

Annual Report and Financial Statements

Anglian Water Business (National) Limited

For the Year Ended 31 March 2021



Registered number: 03017251

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Company Information

Director	RA Boucher LJ Darch A Donnelly S Hazon M Parker NJ Watson WP Young K Main 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

Strategic Report

For the Year Ended 31 March 2021

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 2021.

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 ("NHH") 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

The results for the year are significantly impacted by the COVID-19 pandemic and are therefore not comparable with the performance of the prior year. The Company's customers have experienced enforced business closures and reduced operations leading to much lower consumption across large areas of the portfolio.

In the immediate aftermath of the announcement of the first lockdown in March 2020, the Company focused on fully mobilising its workforce under lockdown conditions and was able to have 95% of employees able to fully perform their duties within 3 weeks. This allowed the business to provide a high level of support to customers during this very difficult period, and also protected the Company's ability to perform its duties.

In the early part of the year the Company and its customers benefitted from changes to market codes implemented by Ofwat to provide relief to retailers and consumers. The Company was able to utilise a scheme to defer payment of an element of wholesale charges during the early stage of the COVID-19 pandemic, although consistently made payments covering over 80% of its wholesale payments and was able to clear all deferred balances by 30 September 2020 on receipt of government backed funding via the Coronavirus Large Business Interruption Loan Scheme ("CLBILS").

The Company also utilised the market code change 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. This was originally for a period of 3 months and was later extended to 31 July 2020. Due to the interaction of the Velocity billing system with the market, the Company were able to act quickly and suspend wholesale charges for impacted premises from 1 April 2020. In turn, billing was also suspended for these customers, providing immediate relief to customers experiencing financial struggles. Billing and cash collections recommenced on removal of the temporary vacant flag from 1 August 2020 or where customers were identified as reopening earlier.

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 prevented escalation and disconnections for non-payment during the pandemic. Debt collection activity recommenced in August 2020 with the Company offering COVID-19 repayment schemes to support customers struggling financially. For those customers not impacted by the pandemic third party debt collection agencies were re-engaged and the Company continued to escalate customers to disconnection for non-payment, as in the prior year. A significant reduction in debtors has been achieved through these methods and with continuing improving control over unpaid debtors, with the debt book at its lowest ever level at the year end, although lower revenue and billing in year have also contributed to this.

Strategic Report (continued)

For the Year Ended 31 March 2021

Business review and Key Performance Indicators (continued)

Additional funding was secured in September 2020 through CLBILS. This comprised of a £15m term loan due for full repayment by March 2022 and two revolving credit facilities totaling £20m with repayment dates of August 2022 (£15m) and June 2023 (£5m) respectively.

As a result of COVID-19 new business activity was suspended during the year leading to a strategic review of our sales and bid management organisational structure.

Switching continues in the market albeit at a more subdued level than pre-pandemic. The Company's reduction in supply points this year was 7.3% (2020: 0.4%), however this measure is skewed by the transfer of the Scottish Procurement contract from 1 April 2020 where the Company's bid was qualified with restrictions to mitigate the impact of proposed changes in Scotland's regulatory environment, which would otherwise have required an unsustainable level of working capital investment to retain this contract. The Company's bid was subsequently excluded leading to over 25,000 supply points switching to another retailer allowing the full recovery of our working capital. The term supply points represents the number of supply points ("SPIDs") where we are the retailer in England and Scotland. Excluding the loss of this contract, the retention rate, being the percentage of SPIDs where we remain the retailer after 12 months, has increased to 97.5% from 95.6%.

During the year the Company has continued to see good improvements in the level of service provided to customers. Complaints have decreased from 41.1 per 10,000 SPIDs to 32.7 in a time when complaints increased across the retailer market to 53.8 per 10,000 SPIDs, partly driven by COVID-19, showing Wave's continued commitment to being a market leading retailer. Pleasingly, complaints escalated to the Consumer Council for Water ("CCW") have decreased from 11.1 per 10,000 SPIDs to 6, well below the market average of 9.7 per 10,000 SPIDs.

In recognition of Wave Group's response to the challenging year for the Company, its people and its customers, Wave was announced as winner of the UK Water Retailer of the Year award at The Water Industry Awards, in the weeks following the year end.

In the year the Company instigated a NHH market review with nine other retailers, engaging an external consultant to perform the review independently. The review highlighted improvements needed in the market and conducted stakeholder engagement activities with Ofwat, the market regulator, Defra, wholesalers and self-suppliers. The results of the study are expected to inform future changes in the NHH market.

Revenue for the year ended 31 March 2021 was £391.0m (2020: £556.7m). This reflects lengthy periods of business closure for many of our customers due to COVID-19 and the loss of the Scottish Procurement contract mentioned above. Portfolio gross margin, being the element of charges retained by the retailer after settlement of wholesale costs, was 6.4% (2020: 5.9%).

Operating costs before exceptional items (cost of sales and administrative expenses) totaled £398.1m (2020: £554.8m) giving an operating loss before exceptional items of £7.1m (2020: £1.9m profit). Exceptional items totaled £nil (2020: £16.1m, primarily relating to additional bad debt costs associated with COVID-19), although included within operating costs is an additional £6.6m in bad debt costs over and above Wave's historic levels due to the ongoing COVID-19 pandemic.

Net interest payable was £2.3m (2020: £1.5m), giving the Company a loss before taxation for the year ended 31 March 2021 of £9.5m (2020: £15.7m).

Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2021

Business review and Key Performance Indicators (continued)

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

	Units	31 March 2021	31 March 2020
Supply points	'000	427	460
Retention rate	%	97.5	95.6
Portfolio gross margin	%	6.4	5.9
Complaints	no./10,000 SPIDs	32.7	41.1

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 late March 2020 we took the decision to mobilise a 100% home workforce, not taking advantage of the government's Coronavirus Job Retention Scheme. This was to ensure the Company could provide the required level of support to customers during the pandemic and to operationalise the short-term reliefs for customers granted by Ofwat.
- During the first half of the year the Board considered the impact of COVID-19 on cash flows and began negotiations with Natwest to secure government backed funding through the CLBILS. Additional funding of £35m was secured in September 2020 in the form of a £15m term loan and £20m revolving credit facility. This funding has provided the Company with sufficient headroom to continue to deliver a quality level of service to customers and through this difficult period.
- In October 2020 we announced restructuring as a result of reduced sales activity during the COVID-19 pandemic. The impact on our people was carefully considered both before the announcement and during the consultation process, as set out in the business review section.

Strategic Report (continued)

For the Year Ended 31 March 2021

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

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"> • The Board receives regular reporting on customer outcomes and customer related strategic initiatives throughout the year. • 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. • The Board continues to monitor the ways in which we interact with customers and in the current year saw increases in alternative methods of communication, such as WebChat and use of our online customer portal 'My Account', providing customers with more flexibility during this year of uncertainty. • Our CEO regularly listens in to live calls with customers to gain firsthand insight into customers' issues.
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"> • Throughout the year our people have worked entirely from home and have been supported through this by the rollout of new communications software and promotion of flexible working. • Through employee forums, internal communications and bi-weekly Business Updates, the Directors engage with our people on a wide range of matters • In the current year we completed a business wide employee survey for the second time, the results of which form the basis for our people strategy for the coming year. • In the coming year the Directors will also be considering the best approach to retuning to our offices and ways of blended working, involving our people in key decision making. • 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. • 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. • Regular training opportunities are provided to all employees on a variety of topics, such as our Lunch and Learn and 'audience with' sessions covering topics relevant to our people.

Strategic Report (continued)

For the Year Ended 31 March 2021

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

Stakeholders	Why are they important?	What is our approach to engaging with them?
Wholesalers	We operate across a wide wholesaler base and it's vital we build strong working relationships and processes with wholesalers to provide the best service possible to our customers.	<ul style="list-style-type: none"> The Company recognises the important role played in our business by wholesalers and has a dedicated Wholesaler Management function to manage these relationships. Representatives of the Company are members 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.
Shareholders	The shareholders of the Wave Group are the ultimate owners of the Company.	<ul style="list-style-type: none"> Representatives of our Group shareholders are Board members and so are engaged regularly in our business decision making.
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"> During the year representatives from the Company have attended conferences on climate emergency and water efficiency to promote water sustainability. Despite fundraising and volunteering efforts being limited this year, Wave continues to advocate key issues such as mental health awareness and climate change, water scarcity and water quality with its active social media presence.
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"> We maintain constructive and open relationships with our regulators, which is vital in these early stages of the water retail market. The Company's Chief Executive Officer is a member of MOSL Board, acting as Non-Executive Director for Associated Retailers. A representative of the Company is a member of the MOSL Panel. The purpose of this panel is to oversee the operation and evolution of the water retail market. A representative of the Company is a member of MOSL's Market Performance Committee ("MPC"). The purpose of the MPC is to provide oversight on Market Performance. 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.

Strategic Report (continued)

For the Year Ended 31 March 2021

Our People

The Company engages with its employees in a number of ways. A bi-weekly Business Update is hosted by the Wave Leadership Team ("WLT") and other members of management. 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 impact of COVID-19 on our customers and people and was important in maintaining the Company's strong people-centric culture through this year of remote working. The Company also circulates the Wavelength Newsletter monthly, which includes an update from each section of the business.

The Company's focus on its people has been rewarded in 2021 with awards from the UK Employee Experience Awards and UK Business Awards where the Company was given a Gold Award for its COVID-19 Project Team in the Team of the Year category.

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 a restructuring exercise, 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 they have a disability that may disadvantage them 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.

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 with regards to our people working remotely and 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

Strategic Report (continued)

For the Year Ended 31 March 2021

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, bank loans and the receivables financing facility. Many of the Company's interest-bearing liabilities are linked to LIBOR and the Bank of England base rate and movements in these rates are not expected to materially impact the Company. Work is ongoing 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 in year 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.

Future developments

Going forward, the Company is focused on supporting its customers during business reopenings, providing them with market leading customer service and flexible payment plans. We expect the market outlook to remain challenging during this time, as customers liquidity continues to be impacted by COVID-19. We are also focused on continuing to provide a safe working environment for our people and navigating a return to the office with new blended ways of working.

Strategic Report (continued)

For the Year Ended 31 March 2021

Directors' assessment of going concern

As at 31 March 2021, the Company had net current assets of £72.8m (2020: £48.4m) and net assets of £52.6m (2020: £60.8m). The significant loss in the year is driven by the reduced consumption seen across the portfolio, with in year gross margins not sufficient to cover the overhead cost base.

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 the refinancing of the Company's Coronavirus Large Business Interruption Loan Scheme funding of £35m which took place after the year end. Furthermore, the Company has received confirmation from its shareholders repayment of any shareholder funding will not be sought in the next 12 months together with other confirmations to support the going concern assessment. 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 in the year, and do not believe this to be significant.

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



WP Young

Director

27 September 2021

Anglian Water Business (National) Limited

Directors' Report (continued)

For the Year Ended 31 March 2021

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2021.

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)

N Corfield (appointed 23 September 2020)

G Smith (appointed 23 September 2020, resigned 5 November 2020)

Indemnification of Directors

The Company had Directors' and Officers' insurance in place for the year to 31 March 2021. 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 (2020: £nil) and the Directors do not recommend a final dividend for the year (2020: £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.

Energy and carbon reporting

The Company's Greenhouse Gas ("GHG") emissions and energy usage are reported under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage data for period 1 April 2020 to 31 March 2021	
Emissions from combustion of gas (tonnes of CO ₂ e)	33.65
Emissions from electricity purchased for own use, including for the purposes of transport (tonnes of CO ₂ e)	57.54
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tonnes of CO ₂ e)	0.63
Total gross CO₂e based on above	91.82
Energy consumption used to calculate emissions (gas) – m ³	16,637
Energy consumption used to calculate emissions (electric) - kwh	227,243

Directors' Report (continued)

For the Year Ended 31 March 2021

Energy and carbon reporting (continued)

The Company's main emissions are produced through electricity and gas usage within our offices. Our property strategy moving forward will include built in energy efficient decisions points. The business has adopted a flexible hybrid working model which is expected to influence the Company's carbon footprint going forward.

Throughout the next financial year, the Company is developing a strategic plan to become net-zero carbon. An environmental working group is being created and launched to share good practice and develop initiatives around carbon neutrality both within the Company's operation and employee's homes. The Company also recognises the importance of water efficiency savings across customer operations and is developing a water strategy framework with customers.

Post balance sheet event

The Directors have considered the impact of COVID-19 and any other potential post balance sheet event within its reporting and after the balance sheet date and conclude there were no events subsequent to the balance sheet date that require adjusting in these financial statements.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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".

Directors' Report (continued)

For the Year Ended 31 March 2021

Directors' responsibilities statement (continued)

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:



WP Young
Director
27 September 2021

Independent Auditor's Report

For the Year Ended 31 March 2021

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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

Independent Auditor's Report

For the Year Ended 31 March 2021

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

Other information (continued)

misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report

For the Year Ended 31 March 2021

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Accrued revenue: we have tested the design & implementation of the key control that mitigates the risk and independently recalculated the accrued revenue recorded for a sample of customers using the latest billing information available.
- Provision for doubtful debts: we have tested the design & implementation of the key control that mitigates the risk, assessed and challenged the judgements made by management for reasonableness, assessed cash collection post year end on a sample basis and looked to identify significant deterioration or improvement in the collection history.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 2021

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.



Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2021

Anglian Water Business (National) Limited

Statement of Comprehensive Income

For the Year Ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	4	391,035	556,677
Cost of sales		(366,194)	(523,950)
Gross profit		24,841	32,727
Administrative expenses		(31,951)	(30,833)
Exceptional items	12	-	(16,054)
Total administrative expenses including exceptional items		(31,951)	(46,887)
Operating loss	5	(7,110)	(14,160)
Interest receivable and similar income	9	121	622
Interest payable and expenses	10	(2,464)	(2,168)
Loss before tax		(9,453)	(15,706)
Tax on loss	11	1,257	2,269
Loss for the financial year		(8,196)	(13,437)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income; accordingly, no separate statement of other comprehensive income has been presented. Revenue and operating loss are all derived from continuing operations.

Anglian Water Business (National) Limited

Statement of Financial Position

As at 31 March 2021

		2021		2020	
	Note	£000	£000	£000	£000
Non-current assets					
Intangible assets	13		13,073		15,298
Tangible assets	14		404		456
Right of use assets	15		374		523
Deferred tax	21		3,270		2,533
Debtors amounts falling due in more than one year	16		18,366		13,245
			<u>35,487</u>		<u>32,055</u>
Current assets					
Debtors amounts falling due within one year	16	150,609		176,024	
Cash at bank and in hand	17	<u>5,583</u>		<u>154</u>	
			156,192		176,178
Current liabilities					
Creditors amounts falling due within one year	18	(49,316)		(63,676)	
Loans and borrowings falling due within one year	19	<u>(34,088)</u>		<u>(64,129)</u>	
			(83,404)		(127,805)
Net current assets			<u>72,788</u>		<u>48,373</u>
Total assets less current liabilities			<u>108,275</u>		<u>80,428</u>
Non-current liabilities					
Creditors amounts falling due after more than one year	18	(274)		(229)	
Loans and borrowings due after more than one year	19	<u>(55,362)</u>		<u>(19,362)</u>	
			(55,636)		(19,591)
Net assets			<u>52,639</u>		<u>60,837</u>
Capital and reserves					
Called up share capital	23		73,803		73,803
Share premium account	24		8		8
Retained earnings	24		(21,172)		(12,974)
			<u>52,639</u>		<u>60,837</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 27 September 2021. They were signed on its behalf by:


WP Young

Director

Notes 1 to 27 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 March 2021

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

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2020	73,803	8	(12,974)	60,837
Adoption of IFRS 16 inclusive of associated tax impact	-	-	(2)	(2)
At 1 April 2020 (restated)	73,803	8	(12,976)	60,835
Comprehensive expense for the year				
Loss for the year and total other comprehensive expense	-	-	(8,196)	(8,196)
Total comprehensive expense for the year	-	-	(8,196)	(8,196)
At 31 March 2021	73,803	8	(21,172)	52,639

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 inclusive of associated tax impact	-	-	(44)	(44)
At 1 April 2019 (restated)	73,803	8	463	74,274
Comprehensive expense for the year				
Loss for the year and total other comprehensive expense	-	-	(13,437)	(13,437)
Total comprehensive expense for the year	-	-	(13,437)	(13,437)
At 31 March 2020	73,803	8	(12,974)	60,837

Notes to the Financial Statements

For the Year Ended 31 March 2021

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

In the current year the Company has considered the amendments to the definition of a business in IFRS 3 'Business Combinations', which if effective for any annual period beginning on or after 1 January 2020. These changes do not materially impact the Company.

The Company has also considered the amendments to the definition of material in IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amended definition has been considered by management in preparing these financial statements.

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 2021, the Company had net current assets of £72.8m (2020: £48.4m) and net assets of £52.6m (2020: £60.8m). The significant loss in year is driven by reduced consumption across the portfolio resulting in lower margins which aren't sufficient to cover the underlying cost base. This is considered to be solely driven by COVID-19 and one off in nature.

Notes to the Financial Statements

For the Year Ended 31 March 2021

2. Significant Accounting policies (continued)

2.3 Going concern (continued)

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 the refinancing of the Company's Coronavirus Large Business Interruption Loan Scheme funding of £35m which took place after the year end. Furthermore, the Company has received confirmation from its shareholders repayment of any shareholder funding will not be sought in the next 12 months together with other confirmations to support the going concern assessment. 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.

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 the Company adopted IFRS 16 'Leases', using the modified retrospective approach.

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
- 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.

Notes to the Financial Statements

For the Year Ended 31 March 2021

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 (e.g. 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 2021

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 2021

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 2021

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 £0.9m.

Notes to the Financial Statements

For the Year Ended 31 March 2021

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 £0.3m.

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:

	2021 £000	2020 £000
Water	207,379	258,195
Sewerage	140,114	239,276
Trade Effluent	37,501	45,638
Other	6,041	13,568
	391,035	556,677

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

5. Operating loss

Operating loss is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets (see note 14)	161	330
Depreciation of right of use assets (see note 15)	149	178
Amortisation of software (included within administrative expenses) (see note 13)	1,110	1,674
Amortisation of customer contracts (included within administrative expenses) (see note 13)	1,193	1,193
Staff Costs (see note 8)	11,613	12,726

Notes to the Financial Statements

For the Year Ended 31 March 2021

6. Auditor's remuneration

Fees payable to the group's auditor:

	2021	2020
	£000	£000
Audit of the Company's financial statements	106	101
Total Audit services	106	101
Assurance services	12	12
Total non-audit services	12	12
	118	113

7. Directors' emoluments

(a) Directors' remuneration

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

	2021	2020
	£000	£000
Directors' remuneration	655	342
Company contributions to money purchase pension plans	18	4
	673	346

Pension contribution paid in the year relates to 4 Directors (2020: 1).

(b) Highest paid Director

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

	2021	2020
	£000	£000
Director's remuneration	400	342
Company contributions to money purchase pension plans	4	4
	404	346

As at 31 March 2021 there were outstanding contributions of £1k (2020: £1k) to the Company's defined contribution pension scheme in relation to the highest paid director.

8. Employees

	2021	2020
	£000	£000
Wages and salaries	9,998	10,805
Social security costs	942	1,064
Cost of defined contribution pension scheme	673	857
	11,613	12,726

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

	2021	2020
	No.	No.
Administration and support	275	344

Notes to the Financial Statements

For the Year Ended 31 March 2021

9. Interest receivable and similar income

	2021	2020
	£000	£000
Interest income on financial assets	121	622
	<u>121</u>	<u>622</u>

10. Interest payable and similar charges

	2021	2020
	£000	£000
Interest payable on bank overdrafts and loans	734	642
Interest payable on loans from shareholders	1,361	1,499
Interest payable on leased assets	19	27
Other interest payable	350	-
	<u>2,464</u>	<u>2,168</u>

11. Taxation

	2021	2020
	£000	£000
Corporation tax		
Group relief payable on losses claimed for the year	(116)	--
Adjustments in respect of previous years – Current tax	-	-
Adjustments in respect of previous years – Group relief	(402)	(32)
Total current tax	<u>(518)</u>	<u>(32)</u>
Deferred tax		
Opening restatement due to rate change	-	(35)
Origination and reversal of temporary differences		
- Derecognition of deferred tax assets	-	509
- Other timing differences	(1,130)	(2,741)
Adjustments in respect of previous years	391	30
Total deferred tax	<u>(739)</u>	<u>(2,237)</u>
Taxation on loss	<u>(1,257)</u>	<u>(2,269)</u>

Factors affecting tax credit for the year

The rate of UK corporation tax for the current year was 19%. The UK government announced in its Budget on 3 March 2021 that the rate will be increased to 25% with effect from 1 April 2023. At the balance sheet date the rate change had neither been enacted nor substantively enacted. Accordingly, there is no impact on the company's financial statements at 31 March 2021. Had the rate change applied during the year, the opening deferred tax asset would have been restated to £3,333,000, the movement in the year would have been £970,000, and the closing balance would have been £4,303,000.

Notes to the Financial Statements

For the Year Ended 31 March 2021

11. Taxation (continued)

	2021 £000	2020 £000
Loss before tax	(9,453)	(15,706)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,796)	(2,984)
Effects of:		
Expenses not deductible for tax purposes	238	245
IFRS 16 transitional relief	(2)	(2)
Deferred tax opening restatement	-	(35)
Deferred tax derecognised	314	509
Adjustments to tax charge in respect of prior periods	(11)	(2)
Transfer pricing adjustment	(116)	-
Transfer pricing balancing payment	116	-
Total tax credit for the year	(1,257)	(2,269)

12. Exceptional items

	2021 £000	2020 £000
Exceptional items	-	16,054
	-	16,054

Exceptional items are presented as such 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 prior 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; and
- Billing system decommissioning costs of £1,048k.

Notes to the Financial Statements

For the Year Ended 31 March 2021

13. Intangible fixed assets

	Customer Contracts £000	Computer Software £000	Total £000
Cost			
At 1 April 2020	12,107	8,702	20,809
Additions	-	78	78
Disposals	-	(365)	(365)
At 31 March 2021	<u>12,107</u>	<u>8,415</u>	<u>20,522</u>
Amortisation			
At 1 April 2020	(2,553)	(2,958)	(5,511)
Charge for the year	(1,193)	(1,110)	(2,303)
Disposals	-	365	365
At 31 March 2021	<u>(3,746)</u>	<u>(3,703)</u>	<u>(7,449)</u>
Net book value			
At 31 March 2021	<u>8,361</u>	<u>4,712</u>	<u>13,073</u>
At 31 March 2020	<u>9,554</u>	<u>5,744</u>	<u>15,298</u>

14. Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2020	241	418	565	1,224
Additions	1	1	107	109
Disposals	-	-	(110)	(110)
At 31 March 2021	<u>242</u>	<u>419</u>	<u>562</u>	<u>1,223</u>
Depreciation				
At 1 April 2020	(189)	(164)	(415)	(768)
Charge for period on owned assets	(40)	(66)	(55)	(161)
Disposals	-	-	110	110
At 31 March 2021	<u>(229)</u>	<u>(230)</u>	<u>(360)</u>	<u>(819)</u>
Net book value				
At 31 March 2021	<u>13</u>	<u>189</u>	<u>202</u>	<u>404</u>
At 31 March 2020	<u>52</u>	<u>254</u>	<u>150</u>	<u>456</u>

Notes to the Financial Statements

For the Year Ended 31 March 2021

15. Right of use assets

	Property £000	Motor vehicles £000	Total £000
Cost or valuation			
At 1 April 2020	1,114	199	1,313
Additions	-	-	-
At 31 March 2021	<u>1,114</u>	<u>199</u>	<u>1,313</u>
Depreciation			
At 1 April 2020	(611)	(179)	(790)
Charge for the year	(131)	(18)	(149)
At 31 March 2021	<u>(742)</u>	<u>(197)</u>	<u>(939)</u>
Net book value			
At 31 March 2021	<u>372</u>	<u>2</u>	<u>374</u>
At 31 March 2020	<u>503</u>	<u>20</u>	<u>523</u>

16. Trade and other receivables

Amounts falling due within one year	2021	2020
	£000	£000
Trade debtors	81,901	117,647
Less doubtful debt provision	(33,300)	(32,379)
Net trade receivables	<u>48,601</u>	<u>85,268</u>
Amounts owed by parent undertaking	639	486
Other debtors	2,549	3,120
Prepayments	6,231	13,143
Accrued income	92,589	74,007
	<u>150,609</u>	<u>176,024</u>
Amounts falling due in more than one year	2021	2020
	£000	£000
Amounts owed by parent undertaking	<u>18,366</u>	<u>13,245</u>
	<u>18,366</u>	<u>13,245</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.

Notes to the Financial Statements

For the Year Ended 31 March 2021

16. Trade and other receivables (continued)

Doubtful debts provision

Movement on the doubtful debts provision were as follows:

	£000
At 1 April 2020	32,379
Debts written off	(8,055)
Charge for bad and doubtful debts	8,976
At 31 March 2021	<u>33,300</u>

17. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	<u>5,583</u>	<u>154</u>
	<u>5,583</u>	<u>154</u>

18. Creditors

Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	15,716	21,409
Taxation and social security	231	260
Amounts owed to group undertakings	-	545
Amounts owed to associated undertakings	620	831
Other creditors	1,255	448
Accruals	30,267	37,448
Deferred income	1,114	2,195
Provisions	-	165
Lease creditors	113	375
	<u>49,316</u>	<u>63,676</u>

Amounts falling due in more than one year

	2021 £000	2020 £000
Lease creditors	274	229
	<u>274</u>	<u>229</u>

Amounts included in lease creditors reflect the liabilities associated with all leases to which the Company has committed.

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 2021

19. Loans and borrowings

				2021 £000	2020 £000
Amounts falling due after more than one year					
Loan from Anglian Venture Holdings Ltd ("AVHL")				16,703	16,703
Loan from Northumbrian Water Group Ltd ("NWGL")				2,659	2,659
Loan from AVHL				13,000	-
Loan from NWGL				23,000	-
				55,362	19,362
Amounts falling due within one year					
Receivables financing facility				19,088	41,629
Coronavirus Large Business Interruption Scheme ("CLBILS") Term Loan				15,000	-
Loan from AVHL				-	6,250
Loan from NWGL				-	16,250
				34,088	64,129
	Currency	Nominal interest rate	Year of maturity	Face value and carrying amount 31 March 2021 £000	Face value and carrying amount 31 March 2020 £000
Non-current liabilities					
Loan from AVHL	GBP	LIBOR +2.75%	2022	16,703	16,703
Loan from NWGL	GBP	LIBOR +2.75%	2022	2,659	2,659
Loan from AVHL	GBP	LIBOR +2.75%	2023	13,000	6,250
Loan from NWGL	GBP	LIBOR +2.75%	2023	23,000	16,250
Non-current assets					
Loan to Wave Ltd	GBP	Nil	2023	(18,366)	(13,245)
Current liabilities					
Receivables financing facility	GBP	LIBOR +1.25%	2021	19,088	41,629
CLBILS Term Loan	GBP	1.46%	2022	15,000	-
				71,084	70,246

The Company's receivables financing facility is secured on elements of the Company's overall trade receivables outstanding at 31 March 2021.

Notes to the Financial Statements

For the Year Ended 31 March 2021

20. Financial instruments

Categories of financial instruments held at fair value:

	2021 £000	2020 £000
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents (see note 17)	5,583	154
Trade and other receivables (see note 16)	168,975	189,269
	174,558	189,423
Financial liabilities measured at amortised cost:		
Shareholder long term loans (see note 19)	55,362	41,862
Receivables financing facility (see note 19)	19,088	41,629
CLBILS Term Loan (see note 19)	15,000	-
	89,450	83,491

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 restriction £000	Provisions £000	Tax losses £000	Total £000
At 1 April 2020	73	-	1,674	786	2,533
Restatement following rate change	-	-	-	-	-
Credited/(charged) in the income statement	(3)	-	(1,573)	2,315	739
Credited in changes to equity	(2)	-	-	-	(2)
At 31 March 2021	68	-	101	3,101	3,270

A deferred tax asset has been recognised on the basis that it will be recovered against forecast future profits of the Company. The company may in future obtain deductions for interest of £3,858,000 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.

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 £673k (2020: £857k). As at 31 March 2021 there were outstanding contributions of £86k (2020: £101k) included within other creditors.

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

Notes to the Financial Statements

For the Year Ended 31 March 2021

23. Share capital

	No.	£000
Authorised, issued and fully paid Ordinary shares of £0.10		
At 1 April 2020	738,030,700	73,803
Issued in the year	-	-
At 31 March 2021	<u>738,030,700</u>	<u>73,803</u>

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 FRS 101 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	Amount owed to related party	Trading charges
	£000	£000	£000
Year ending 31 March 2021			
NWGL	99	25,659	-
AVHL	522	29,703	-
NWL	-	(624)	119,222
AWSL	-	14,420	182,578
Year ending 31 March 2020			
NWGL	197	18,909	-
AVHL	576	22,953	-
NWL	-	6,565	137,993
AWSL	-	9,368	224,573

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.

Notes to the Financial Statements

For the Year Ended 31 March 2021

27. Post balance sheet event

The Directors have considered the impact of COVID-19 and any other post balance sheet event within its reporting and after the balance sheet date and conclude there were no events subsequent to the balance sheet date that require adjusting in these financial statements.

As noted in the Going Concern section of the Strategic Report, refinancing of the Company's Coronavirus Large Business Interruption Loan Scheme funding of £35m took place after the year end, this forming a key assumption in management's assessment of going concern.