

WATER 2 BUSINESS LIMITED

Annual Report

**For the year ended
30 June 2019**

Registered in England & Wales No. 08518831



Water 2 Business Limited

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Year ended 30 June 2019

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Water 2 Business Limited

Officers and Professional Advisers

Year ended 30 June 2019

Board of Directors

M T Watts
J G Smith
A D Morgan

Company Secretary

Ruth Jefferson
Quayseco Limited

Registered office

21E Somerset Square
Nailsea
Bristol
United Kingdom
BS48 1RQ

Auditor

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Bankers

HSBC Bank PLC
8 Canada Square
London
EH14 5HQ

Water 2 Business Limited

Strategic Report

Year ended 30 June 2019

Overview

Water 2 Business Limited ("water2business") is a joint venture between Wessex Water Limited ("Wessex Water") and Bristol Water Holdings Limited ("Bristol Water"). The Company operates as a Retailer in the English and Scottish competitive water markets. The Company was set up to meet the needs of business customers following the UK Government opening the non-household water retail market in England on the 1st of April 2017. This was following the opening of the non-household water retail market in Scotland in 2008.

water2business purchased the customer books of Wessex Water Services Limited and Bristol Water Plc in 2017 and has since been supplying those customers with retail services and expanding our customer portfolio nationwide.

Business review

water2business has had a successful second year competing in the new non-household market and continues to provide full retail services to our customers as detailed below.

	2019 £000	2018 £000
Financial		
Revenue	£150,696	£145,162
Gross Margin	5.4%	4.6%
PAT	£522,570	-£152,929
People		
Employee satisfaction	92%	85%
Employee retention %	73%	76%
Employee sickness %	1%	2%
Customers		
Complaint volumes per 10,000 Supply Points (SPIDs)	13.1	11.8
Market Performance		
Market Performance Charges *	£148	£23
£/SPID	£1.07	£0.17
Business Development		
New Business Won	£24,856	£15,761
Gross Margin	1.31%	1.01%

* Market Performance Charges for 2018 only relate to April - June 2018 as they were not charged prior to this

Water 2 Business Limited

Strategic Report Continued

Year ended 30 June 2019

Operating costs

The overall operating costs of the business remain higher than the original business plan. This has been driven by several factors in the set-up of the open water market. The market operating conditions, changing role of regulated monopoly companies and poor data continue to cause significant customer frictions, that all artificially increase the cost to serve.

Considerable effort is still be applied to correct the market data (currently the responsibility of the retailer). We are gradually making improvements in automation and better processes and continue to work with the central market operator to improve the situation, hoping to eventually remove these additional costs.

Customer Service

One of our USPs in the retail market is our 'warm voice' call answering, which customers tell us, in a world of IVR and automation they really appreciate. We have trained our team to multi task enabling us to focus on first point of contact (FPOC) resolution, which when you are dealing with a busy business customer is important to ensure a great customer experience.

We manage several metrics to deliver for our customers, including speed of answer, abandonment, contact types and complaints. Whilst there are few measures in the retail market to compare retailer performance, complaints are one area where comparisons are published. water2business was very pleased to be singled out and noted as a market high performer in market audits and performance tables during the last 12 months. These efforts and customer centric approaches have seen us recognised as the number one retailer in the industry awards. This aligns to our strategy of focusing on customer service to retain our loyal customers and to win new relationships, alongside our values of Helpful, Trusted, Engaging and Expert.

Account Management & Business Development

In 2018 water2business rebranded and relaunched our value-added services programme as 'Assist'. We continue to offer a wide range of tailored products to customers of all shapes and sizes. From leak detection and repair to waste minimisation audits, our Assist programme is designed to support businesses in improving long term sustainability and efficiency within their business.

water2business continues to secure long term deals with a wide selection of reputable large multisite companies and focused on delivering a stable, efficient and professional switching process. Our vigilant approach to acquiring new business, innovative switching process and expertise in cleansing market data has delivered outstanding levels of customer service and specialist account management.

water2business continues to work closely and selectively with third party intermediaries (TPIs) supporting them with our specialist business development team. We believe that TPIs, have a key role in the development and growth of the market. The consultancies and TPIs we work with have long term established relationships with major clients due to historical support from gas and electricity; they reflect the same key values we do in delivering exceptional levels of customer service and sustainability support.

Collection Activity

We have seen a stable collection trend since market opening, and no overall growth in expected credit loss. There is however an in-month trend of slower payments. The greatest challenges come from the transfer into the business of customers with historic complex bill queries causing delay in first payment.

Water 2 Business Limited

Strategic Report Continued

Year ended 30 June 2019

Our People

As a new business operating in a new market we are keen to understand the engagement of our team. Our recent staff survey showed an overall satisfaction rating of 92% from 98% of our people.

Our health and wellbeing committee produce and manage our annual charter (People Promises) which sets out our commitment to ensuring the mental and physical wellbeing of all team members. The aim is to provide the knowledge, opportunity and support needed to make a positive lifestyle choice to benefit our team, our customers and our stakeholders by enhancing productivity and reducing sickness absence and attrition.

Awards

The awards we have achieved since market opening are summarised below:

2017 Business Leader Awards	Customer excellence award (Finalist)
2017 Wessex Water Awards	Customer service team of the year (Winner)
2018 Best Business Awards	Best customer focus (Winner)
2019 Water Industry Awards	Water Retailer of the year (Winner)

Other Key Metrics

The company continues to perform strongly against other key metrics within the business. In 2018/19:

- Our Contact Centre received 64k calls with an abandonment rate of 4.38%,
- 20k e-mail contacts received and 98.1% were handled within five working days,
- Our complaint volumes were the lowest of the major retailers (over 100k supply points).

Future developments

We will continue to invest in our people and systems to ensure the business is well placed to meet and exceed our customers' expectations.

Principal risks and uncertainties

water2business reports risks and issues at board meetings in order to identify and manage the key risks of the business. The principal risks and uncertainties that the Company faces are further explained below.

Trading Risk

The English retail water market opened to competition on 1st of April 2017. Across the English market, the total number of switches during the first year of the market was equal to 4.6% of eligible supply points or 10.5% of the market by consumption. The market presents us with both opportunities (ability to win new customers outside our core region) and risks (customers choosing to switch away from us to other retailers). To address this, we continue to focus on customer service as a key differentiator, as well as offering commercially attractive and innovative contracts. We have also invested further in customer services, systems and back-office teams to support both customer retention and acquisition.

Economic, Cash flow & Liquidity risk

Our activities require us to manage our liquidity between collecting cash from our customers and paying the wholesalers. Given the significant monthly inflows and outflows arising from the regulated market structure, it is critical that we have prudent liquidity management processes to ensure we hold sufficient cash balances and committed facilities to meet market credit terms. To manage this risk, the finance function manages liquidity and flexibility in funding by monitoring forecast and actual cash flows and the available credit.

Credit Risk

The risk of our customers failing to pay their bills has the potential to significantly impact our financial returns and cash flows as the Market Codes require us to maintain payments to wholesalers within specified terms, usually before we have received payment from our customers for their service.

Water 2 Business Limited

Strategic Report Continued

Year ended 30 June 2019

To mitigate this, all new customers are strictly vetted; we closely manage credit risk relating to trade debtors and our debt position is monitored on a weekly basis.

Supplier Risk

We are reliant on suppliers to support the efficient delivery of our services. This includes parties that provide services to us such as IT, meter reading and bill print fulfilment. It also includes the water wholesalers, who remain critical in providing aspects of the overall customer experience. To mitigate this, we hold regular performance reviews with our suppliers including wholesalers.

Regulation & Compliance Risk

We operate in an environment governed by strict regulation to protect our customers, shareholders, staff and other stakeholders. These regulations include licences, market codes (both in England and Scotland), and data protection and competition law. Furthermore, the prices we charge English customers on default tariffs (those who have never switched) are regulated by Ofwat. To manage these risks, we actively engage with our regulatory stakeholders, including Ofwat through regular dialogue, and we play an active part in industry panels, committees and working groups. We design our policies and procedures to accord with relevant laws and regulation and regulatory review and monitor these as part of our governance model.

Reputational and Market Performance Risk

The competitive retail market offers Retailers the chance to continually improve and offer additional services to customers. The market performance framework is designed to offer an overview of performance for trading party peer comparison; identifying success rates and compliance for meter reading and customer switching and on boarding. This is strictly monitored by MOSL and reported on a monthly basis publicly to stakeholders within the market. The market performance framework presents us with opportunities (to be seen as a high performer within the market for the market processes) but also with risks (being seen as performing poorly in comparison to other retailers). The current market performance framework allows for a redistribution of charges at the end of the financial year, therefore if we perform well then, we are likely to receive higher redistribution of charges. However, there is a current risk to the market performance framework in that OFWAT are looking to remove the redistribution element of the framework, meaning that we would not receive back any apportionment of charges for the 2019/20 period.

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



M T Watts
Director

9 March 2020

Water 2 Business Limited

Directors' Report

Year ended 30 June 2019

The Directors have the pleasure in presenting their report and the audited financial statements of the Company for the year ended 30 June 2019.

The Directors

The Directors who served the Company during the year were as follows:

M T Watts
S E Johnson (Resigned 7th August 2019)
J G Smith (Appointed 7th August 2019)
A D Morgan

Company Secretary

Ruth Jefferson
Quayseco Limited

Principal Activity

The principal activity of the Company during the period was to undertake retail activities within the water industry in the United Kingdom. The Company is owned 70% by Wessex Water Limited and 30% by Bristol Water Holdings Limited.

Results

The trading results for the year ended 30 June 2019 and the Company's financial position at that period end are shown in the attached financial statements. The Company has generated revenue of £150,696k during the year ended 30 June 2019 (year ended 30 June 2018 - £145,162k) resulting in a profit after taxation of £523k (year ended 30 June 2018 – loss after taxation of £153k).

The Directors consider the trading performance for the year to be successful and they are confident of the future prospects of the Company.

Disclosure of Information to Auditor

In the case of each person who was a Director at the time the report was approved:

- so far as that Director was aware there is no relevant available information of which the Company's auditor is unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Re-appointment of Auditor

Following a tender exercise for the audit services Ernst & Young LLP were engaged as auditor of the Company for the current financial year. A resolution for the re-appointment of Ernst & Young LLP for the following year will be put to the forthcoming Board meeting.

Water 2 Business Limited

Directors' Report Continued

Year ended 30 June 2019

Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

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.

This report was approved by the board and signed on its behalf.



M T Watts
Director

9 March 2020

Independent Auditor's Report

Year ended 30 June 2019

Opinion

We have audited the financial statements of Water 2 Business Limited (the 'Company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report Continued

Year ended 30 June 2019

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report and directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report Continued

Year ended 30 June 2019

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.

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 10 March 2020

Water 2 Business Limited
Statement of Comprehensive Income
Year ended 30 June 2019

	<i>Note</i>	2019 £000	2018 £000
Revenue	3	150,696	145,162
Cost of sales		(142,513)	(138,421)
Gross profit		8,183	6,741
Operating expenses		(6,659)	(6,330)
Other operating income	6	73	59
Operating profit	4	1,597	470
Financial income		7	2
Financial expenses		(957)	(660)
Profit/(loss) before tax		647	(188)
Taxation	7	(124)	35
Profit/(loss) and total comprehensive income/(expense) for the year		523	(153)

The notes on pages 15 to 32 form part of these financial statements.

Water 2 Business Limited
Statement of Financial Position
As At 30 June 2019

		30 June 2019		30 June 2018	
	Note	£000	£000	£000	£000
Non-current assets					
Intangible assets	8		8,258		8,312
Tangible assets	9		385		294
			<u>8,643</u>		<u>8,606</u>
Current assets					
Trade and other receivables	10	53,130		47,883	
Cash and cash equivalents	11	-		1,173	
		<u>53,130</u>		<u>49,056</u>	
Current liabilities					
Bank overdraft	11	(219)		-	
Trade and other payables	12	(28,125)		(24,256)	
		<u>(28,344)</u>		<u>(24,256)</u>	
Net current assets			<u>24,786</u>		<u>24,800</u>
Non-current liabilities					
Other interest-bearing loans and borrowings	13		(32,500)		(33,000)
Deferred tax liabilities			(4)		(4)
Net assets			<u>925</u>		<u>402</u>
Equity					
Share capital	16		-		-
Retained earnings			925		402
Total equity			<u>925</u>		<u>402</u>

The notes on pages 15 to 32 form part of these financial statements.

These financial statements were approved by the Board of Directors and are signed on their behalf by:


M T Watts
 Director

9 March 2020

Water 2 Business Limited
Statement of Changes in Equity
Year ended 30 June 2019

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 July 2017	-	555	555
Total comprehensive income for the period			
Loss for the year	-	(153)	(153)
Balance at 30 June 2018	-	402	402
Balance at 1 July 2018	-	402	402
Total comprehensive income for the period			
Profit for the year	-	523	523
Balance at 30 June 2019	-	925	925

The notes on pages 15 to 32 form part of these financial statements.

Water 2 Business Limited

Statement of Cash Flows

Year ended 30 June 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit/(Loss) after tax		523	(153)
<i>Adjustments for:</i>			
Depreciation and amortisation		165	168
Financial expense		957	660
Financial income		(7)	(2)
Taxation		124	(35)
(Increase)/Decrease in trade and other receivables		(5,371)	1,043
Increase/(Decrease) in trade and other payables		3,370	(196)
Tax paid		-	(110)
Net cash from/(used in) operating activities		(239)	1,375
Cash flows from investing activities			
Purchase of intangible assets		(169)	-
Purchase of tangible assets		(34)	-
Interest received		7	2
Net cash from/(used in) investing activities		(196)	2
Cash flows from financing activities			
Interest paid		(957)	(660)
Net cash used in financing activities		(957)	(660)
(Decrease)/increase in cash and cash equivalents		(1,392)	717
Cash and cash equivalents at the beginning of the year		1,173	456
Cash and cash equivalents at the end of the year	11	(219)	1,173

The notes on pages 15 to 32 form part of these financial statements.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. Accounting policies

Basis of preparation

Water 2 Business Limited is a private company limited by shares, incorporated in England and Wales. The address of the registered office is 21E Somerset Square, Nailsea, Bristol, United Kingdom, BS48 1RQ.

The financial statements have been prepared on a historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs") as approved for use in the European Union and applied in accordance with the provisions of the Companies Act 2006.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates are described later within these notes.

IFRSs are subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRSs Interpretations Committee and there is an on-going process of review endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods commencing on or after 1 July 2018.

Going concern

The Directors have considered the financial position of the Company and have concluded that they will be able to meet their liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these financial statements.

1.1 Financial Instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost (trade and other receivables)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. Accounting policies (*continued*)

1.1 Financial Instruments (*continued*)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and intercompany loans.

Subsequent measurement – Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.2 Impairment

Financial assets (including receivables)

For trade receivables and contract assets that are expected to have a maturity of one year or less, the Company has applied the practical expedient and followed the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. Accounting policies (*continued*)

1.2 Impairment (*continued*)

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. customer type, payment method, rating and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., average earnings) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 14.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.3 Revenue

The Company adopted IFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Company did not apply any of the other available optional practical expedients.

Supply of water and sewerage services

The company, under the license granted by the Government, has the right to supply water and sewerage services to customers. Revenue from contracts with customers is recognised when control of these goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

For metered customers this amount is determined by the meter reading. For unmetered customers, the amount to which the Company has a right to receive is determined by the passage of time during which the customer occupies a property. Revenue represents income receivable in the ordinary course of business, excluding VAT, for services provided. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company. Where premises are unoccupied or where no services are provided, charges are not raised, and no revenue is recognised.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. Accounting policies (*continued*)

1.3 Revenue (*continued*)

The nature of the water industry in the UK is such that revenue recognition is subject to a degree of estimation. The assessment of water sales to customers is based on internal data where final settlement data is not yet available. At the end of each period, amounts of water delivered to customers are estimated and the corresponding billed and unbilled revenue is assessed and recorded in Revenue. For the purpose of the judgement various factors are considered such as seasonality, historic billing profiles, leakage data and general economic conditions.

Variable Consideration

Unbilled receivables are considered to be a variable consideration which is not constrained as the Company considers it to be highly probable that a significant amount will not be reversed after year end. Unbilled receivables and the variable consideration are estimated using the most likely outcome approach.

1.4 Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.5 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable. Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

1. Accounting policies (*continued*)

1.6 Intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually and when there are indications that the carrying value may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the 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 (cash-generating units).

The amortisation charged on those intangible assets that do not have an indefinite useful life is calculated as follows:

Software	- 10 years straight line
----------	--------------------------

1.7 Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Plant and machinery	- 10 years straight line
Office Equipment	- 10 years straight line
Furniture and Fixtures	- 10 years straight line

The residual value, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date. An item of tangible asset is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

1.8 Adopted IFRS not yet applied

The following Adopted IFRS's have been issued but have not been applied in these financial statements:

- Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2
- Annual Improvements to IFRSs – 2014-2016 Cycle
- Annual Improvements to IFRSs – 2015-2017 Cycle

The Company does not currently expect that adoption of these standards will have a significant effect on the results or financial position of the Company but may affect disclosure requirements.

IFRS 16 Leases:

As the Company owns most of its assets outright the adoption of this standard will not have a significant effect on the company's results or financial position. As the lessee current estimates indicate right of use assets and lease liabilities of approximately £0.4m each will be incorporated into the company's financial position.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

2. Changes in accounting policies and disclosures

2.1 New and amended standards and interpretations

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company adopted IFRS 15 on 1 July 2018, applying the standard retrospectively with the cumulative effect of initial application recognised at the date of initial application as an adjustment to retained earnings. Prior period comparatives have therefore not been restated and are recorded under IAS18. The Company has elected to use the practical expedient whereby any contracts that were completed in accordance with accounting standards as at 30 June 2018 need not be restated on an IFRS 15 basis. This transition approach resulted in a no change in retained earnings.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments: Recognition and Measurement' as at 1 July 2018 and applied the new rules using a modified retrospective approach, including the practical expedients permitted in the standard, where applicable. Prior year reported under IAS39. The Company has undertaken an assessment of its accounting policy as a result of the changes in the standard:

Classification and Measurement

The review included an assessment of the contractual cash flow characteristics of financial instruments, in order to determine their classification and measurement under IFRS.

Management's assessment was to consider whether the contractual cash flows of the financial instruments represented solely payments of principal and interest (SPPI) in order to determine whether the financial instruments should be classified at amortised cost or fair value through profit and loss.

Management concludes that the financial instruments should continue to be held at amortised cost. There are no changes in classification or measurement of its assets and liabilities as a result of adopting IFRS 9.

IFRS 9 introduces a new impairment model which requires the recognition of impairment provision based on expected credit losses rather than incurred credit losses, as was required under IAS 39.

A credit loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An expected credit loss is then calculated by a probability-weighted estimate of credit losses over the expected life of the financial instrument. Further details of the assessment performed are given in Note 14(b) Credit Risk.

As a result of this assessment, management have determined that no additional provision is required.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

3. Revenue

All of the Company's revenue is derived from its principal activity of water and sewerage supply, which occurred in the United Kingdom.

	2019 £000	2018 £000
South West Region		
Measured Water	72,322	78,510
Measured Sewerage	43,497	40,657
Unmeasured Water	1,848	2,135
Unmeasured Sewerage	2,043	2,147
Trade Effluent	9,329	9,700
	129,039	133,149
Rest of UK		
Water	9,882	5,569
Sewerage	9,509	4,456
Trade Effluent	2,266	1,988
	21,657	12,013
Total Revenue	150,696	145,162

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removing and treating of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, though following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

4. Operating profit

Operating profit is stated after charging:

	2019 £000	2018 £000
Auditor's remuneration	29	24
Depreciation of owned assets	43	45
Amortisation of intangible assets	122	122
Operating lease charges	33	47

Water 2 Business Limited
Notes to the Financial Statements
Year ended 30 June 2019

5. Staff numbers and costs

The average number of employees (including directors) during the year was as follows:

	2019	2018
Management and office staff	56	34

The aggregate payroll costs of the Company, including amounts recharged, were as follows:

	2019 £000	2018 £000
Wages and salaries	1,497	1,128
Social security costs	143	114
Other pension costs	101	75
	1,741	1,317

Directors' and Key management personnel's remuneration is paid by other members of the group with no charge to the company, therefore no remuneration summary is presented in these finance statements.

6. Other operating income

	2019 £000	2018 £000
Other operating income	73	57
	73	57

Other operating income is mostly derived from a value-added services contract that the Company has with a specialist partner in the Scottish market.

Water 2 Business Limited
Notes to the Financial Statements
Year ended 30 June 2019

7. Taxation

(a) Charge for the year

	2019 £000	2018 £000
Current tax expense/(credit)	128	(36)
Adjustments for prior years	(4)	(2)
Total current tax expense/(credit)	<u>124</u>	<u>(38)</u>
Origination and reversal of temporary differences	-	3
Total charge/(credit) for the year	<u>124</u>	<u>(35)</u>

(b) Factors affecting income tax expense

	2019 £000	2018 £000
Profit/(Loss) before taxation	<u>647</u>	<u>(188)</u>
Profit/(Loss) before taxation multiplied by the standard rate of tax of 19.00% (2018 – 19.00%)	123	(36)
Disallowable expenditure for tax	5	3
(Over) provided in prior years	(4)	(2)
Changes in tax rates	-	-
Total charge/(credit) for the year	<u>124</u>	<u>(35)</u>

Water 2 Business Limited
Notes to the Financial Statements
Year ended 30 June 2019

8. Intangible assets

	Customer books £000	Software £000	Total £000
Cost			
At 1 July 2018	7,143	1,328	8,471
Revaluation of asset transfer	-	(107)	(107)
Additions	-	169	169
	<u>7,143</u>	<u>1,390</u>	<u>8,533</u>
At 30 June 2019	7,143	1,390	8,533
Aggregate amortisation			
At 1 July 2018	-	(159)	(159)
Revaluation of asset transfer	-	6	6
Amortisation charge for the year	-	(122)	(122)
	<u>-</u>	<u>(275)</u>	<u>(275)</u>
At 30 June 2019	-	(275)	(275)
Net book value			
At 30 June 2019	<u>7,143</u>	<u>1,115</u>	<u>8,258</u>
At 30 June 2018	<u>7,143</u>	<u>1,169</u>	<u>8,312</u>

Reduction in cost

In the prior year, the costs in relation to software development which allow the Company to operate within the water industry were transferred to the Company from its parent undertakings. In the current year the Company was due a credit as some of these costs were in respect of accruals and the actual costs were lower than what had been accrued for.

Water 2 Business Limited
Notes to the Financial Statements
Year ended 30 June 2019

9. Tangible assets

	Plant and machinery	Office equipment	Fixtures and fittings	Total
Cost	£000	£000	£000	£000
At 1 July 2018	91	145	113	349
Additions	76	64	-	140
At 30 June 2019	167	209	113	489
Depreciation				
At 1 July 2018	(16)	(25)	(14)	(55)
Charge for the year	(16)	(22)	(11)	(49)
At 30 June 2019	(32)	(47)	(25)	(104)
Net book value At 30 June 2019	135	162	88	385
At 30 June 2018	75	120	99	294

10. Trade and other receivables

	2019	2018
	£000	£000
Amounts receivable from customers	52,428	47,087
Owed by fellow subsidiaries	-	98
VAT debtor	172	127
Corporation tax recoverable	-	36
Prepayments	530	535
	53,130	47,883

Trade receivables are expected to be recovered in no more than 12 months.

All outstanding related party receivable balances are owed on commercial terms and arise through normal business operations. The company has considered the present value of the contractual cash flows and compared this to a prudent assessment of the present value of the cash flows that are expected to be received. Having performed this assessment, the company has determined that no material expected credit loss provisions are required as at year-end for related party balances owed.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

11. Cash and cash equivalents

	2019 £000	2018 £000
Current assets		
Cash at bank	-	1,173
Current liabilities		
Bank overdraft	219	-

12. Trade and other payables

	2019 £000	2018 £000
Trade payables	-	73
Payable to fellow subsidiaries	11,736	10,033
Corporation tax	124	-
Accrued expenses	12,528	10,126
Other payables	523	627
Contract liabilities	3,214	3,397
	28,125	24,256

13. Other interest-bearing loans and borrowings

	2019 £000	2018 £000
Payable to immediate holding companies	32,500	33,000

Amounts payable to immediate holding companies represent loans received by the Company from the shareholders and are fully repayable on 28 February 2020. Interest is charged at three-month LIBOR +1.75% in respect of these loan balances.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

14. Financial instruments

a) Fair values of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than a forced or liquidation sale. The fair value of short term and floating rate borrowings approximate to book value.

The IFRS 13 fair value hierarchy is a categorisation relating to the extent that the fair value can be determined by reference to comparable market values. The hierarchy ranges from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to derive fair value do not have comparable market data.

The fair values of long-term fixed rate inter-company loans are classified as level 2 in the IFRS 13 fair value hierarchy and have a carrying value and fair value of £32.5m. Bank overdrafts are classified as level 2 and have a carrying value and fair value of £0.2m.

It is the Company's policy to recognise all the transfers into the levels and transfers out of the levels at the date of the event or change in circumstances that caused the transfer. No liabilities are classified as level 3.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2019 £000	Fair value 2019 £000	Level 1 2019 £000	Level 2 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000	Level 1 2018 £000	Level 2 2018 £000
Loans and receivables								
Cash and cash equivalents (note 11)	-	-	-	-	1,173	1,173	-	1,173
Total financial assets	-	-	-	-	1,173	1,173	-	1,173
Cash and cash equivalents (note 11)	(219)	(219)	-	(219)	-	-	-	-
Other financial liabilities measured at amortised cost (note 13 non-current)	(32,500)	(32,500)	-	(32,500)	(33,000)	(33,000)	(33,000)	-
Total financial liabilities	(32,719)	(32,719)	-	(32,719)	(33,000)	(33,000)	(33,000)	-
Total financial instruments	(32,719)	(32,719)	-	(32,719)	(31,827)	(31,827)	(33,000)	1,173

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The concentration of credit risk for amounts receivable from customers (see note 10) at the balance sheet date by geographic region was:

	2019 £000	2018 £000
South West England	49,757	44,753
Rest of UK	3,373	2,334
	<u>53,130</u>	<u>47,087</u>

Billed and unbilled receivables are from business customers. No individual customer or industrial sector has a material balance outstanding at either year end.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

Amounts receivable from customers

	2019 £000	2018 £000
Billed receivables	22,746	23,002
Unbilled receivables	33,378	25,554
Expected credit losses	(2,994)	(1,469)
	<u>53,130</u>	<u>47,087</u>

Under IFRS 9:

	Gross 2019 £000	ECL rate 2019 %	ECL 2019 £000
Less than 1 year	50,668	0.5%	(269)
1 to 2 years	2,120	14.8%	(313)
2 to 3 years	1,261	26.4%	(337)
3 to 4 years	938	100.0%	(938)
More than 4 years	1,137	100.0%	(1,137)
	<u>56,124</u>	5.3%	<u>(2,994)</u>

Water 2 Business Limited
Notes to the Financial Statements
Year ended 30 June 2019

Under IAS 39:

	Gross	Impairment rate	Impairment
	2018	2018	2018
	£000	%	£000
Less than 1 year	41,192	0.0%	(0)
1 to 2 years	3,176	0.0%	(0)
2 to 3 years	1,396	0.0%	(0)
3 to 4 years	1,156	0.0%	(0)
More than 4 years	1,636	89.8%	(1,469)
	<u>48,556</u>	<u>3.0%</u>	<u>(1,469)</u>

The comparatives for 2018 have been presented under IAS 39 as the Company adopted IFRS 9 at 1 July 2018.

Payment Method	Measured Billing		Unmeasured Billing	
	Direct Debit %	Other %	Direct Debit %	Other %
Less than 1 year	0.0%	4.7%	1.0%	0.6%
1 to 2 years	3.0%	36.2%	2.0%	6.5%
2 to 3 years	11.0%	55.1%	22.0%	58.9%
3 to 4 years	100.0%	100.0%	100.0%	100.0%
More than 4 years	100.0%	100.0%	100.0%	100.0%

The movement in the provision for expected credit loss in respect of trade receivables during the year was as follows:

	2019 £m	2018 £m
Balance at 1 July	(1,469)	(306)
Written off	(148)	148
Charge to profit and loss	<u>(1,377)</u>	<u>(1,311)</u>
Balance at 30 June	<u>(2,994)</u>	<u>(1,469)</u>

The expected credit loss policy is shown in the accounting policies (note 1).

c) Cash flow hedges

The Company does not have any cash flow hedges (2018 – none).

d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's principal financial instruments comprise cash, trade receivables, trade payables, amounts owed to group undertakings and accruals. The main purpose of these financial instruments is to support the Company's working capital requirements. The Company does not enter into any derivative transactions. The only current risks arising from the Company's financial instruments are credit and interest rate risks.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the results that the Company's exposure to bad debt is not considered significant.

Interest rate risk

Amounts owed to group undertakings disclosed as non-current liabilities are sensitive to interest rate movements. If there was a 1% increase in interest rates on those liabilities at the balance sheet date, there would be an additional interest charge to the income statement of £330k (2018 - £344k).

15. Related party transactions

The Company is controlled by its majority shareholder, Wessex Water Limited.

The Company repaid £350k of loans to Wessex Water Limited in the year (2018 - £3,800k drawdown) and interest was charged on these loans of £586k (2018 - £462k). At the year end, there were amounts owed to Wessex Water Limited of £22,750k (2018 - £23,100k) in respect of these loans.

Wholesale charges of £100,425k (2018 - £107,461k) were invoiced in the year to the Company by Wessex Water Services Limited, a company related through common control. Recharged consultancy fees were also invoiced in the year by Wessex Water Services Limited amounting to £336k (2018 - £472k). At the year end, the Company owed Wessex Water Services Limited £17,659k (2018 - £17,187k) in respect of these charges.

The Company repaid £150k of loans to Bristol Water Holdings Limited, the minority shareholder in the Company in the year (2018 - £1,650k drawdown) and interest was charged on these loans of £246k (2018 - £198k). At the year end, there were amounts owed to Bristol Water Holdings Limited of £9,750k (2018 - £9,900k) in respect of these loans.

Wholesale charges of £22,493k (2018 - £23,164k) were invoiced in the year to the Company by Bristol Water PLC, a company related through common control. At the year end, the Company owed Bristol Water PLC £1,884k (2018 - £2,083k) in respect of these charges.

Recharged consultancy fees of £2,010k (2018 - £2,744k) were invoiced in the year to the Company by Bristol Wessex Billing Services Limited, a company related through common control. At the year end, the Company owed £372k (2018 - £0) in respect of these charges.

16. Share capital

Authorised Share Capital:

	2019 £	2018 £
70 Ordinary - A Shares of £1 each	70	70
30 Ordinary - B Shares of £1 each	30	30
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

The Ordinary A Shares are owned by Wessex Water Limited and the Ordinary B shares are owned by Bristol Water Holdings Limited.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

17. Operating leases

At 30 June 2019 the annual commitments under non-cancellable leases for land and buildings were as follows:

	2019 £000	2018 £000
In one year or less	65	47
Between one and five years	329	19
	<u>394</u>	<u>66</u>

It was previously considered highly likely that the company would require more space and therefore break its operating lease, however, this is no longer the case.

18. Ultimate parent company

The immediate parent of the Company is Wessex Water Limited.

The smallest group into which the financial statements of the Company are consolidated is that headed by Wessex Water Limited, a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The pre-penultimate, penultimate and ultimate holding companies are YTL Corporation Berhad, Yeoh Tiong Lay & Sons Holdings Sdn Bhd (both registered in Malaysia) and Yeoh Tiong Lay & Sons Family Holdings Ltd registered in Jersey.

The largest group in which the results of the Company are consolidated is that headed by YTL Corporation Berhad incorporated in Malaysia. The consolidated financial statements of these groups are available to the public and can be obtained from Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

19. Commitments

The Company has made no commitments (2018: £nil).

20. Contingencies

There are no material contingent liabilities at 30 June 2019 for which provision has not been made in these accounts (2018: £nil).

21. Subsequent events

There are no subsequent events requiring disclosure in these financial statements.

22. Accounting estimates and judgements

In preparing the financial statements and applying the accounting policies, the Company is required to make reasonable estimates and judgements based on the available information, the most significant of which are;

a) Expected credit loss provision

The expected credit loss on outstanding receivables is a key estimate under IFRS 9. We base our estimate of recoverability by grouping customers into similar economic profiles and applying a percentage loss rate based on forward looking judgements on the future collection rates that are likely to be achieved. These assumptions are discussed in note 14.

Water 2 Business Limited

Notes to the Financial Statements

Year ended 30 June 2019

b) Revenue recognition

The unbilled income accrual from metered water services requires an estimation of the amount of unbilled charges at the period end. This is calculated using system generated information based on previous customer volume usage.

c) Asset lives

Assets recorded in the Company's fixed asset register are depreciated systematically using asset lives assigned to the classification of the asset into a number of standard asset types. These asset lives are subject to review based on historical performance, new technologies or new areas of capital investment.