

# **Annual Report and Financial Statements**

## **Anglian Water Business (National) Limited**

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**For the Year Ended 31 March 2020**



**Registered number: 03017251**

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**Anglian Water Business (National) Limited**  
**Registered No. 03017251**

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**Company Information**

Director	RA Boucher LJ Darch A Donnelly S Hazon M Parker NJ Watson WP Young K Main G Smith N Corfield
Registered number	03017251
Registered office	Northumbria House Abbey Road Pity Me Durham United Kingdom DH1 5FJ
Independent auditor	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom

## Anglian Water Business (National) Limited

# Strategic Report

For the Year Ended 31 March 2020

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The Directors of Anglian Water Business (National) Limited ("AWBN" or "the Company") are pleased to present their Strategic Report on the affairs of the Company, along with their Directors' Report, the Independent auditor's report and the audited financial statements for the year ended 31 March 2020.

### Principal activities

The principal activities of the Company are retail services relating to the provision of water, sewerage and trade effluent services to non-household customers, together with advice on Water Efficiency Services (i.e. leakage detection and repair, water audits and benchmarking).

The Company has a large customer base across England and Scotland, serving the full suite of business customers, from large industrial and commercial customers ("I&Cs") to Small and Medium sized Enterprises ("SMEs") across both the public and private sectors.

### Business review and Key Performance Indicators

On 31 August 2018, the Company acquired the trade and assets of NWG Business Limited ("NWGB"), a fellow subsidiary of the Wave Group, allowing the Group to trade out of one operating entity going forwards. The Wave Group consists of AWBN, NWGB and the Company's immediate parent Wave Ltd. The result for the year therefore represents 12 months of this trade in AWBN compared to 7 months in the prior year. The results for the year are prior to the significant impacts of the COVID-19 pandemic other than in the Company's consideration of increased bad debt exposures noted below.

During the first full year of trading out of AWBN the Company took further steps to consolidate its market position and develop its service offering for customers. As data quality and management have been a dominant theme in the business and in the market, the decision was taken to migrate all customers on to the Gentrack Velocity billing system, which was already used for legacy NWGB customers. This system provides better reporting tools and integration with the central market, allowing operating efficiencies to be achieved. The migration was completed in two stages, with our SME and single site customers transferred in May 2019. The Company's I&C and multi-site customers were transferred in August 2019. For the remainder of the year the Scottish Procurement contract remained the only material business on the legacy billing system.

Debt collection activity was also increased in the year, as the Company began working with third party debt collection agencies and started actively disconnecting customers for non-payment. A significant reduction in debtors has been achieved through these methods, although at the period end all third-party activity was suspended by the Consumer Protection Code of Practice due to COVID-19.

As a result of the billing system migration, efficiencies were achieved in billing and in relation to data flows to and from the market, meaning several previously manual processes were no longer required. This led to a strategic review of our organisational structure and in October 2019, the Company commenced a consultation process on the potential redundancy of 47 roles. The consultation ran to December with active and constructive participation from both the project team and Employee Representatives, and through a combination of planned recruitment freeze and redeployment, the confirmed redundancies were limited to 38. Of these, 37 employees left the business in the year and 1 left in the next financial year.

Switching continues to increase in the market and this is demonstrated by the Company's reduction in supply points this year of 0.4% (2019: growth of 1%). The term supply points represents the number of supply points ("SPIDs") where we are the retailer in England and Scotland. The retention rate, being the percentage of SPIDs where we remain the retailer after 12 months, has also fallen to 95.6% from 96.1%, but is still considered very healthy. Feedback from recent tenders shows high scores for quality but customers choosing to focus on lower prices on offer from our competitors.

## Anglian Water Business (National) Limited

# Strategic Report (continued)

For the Year Ended 31 March 2020

### Business review and Key Performance Indicators (continued)

In the current year the Scottish Procurement contract, which was secured in 2016, came up for re-tender. After reviewing the requirements of the bid and the proposed changes in the regulatory environment in Scotland, we qualified our bid with restrictions to mitigate the impact of these changes, and the Company's bid was subsequently excluded from the process. This contract expired on 29 February 2020, with the majority of customers switching to the new supplier on 1 April and the Company's working capital requirements significantly reducing as a result.

During the year the Company has continued to see good improvements in the level of service provided to customers. Complaints have decreased from 53.5 per 10,000 SPIDs to 41.1 and remains below the market average of 50.3. The market average has reduced 20% in the period, demonstrating the strong progress in the industry as a whole and a move towards pre market levels of 41.3. Pleasingly, complaints escalated to the Consumer Council for Water ("CCW") have decreased from 12.8 per 10,000 SPIDs to 11.1 after a spike in the prior year caused by a build up of billing issues. Although not restored to levels from two years ago this is still below the market average of 12.0 per 10,000 SPIDs. During the year we have successfully introduced a WebChat service and have increased the number of customers using the 'My Account' portal, both improving our service offering to customers.

In the final two weeks of the year, a significant volume of customers were impacted by COVID-19 with around 25% of the Company's portfolio temporarily closed. Changes to the market code were approved on 30 March 2020 enabling retailers to use the temporary vacant flag within the Central Market Operator System ("CMOS") so charges would not accrue for premises that had closed due to COVID-19 in England. Cash collections have also been impacted by COVID-19 due to reduced billing and a reduction in payment of billed debt. Debt collection activity was severely restricted from late March 2020 through to July 2020 due to changes to the Consumer Protection Code of Practice ("CPCOP") which prevents escalation and disconnections for non-payment during the pandemic.

Revenue for the year ended 31 March 2020 was £556.7m (2019: £470.9m). This reflects 12 months of revenues following the acquisition of the business from NWGB, compared to the prior year where only 7 months of revenues from former NWGB customers were recognised. Portfolio gross margin, the element of charges retained by the retailer, is 5.9% (2019: 6.3%).

Operating costs before exceptional items (cost of sales and administrative expenses) totaled £554.8m (2019: £468.9m) giving an operating profit before exceptional items of £1.8m (2019: £2.1m). Exceptional items totaled £16.1m (2019: nil and primarily relate to additional bad debt costs associated with COVID-19).

Net interest payable was £1.5m (2019: £0.7m), giving the Company a loss before taxation for the year ended 31 March 2020 of £15.7m (2019: profit of £1.3m).

The Company uses a balanced scorecard of Key Performance Indicators (KPIs) to monitor and track performance, which are outlined below:

	Units	31 March 2020	31 March 2019
Supply points	'000	460	462
Retention rate	%	95.6	96.1
Portfolio gross margin	%	5.9	6.3
Complaints	no./10,000 SPIDs	41.1	53.5

## Strategic Report (continued)

For the Year Ended 31 March 2020

### Section 172 (1) statement and our stakeholders

We report here on how our Directors have performed their duty under Section 172 (s.172) of the Companies Act 2006. S.172 sets out a series of matters to which the Directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders.

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company to ensure that our obligations to our shareholders, employees, customers, and others are met. Management drives the embedding of the desired culture through the organisation. The Board monitors adherence to our policies and compliance with local corporate governance requirements across the Company and is committed to acting where our business fails to act in the manner we expect of them.

For each matter which comes before the Board, the Board considers the likely consequence of any decision in the long-term and identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process;

- In August 2019 we completed our billing system migration, so all customers are now served from one billing platform. In deciding to move all customers onto the Gentrack Velocity billing system the Board considered the relative merits of both systems previously in use, and how a full migration to either system would impact the ways in which we interact with our customers and wholesalers.

The Gentrack Velocity billing system continuously interacts with the Central Market Operating System ("CMOS") meaning the billing system will always be up to date for any information available in the market. This helps ensure accuracy of bills and less hassle for our customers. The system also automates a number of wholesaler forms ensuring timely and accurate data flows between the retailer, wholesaler and the market.

- In October 2019 we announced restructuring as a result of operational efficiencies gained following the successful billing system migration. The impact on our people was carefully considered both before the announcement and during the consultation process, as set out in the section 'Our People'.

The table below sets out our approach to stakeholder engagement throughout the period:

Stakeholders	Why are they important?	What is our approach to engaging with them?
Customers	Providing a market leading service to customers is at the heart of what we do	<ul style="list-style-type: none"><li>• The Board receives regular reporting on customer outcomes and customer related strategic initiatives throughout the year.</li><li>• The Board closely monitors customer metrics, including those published by CCW, and engages with management to understand any issues if our performance does not meet our and our customers' expectations.</li><li>• The Board continues to monitor the ways in which we interact with customers and in the current year introduced alternative methods of communication with our customers to provide more flexibility, such as WebChat.</li><li>• Our CEO regularly listens in to live calls with customers to gain firsthand insight into customers' issues.</li></ul>

## Strategic Report (continued)

For the Year Ended 31 March 2020

### Section 172 (1) statement and our stakeholders (continued)

Stakeholders	Why are they important?	What is our approach to engaging with them?
Our People	Our People's commitment to serving our customers is essential for us to deliver on our vision to earn customers' trust and provide market leading levels of service.	<ul style="list-style-type: none"> <li>Through employee forums, internal communications and monthly Business Updates, the Directors engage with our people on a wide range of matters</li> <li>In the current year we completed a business wide employee survey for the first time, the results of which form the basis for our people strategy for the coming year.</li> <li>We believe these methods of communication are effective in building and maintaining trust and communication with our employees, allowing for openness, honesty and transparency within our business.</li> <li>We are committed to recruiting, training and retaining the best talent we can find and are proud of the competitive benefits package we offer to all employees.</li> <li>Regular training opportunities are provided to all employees on a variety of topics, such as our Lunch and Learn sessions.</li> </ul>
Wholesalers	We operate across a wide wholesaler base and it's vital we build strong working relationships and process with wholesalers to provide the best service possible to our customers.	<ul style="list-style-type: none"> <li>The Company recognises the important role played in our business by wholesalers and has a dedicated Wholesaler Management function to manage these relationships.</li> <li>A representative of the Company is a member of the Retailer Wholesaler Group ("RWG"). The RWG has representatives from retailers, wholesalers, Market Operator Services Limited ("MOSL"), CCW and Ofwat, and aims to tackle market wide issues and share good practice.</li> </ul>
Communities	We recognise the importance of doing our bit to help the community through fundraising, volunteering and promoting water sustainability.	<ul style="list-style-type: none"> <li>During the year representatives from the Company have attended conferences on climate emergency and water efficiency to promote water sustainability.</li> <li>On several occasions employees have been hands-on in the community, including participating in a clean-up of the waterways at Falkirk Wheel.</li> <li>Management have actively participated in external panel sessions promoting Mental Health and Wellbeing.</li> </ul>
Shareholders	The shareholders of the Wave Group are the ultimate owners of the Company.	<ul style="list-style-type: none"> <li>Representatives of our Group shareholders are Board members and so are engaged regularly in our business decision making.</li> </ul>

## Strategic Report (continued)

For the Year Ended 31 March 2020

### Section 172 (1) statement and our stakeholders (continued)

Stakeholders	Why are they important?	What is our approach to engaging with them?
Regulators	As a water retailer we are subject to regulations in both the English and Scottish markets we operate in.	<ul style="list-style-type: none"> <li>We maintain constructive and open relationships with our regulators, which is vital in these early stages of the water retail market.</li> <li>A representative of the Company is a member of MOSL Market Performance Committee ("MPC"). The purpose of the MPC is to provide oversight on Market Performance.</li> <li>A representative of the Company is a member of the MOSL General Data Protection Regulation ("GDPR") Issues Committee. The purpose of this committee is to review legislation in relation to GDPR and the potential impact on market codes.</li> <li>A representative of the Company is a member of the Central Markets Agency ("CMA") Board. The Board ensures that the CMA fulfils its duties under the Market Code in Scotland.</li> </ul>

### Our People

The Company engages with its employees in a number of ways. A monthly Business Update is hosted by the Wave Leadership Team (WLT). This is open to all employees, with a strong attendance rate. The session updates the wider business on the Company's performance and strategy alongside current topics of interest. In the current year this method of communication was key in keeping all employees up to date with the billing system migration, which was a project affecting every area of the business. The Company also circulates the Wavelength Newsletter monthly, which includes an update from each section of the business.

The Company has a committee of elected employee representatives who are informed of any proposals of formal changes affecting employees. In the current year this committee played a key part in the organisational restructure process, providing a link between management and colleagues impacted. Feedback from this committee was reviewed and considered by management regularly during the process and was vital in ensuring positive outcomes for the Company and its employees.

The Company has a bonus scheme which rewards employees for their performance over the period. This recognises the contribution employees make against their own personal objectives, which align to the Company's overall performance.

The Company is committed to equal opportunities from recruitment and selection, through training, development, appraisal and promotion to retirement for all employees including those with a disability. Where a job applicant or an employee believes that he/she has a disability that may disadvantage him/her in respect of recruitment or employment, we advise that they should inform the Company to allow for reasonable adjustments to be made. The Company is committed to creating an environment that is free from discrimination, harassment and victimisation.



## Strategic Report (continued)

For the Year Ended 31 March 2020

### Treasury policies

The Group's board is responsible for the financing strategy of all Group companies. The aim of this strategy is to assess the ongoing capital requirements of the Group and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

### Principal risks and uncertainties

The Company identifies and assesses the impact of risks to the business using a standard risk register. The Company's view of acceptable risk is based on a balanced view of all the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion and opportunities. The principal business risks facing the Company are:

- Loss of customer trust and confidence in either the business or the market;
- Uncertainty within the market as a result of COVID-19;
- Inherent health and safety risk, particularly across field operations carried out by third parties on behalf of the Company;
- Loss of key business systems due to a malicious attack or failure of cyber security;
- Breach of Data Protection Act 2018 or the General Data Protection Regulation;
- Unfavorable changes to the regulatory environment or methodology within the industry that may adversely impact on the balance of risk and return or ability to operate;
- Impact of changes in tax legislation;
- Failure to deliver financial plans, impacting expected returns for the shareholders; and
- Funding and liquidity risk

### Financial risk management objectives and policies

The Directors have considered the Company's exposures to financial risk. As the Company operates wholly within the United Kingdom the Directors do not believe it is materially exposed to foreign currency risk. The principal finance risks facing the Company and its associated risk management policies are:

- **Interest rate risk** - The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises from its interest-bearing liabilities, which are comprised of shareholder loans and the receivables financing facility. All the Company's interest-bearing liabilities are linked to LIBOR and movements in this rate are not expected to materially impact the Company. Work is underway to update agreements to reflect the phasing out of LIBOR in 2021.
- **Credit risk** - There are no significant concentrations of credit risk within the Company other than the geographical concentrations of customers acquired from its shareholders. Customer specific credit risk is assessed by management using external credit risk assessment tools, and the Company adheres to strict policies to ensure sales of products and services are made to customers with an appropriate credit history. Management's assessment of the maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date. COVID-19 has had a significant impact on many customers' ability to pay their bills and this has been considered when calculating the provision included against doubtful debts, which is disclosed in note 16 and has been calculated as set out in note 2.15.
- **Liquidity risk** - Drawdown against the funding facilities held by the Company is managed to ensure the Company has sufficient funding to settle its liabilities as they fall due. Drawdowns are included in net debt figures reviewed by management and stakeholders. Regular detailed cash flow forecasts are reviewed by management to ensure sufficient liquidity within the Company. The risk of funding being withdrawn from the Company is minimal and this has been considered in management's assessment of going concern.

Anglian Water Business (National) Limited

## Strategic Report (continued)

For the Year Ended 31 March 2020

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### Future developments

Going forward, the Company is focused on supporting our customers during COVID-19, providing them with market leading customer service and flexible payment plans. We expect the market outlook to remain challenging during this time, as customers are impacted by temporary and permanent business closures. We are also focused on providing a safe working environment for our people and continue to manage the Company's day to day activities with a largely home-based workforce.

### Directors' assessment of going concern

As at 31 March 2020, the Company had net current assets of £48.4m (2019: £75.6m) and net assets of £60.8m (2019: £74.3m). The significant loss in the year is driven from the additional bad debt provision of £14.6m relating to COVID-19 disclosed within exceptional items, which is considered to be one off in nature. The Directors have reviewed trading forecasts and cash flow requirements, including reasonably possible changes in trading performance in light of COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities, including funding secured after the year end through the Coronavirus Large Business Interruption Loan Scheme of £35m. Accordingly, the Directors expect the Company to continue with its principal activity for the foreseeable future, and the financial statements have been prepared on a going concern basis.

The Directors' have considered the impact on the business of the United Kingdom leaving the European Union, and do not believe this to be significant.

The Strategic Report was approved by order of the Directors and signed on their behalf by:



W Young  
Director  
30 September 2020

## **Anglian Water Business (National) Limited**

# **Directors' Report**

**For the Year Ended 31 March 2020**

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The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2020.

### **Directors**

The Directors who held office during the year and up to the date of signing were as follows:

RA Boucher

LJ Darch

A Donnelly

S Hazon

M Parker

NJ Watson

WP Young

K Main (appointed 23 September 2020)

G Smith (appointed 23 September 2020)

N Corfield (appointed 23 September 2020)

### **Indemnification of Directors**

The Company had Directors' and Officers' insurance in place for the year to 31 March 2020. This insurance policy indemnifies the Directors and Officers of the Company, its parent and fellow subsidiary for any loss first made against the insured person for a wrongful act or an employment practices wrongful act, subject to the conditions set out in the Companies Act 2006, and this remains in place. The Company has also provided an indemnity for its directors which is a qualifying third-party indemnity provision for the purpose of s234 (2-6) Companies Act 2006.

### **Results and dividends**

The Company's financial results are summarised in the Strategic Report. No dividends were paid or proposed in the current year (2019: £nil) and the Directors do not recommend a final dividend for the year (2019: £nil).

### **Future developments, financial risk management objectives and policies, and going concern**

Please refer to the Strategic Report.

### **Policy for disabled employees and employee engagement**

Please refer to the Strategic Report.

### **Post balance sheet event**

There were no events subsequent to the balance sheet date that require adjusting in these financial statements. The Directors have considered the impact of COVID-19 within its reporting and used information available after the balance sheet date to inform their assessment of impairment of trade receivables at the period end. As a result, a significant additional provision for bad debts of £14.6m has been recognised in the period in relation to receivables outstanding at the balance sheet date.

As noted in the Going Concern section of the Strategic Report, additional funding was secured after the year end through the Coronavirus Large Business Interruption Loan Scheme of £35m.

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the Directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

**Anglian Water Business (National) Limited**

## **Directors' Report (continued)**

**For the Year Ended 31 March 2020**

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**Auditor**

Pursuant to s487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as the Company's auditor for the ensuing year.

**Principal risks and uncertainties**

All of the Company's financial risks are governed by Wave Group policies and procedures. The company's principal risks and uncertainties are discussed in the Strategic Report and further explained in the risks arising from financial instruments outlined in note 20 to the financial statements.

**Treasury policies**

The Company's board is responsible for the financing strategy of the Company which is determined within the treasury policies of the Group. The aim of this strategy is to assess the ongoing capital requirements of the Company and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

**Directors' responsibilities statement**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Directors and signed on its behalf by:



W Young  
Director  
30 September 2020

**Anglian Water Business (National) Limited**

# **Independent Auditor's Report**

**For the Year Ended 31 March 2020**

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**Independent auditor's report to the members of Anglian Water Business (National) Limited**

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

### **Opinion**

In our opinion the financial statements of Anglian Water Business (National) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

**Anglian Water Business (National) Limited**

# **Independent Auditor's Report**

**For the Year Ended 31 March 2020**

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**Independent auditor's report to the members of Anglian Water Business (National) Limited (continued)**

**Other information (continued)**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Anglian Water Business (National) Limited**

## **Independent Auditor's Report**

**For the Year Ended 31 March 2020**

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**Independent auditor's report to the members of Anglian Water Business (National) Limited (continued)**

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



A handwritten signature in black ink that reads "Anthony Matthews". The signature is written in a cursive style and is positioned above a horizontal line.

Anthony Matthews FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
30 September 2020

Anglian Water Business (National) Limited

# Statement of Comprehensive Income

For the Year Ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	4	556,677	470,931
Cost of sales		(523,950)	(441,465)
<b>Gross profit</b>		<b>32,727</b>	<b>29,466</b>
Administrative expenses		(30,833)	(27,404)
Exceptional items	12	(16,054)	-
<b>Total administrative expenses including exceptional items</b>		<b>(46,887)</b>	<b>(27,404)</b>
<b>Operating (loss) / profit</b>	5	<b>(14,160)</b>	<b>2,062</b>
Interest receivable and similar income	9	622	647
Interest payable and expenses	10	(2,168)	(1,393)
<b>(Loss) / profit before tax</b>		<b>(15,706)</b>	<b>1,316</b>
Tax on(loss) / profit	11	2,269	(407)
<b>(Loss) / profit for the financial year</b>		<b>(13,437)</b>	<b>909</b>

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income; accordingly, no separate statement of other comprehensive income has been presented. Revenue and operating profit are all derived from continuing operations.

Notes 1 to 27 form part of these financial statements.



Anglian Water Business (National) Limited

# Statement of Financial Position

As at 31 March 2020

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Intangible assets	13	15,298	17,114
Tangible assets	14	456	727
Right of use assets	15	523	-
Deferred tax	21	2,533	288
Debtors amounts falling due in more than one year	16	13,245	-
		<u>32,055</u>	<u>18,129</u>
<b>Current assets</b>			
Debtors amounts falling due within one year	16	176,024	194,085
Cash at bank and in hand	17	154	1,587
		<u>176,178</u>	<u>195,672</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	18	(63,676)	(79,762)
Loans and borrowings falling due within one year	19	(64,129)	(40,359)
		<u>(127,805)</u>	<u>(120,121)</u>
<b>Net current assets</b>		<u>48,373</u>	<u>75,551</u>
<b>Total assets less current liabilities</b>		<u>80,428</u>	<u>93,680</u>
<b>Non-current liabilities</b>			
Creditors amounts falling due after more than one year	18	(229)	-
Loans and borrowings due after more than one year	19	(19,362)	(19,362)
		<u>(19,591)</u>	<u>(19,362)</u>
<b>Net assets</b>		<u>60,837</u>	<u>74,318</u>
<b>Capital and reserves</b>			
Called up share capital	23	73,803	73,803
Share premium account	24	8	8
Retained earnings	24	(12,974)	507
		<u>60,837</u>	<u>74,318</u>

The financial statements of Anglian Water Business (National) Limited (registered number 03017251) were approved by the Board of Directors and authorised for issue on 30 September 2020. They were signed on its behalf by:



W Young

Director

Notes 1 to 27 form part of these financial statements.

Anglian Water Business (National) Limited

# Statement of Changes in Equity

For the Year Ended 31 March 2020

## Statement of Changes in Equity For the Year Ended 31 March 2020

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2019	73,803	8	507	74,318
Adoption of IFRS 16	-	-	(44)	(44)
<b>At 1 April 2019 (restated)</b>	<b>73,803</b>	<b>8</b>	<b>463</b>	<b>74,274</b>
<b>Comprehensive income for the year</b>				
Loss for the year and total other comprehensive expense	-	-	(13,437)	(13,437)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(13,437)</b>	<b>(13,437)</b>
<b>At 31 March 2020</b>	<b>73,803</b>	<b>8</b>	<b>(12,974)</b>	<b>60,837</b>

## Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2018	42,483	8	(402)	42,089
<b>Comprehensive income for the year</b>				
Profit for the year and other comprehensive income	-	-	909	909
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>909</b>	<b>909</b>
Issue of shares (see note 22)	31,320	-	-	31,320
<b>At 31 March 2019</b>	<b>73,803</b>	<b>8</b>	<b>507</b>	<b>74,318</b>

Notes 1 to 27 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 March 2020

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## 1. General information

The Company is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 4.

These financial statements are separate financial statements. The Group financial statements of Wave Ltd (the ultimate parent company) are available to the public and can be obtained as set out in note 26. The registered office of the parent company preparing consolidated financial statements is stated in note 26.

## 2. Significant Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements for the Company have been prepared on the going concern basis under the historical cost convention.

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council.

The Company's financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, related party transactions and certain requirements of IAS 1, IAS 8, IAS 24, and IFRS 15. Equivalent disclosures are made in the consolidated financial statements of Wave Ltd, the Company's immediate parent, copies of which are available from Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

### 2.2 Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the current period

#### Impact of application of IFRS 16 'Leases'

In the current financial year, the Company has applied IFRS 16 'Leases' which is effective for any annual period beginning on or after 1 January 2019. The Company had applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17.

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of the physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the assets throughout the period of use; and,

# Notes to the Financial Statements

For the Year Ended 31 March 2020

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## 2. Significant Accounting policies (continued)

### 2.2 Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the current period (continued)

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset, or;
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to all contracts entered into, or changed, on or after 1 January 2019. This policy has also been applied retrospectively to all contracts entered into before 1 January 2019. The impact on opening retained earnings can be seen in the statement of changes in equity. The impact on profit before tax in the current year is £2k.

### Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the next period

At the balance sheet date, there is one new standard (IFRS 17) and several amendments to existing standards in issue but not yet effective. IFRS 17 is not expected to have a significant effect on the financial statements of the Group.

### 2.3 Going concern

As at 31 March 2020, the Company had net current assets of £48.4m (2019: £75.6m) and net assets of £60.8m (2019: £74.3m). The significant loss in year is driven from the high bad debt provision of £14.6m relating to COVID-19, which is considered to be one off in nature. The Directors have reviewed trading forecasts and cash flow requirements, including reasonably possible changes in trading performance in light of COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. Accordingly, having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial information.

### 2.4 Revenue recognition

Revenue is stated net of value added tax. Revenue, loss before taxation and net assets are wholly attributable to the principal activity of the Company, being the delivery of retail water and waste water services for non-domestic customers and arises solely within the United Kingdom.

Revenue is charged based on usage, with usage being determined by data held by the market operator. The application of IFRS 15 on 1 April 2018 does not impact recognition of this income.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and can be reliably measured. At each period end an element of revenue recognised is unbilled, and therefore the best estimate of accrued revenue is calculated, based on historic usage, assumptions and estimates, as disclosed in note 3. The exception to this is where properties are unoccupied and, in these cases, income is not recognised.

### 2.5 Operating leases: the Company as lessee

In the prior year, rentals under operating leases were charged to the income statement on a straight-line basis over the lease term. In the current year the Company has adopted IFRS 16, using the modified retrospective approach, and has taken the exemption for short term leases.

# Notes to the Financial Statements

For the Year Ended 31 March 2020

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## 2. Significant Accounting policies (continued)

### 2.6 Pensions and other post-employment benefits

The Company operates a defined contribution scheme. Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise. Any amounts outstanding at a period end are held recognised within creditors.

### 2.7 Exceptional items

Exceptional items derive from events or transactions which are significant by virtue of their size or incidence, and in order to provide a proper understanding of the Company's financial performance are disclosed separately. These items include, but are not limited to, impairment charges, reorganisation costs, additional bad debt charges arising on unprecedented market events (COVID-19) and profits or losses on disposal of business assets and other one-off items which meet this definition.

### 2.8 Finance costs receivable

Interest income is earned on advance payments made to the Scottish Water wholesaler, as per the market terms in Scotland. Interest earned is calculated and taken to the income statement based on the amounts prepaid and the applicable interest rate at that time.

### 2.9 Finance costs payable

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Other borrowing costs are recognised as an expense when incurred.

### 2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Notes to the Financial Statements

For the Year Ended 31 March 2020

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## 2. Significant Accounting policies (continued)

### 2.11 Intangible assets

The intangible assets are customer contracts and software, and are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided for on all intangible assets and is applied evenly over the useful economic life of each asset and is charged to the statement of comprehensive income through administrative expenses. Annual reviews will be carried out to ensure that the amortisation profile of intangible assets is still relevant.

The expected useful lives of the intangible assets are categorised as follows:

Customer Contracts	10 years
Computer software	3-7 years

### 2.12 Right of use assets

The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as 12 months or less) and leases of low value assets. For these leases the Company recognises lease payments as operating expenses on a straight-line basis over the term of the lease. The lease liability is initially measured at the present value of lease payments not paid at the lease commencement date, discounted using the rate implicit in the lease. If not readily available, the Company uses its incremental borrowing rate.

Right of use assets are depreciated over the term of the lease and are presented as a separate line in the statement of financial position. Depreciation is charged to the statement of comprehensive income through administrative expenses.

The expected useful lives of the right of use assets are categorised as follows:

Property	5 years / 10 years
Motor vehicles	3 years

### 2.13 Tangible fixed assets

All tangible assets are initially recorded at cost. The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible assets, evenly over the useful economic life of each asset, at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition. Depreciation is charged to the statement of comprehensive income through administrative expenses.

The expected useful lives of the tangible fixed assets are categorised as follows:

Leasehold improvements	Remaining life of the lease
Computer equipment	2-3 years
Fixtures, fittings & equipment	3 years

# Notes to the Financial Statements

For the Year Ended 31 March 2020

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## 2. Significant Accounting policies (continued)

### 2.14 Impairment of fixed assets and intangibles

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 2.15 Trade and other receivables

Short term debtors are measured at transaction price, less expected credit losses. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. An estimate for expected credit losses is made from the date the receivable is recognised at a low probability. As debt ages, a higher estimate of expected credit losses is recognised. This estimate is based on historical experience of recoverability and an assessment of general economic conditions, particularly around expected business insolvency rates.

### 2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.17 Trade and other payables

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs.

### 2.18 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

## Notes to the Financial Statements

For the Year Ended 31 March 2020

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### 2. Significant Accounting policies (continued)

#### 2.18 Financial instruments

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which approximates to the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimates) that have a significant impact on the amount recognised, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not clear from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgements used in the financial statements are as follows:

#### **Judgement: Revenue recognition**

Assessment of whether revenue can be recognised or not for each customer requires judgement as to whether it is probable that the economic benefits associated with the transaction will flow to the Company. The Company assesses the probability that a customer will pay, and therefore whether economic benefit will flow to the Company based on their past performance.

#### **Estimate: Unbilled revenue**

The Company raises bills and recognises revenue in accordance with its right to receive revenue. For water and wastewater customers with water meters, the amount recognised depends on the volume supplied including an estimate of the sales value of the units supplied between the date of the last meter read and the period end.

Meters are read on a cyclical basis and the Company recognises the revenue for unbilled volumes based on estimated usage from the last billing date to the end of the financial period. The estimated usage is based on historical data, judgement and assumptions. Where a customer has no billing history, the accrual is based on the historical average for customers with the same meter size. Other volume-related charges are accrued in proportion to the volume of water calculated.

Should management's overall estimated unbilled revenue differ by 1% the impact on reserves and the statement of comprehensive income by would £0.7m.



# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

### Estimate: Wholesale charges

The Company accrues wholesale charges for any period not billed at the year end. These accruals are based on wholesale market data available from the market operators in England and Scotland. Where there is reason to believe there is an error in the billed or accrued wholesale amount, the Company works with the relevant wholesaler and market operator to correct the underlying data. The updated figures will show on future settlement reports and be reflected on future bills. Until the updated bill is received, the Company recognises an additional accrual for the relevant amount.

Should management's overall estimated wholesale charges accrual differ by 1% the impact on reserves and the statement of comprehensive income by would £0.4m.

### Estimate: Provision for impairment of trade receivables

Provisions are made against the Company's trade receivables based on historical experience of recoverability and in the current year, based on an expectation of increased bad debts in relation to COVID-19 formed using the most recent data available. The amount recovered from these debtors in the future could differ from the estimated recovery, which in turn would impact operating results. The amount of the provision applied is outlined in note 16.

Should management's overall provision required for impairment of trade receivables differ by 1% the impact on reserves and the statement of comprehensive income by would £0.3m.

## 4. Turnover

Analysis of turnover by category:

	2020	2019
	£000	£000
Water	258,195	214,539
Sewerage	239,276	201,309
Trade Effluent	45,638	43,796
Other	13,568	11,287
	<b>556,677</b>	<b>470,931</b>

The Company operates in a single geographic region, the United Kingdom.

## 5. Operating profit

Operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets (see note 14)	330	301
Depreciation of right of use assets (see note 15)	178	-
Amortisation of software (included within administrative expenses) (see note 13)	1,674	1,134
Amortisation of customer contracts (included within administrative expenses) (see note 13)	1,193	883
Staff Costs (see note 8)	12,726	11,804

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 6. Auditor remuneration

Fees payable to the Group auditor:

	2020 £000	2019 £000
Audit of the Company's financial statements	101	55
Total Audit services	101	55
Assurance services	12	12
Total non-audit services	12	12
	113	67

## 7. Directors' emoluments

### (a) Directors' remuneration

Remuneration paid by the Company to the Directors during the year:

	2020 £000	2019 £000
Directors' remuneration	342	579
Company contributions to money purchase pension plans	4	22
	346	601

Pension contribution paid in the year relates to 1 Directors (2019: 3).

### (b) Highest paid Director

The value of remuneration shown in note 7(a) include the following amounts in respect of the highest paid director:

	2020 £000	2019 £000
Director's remuneration	342	257
Company contributions to money purchase pension plans	4	5
	346	262

## 8. Employees

	2020 £000	2019 £000
Wages and salaries	10,805	10,098
Social security costs	1,064	931
Cost of defined contribution pension scheme	857	775
	12,726	11,804

The average monthly number of employees, during the year was as follows:

	2020 No.	2019 No.
Administration and support	344	283

The current year figure represents 12 months of employees transferred from NWGB, compared to 7 months in the prior period.

**Anglian Water Business (National) Limited**

# **Notes to the Financial Statements**

**For the Year Ended 31 March 2020**

**9. Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest income on financial assets	<b>622</b>	<b>647</b>
	<b>622</b>	<b>647</b>

**10. Interest payable and similar charges**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest payable on bank overdrafts and loans	<b>642</b>	<b>460</b>
Interest payable on loans from shareholders	<b>1,499</b>	<b>933</b>
Interest payable on leased assets	<b>27</b>	<b>-</b>
	<b>2,168</b>	<b>1,393</b>

**11. Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Group relief payable on losses claimed for the year	<b>--</b>	<b>399</b>
Adjustments in respect of previous years – Current tax	<b>-</b>	<b>(7)</b>
Adjustments in respect of previous years – Group relief	<b>(32)</b>	<b>(10)</b>
<b>Total current tax</b>	<b>(32)</b>	<b>382</b>
<b>Deferred tax</b>		
Opening restatement due to rate change	<b>(35)</b>	<b>-</b>
Origination and reversal of temporary differences		
- Derecognition of deferred tax assets	<b>509</b>	<b>-</b>
- Other timing differences	<b>(2,741)</b>	<b>27</b>
Adjustments in respect of previous years	<b>30</b>	<b>(2)</b>
<b>Total deferred tax</b>	<b>(2,237)</b>	<b>25</b>
<b>Taxation on (loss) / profit</b>	<b>(2,269)</b>	<b>407</b>

**Factors affecting tax credit for the year**

The rate of UK corporation tax for the current year was 19% (2019: 19%). The reduction in the rate to 17% that was expected to be effective from 1 April 2020 (enacted by Finance Act 2016) has now been cancelled and the rate will remain at 19% for the foreseeable future. Opening deferred tax has been restated from 17% to 19% and all movements in the year have been computed at 19%.

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 11. Taxation (continued)

	2020	2019
	£000	£000
(Loss) / profit before tax	<u>(15,705)</u>	<u>1,316</u>
(Loss) / profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(2,984)	250
<b>Effects of:</b>		
Expenses not deductible for tax purposes	245	179
IFRS16 transitional relief	(2)	-
Deferred tax opening restatement	(35)	-
Deferred tax derecognised	509	-
Deferred tax movement not at average rate for period	-	(3)
Adjustments to tax charge in respect of prior periods	(2)	(19)
<b>Total tax (credit) / charge for the year</b>	<u><b>(2,269)</b></u>	<u><b>407</b></u>

## 12. Exceptional items

	2020	2019
	£000	£000
Exceptional items	<u>16,054</u>	<u>-</u>
	<u><b>16,054</b></u>	<u><b>-</b></u>

The below items are presented as exceptional items by virtue of their nature and / or size, and in accordance with the Company's detailed accounting policy in respect of exceptional items classification, as set out in Note 2. They are not indicative of the Company's underlying trade and separate disclosure of these items is relevant to the understanding of the Company's financial performance.

Exceptional items in the year comprise:

- Restructuring and re-organisation costs of £412k
- Additional bad debt expense impacted by Covid-19, above normal industry bad debt levels, of £14,594k
- Billing system decommissioning costs of £1,048k

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 13. Intangible fixed assets

	Customer Contracts £000	Computer Software £000	Total £000
<b>Cost</b>			
At 1 April 2019	12,107	8,205	20,312
Additions	-	1,934	1,934
Disposals	-	(1,437)	(1,437)
At 31 March 2020	<u>12,107</u>	<u>8,702</u>	<u>20,809</u>
<b>Amortisation</b>			
At 1 April 2019	(1,360)	(1,838)	(3,198)
Charge for the year	(1,193)	(1,674)	(2,867)
Disposals	-	554	554
At 31 March 2020	<u>(2,553)</u>	<u>(2,958)</u>	<u>(5,511)</u>
<b>Net book value</b>			
At 31 March 2020	<u>9,554</u>	<u>5,743</u>	<u>15,298</u>
At 31 March 2019	<u>10,747</u>	<u>6,367</u>	<u>17,114</u>

## 14. Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2019	168	671	570	1,409
Additions	73	4	114	191
Disposals	-	(257)	(119)	(376)
At 31 March 2020	<u>241</u>	<u>418</u>	<u>565</u>	<u>1,224</u>
<b>Depreciation</b>				
At 1 April 2019	(118)	(316)	(248)	(682)
Charge for period on owned assets	(71)	(92)	(167)	(330)
Disposals	-	244	-	244
At 31 March 2020	<u>(189)</u>	<u>(164)</u>	<u>(415)</u>	<u>(768)</u>
<b>Net book value</b>				
At 31 March 2020	<u>52</u>	<u>254</u>	<u>150</u>	<u>456</u>
At 31 March 2019	<u>50</u>	<u>355</u>	<u>322</u>	<u>727</u>

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 15. Right of use assets

	Property £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2019	-	-	-
On adoption of IFRS 16	1,114	199	1,313
At 31 March 2020	<u>1,114</u>	<u>199</u>	<u>1,313</u>
<b>Depreciation</b>			
At 1 April 2019	-	-	-
On adoption of IFRS 16	(480)	(132)	(612)
Charge for the year	(131)	(47)	(178)
At 31 March 2020	<u>(611)</u>	<u>(179)</u>	<u>(790)</u>
<b>Net book value</b>			
At 31 March 2020	<u>502</u>	<u>21</u>	<u>523</u>

## 16. Trade and other receivables

Amounts falling due within one year	2020	2019
	£000	£000
Trade debtors	122,232	101,842
Less doubtful debt provision	(32,379)	(14,005)
Net trade receivables	<u>89,853</u>	<u>87,837</u>
Amounts owed by parent undertaking	486	7,246
Other debtors	3,120	3,538
Corporation tax recoverable	-	79
Prepayments	13,143	23,604
Accrued income	74,007	71,781
	<u>180,609</u>	<u>194,085</u>
<b>Amounts falling due in more than one year</b>	<b>2020</b>	<b>2019</b>
	£000	£000
Amounts owed by parent undertaking	13,245	-
	<u>13,245</u>	<u>-</u>

Amounts falling due within one year owed by parent undertakings carry no interest, are unsecured and are repayable on demand. Amounts falling due in more than one year owed by parent undertakings carry no interest, are unsecured and are repayable in 2023.

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 16. Trade and other receivables (continued)

### Doubtful debts provision

Movement on the doubtful debts provision were as follows:

	£000
At 1 April 2018	7,002
Acquired as part of business acquisition	4,182
Charge for bad and doubtful debts	2,821
At 1 April 2019	<u>14,005</u>
Charge for bad and doubtful debts	18,374
At 31 March 2020	<u><u>32,379</u></u>

## 17. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	<u>154</u>	<u>1,587</u>
	<u><u>154</u></u>	<u><u>1,587</u></u>

## 18. Creditors

### Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	21,409	906
Taxation and social security	260	277
Amounts owed to group undertakings	545	577
Amounts owed to associated undertakings	831	888
Other creditors	448	1,667
Accruals	37,448	47,491
Deferred income	2,195	27,956
Provisions	165	-
Lease creditors	375	-
	<u><u>63,676</u></u>	<u><u>79,762</u></u>

At the year end the Company took advantage of the payment deferral scheme set out by the industry regulator in England (Ofwat) and as a result trade creditors include amounts owed to related parties as follows: Northumbrian Water Limited ("NWL") £6,565k (2019:£3k) and Anglian Water Services Limited ("AWSL") £9,368k (2019:£nil).

### Amounts falling due in more than one year

	2020 £000	2019 £000
Lease creditors	<u>229</u>	-
	<u><u>229</u></u>	<u><u>-</u></u>

Amounts owed to other group undertakings, carry no interest and are repayable on demand.

Amounts owed to associated undertakings include interest accrued in relation to loans and borrowings, as detailed in note 19.

Anglian Water Business (National) Limited

# Notes to the Financial Statements

For the Year Ended 31 March 2020

## 19. Loans and borrowings

				2020 £000	2019 £000
<b>Amounts falling due after more than one year</b>					
Loan from Anglian Venture Holdings Ltd ("AVHL")				16,703	16,703
Loan from Northumbrian Water Group Ltd ("NWGL")				2,659	2,659
				<b>19,362</b>	<b>19,362</b>
<b>Amounts falling due within one year</b>					
Receivables financing facility				41,629	30,359
Loan from AVHL				6,250	-
Loan from NWGL				16,250	10,000
				<b>64,129</b>	<b>40,359</b>
	Currency	Nominal interest rate	Year of maturity	Face value and carrying amount 31 March 2020 £000	Face value and carrying amount 31 March 2019 £000
<b>Non-current liabilities</b>					
Loan from AVHL	GBP	LIBOR +2.75%	2022	16,703	16,703
Loan from NWGL	GBP	LIBOR +2.75%	2022	2,659	2,659
<b>Non-current assets</b>					
Loan to Wave Ltd	GBP	Nil	2023	(13,245)	(6,723)
<b>Current liabilities</b>					
Receivables financing facility	GBP	LIBOR +1.25%	2020	41,629	30,359
Loan from AVHL	GBP	LIBOR +2.75%	2020	6,250	-
Loan from NWGL	GBP	LIBOR +2.75%	2020	16,250	10,000
				<b>70,246</b>	<b>52,998</b>

The Company's receivables financing facility is secured on elements of the Company's overall trade receivables outstanding at 31 March 2020



**Anglian Water Business (National) Limited**

# **Notes to the Financial Statements**

**For the Year Ended 31 March 2020**

## **20. Financial instruments**

Categories of financial instruments held at fair value

	2020 £000	2019 £000
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents (see note 17)	154	1,587
Trade and other receivables (see note 16)	193,854	194,085
	<u>194,008</u>	<u>195,672</u>
Financial liabilities measured at amortised cost:		
Shareholder long term loans (see note 19)	41,862	29,362
Receivables financing facility (see note 19)	41,629	30,359
	<u>83,491</u>	<u>59,721</u>

## **21. Deferred taxation**

The following are the major deferred tax assets recognised by the Company and movements thereon during the current year.

	Accelerated tax £000	Corporate interest Provisions restriction £000	Tax losses £000	Total £000
At 1 April 2018	20	87	85	192
(Charged) / credited in the income statement	(12)	123	(168)	(25)
Business acquisition	36	-	85	121
At 1 April 2019	44	210	2	288
Restatement following rate change	6	25	1	35
Credited/(charged) in the income statement	15	(235)	1,671	2,202
Credited in changes to equity	8	-	-	8
At 31 March 2020	<u>73</u>	<u>-</u>	<u>1,674</u>	<u>2,533</u>

A deferred tax asset has been recognised on the basis that it will be recovered against forecast future profits of the Company. A detailed review of the Company's forecasts has been undertaken to support this view. The Company may in future obtain deductions for interest of £2,677k which has been disallowed under the corporate interest restriction rules. Due to the current uncertainty regarding its recovery, no deferred tax asset has been recognised.

**Anglian Water Business (National) Limited**

# **Notes to the Financial Statements**

**For the Year Ended 31 March 2020**

## **22. Pension Commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £857k (2019: £775k). As at 31 March 2020 there were outstanding contributions of £101k (2019: £nil).

Pension commitments related to pensions payable to past Directors are the liability of Anglian Venture Holdings Limited.

## **23. Share capital**

	No.	£000
Authorised, issued and fully paid Ordinary shares of £0.10		
At 1 April 2018	424,830,700	42,483
Issued in the year	313,200,000	31,320
At 1 April 2019	738,030,700	73,803
Issued in the year	-	-
At 31 March 2020	<b>738,030,700</b>	<b>73,803</b>

On 31 August 2018 the Company issued 313,200,000 Ordinary shares of £0.10 each to Wave Ltd which were fully paid.

## **24. Reserves**

### **Profit & loss account**

Includes all current and prior periods' retained profits and losses.

### **Share premium account**

The Company's share premium account is a non-distributable reserve, including all premiums paid on the Company's share capital.

## **25. Related parties**

The Company is a directly wholly owned subsidiary of Wave Ltd, which produces publicly available consolidated financial statements which include the Company. Accordingly, the Company is exempt under FRS101 from disclosing transactions with other members of the group headed by Wave Ltd.

Details of transactions between the Company and other related parties are disclosed below:

	Interest payable	Amounted owed to related party	Trading charges
	£000	£000	£000
Year ending 31 March 2020			
NWGL	197	18,909	-
AVHL	576	22,953	-
NWL	-	6,565	137,993
AWSL	-	9,368	224,573
Year ending 31 March 2019			
NWGL	275	12,659	-
AVHL	556	16,703	-
NWL	-	3	91,808
AWSL	-	-	211,673

## Notes to the Financial Statements

For the Year Ended 31 March 2020

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**26. Ultimate parent undertaking and Controlling party**

The Directors consider that Wave Ltd, the immediate parent and controlling party of the Company, is the ultimate parent company of the Group. Wave Ltd is a company registered in England and Wales.

The parent undertaking of the smallest and largest group of undertakings for which the group financial statements are drawn up and which is the reporting company, is Wave Ltd, registered at Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ. Copies of Wave group financial statements are available from Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

The Wave Group is jointly owned by Northumbrian Water Group Limited and Anglian Venture Holdings Limited and considers these companies to be joint controlling parties.

**27. Post balance sheet event**

The Directors have considered the impact of COVID-19 within its reporting and used information available after the balance sheet date to inform their assessment of impairment of trade receivables at the period end. As a result, a significant additional provision for bad debts of £14.6m has been recognised in the period in relation to receivables outstanding at the balance sheet date.

As noted in the Going Concern section of the Strategic Report, additional funding was secured after the year end through the Coronavirus Large Business Interruption Loan Scheme of £35m.