social distancing requirements. We also suspended certain activities that could not be carried out safely. Our scale, and our committed workforce, has allowed us to respond quickly and effectively to these emerging challenges and the same will apply when things start to return to normal.

We enter the 2020-2025 Regulatory period with limited headroom on financeability. This is likely to be reduced further as a result of the financial impact of COVID-19. This downward pressure is being mitigated by cost reductions and careful cashflow management in order to maintain compliance with our license obligations and existing covenants. This is discussed further as part of our Viability Statement and Going Concern conclusions.

I would like to take this opportunity to say how proud I am of how our people have risen to the significant challenges of the COVID-19 pandemic to ensure that we continue to deliver for customers and stakeholders.

Our Values

Our values of Excellence, Integrity and Respect are deeply rooted and embedded in our company history and culture. We have always believed that a values-based culture empowers our people to "do the right thing" in delivering our essential services, taking care of our customers and supporting our local communities. This commitment to a values based culture is critical to our delivery of exceptional levels of customer service. I was proud to see that our 2019 staff survey showed that over 96% of people both understand what the values mean to them and believe they operate, at all times, in line with these values.

Our Customers

We were delighted to continue our sector leading customer service performance being ranked first overall in the independent Service Incentive Mechanism (SIM) for the five year regulatory period. In addition, through the independent Institute of Customer Service, we have been awarded their prestigious 'ServiceMark'. Their annual Business Benchmarking survey gave a score of 82.7 for Portsmouth Water, which compares with their national survey results, where utilities averaged 72.1 and an all sectors an average of 77.1. This provides strong, independent evidence that our customer service rivals that across all sectors.

We have been pro-active in supporting our household customers impacted by the COVID-19 pandemic, by offering payment holidays and increasing the number of customers accessing our affordable "social tariff"; with the number of customers on this tariff increasing by over a quarter during the year to now stand at 8,400. Throughout the year we have also worked collaboratively with other utilities and support agencies to promote assistance for those with vulnerabilities – particularly important during these difficult times, including adding some 32,200 customers over the age of 70 to our Priority Services Register - this represents over 10% of our customer base.

We have also seen a strong performance in services levels with our developer customers, with the developer satisfaction survey showing 93% satisfaction. The initial pilot for the new Ofwat customer service measures for household customers "C-Mex", have also shown consistently strong performance with Portsmouth Water ranking 2nd in the industry.

Our Communities

Supporting the local communities that we are proud to serve has been a long-term commitment for Portsmouth Water. The feedback from the extensive customer and stakeholder engagement that we undertook, through the PR19 Business Planning process, highlighted the high value placed upon this aspect. So we have strengthened our company purpose to reflect the strong community aspect of our business activities.

In parallel, the Board tasked our Young Person's Board to develop our social contract which we call the Community Partnership. This clearly establishes how we will work in partnership with our local communities and particularly how the whole process of developing and building the HTWSR project will have a community focus – in understanding what our communities would like this resource to deliver, involving them in the process and leaving a leisure and wildlife haven as a lasting legacy for our local communities.

During the COVID-19 pandemic we have encouraged our people to support the community response through volunteering, we have developed new "home schooling" educational resources and delivered a new water supply to our local COVID-19 test centre free of charge.

Our Infrastructure

Over many years the Company has invested to improve the resilience of our network. A high degree of interconnectivity allows us to move water across our area of supply when needed and multiple water sources further increase resilience to enable us to manage the risk of loss of treatment works or infrastructure failures. However, we are never complacent about the importance of resilience and continue to invest in this important aspect.

This year we replaced or repaired 15km of pipes at a total cost of £4.4m. Of this 6.9km of new pipes were delivered. We have continued to focus on reducing leakage, investing £2.0m during the year to improve leakage detection. We delivered an 18% reduction in leakage during the year. We have used some highly innovative approaches including further developing our "smart network" capabilities and an innovative approach to leak detection on plastic pipes.

Through the development of the HTWSR project, we are making a significant long term investment in the resilience and security of supply for the South East region as a whole. Essential planning and environmental mitigation work for this reservoir took place during the year with a total spend of £5m. We were also delighted that Ofwat approved the £123.6m investment for this project in our regulatory determination for the next 10 year period.

Our People

The commitment and dedication shown by our staff is the key reason that, as the smallest UK water company, Portsmouth Water remains one of the best all round performers. This was always going to be a busy year for our team, with the finalisation of and preparation for delivery of the PR19 Business Plan, completion of the current regulatory commitments, significant progress in the development of HTWSR and the start of the response to the COVID-19 pandemic. I would like to take this opportunity to thank our staff for all of their hard work and commitment and to say what a privilege it has been to work with them during my tenure as Independent Non-Executive Director and Independent Chairman.

The Board has also been through an extensive and rigorous process to appoint Christopher Deacon to the Board in preparation to take over the role of Chairman and work with the Company through the PR19 regulatory cycle. The Board and the senior leadership team welcome him to the business and look forward to working with Christopher to deliver the challenging 2020-2025 Business Plan – including the continued delivery of the HTWSR project – the largest single project in the Company's history and the first such project in the South East for nearly 50 years.

Health and Safety has been a long-standing Board commitment and I was delighted that the Company has been awarded the Order of Distinction by the Royal Society for the Prevention of Accidents for the first time. This award is given to organisations that have demonstrated consistent excellence in the area of Health & Safety for 15 years or more. The Order of Distinction Award acknowledges our achievements in the previous 15 years; winning ten Gold awards, five Presidents' awards and an Industry Sector award. This is a tremendous achievement and a true testimony to the efforts that our people have shown to make it a safer place to work.

Our Business

We committed significant resources during the year to completing the PR19 regulatory business planning process. We were pleased to receive a final determination from Ofwat that included, as a separate price control, provision for the development of the £123.6m HTWSR project. This project has a 10 year price control which includes a mid-point review, to cover certain aspects such as cost of capital and a review of certain cost elements.

The final determination will result in an average bill of £102, which is 5% lower than our current bill level. We were pleased that our business plan showed we were the most efficient UK water Company and to be allowed additional headroom in TOTEX as a consequence.

I would like to take the opportunity to thank the teams from Portsmouth Water and our investor – Ancala – for their hard work and enduring support in completing this challenging regulatory review cycle.

Our Environment

The year began with the continuation of the dry weather trend experienced last year with below average rain fall from April to September. However, the particularly wet winter months reversed this position ending the year with significantly above average ground water levels. This means that we do not anticipate any water resources issues throughout this coming summer.

We are continuing to protect the water we have, as well as playing an important role, by developing new water resources, to support the increasing demand across the wider South East. Our work with farmers and landowners is helping them to understand the impact of fertilisers and pesticides on groundwater, and through careful and continued management to reduce the need for expensive processes to be installed at water treatment works in the future.

The HTWSR project will allow us to transfer water to our neighbours, Southern Water, to allow them to supply customers in their west Hampshire zone in the event of prolonged dry weather. This means that Southern Water will take less from the environmentally sensitive rivers Test and Itchen. One of the most exciting aspects of the reservoir is the opportunity it to make a significant positive contribution to biodiversity in the area.

This year we have completed a comprehensive programme of activities on our own sites to promote biodiversity including; woodland management, the creation of bat roosts in an abandoned service reservoir and scrub clearance. In addition to this work and with the help of local communities, we have already planted over 3,000 saplings on the new HTWSR site. Through mitigation measures and the planned creation of a kilometre long wetland habitat, we are positive that the HTWSR project, when completed, will provide an overall net biodiversity gain for the area.

Financial Results

The results for the year show an operating profit of £8.1m (2019 - £7.9m) before exceptional items.

Turnover of £43.1m (2019 - £42.2m) shows a £0.9m increase driven by a combination of new properties, increased measured demand and a modest tariff increase.

Operating costs increased by £0.8m as a result of a number of net movements, the most significant of which are as follows; higher infrastructure renewals costs £0.4m reflecting the mix of projects undertaken, higher staff costs by £0.3m, higher depreciation of £0.3m, incremental trade effluent charges of £0.2m and higher power costs of £0.1m offset by lower PR19 costs of £0.6m.

Consistent with 2018/19 an exceptional item of £2.4m (2018/19 - £2.4m) arose in relation to exceptional employer's NIC and related charges in connection with the distribution of the final tranche of sale proceeds to employees (see note 31). Net interest payable of £7.3m (2018/19 - £7.4m) fell slightly due to indexation which is based on the July RPI value of each year. In addition, a COVID-19 related bad debt provision of £1.5m has been included in exceptional items. This represents the estimated additional exposure to bad debt as a result of the current circumstances.

The significant increase in gross capital expenditure of £19.7m (2018/19 - £14.8m) reflects, the activities explained under "Our Infrastructure" above. Within the year spend on the HTWSR Project accounted for £5m of additions as work on the project continues. £1.9m has been spent on Contact Time improvement projects at our water treatment sites in order to comply with our new disinfection policy. An additional £1.3m was spent on investing and refurbishing existing treatment works to ensure they remain reliable and resilient. A further £1.6m of costs have been incurred on the Eel screening project and creation of a second pipe crossing at the River Wallington. This is in accordance with the new Eels Regulation enforced by the Environment Agency.

Cash Flow

Cash generated from operations of £10.8m (2019 - £9.8m) remained consistent with long term out-turn. The significant £3m increase in spend on purchase of tangible fixed assets was offset by a higher level of borrowing under the revolving credit facility of £20m (2019 - £10m), resulting in a higher level of headroom in the loan interest cover ratio.

Gearing

Gearing has been calculated on both an adjusted and unadjusted bases to reflect the atypical cash held at the year end of £8.7m (2019 - £9.0m) in connection with the distribution of proceeds from the sale of the business (note 31).

	2019/20 £m	2018/19 £m
Adjusted	**65.8%**	60.3%
Unadjusted	**71.5%**	66.3%

On both bases gearing has increased as a consequence of the growth in Capex (and associated borrowing) in the year.

Ratios

The cash interest cover ratio of 1.59 times (2019 – 1.54 times) remains comfortably above that required for the covenant of >1.4 times. At 6.62% Return on Regulatory Equity (RoRE) is consistent with expected out-turn.

Following the final regulatory determination, we enter the next financial year with significantly tighter headroom in terms of financeability. This will require us to deliver material levels of cost saving and we have prepared for this during the 2019/20 financial period.

However, the full impact of the COVID-19 pandemic upon the business – and the wider economy – is unlikely to become apparent for some time.

We have already seen some impact upon the 2019/20 financial results, primarily relating to reduced Non Household revenue and a significant, incremental, bad debt provision of £1.5m. We have undertaken extensive financial modelling of different COVID-19 financial scenarios. In all cases will need to take mitigating steps to reduce the impacts we are likely to see, such as reduced revenue from commercial (non-household) customers and higher levels of bad debt from household customers. We have provided more detailed information on the impact of COVID-19 under "The issues that affect us" together with the Viability Statement and Going Concern.

In conclusion I would like to say what a pleasure it has been to work with Portsmouth Water. I wish the business and everyone within it well and I am convinced that it will rise to the new challenges of the next regulatory period. I wish Christopher Deacon every success in leading the Board in this next, exciting chapter, of Portsmouth Water's history.

Mike Kirk
Chairman
11 June 2020

Financial Performance

The year ended 31 March 2020 was the fifth and final year of the current Ofwat regulatory review period. We also received Ofwat's Final Determination for the forthcoming regulatory period (2020-2025). We were delighted that this determination included the development of the Havant Thicket Winter Storage Reservoir (HTWSR). This is included in a separate, 10 year, price control covering the period of construction and commissioning.

COVID-19 impacts

We have set out further detailed information relating to our response to the COVID-19 pandemic on pages 35 and 36. As the provider of a key public service our overarching objective is maintain the provision of high quality water supplies to our customers whilst closely adhering to Government guidance on social distancing. We have acted swiftly to implement new ways of working with the vast majority of employees now working remotely and have also suspended certain activities which could not be carried out safely in the current circumstances.

Although the impact of the pandemic only became evident in the final weeks of the 2019/20 financial period, we have seen some impacts on the results of the business primarily relating to the rapid reduction in revenue from non-household (commercial) customers with an impact of c £0.1m on revenue. We have also reflected the likely adverse economic conditions in our assessment of bad debt exposure, and as a result of this have made an additional, exceptional, bad debt provision of £1.5m. Finally we have reflected the possible impacts of the pandemic in our analysis of Going Concern and our Viability Statement.

We enter the 2020-2025 Regulatory period with limited headroom on financeability. This is now predicted to be further challenged, particularly in the early years, due to the combination of difficulties in the NHH retail market, household affordability issues and incremental COVID-19 related operating costs in many areas.

Ownership structure

In 2017/18 the Group was acquired using funds managed by Ancala Partners LLP ("Ancala"). This was effected through Ancala Fornia Holdco Limited, the Group's then ultimate controlling party. Ancala is an independent mid-market infrastructure investment manager. Ancala is committed to supporting the Company purpose of "Delivering excellence for our customers, our employees, the environment and the communities which we serve".

During the year, the Company's shareholders incorporated Southern Region Water Holding Limited in Hong Kong on the 13 September 2019 and transferred 100% of the investment held in Ancala Fornia Holdco Limited to Southern Region Water Holding Limited. Accordingly, Southern Region Water Holding Limited is the ultimate parent undertaking at the year end date. There was no change in the composition of the ultimate investors as a result of this. Further information on the group structure is set out on page 47.

As beneficiaries of the Employee Benefit Trust which previously owned the Group the majority of current employees received a share of sale proceeds. These were distributed by the Company on behalf of the Trust over a 3 year period, with the third and final payment made to staff in March 2020. This is discussed further in note 31.

Financing structure

Since 2001 the Company has largely been financed through a 30 year (to 2029) index linked fixed interest loan with a base value of £66.5m. This was drawn in 2002, with inflation risks on the cost of the loan being effectively hedged against regulated revenues which are also currently linked to the Retail Prices Index (RPI). Interest is charged at a fixed rate of 3.635% on the indexed amount of the loan. The indexed carrying value of the loan at 31 March 2020 was £109.7m (2019 - £106.7m).

Gearing and liquidity

Net debt to regulatory capital value is a key covenant defined by the Company's loan documents. Gearing at 65.8% (2019 – 60.3%) increased as a result of slightly lower operating cash flow and higher capital expenditure.

As explained in note 31, cash balances are positively impacted by £8.7m (2019 - £9.0m) of cash held in relation to the distribution of sales proceeds. After adjusting, to remove this atypical cash, gearing is 71.5% (2019 – 66.3%). Gearing remained comfortably within the 86% ceiling imposed by the bond covenants on both adjusted and unadjusted bases.

Primarily as a result of higher capital expenditure relating to the HTWSR, the Company increased the level of the revolving credit facility to £20m and utilised £20m of this at the end of the year. The £0.5m overdraft facility was unused at the year end. These facilities, both with Lloyds Bank, are used to manage day to day working capital and the expected working capital peaks driven, primarily, by the profile of spend in connection with significant capital programmes. They are renewable in May 2022 and annually respectively.

The Company is planning to raise additional capital at the end of 2020/21 to finance growth in the capital investment programme driven by the development of HTWSR. Post year end it has extended the Revolving Credit Facility held with Lloyds Bank to £25m.

Interest Cover

At 31 March 2020 the interest cover ratio, defined by the covenants associated with Company's index linked loan, of 1.59 times (2019 – 1.54 times) remains comfortably above the 1.4 times covenant required.

Return on regulatory equity (RoRE)

RoRE, based on adjusted gearing, at 6.62%. (2019 – 6.06%) increased slightly.

Review of Trading Performance
Operating Profit after exceptional items

Operating profit at £4.2m shows a reduction of £0.8m on the prior period of £5.0m. This was primarily driven by additional costs as discussed further below.

Revenue

Turnover of £43.1m (2019 - £42.2m) shows a £0.9m increase from 2019. This increase is driven by a combination of new properties, increased measured demand and a modest tariff increase.

In total there were 2,114 new properties connected (2,000 household and 114 non-household). The wholesale tariffs increased by 3.3%. Revenue from the Southern Water bulk supply increased during the year and this offsets lower deferred meter reading income.

Finally, income from chargeable work to third parties fell by £0.3m. This primarily relates to work for developers.

Operating costs

Operating costs increased by £0.8m as a result of a number of net movements, the most significant of which are as follows; higher infrastructure renewals costs £0.4m reflecting the mix of projects undertaken, higher staff costs by £0.2m, higher depreciation of £0.4m, incremental trade effluent charges of £0.2m, higher power costs of £0.1m offset by lower PR19 costs of £0.6m.

Exceptional items

Two exceptional items, in terms of size and nature, were charged to the income statement. As a result of the distribution of sales proceeds to employees, which was deemed to be by virtue of their employment, an exceptional charge of £2.4m arose relating to employers national insurance contributions and apprenticeship levy. To offset this charge share capital and share premium of the same value was injected by our investors. This is explained further in note 31.

An additional bad debt provision, relating to the impact on economic conditions of the COVID-19 pandemic, of £1.5m. This relates to a combination of household and non-household exposure.

Interest payable & other finance income

Total interest payable for the period is £7.296m (2019 - £7.444m), showed a slight decrease relating to the movement in RPI rates year on year. Other finance income is driven by net returns on the pension scheme asset of £0.672m (2019 - £0.762m) for the year.

Taxation

The tax charge in the period of £2.024m includes a prior year adjustment for current tax of £0.313m and deferred tax charges of £1.711m. The deferred tax charge is driven by a combination of the change in tax rate (from 17% to 19%) and additional short term timing differences.

Dividends

The dividends paid during the year totalled £3.7m (2019 - £3.1m). Dividends are paid up to the parent company with part of the payment being used to service interest payments on an inter-company loan with the balance being paid as a dividend to the Group's shareholders.

The Company's dividend policy was carefully reviewed following acquisition of the Group. It was agreed to implement a dividend policy consistent with that proposed for the PR19 Business Plan. This is based upon 5% of opening equity Regulatory Capital Value. However, in response to the current COVID-19 pandemic and related financial uncertainty, no final dividend is proposed for the year ending 31st March 2020. This will be reviewed again carefully at a later date.

Capital investments

Gross capital investment in the year was £19.7m (2019 - £14.8m).

The significant increase in gross capital expenditure of £19.7m (2018/19 £14.8m) reflects, the activities explained in the Engineering Report on page 29. Within the year spend on the HTWSR accounted for £5m of additions as work on the project continues. £1.9m has been spent on disinfection improvement projects. This has been undertaken to improve our Water Treatment sites and to comply with our new disinfection policy, with an additional £1.3m spent on investing and refurbishing our existing Treatment Works to ensure they are reliable and resilient. A further £1.6m of costs have been incurred on the Eel screening project and creation of a second crossing at the River Wallington. This is in accordance with the new Eels Regulation enforced by the Environment Agency.

Further information on the capital programme is set out in the Engineering Report on page 29.

Mains activity

	2019/20	2018/19
	£m	£m
Renewals charged in the income statement	**2.0**	1.6
Mains capitalised	**2.4**	2.8
Total mains investments	**4.4**	4.4

During the year the Company renewed 8.1km of mains (2019 – 7.9km) at a cost of £2.0m (2019 - £1.6m) charged to the income statement. A further 6.9km (2019 – 12.1km), of new mains and enhancements to the network were capitalised at a cost of £2.4m (2019 - £2.8m).

Capital contributions

The Company receives capital contributions, primarily in connection with new mains for housing developments, which amounted to £1.6m (2019 - £1.4m). In accordance with the requirements of FRS 102 these contributions are deferred and amortised to the Income Statement.

Pensions

The Company is the principal employer of the Brockhampton Pension Scheme, a defined benefit scheme. The latest actuarial valuation as at 31 March 2020 was carried out in accordance with FRS 102 and shows a net pension asset (after asset ceiling restrictions and deferred tax) of £15.5m (2018 - £23.8m).

The overall reduction in the surplus on actuarial valuation has largely been driven by the asset ceiling restriction and the impact on the Pension Trustees decision to enter into a 'Buy In agreement' as set out in note 25.

Cash and cash flow

Cash generated from operations of £10.8m (2019 - £9.8m) remained consistent with long term out-turn.

The significant £2.6m increase in spend on purchase of tangible fixed assets (particularly HTWSR) was offset by a higher level of borrowing under the revolving credit facility of £20m (2019 - £10m).

Income Statement

For the year ended 31 March 2020

	notes	2020 £000	2019 £000
Turnover	3	**43,147**	42,161
Cost of sales		**(24,354)**	(23,111)
Gross profit		**18,793**	19,050
Net operating expenses	4,5	**(10,714)**	(11,124)
Operating profit before loss on disposal of fixed assets and exceptional items		**8,079**	7,926
Gain/(loss) on disposal of fixed assets	6	**103**	(494)
Exceptional items - Incremental ER's NI related to share proceeds	5	**(2,433)**	(2,422)
- COVID related bad debt provision	16	**(1,489)**	-
Operating profit after loss on disposal of fixed assets and exceptional items and before interest		**4,260**	5,010
Investment income	7	**1,062**	957
Other finance income	25	**672**	762
Interest payable and similar charges	8	**(7,296)**	(7,444)
Loss on ordinary activities before taxation	6	**(1,302)**	(715)
Taxation of loss on ordinary activities	9	**(2,024)**	(7)
Loss for the financial year		**(3,326)**	(722)

The accompanying notes form an integral part of these accounts.
The income statement has been prepared on the basis that all operations are continuing operations.

Statement of Other Comprehensive Income

For the year ended 31 March 2020

	notes	2020 £000	2019 £000
Loss for the financial year		**(3,326)**	(722)
Remeasurement of net defined benefit asset	25	**(9,269)**	(1,170)
Movement on deferred tax relating to pension asset	21	**1,760**	199
Total comprehensive loss for the year		**(10,835)**	(1,693)

Statement of Financial Position

For the year ended 31 March 2020

	notes	**2020** **£000**	**2020** **£000**	2019 £000	2019 £000
Fixed assets					
Intangible fixed assets	11	**936**		1,116	
Investment properties	12	**325**		325	
Tangible fixed assets	13	**150,185**		136,136	
Investments	14	**55,484**		55,484	
			206,930		193,061
Current assets					
Investments	15	**2**		2	
Stock		**537**		419	
Debtors	16	**7,552**		8,933	
Cash at bank and in hand	17	**29,337**		27,210	
		37,428		36,564	
Creditors: Amounts falling due within one year	18	**(50,244)**		(36,773)	
Net current liabilities			**(12,816)**		(209)
Total assets less net current liabilities			**194,114**		192,852
Creditors: Amounts falling due after more than one year	19		**(109,742)**		(106,709)
Accruals and deferred income: Capital contributions	20		**(28,043)**		(27,138)
Provisions for liabilities	21		**(8,094)**		(6,919)
Net assets excluding pension asset			**48,235**		52,086
Pension asset	25		**15,546**		23,782
Net assets including pension asset			**63,781**		75,868
Capital and reserves					
Called up share capital	23		**1,078**		1,078
Share premium account	23		**9,382**		6,949
Capital redemption reserve			**3,250**		3,250
Profit and loss account			**50,071**		64,591
Shareholder' funds			**63,781**		75,868

The accompanying notes form an integral part of these accounts.

The accounts were authorised for issue and approved by the Board on 11 June 2020 and signed on its behalf by

H. M. G. Orton
Director

Company Number: 2536455

Statement of Changes in Equity

For the year ended 31 March 2020

	Called up share capital £000	Share Premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance as at 1 April 2018	1,078	4,527	3,250	69,360	78,215
Loss for the year	-	-	-	(722)	(722)
Remeasurement of net defined benefit asset	-	-	-	(1,170)	(1,170)
Movement on deferred tax relating to pension scheme	-	-	-	199	199
Effect of change to corporation tax rate on pension asset	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,693)	(1,693)
New share capital/share premium issued	-	2,422	-	-	2,422
Dividends	-	-	-	(3,076)	(3,076)
Balance at 31 March 2019	1,078	6,949	3,250	64,591	75,868
Loss for the year	-	-	-	(3,326)	(3,326)
Remeasurement of net defined benefit asset	-	-	-	(9,269)	(9,269)
Movement on deferred tax relating to pension scheme	-	-	-	1,188	1,188
Effect of change to corporation tax rate on pension asset	-	-	-	572	572
Total comprehensive loss for the year	-	-	-	(10,835)	(10,835)
New share capital/share premium issued	-	2,433	-	-	2,433
Dividends	-	-	-	(3,685)	(3,685)
Balance at 31 March 2020	1,078	9,382	3,250	50,071	63,781

The retained earnings balance represents accumulated profits and losses, including unrealised profits on the remeasurement of investment properties, net of dividends paid and other adjustments. As at 31 March 2020 £63.608m (2019 - £64.418m) was distributable in accordance with company law and £0.130m (2019 - £0.130m) was not distributable.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue costs.

The accompanying notes form an integral part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2020

	notes	2020 £000	2020 £000	2019 £000	2019 £000
Cash generated from operations	24		**10,775**		9,797
UK corporation tax refund		**271**		-	
Net cash inflow from operating activities			**11,046**		9,797
Cash flows from investing activities					
Purchase of tangible assets		**(16,497)**		(13,896)	
Purchase of intangible fixed assets		**(326)**		(112)	
Capital contributions received		**1,612**		1,404	
Sale of tangible fixed assets		**172**		-	
Interest received		**1,135**		957	
Net cash used in investing activities			**(13,904)**		(11,647)
Cash flows from financing activities					
Receipts from borrowings		**20,000**		10,000	
Receipt from intercompany borrowing		**500**			
Repayment of borrowings		**(10,000)**		(3,000)	
Equity dividends paid		**(3,685)**		(3,076)	
Proceeds from issue of share capital		**2,433**		2,422	
Interest paid		**(4,263)**		(4,030)	
Net cash generated/(used in) financing activities			**4,985**		2,316
Net increase in cash and cash equivalents			**2,127**		466
Cash and cash equivalents at beginning of year			**27,210**		26,744
Cash and cash equivalents at end of year	17		**29,337**		27,210

The accompanying notes form an integral part of these financial statements.

Notes

1. The financial information included in this announcement as regards the Company has been prepared in accordance with United Kingdom accounting standards and does not constitute statutory accounts for the relevant periods within the meaning of Section 434 of the Companies Act 2006.

2. Statutory accounts for the Company for the financial year ended 31 March 2019, upon which the Auditors of the Company have given an unqualified report, have been delivered to the Registrar of Companies. Statutory accounts for the Company for the financial year ended 31 March 2020 will be delivered to the Registrar of Companies as soon as practicable after approval at the next Annual General Meeting.

For further information, please contact:

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