

Registration number: 05776438

Independent Water Networks Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 March 2021

Independent Water Networks Limited

Company Information

Directors	C Linsdell D Corney J Marsh N Shaw C Thackeray R Brett N Hindle
Company secretary	C Mumford
Registered office	Synergy House Woolpit Business Park Woolpit Bury St Edmunds Suffolk IP30 9UP

Independent Water Networks Limited

Income Statement for the Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover		6,091,737	5,792,912
Cost of sales		<u>(4,141,754)</u>	<u>(3,619,256)</u>
Gross profit		1,949,983	2,173,656
Administrative expenses		<u>(2,034,945)</u>	<u>(2,368,979)</u>
Operating loss	3	(84,962)	(195,323)
Interest payable and similar expenses	4	<u>(105,437)</u>	<u>(259,739)</u>
Loss before tax		(190,399)	(455,062)
Taxation	7	<u>36,176</u>	<u>86,462</u>
Loss for the financial year		<u><u>(154,223)</u></u>	<u><u>(368,600)</u></u>

The above results were derived from continuing operations.

No separate Statement of Comprehensive Income has been presented because the Company has no items of comprehensive income other than the loss for the financial year.

The notes on pages 5 to 13 form an integral part of these financial statements.

Independent Water Networks Limited

(Registration number: 05776438)

Statement of Financial Position as at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	8	9,029,823	8,578,925
Current assets			
Debtors	9	2,804,399	2,514,570
Cash at bank and in hand		974	1,345
		2,805,373	2,515,915
Creditors: Amounts falling due within one year	10	(5,476,908)	(13,491,277)
Net current liabilities		(2,671,535)	(10,975,362)
Total assets less current liabilities		6,358,288	(2,396,437)
Provisions for liabilities	11	(268,771)	(209,823)
Net assets/(liabilities)		6,089,517	(2,606,260)
Capital and reserves			
Called up share capital	12	9,000,000	150,000
Profit and loss account		(2,910,483)	(2,756,260)
Total equity		6,089,517	(2,606,260)

The notes on pages 5 to 13 form an integral part of these financial statements.

Independent Water Networks Limited

Statement of Changes in Equity for the Year Ended 31 March 2021

	Share capital	Profit and loss	Total
	£	account	£
	£	£	£
At 1 April 2019	150,000	(2,387,660)	(2,237,660)
Loss for the year	-	(368,600)	(368,600)
At 31 March 2020	<u>150,000</u>	<u>(2,756,260)</u>	<u>(2,606,260)</u>

		Share capital	Profit and loss	Total
		£	account	£
	Notes	£	£	£
At 1 April 2020		150,000	(2,756,260)	(2,606,260)
Loss for the year		-	(154,223)	(154,223)
New share capital subscribed	12	<u>8,850,000</u>	<u>-</u>	<u>8,850,000</u>
At 31 March 2021		<u>9,000,000</u>	<u>(2,910,483)</u>	<u>6,089,517</u>

The notes on pages 5 to 13 form an integral part of these financial statements.

Independent Water Networks Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom and registered in England and Wales.

The address of its registered office and principal place of business is:

Synergy House
Woolpit Business Park
Woolpit
Bury St Edmunds
Suffolk
IP30 9UP

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.'

The financial statements are presented in Pounds Sterling, which is also the functional currency.

Summary of disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to members of a group where consolidated financial statements are publicly available. Exemptions have been taken in relation to the presentation of a cash flow statement, certain financial instruments and remuneration of key management personnel.

Name of parent of group

These financial statements are consolidated in the financial statements of BUUK Infrastructure No 2 Limited.

The financial statements of BUUK Infrastructure No 2 Limited may be obtained from Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.

Independent Water Networks Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Going concern

The Company forms part of the Group headed by BUUK Infrastructure (Jersey) Limited ("BUUK") of which the ultimate parent undertaking is Brookfield Asset Management Inc. The funding required to finance the activities of BUUK's subsidiaries is organised and managed on a centralised basis on behalf of all members of the Group.

The Group is cash generative and holds a Baa2 (investment grade) rating from Moody's. The rating was reconfirmed by Moody's in May 2020. At the date of approval of the financial statements the Group has undrawn committed facilities of £236.8m with a syndicate of banks, of which £109.1m is available for general corporate purposes and £127.7m is linked to future capital expenditure. These facilities were renewed in 2019 and are due to expire on 18 September 2024.

The Group has Senior Secured Loan notes denominated in GBP (£1,510m) and US\$ (\$300m). The loan notes incur a fixed rate of interest and cross currency interest rate swaps have been taken out to fix the US\$ denominated interest and capital repayments. The Group's borrowings have an average remaining maturity of c.10.8 years with maturity dates ranging from 2023 to 2048.

In light of the COVID-19 pandemic the Group has undertaken a series of stress test financial models to assess the Group's ability to meet obligations as they fall due for a period of at least 12 months from the date of this report. Based on existing financing facilities, the Group has sufficient cash available to meet its obligations under all reasonably possible scenarios modelled.

The most likely scenario modelled by the Group is in line with a reference scenario published by the UK Government's independent forecaster, the Office for Budget Responsibility ("OBR") on 25 November 2020 and supported by the activity levels of the Group in the year. Under this scenario, and other reasonable downside scenarios, the Group remains compliant with all borrowing covenants in existence and has sufficient cash to meet its obligations for a period of 12 months.

The directors have received assurances that the company will have access to the BUUK Group's financial resources for a period of at least one year from the date of signing of the financial statements, that companies in the BUUK Group will not demand repayment of any inter-company debt where the company does not have the financial resources to effect such payment, and that this financial support will be sufficient for the company to continue to trade and meet its obligations as they fall due. The Group's forecasts, taking into account reasonable possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future.

Given the above, the Directors have a reasonable expectation that the Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of this annual report. Accordingly, they have prepared the financial statements on the going concern basis.

Judgements and key sources of estimation uncertainty

The Directors consider the following to be critical judgements or key sources of estimation uncertainty that have been made in the process of applying the Company's accounting policies which have a significant effect on the amounts recognised in the financial statements.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

The Directors consider the useful economic lives of tangible fixed assets to be a key source of estimation uncertainty. The useful economic lives are determined based on management's judgement and past experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, the charge is adjusted for prospectively over the remaining useful lives of the assets.

Revenue recognition

Turnover represents the amounts receivable from the supply of goods and services during the year, net of Value Added Tax. Transportation income is recognised when services are provided and rendered based upon usage during that year.

All turnover and profit before taxation, by origin and destination, was attributable to the UK.

Finance income and costs

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest costs are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tax assets and liabilities are not discounted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the underlying transaction.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Infrastructure assets	20-80 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

3 Operating loss

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	<u>157,814</u>	<u>125,393</u>

Fees for the audit of the financial statements of £13,040 (2020: £11,300) were borne by another Group company during the year on behalf of Independent Water Networks Limited.

4 Interest payable and similar expenses

	2021	2020
	£	£
Interest payable on loans from group undertakings	<u>105,437</u>	<u>259,739</u>

5 Staff costs

The Company had no employees during the year with all administrative tasks undertaken by employees of fellow Group undertakings.

6 Directors' remuneration

The Directors received no emoluments in the year (2020: £nil) in respect of qualifying services. The Directors are employees of other Group companies and the services that they provide to the Company are considered ancillary to the services that they provide to those other Group companies. There were no directors' emoluments or staff costs arising in the period with all administrative tasks undertaken by employees of a fellow subsidiary. Consequently, there is no link between remuneration and standards of performance.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

7 Taxation

Tax charged/(credited) in the income statement

	2021	2020
	£	£
Current taxation		
UK corporation tax	(95,124)	(252,983)
Deferred taxation		
Arising from origination and reversal of timing differences	<u>58,948</u>	<u>166,521</u>
Tax receipt in the income statement	<u>(36,176)</u>	<u>(86,462)</u>

The differences between the tax assessed for the period and the standard rate of corporation tax of 19% (2020: 19%) are reconciled below:

	2021	2020
	£	£
Loss before tax	<u>(190,399)</u>	<u>(455,062)</u>
Corporation tax at standard rate	<u>(36,176)</u>	<u>(86,462)</u>
Total tax credit	<u>(36,176)</u>	<u>(86,462)</u>

Deferred tax

The Finance Act 2020, substantively enacted in March 2020, provided for the main rate of corporation tax rate to remain at 19%. Accordingly, deferred tax has been calculated using a tax rate of 19%.

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and, as a non-adjusting post-balance sheet event, this does not impact the deferred tax position as at 31 March 2021; however in future periods deferred tax will be remeasured based on a tax rate of 25%.

The Company has no unrecognised deferred tax assets or liabilities at 31 March 2021 (2020: £nil).

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

8 Tangible assets

	Infrastructure assets £
Cost or valuation	
At 1 April 2020	9,617,773
Additions	1,156,234
Disposals	<u>(572,803)</u>
At 31 March 2021	<u>10,201,204</u>
Depreciation	
At 1 April 2020	1,038,848
Charge for the year	157,814
Eliminated on disposal	<u>(25,281)</u>
At 31 March 2021	<u>1,171,381</u>
Carrying amount	
At 31 March 2021	<u>9,029,823</u>
At 31 March 2020	<u>8,578,925</u>

9 Debtors

	2021 £	2020 £
Trade debtors	729,706	503,214
Amounts owed by group undertakings	149,512	230,531
Other debtors	53,244	111,461
Prepayments	273,710	270,737
Accrued income	<u>1,598,227</u>	<u>1,398,627</u>
	<u>2,804,399</u>	<u>2,514,570</u>

Included within amounts owed by group undertakings are non-interest bearing amounts of £149,512 (2020: £230,531), which are unsecured and repayable on demand.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

10 Creditors

	2021 £	2020 £
Due within one year		
Amounts due to group undertakings	1,283,268	8,573,141
Other payables	1,541,360	1,182,237
Accruals	<u>2,652,280</u>	<u>3,735,899</u>
	<u><u>5,476,908</u></u>	<u><u>13,491,277</u></u>

Amounts due to group undertakings are unsecured and repayable on demand with interest charged at 2.76% (2020: 3.54%).

11 Deferred tax

	2021 £
	Deferred tax £
At 1 April 2020	209,823
Increase (decrease) in existing provisions	<u>58,948</u>
At 31 March 2021	<u><u>268,771</u></u>

12 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>9,000,000</u>	<u>9,000,000</u>	<u>150,000</u>	<u>150,000</u>

New shares allotted

During the year 8,850,000 Ordinary shares having an aggregate nominal value of £8,850,000 were allotted for an aggregate consideration of £8,850,000.

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Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Dividends

Dividends are paid out of distributable profits provided that there is free cash flow to meet the payments.

During the period no dividends were paid (2019 - £nil).

14 Commitments

Capital commitments

The Company has capital commitments in respect of the adoption of infrastructure assets.

The total amount contracted for but not provided in the financial statements was £34,761,392 (2020 : £23,782,183).

15 Related party transactions

The Company has taken advantage of the exemption provided by FRS 102 paragraph 33.1A not to disclose transactions with other wholly-owned Group undertakings.

The Company has taken advantage of the exemption provided by FRS 102 paragraph 1.12(e) not to disclose key management personnel compensation.

16 Parent and ultimate parent undertaking

The company's immediate parent is Inexus Group (Holdings) Limited, incorporated in United Kingdom.

The ultimate parent and controlling party is Brookfield Asset Management Inc, incorporated in Canada.

The largest group of which the Company is a member and for which Group financial statements are prepared is Brookfield Asset Management Inc. These financial statements are available upon request from its registered office at Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.

The smallest group of which the Company is a member and for which Group financial statements are prepared is BUUK Infrastructure No 2 Limited, a Company registered in England and Wales. These financial statements are available upon request from its registered office at Synergy House, Woolpit Business Park, Windmill Avenue, Woolpit, Bury St Edmunds, Suffolk, IP30 9UP.