Preliminary results for the year ended 31 March 2021

Portsmouth Water Limited, a supplier of water to Hampshire and West Sussex, announces its results for the year to 31 March 2021.

Company Number: 2536455

Highlights

Groundbreaking and innovative bulk supply agreement with Southern Water signed

Seamlessly maintained high standards of service during very challenging Covid-19 pandemic

Best value proposition to customers in the sector through lowest bills and highest standards of customer service

Construction of Havant Thicket reservoir on track with largest financing package in the company's history completed

Strong overall ODI performance overall including industry leading leakage, interruptions and water quality

2020 RoSPA Order of Distinction

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

Turnover

£42.0m

Cash generated from operations

£7.8m

Capital expenditure (additions)

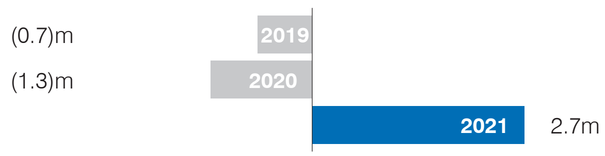
£17.0m

EBITDA[1]

£14.1m

Profit/(loss) before tax

£2.7m



[1]Earnings Before Interest, Tax, Depreciation and Amortisation and Exceptional Items.

Chairman's Statement

I have great pleasure in presenting the Annual Report and Accounts for the first year of the PR19 regulatory cycle. Like many businesses this has been a challenging year facing the impacts of Covid-19. Despite these challenges we have delivered a strong operational performance - delivering against the more challenging levels of performance that we set out in the PR19 Business Plan. This has included achievements such as our continued excellent customer service levels and achieving significant and sustained reductions in leakage. I should like to thank our staff for their commitment in delivering this performance.

Alongside this we have also completed critical activities in relation to the development of the new Havant Thicket Winter Storage Reservoir (HTWSR).

On behalf of the Board I would like to take this opportunity to thank our people warmly for rising to the significant challenges of the Covid-19 pandemic ensuring that we have continued to deliver for customers and stakeholders.

The Board are pleased to welcome Christopher Loughlin who joins us as a Non-Executive Director representing our investors – Ancala. I also thank David Owens, who has stepped down from our Board to support other businesses in the Ancala portfolio. During his time on our Board David has made a significant contribution to the success of the business.

Facing the challenges of Covid-19

Although the impacts of the Covid-19 pandemic were only just emerging as we began the 2020/21 financial year it was clear that this would result in extensive operational challenges.

We acted swiftly to implement our Covid-19 pandemic response plan. We saw new ways of working, with the vast majority of employees now working remotely to maintain social distancing requirements. Initially we also suspended certain activities that could not be carried out safely, although we were able to resume them once we had implemented appropriate ways of working. Our scale, and our committed workforce, allowed us to respond quickly and effectively to these emerging challenges and we have continued to work flexibly to respond to Covid-19.

Following the tough regulatory settlement we enter the 2020-2025 Regulatory period with reduced headroom on financeability. At the start of the financial year we recognised that this may be reduced further as a result of the impact of Covid-19. This downward pressure has been mitigated during the year by cost reductions and careful cashflow management. The effect of lockdown on changes in patterns of water consumption has significantly increased levels of household water use with reductions in non-household (commercial) use. This has adversely impacted our per capita consumption (PCC) target. Ofwat have recently agreed to consult on the treatment of this impact and have deferred any associated penalties until the end of the regulatory period. We will be continuing a dialogue with Ofwat in relation to seeking appropriate regulatory relief in relation to this target and the possible future long-term changes in patterns of water consumption.

Shortly after the last financial year end careful consideration was given to the range of Government incentive and deferment schemes that the company would utilise. Whilst we were able to gain clearance for PAYE and VAT deferral schemes, after careful consideration and in collaboration with our specialist advisors, we did not feel that this was an appropriate action to take in the 'spirit' of the incentive mechanisms. Given the initial uncertainty of the impacts of the pandemic, we initially took a decision to take advantage of the Government furlough scheme placing 44 employees on furlough – receiving a contribution of £220,000. However, the Board subsequently took the decision to repay amounts received under this arrangement.

Water resources for the region

Our vision for PR19 and beyond is to enable enhanced water trading for the region as a whole – working closely with our neighbouring water company Southern Water. The PR19 final determination included a separate price control for the Havant Thicket Winter Storage Reservoir (HTWSR) to enable the development of a new reservoir which will enable up to 21 mega litres a day to be supplied to Southern Water.

Despite the challenges of the pandemic we have completed a number of significant milestones for the programme – negotiating and signing the related commercial bulk supply agreement, raising a total of up to £105m of new finance, commencing the procurement process and submitting planning applications. We discuss progress in relation to HTWSR in more detail in the annual report and accounts and we remain on track to deliver the reservoir by 2029. In addition to the HTWSR we also began collaborations with Southern Water for other joint schemes under the Ofwat RAPID programme. The most significant of these schemes is for the development of a 45km direct pipeline between the HTWSR and Southern Water's network at Otterbourne.

Delivering for our Customers & Communities

Our values of Excellence, Integrity and Respect are deeply rooted and embedded in our company 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.

It was very important that we engaged with our people so they understood the situation and how it affected their roles within the Company and that we communicated effectively. Therefore, it is very pleasing that in our 2020 Covid staff survey over 91% of staff felt they have been valued throughout by the Company and 99% were happy with the communication they received from the Company. This is a great testament of the healthy partnership that exists between the business and our people which is critical in challenging times.

We were delighted to be ranked 1st overall in the industry Customer Measure of Experience (C-MeX) for 20/21. This result is especially pleasing given most customer service staff have been working remotely from home during Covid-19 and yet have continued to deliver outstanding service.

For the current regulatory period D-Mex was introduced as an industry measure of developer satisfaction. In a challenging year for developers, that saw the temporary closing of development sites in lockdown 1, we continued our strong D-Mex performance, from the shadow year into 2020/21. At the time of writing, year-end D-Mex performance was still to be published. However in the year to date we have achieved sector leading performance in the D-Mex satisfaction survey.

In addition, we continue to be assessed through the independent Institute of Customer Service, and continue to hold the prestigious 'ServiceMark' accreditation.

Their annual Business Benchmarking survey gave a score of 83.2 for Portsmouth Water. The Institute's national survey results, where utilities averaged 72.6 and all sectors averaged of 77.0, provides strong and independent evidence that our customer service rivals that across all sectors. The survey showed that customers continue to value our service reliability, helpfulness and competence of staff.

We have been pro-active in supporting our household customers impacted by the Covid-19 pandemic, by offering payment holidays and increasing promotion of our affordable "social tariff"; with the number of customers on this tariff standing at 9,327. Throughout the year we have continued to work collaboratively with other utilities and support agencies to promote assistance for those with vulnerabilities – which we feel is particularly important during these difficult times. We currently have 31,690 customers on our Priority Services Register which represents over 10% of our customer base.

The quality of the water we deliver to our customers is measured by the Drinking Water Inspectorate, using the Compliance Risk Index (CRI) score. Our performance this year is again good, and we expect to remain in the highest performing companies for this measure. We also report on the number of times customers contact us on water quality issues. Whilst we did see an increase in contacts in May and June 2020, driven by high household demands due to weather and Covid-19, we have maintained our overall performance this year and expect to remain industry leading on this ODI.

Unfortunately we failed to meet the target for mains repairs to our network. In January and February 2021 we saw a prolonged cold and dry weather period which resulted in a significant number of burst mains which needed repair. That said our management of this activity did not adversely impact our customers, as shown by the interruptions to supply measure. In fact despite significantly more repairs needing to be undertaken to the network, we have reduced the overall impact on customers in the year and expect to be industry leading on this measure when final comparisons are available.

Disappointingly we have not met our household usage target for per capita consumption (PCC). We saw a significant increase in household use this year primarily as a consequence of the need to stay at home to comply with the restrictions due to Covid-19. Ofwat are currently consulting on how the industry will reflect the impact of Covid-19 on the PCC measure and have deferred any resultant penalties to be considered at the end of the regulatory period.

In the measure of leakage we are pleased to have outperformed our annual target significantly, building on recent investment in our network and good performance in 2019/20. This is despite the cold period in the winter of 2021, where we did see an increase in leakage, but still significantly outperformed our annual target and expect to maintain our performance as industry leading.

Finally, we are really pleased that despite many of our staff needing to work from home during the year the level of service provided to customers remains the highest in the industry. Specifically surveys undertaken by Ofwat (C-Mex) with our customers ranking us first in the industry, a performance we are very proud of.

Supporting the local communities that we are proud to serve has been a long-term commitment for us. During the year we launched 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 and we have developed new "home schooling" educational resources.

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. During the summer months we faced the twin challenge of changes in patterns of household consumption (due to lockdown) and some periods of hot weather creating an 18% increase in demand over normal averages. Despite these extreme conditions no customers went without water supplies.

During the year we also progressed work on 9 projects all supporting enhanced resilience in our operations at a cost of £2.94m.

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 and invested £6.8m during the year with total costs to date of £14.3m.

Our People

The engagement 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. In the current difficult circumstances, more than ever the commitment of our people has allowed us to respond positively and continue to deliver high levels of service for our customers.

We have been very careful in ensuring that we have changed working practices to follow Government guidelines and keep everyone – employees, customers and contractors – safe. As a result our employee Covid sickness levels have been on average below the local average. We have also recognised the wider impacts of the pandemic and have implemented an enhanced programme to support the mental health and wellbeing of our people.

Financial Results

At the start of this financial year, we undertook an immediate re-forecast to reflect the anticipated impact of the Covid-19 pandemic. This included the actions and activities that we would undertake in order to respond to the pandemic, together with the mitigating financial actions. Although the impact of Covid was highly uncertain at the time this represented our best estimate of the likely financial position. Our performance for the year has out-turned largely in line with the reforecast.

The results of the year show Earnings Before Interest Tax and Deprecation (before exceptional items) of £14.1m (2020 - £14.4m).

Turnover

Turnover is showing a £1.1m decrease from last year at £42.0m (2020 - £43.1m). As a result of the pandemic, Non House Hold revenue fell by £1.9m, Household Measured supplies increased by £0.8m (working patterns and hot weather) and offsetting this was Household unmeasured consumption which fell by £1.2m. Due to a higher level of civil engineering work in our areas of supply, Chargeable Work primarily relating to mains diversion projects increased by £1.2m

Operating Costs
Operating costs for the year totalled £34.1m compared to £35m in the previous year. This £0.9m reduction is as a result of reduced mains renewal expenses of £0.8m, reduced professional fees of £0.7m offset by an increase of £0.5m due to catchment management, chemicals and staff costs. Operating costs exclude exceptional items of £0.09m (£3.9m 2020).

Covid
The largest Covid impact seen with regard to the financial results is the changing consumption patterns as a result of commercial properties being closed during lockdown and the impact of customers using more water from their homes (where we have a 35% meter penetration rate).

Our approach to bad debt has modified in line with financial situations and potential distress of some of our customers. As a result of this consideration, we have changed our debt collection approach in some instances but continue to hold a provision within our balance sheet to reflect the ongoing impact of Covid on our customers' ability to pay.

Net interest payable
Net interest payable is at £5.5m lower than the prior year (2020 - £6.2m) due to the LIBOR rate increase year on year. Interest was payable of £61k relating to the new group financing structure.

Capital expenditure
Our Covid budget reflected a lower capital programme in FY21 with catch up planned for the remaining years of the AMP. As a result, capital additions totalled £17m in the year (2020- £19m). Havant Thicket Reservoir accounted for £6.8m of this spend.

Cash Flow
Cash generated from operations of £7.7m (2020 - £10.8m) is largely reflective of reduced customer cash collections year on year as well as prepaid legal fees relating to the refinancing.

Gearing
Gearing is calculated as a ratio of net debt to regulatory capital value. Following the recent Group financing arrangements, with the inclusion of £24.6m of intercompany loans, for the first time there is a divergence between gearing calculated for banking covenants (which excludes subordinated intercompany debt) and gearing defined by Ofwat which includes subordinated intercompany debt.

At 55.7% gearing for banking covenant purposes has fallen following the recent refinancing. Gearing as defined by the OFWAT methodology of 70.33% is broadly in line with the prior year of 71.1%.

Ratios
The Artesian Ratio at 2.04 times cover (2020 - 1.59) sits comfortably above the 1.40 covenant level.

New financing
As we explained in our PR19 Business Plan we have raised up to an additional £105m of financing over the regulatory period supporting the development of HTWSR and other enhancement capital spend. This is achieved through a combination of bank loans and wider group financing. In support of our wider environmental ambition a substantial portion of the new loans are sustainability linked based on a range of existing regulatory targets.

Christopher Deacon
Independent Chairman
27 May 2021

Financial Performance

The year ended 31 March 2021 was the first year of the current Ofwat regulatory review period. We have made positive progress in delivering against challenging ODI targets whilst addressing the significant challenges of the global Covid-19 pandemic. We have also made significant progress in the development of the Havant Thicket Winter Storage Reservoir (HTWSR).

Covid-19 impacts
As the provider of a key public service our overarching objective is to maintain the provision of high quality water supplies to our customers whilst closely adhering to Government guidance on social distancing. We have successfully implemented new ways of working with the vast majority of employees now working remotely. During this time we have paid close attention to the mental health and wellbeing of our employees. We have worked hard supporting customers through this difficult time increasing the number of vulnerable customers on our Priority Service Register from 730 to 31,690 and supporting customers having difficulty paying. We also initially took a cautious financial approach suspending or reducing certain activities in order to manage cash flow and have managed our financial performance in line with the Covid budget set at the start of the year.

HTWSR
We have made significant progress in the development of the HTWSR. In particular we were pleased to sign the related bulk Supply agreement with Southern Water and to implement related licence changes. We have also commenced the procurement process for the main works contract and related pipeline with a positive response from the market.

Ownership structure
The Group is wholly owned by Ancala Partners LLP ("Ancala"). This was effected through Ancala Fornia Holdco Limited, the Group's then ultimate controlling party. Ancala is an independent European 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".

Ancala's ownership is effected through Southern Region Water Holding Limited in Hong Kong. Accordingly, Southern Region Water Holding Limited is the ultimate parent undertaking at the year end date.

Financing structure
Since 2002 the Company has largely been financed through a 30 year (to 2032) index linked loan with a base value of £66.5m. This was drawn in 2002, with inflation risks on the cost of the loan 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 2021 was £111.6m (2020 - £109.7m).

During the year the Group has raised up to an additional £105m of financing over the regulatory period supporting the development of HTWSR and other enhancement capital spend. This is achieved through a combination of revolving credit facilities in Portsmouth Water and our intermediate holding company together with new investor capital. In support of our wider environmental ambition a substantial portion of the new loans are sustainability linked based on a range of existing regulatory targets.

Gearing and liquidity
Gearing is calculated as a ratio of net debt to regulatory capital value. Following the recent Group financing arrangements, with the inclusion of £24.6m of intercompany loans, for the first time there is a divergence between gearing calculated for banking covenants (which excludes subordinated intercompany debt) and gearing defined by Ofwat which includes subordinated intercompany debt.

At 55.7% gearing for banking covenant purposes has fallen following the recent refinancing. Gearing as defined by the OFWAT methodology of 70.33% is broadly in line with the prior year of 71.1%.

Gearing has been impacted by the growth in RCV of £13m as a result of inflation plus HTWSR additions.

During the year the Company and the Group undertook a refinancing exercise, raising financing of up to £105m, primarily to support the development of the new reservoir project. At the year end £32.1m of this financing had been utilised.

The Company also had a revolving credit facility available of £25m - £2m of which was drawn down at the year end.

The cash balance at the year end was £28.4m.

Interest Cover
At 31 March 2021 the interest cover ratio, defined by the covenants associated with Company's index linked loan, of 2.04 times (2020 – 1.59 times) remains comfortably above the 1.40 times at Portsmouth Water level covenant required.

Return of regulatory equity (RoRE)
RoRE, of 7.15% is reflective of the growth in RCV of £13m between FY20 and FY21 (6.62%).

Review of Trading Performance
Operating Profit after exceptional items
Operating profit at £7.8m shows an increase on the prior year of £4.2m. This is as a result of no exceptional social security costs payable in the current year as well as movements in revenue and costs as discussed below.

Revenue
Turnover of £42.0m (2020 - £43.1m) shows a £1.1m decrease from 2020. This decrease is due to a significant reduction (£1.9m year on year) in the consumption charge generated from Non Household water customers who have required less water whilst Covid-19 lockdown restrictions have been in force. Unmeasured revenue has fallen by £1.2m from 2021 to 2020 as a result of meter optants and lower tariffs. Offsetting this is an increase of £0.8m generated from higher consumption by household measured customers which has been driven by consumption patterns during Covid when customers were advised to stay at home and £1.2m increase in revenue from Chargeable Works – most notably Mains Diversions. This is driven by a higher-than-normal level of activity of new infrastructure work which has been undertaken in our area of supply.

Operating costs
Operating costs at £34.1m show a £0.9m reduction year on year. This movement is explained by an £0.8m reduction in our mains renewal programme, £0.7m reduction in professional fees and a £0.3m reduction in staff costs. Additional chemical spend of £0.2m driven by higher demand for water, £0.4m of additional catchment Management spend and £0.3m of additional customer services activity.

Exceptional items
One exceptional item has been charged to the income Statement during the year. This £91k relates to the Covid bad debt provision which is held as a result of the economic impact on customers of the pandemic.

Last year, Exceptional items included the social security cost payable by the Company relating to a distribution of sales proceeds to employees. This was the final year of the distribution. It also included additional Covid-19 related bad debt provisions.

Interest payable & other finance income
Total interest payable for the period is £6.309m (2020 - £7.296m) and showed a slight decrease relating to the movement in RPI year on year. Other finance income is driven by the net return on the pension scheme asset of £0.479m (2020 - £0.672m).

Taxation
The tax charge in the period of £0.717m is split between current year tax payable on the profits of the Company (£175k) and deferred tax charges of £542k. The deferred tax charge relates to short term timing differences.

Dividends
Dividends are consistently calculated based upon two elements – a return on the equity component of the Regulatory Capital Value (RCV) and a "recirculating" element which permits interest on certain intercompany loans receivable to be serviced. This second element is received by the Company in the form of interest payments and does not result in any net cash outflow.

As part of the Company's PR19 business plan submission a revised Dividend policy was adopted. This is centered upon a base dividend reflecting a 5% return on the average equity RCV for the year. This is then further adjusted (upwards or downwards) depending upon the following factors which reflect financial resilience and overall Company performance;

- Overall financial performance of the appointed and non-appointed business
- Reflecting the Company's performance against commitments to customers and stakeholders.
- Demonstrating financeability tests to ensure sufficient liquidity for the medium term and testing the financial viability of the company.
- Recognising Regulatory requirements in particular Licence Condition F.

Following the emergence of the Covid-19 global pandemic in early 2020, the Board confirmed its intention to suspend dividend payments until the full effect was better understood. Accordingly no final dividend was declared in respect of the year ended 31 March 2020. Interim dividends declared and paid during the year related solely to the recirculating amounts explained above totaling £1.1m.

In March 2021, following careful consideration of the relevant factors, the Board concluded that dividends could be resumed. In reaching this decision the Board also decided to first repay all amounts received by the Company under Government furlough arrangements. Accordingly final dividends, in respect of the financial year ended 31 March 2020 of £1.7m and in respect of the year ended 31 March 2021 of £3.5m, have now been declared.

Capital investments
Gross capital investment in the year was £17.0m (2020 - £19.7m).

As a result of the revised capital programme put into place as part of the Covid measures, the total spend decreased year on year. However a catch up programme is in place for the remainder of the AMP.

Of the £17.0m of additions, £6.8m related to the HTWSR project, £1.4m was spent on Contact Time chlorination projects and £0.9m for the Eels screen projects. As these are long term projects in nature, the majority of this cost remains within Work In Progress and will be capitalised at a later date.

Mains activity

	2020/21 £m	2019/20 £m
Renewals charged in the income statement	1.2	2.0
Mains capitalised	1.1	2.4
Total mains investments	2.3	4.4

During the year the Company renewed 4.3km of mains (2020 – 8.1km) at a cost of £1.2m (2020 - £2.0m) charged to the income statement.

A further 3.8km (2020 – 6.9km), of new mains and enhancements to the network were capitalised at a cost of £1.1m (2020 - £2.4m).

Capital contributions
The Company receives capital contributions, primarily in connection with new mains for housing developments, which amounted to £0.8m (2020 - £1.6m). 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 2021 was carried out in accordance with FRS 102 and shows a net pension asset (after asset ceiling restrictions and deferred tax) of £17.6m (2020 - £15.5m).

Cash and cash flow
Cash generated from operations of £7.7m is less than the prior year of £10.8m. This reduction is explained by a fall in customer cash collections £0.7m and the payment of prepaid refinancing fees of £2m (some of which has been recharged but not settled by another group company).

Non Regulated Business
The Non Regulated business accounted for £0.2m operating profit in the year. This was primarily achieved through CON29DW (Drainage and Water) Searches and meter reading services for Non Household retailers, both of which generated £0.2m revenue. Staff costs incurred in delivering Non Regulated activities are the largest cost, at £0.2m.

Income Statement

For the year ended 31 March 2021

	2021 £000	2020 £000
Turnover	**41,957**	43,147
Cost of sales	**(23,214)**	(24,354)
Gross profit	**18,743**	18,793
Net operating expenses	**(10,866)**	(10,714)
Operating profit before loss on disposal of fixed assets and exceptional items	**7,877**	8,079
(Loss)/gain on disposal of fixed assets	**(13)**	103
Exceptional items - Incremental ER's NI related to share proceeds	**-**	(2,433)
- Covid related bad debt provision	**(91)**	(1,489)
Operating profit after loss on disposal of fixed assets and exceptional items and before interest	**7,773**	4,260
Investment income	**803**	1,062
Other finance income	**479**	672
Interest payable and similar charges	**(6,308)**	(7,296)
Profit/(loss) on ordinary activities before tax	**2,747**	(1,302)
Taxation of loss on ordinary activities	**(717)**	(2,024)
Profit/(loss) for the financial year	**2,030**	(3,326)

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 2021

	2021 £000	2020 £000
Profit/(loss) for the financial year	**2,030**	(3,326)
Remeasurement of net defined benefit asset	**1,976**	(9,269)
Gain/(loss) on deferred tax relating to pension asset	**(376)**	1,760
Total comprehensive profit/(loss) for the year	**3,630**	(10,835)

Statement of Financial Position

For the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets				
Intangible fixed assets	**1,212**		936	
Investment properties	**325**		325	
Tangible fixed assets	**161,382**		150,185	
Investments	**55,484**		55,484	
		218,403		206,930
Current assets				
Investments	**2**		2	
Stock	**446**		537	
Debtors	**9,036**		7,552	
Cash at bank and in hand	**28,377**		29,337	
	37,861		37,428	
Creditors: Amounts falling due within one year	**(22,082)**		(50,244)	
Net current assets/(liabilities)		**15,779**		(12,816)
Total assets less current liabilities		**234,182**		194,114
Creditors: Amounts falling due after more than one year	**(142,409)**			(109,742)
Accruals and deferred income: Capital contributions	**(34,545)**			(28,043)
Provisions for liabilities	**(8,529)**			(8,094)
Net assets excluding pension asset		**48,107**		48,235
Pension asset		**17,609**		15,546
Net assets including pension asset		**66,308**		63,781
Capital and reserves				
Called up share capital		**1,078**		1,078
Share premium account		**9,382**		9,382
Capital redemption reserve		**3,250**		3,250
Profit and loss account		**52,598**		50,071
Shareholder' funds		**66,308**		63,781

H. M. G. Orton
Director

Company Number: 2536455

Statement of Changes in Equity

For the year ended 31 March 2021

	Called up share capital £000	Share Premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance as at 1 April 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 income 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
Profit for the year	-	-	-	2,030	2,030
Remeasurement of net defined benefit asset	-	-	-	1,976	1,976
Movement on deferred tax relating to pension scheme	-	-	-	(376)	(376)
Total comprehensive profit for the year	-	-	-	3,630	3,630
Dividends	-	-	-	(1,103)	(1,103)
Balance at 31 March 2021	1,078	9,382	3,250	52,598	66,308

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 2021 £66.178m (2020 - £63.651m) was distributable in accordance with company law and £0.130m (2020 - £0.130m) was not distributable.

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

Statement of Cash Flows

For the year ended 31 March 2021

	2021 £000	2021 £000	2020 £000	2020 £000
Cash generated from operations		**7,764**		10,775
UK corporation tax refund	**-**		271	
Net cash inflow from operating activities		**7,764**		11,046
Cash flows from investing activities				
Purchase of tangible assets	**(18,295)**		(16,497)	
Purchase of intangible fixed assets	**(705)**		(326)	
Capital contributions received	**1,016**		1,612	
Sale of tangible fixed assets	**8**		172	
Interest received	**1,103**		1,135	
Net cash used in investing activities		**(16,873)**		(13,904)
Cash flows from financing activities				
Receipts from borrowings	**9,500**		20,000	
Receipt from intercompany borrowing	**-**		500	
Repayment of borrowings	**(20,500)**		(10,000)	
Drawdown on subordinated liabilities	**24,623**		-	
Equity dividends paid	**(1,103)**		(3,685)	
Proceeds from issue of share capital	**-**		2,433	
Interest paid	**(4,371)**		(4,263)	
Net cash generated/(used in) financing activities		**8,149**		4,985
Net increase in cash and cash equivalents		**(960)**		2,127
Cash and cash equivalents at beginning of year		**29,337**		27,210
Cash and cash equivalents at end of year		**28,377**		29,337

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 2020, 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 2021 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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