REGISTERED NUMBER: 10012579 (England and Wales)

Annual Report and

Consolidated Financial Statements for the Year Ended 31 March 2022

for

Water Plus Group Limited

Water Plus Group Limited (Registered number: 10012579)

Contents of the Consolidated Financial Statements
for the Year Ended 31 March 2022

Company Information
for the Year Ended 31 March 2022

DIRECTORS:	O R Garfield A M Gunther S L Mogford A Hughes L Gross P A Aspin J Bowling R Pierce
SECRETARIES:	K A Garrett Oakwood Corporate Secretary Limited
REGISTERED OFFICE:	South Court Riverside Park Campbell Road Stoke-On-Trent ST4 4DA
REGISTERED NUMBER:	10012579 (England and Wales)
AUDITOR:	Mazars LLP Chartered Accountants and Statutory Auditor One St. Peter's Square Manchester M2 3DE
BANKERS:	Natwest Bank Plc 23 Sankey Street Warrington WA1 1XG

BUSINESS OVERVIEW

Water Plus (or "the group" - comprising of Water Plus Group Limited and its two wholly owned subsidiaries, Water Plus Limited and Water Plus Select Limited) provides non-household water and wastewater retail services to approximately 28 % of supply points in England, and approximately 2% of supply points in Scotland. Our customers, in both the private and public sectors, range in size from small individual shops through to large industrial premises and national multi-sites.

In addition to the core activities of meter reading, billing and customer support, we offer: key account management, water-efficiency advice, leakage detection and repair, water audits, benchmarking, smart metering, contingency planning and emergency water supply provision.

Our head office is located in Stoke-on-Trent, England and we also operate from Bellshill, Scotland.

On 19 November 2021 the trade and assets of Water Plus Select Limited, were transferred to Water Plus Limited at net book value on the date of transfer as part of a group restructure. Water Plus Group Limited subsequently fully impaired the £47,101k value of its intercompany receivable from Water Plus Select Limited which was in a net liability position. This has no impact on the consolidated group, but is a step towards simplifying the group legal entity structure.

OUR PERFORMANCE

Our 2021/22 financial result of £2.8m loss after tax was a £14.9m improvement on prior year and slightly favourable to our budgeted expectation. The year-on-year improvement resulted from: £8.1m smaller charge for expected credit losses (having already created sufficient credit loss allowance since 2020 for the observed increase in uncollected debt associated with the Covid pandemic time period); £5.2m net other reduced costs e.g. lower process change and debt management, net of fees and interest, costs; and £1.6m larger tax credit (including impact of increased deferred tax asset value because of the 19% to 25% increase in main rate of corporation tax from 1 April 2023).

We are disappointed with the increased volume of complaints this year (2021/22: 109.6, 2020/21: 86.8 per 10,000 SPIDs). A large number of the increased complaints related to the vacancy tracing incentive schemes being promoted by Severn Trent and United Utilities, the only wholesalers offering such schemes to date. The majority of our customers fall within these two wholesale regions. Compared to other retailers, this placed Water Plus at an increased exposure to complaints from customers who received bills for the first time during 2021/22, despite having been consuming the services for many years.

The additional customer query demand from the vacancy incentives coincided with a challenging period of labour shortage resulting in customer response backlogs and ultimately additional complaints. This shortage has now been resolved and we are confident this will alleviate the backlogs, improve service and reduce complaints moving forward. We have also recently introduced a new Customer Service Excellence programme, as accredited by The Institute of Customer Service, to ensure that customers remain at the heart of our service.

We continued to make progress in other customer service areas including: timely completion of Market Performance Standard transactions which increased to 91.5% from 87.5% in 2020/21 (moving us up three places to fifth of ten retailers with more than 5,000 supply points in England); reducing long unread meters (for premises which had not had a previous read for over 12 months) to 34,769 from 45,291 in 2020/21; and 34% of our customer accounts (30% at the end of 2020/21) are now being managed online via our self-service portal.

Group Key Performance Indicators

Metric	Unit	2022	2021
Gross profit	£m	53.7	54.1
(Loss) before taxation	£m	(6.7)	(19.9)
Days sales outstanding	Days	116	115
Complaints	Complaints per 10k supply points	109.6	86.8
Abandonment rate	% of inbound calls	8.0	8.0
Market Performance Standards	%	91.5	87.5

Gross profit

Revenue was higher in the current year because of greater water usage following the lifting of Covid restrictions. Gross profit decreased slightly however, from £54.1m to £53.7m, as a result of market competition impacting sales margins.

Loss before taxation

The loss before taxation of £6.7m was a £13.2m improvement on 2020/21 predominantly due to: £8.1m smaller charge for expected credit losses, having already created sufficient credit loss allowance since 2020 for the observed increase in uncollected debt associated with the Covid pandemic time period; and £5.2m net other reduced costs e.g. lower process change and debt management, net of fees and interest costs.

Days Sales Outstanding

Days Sales Outstanding (DSO) is an index of the amount receivable from customers (accrued income and trade receivables net of bad debt provision, less credit balances on customer accounts and deferred income) expressed in terms of days of revenue. It is a measure of the group's collection performance. The period increased from 115 to 116 in the year due to lower customer payments and extension of Covid payment plans. DSO is expected to reduce as the economy recovers in 2022.

Complaints

Customer complaints, where these relate either to retailer performance or a combination of retailer and wholesaler queries comprise the annual number of written complaints received per 10k supply points (SPIDs) held. It excludes complaints relating solely to matters that are the responsibility of the wholesaler. Complaints, in line with industry guidelines from the Consumer Council for Water (CCW), per 10k SPIDs was 109.6, an increase from 86.8 at March 2021. Performance is discussed above.

Abandonment rate

Our telephony call abandonment rate (ABR) is the percentage of inbound calls which are not answered before the caller ends the call, and remained steady year-on-year at 8.0%.

Market Performance Standards (MPS)

There are seven MPS measures for retailers, two (MPS 1 and 2) relate to the timely management of new SPIDs created within the market and five (MPS 15, 16, 17,18 and 19) relate to the ability to secure actual meter reads and submit these to the market system within required timelines. In the year ended 31 March 2022 our overall performance improved to 91.5% from 87.5% in the year to 31 March 2021. We were pleased to continue the improvement in our MPS performance and will look to make further improvements in the year ahead.

Outlook

Our March 2020 five-year business plan projection was to be much closer to breakeven in 2021/22 (than 2020/21) and to make our first annual profit in 2022/23. 2021/22 performance was slightly favourable to that five-year plan and expectations remain for 2022/23 being profitable. We have seen an increase in uncollected debt associated with the Covid pandemic time period, but currently believe the larger than pre-pandemic level of expected credit loss allowance we have created since 2020 remains sufficient to avoid future cost shock.

We have publicly announced our environmental aim to be Net Zero across our Scope 1 and 2 emissions by 31 December 2025 - supporting the UK's mission to Net Zero and beyond. Scope 1 and 2 emissions are linked to our use of energy (electricity and gas), across our two office sites, along with any carbon dioxide emissions from transport our people use while travelling during the working day. We already: support tree-planting and a peatland restoration project; have moved head office to a site with zero waste to landfill and electric car charging; have an Environmental and Sustainability Forum, with representatives across our business, to help drive action and monitor progress against our ambition and plan; and updated our employee travel policy to reduce environmental impacts.

For emissions that are not within our control (including outside Scope 1 and 2), we will be encouraging those we work with, including our suppliers, to take greater action to help the environment each year. The water industry wholesalers, by far our biggest suppliers, have their own Net Zero commitments - by 2030 in England, and by 2040 in Scotland.

We will publish our Net Zero ambition progress updates each year on the Water Plus website.

PRINCIPAL RISKS AND UNCERTAINTIES
Water Plus maintains a corporate risk register to identify and manage key risks to the business. In addition to the financial risks detailed in note 27, the principal risks and uncertainties facing the group are as follows:

Trading Risk - The English retail water market opened to competition on 1 April 2017. During the first five years of the market 15.8% of eligible supply points have switched retailer, with 1.8% of total supply points switching multiple times. Market switching activity reduced during Covid lockdown periods, however, now appears to be returning to pre-pandemic levels. The market presents us with both opportunities (ability to win new customers outside our core regions and win-back previous customers) and risks (customers choosing to switch away from us to another retailer). To address this we have developed innovative, tailored, competitive customer offerings, and we monitor our trading performance regularly at Trading Review and Non-Standard Deals meetings as part of our formal governance processes.

Economic, Cashflow and 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. Our Treasury function manages this risk by monitoring actual cash flows compared to forecasts and by keeping committed credit lines available. The group has borrowing facilities of up to £200m from shareholders and £70m from a bank, which expire on or after 30 November 2023. As part of the group's going concern assessment, forecasts were prepared showing that the group has adequate cash reserves and available borrowing facilities to continue to operate for the foreseeable future. For more information on the group's going concern assessment see note 3C, and for more information on liquidity risk see note 27.

Credit Risk - The risk of our customers failing to pay their bills has the potential to significantly impact our financial returns and cashflow as the Market Codes require us to maintain payments to wholesalers within specified terms. 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 Water Plus such as IT, meter reading and bill print fulfilment, and also includes the water wholesalers, who remain essential in providing aspects of the overall customer experience. To mitigate this, we have dedicated Procurement and Wholesale Contract Management teams which hold regular performance reviews with key suppliers. We also publish our supplier payment metrics on the Department for Business, Energy and Industrial Strategy (BEIS) website in line with large company requirements and use this data to align our payment performance with best practice in the industry.

Technology and Data Risk - The proper functioning of our IT systems and infrastructure is fundamental to enabling the operation of our business and the delivery of great service to our customers. To reduce the risk and impact of any major incidents we have leveraged cloud-based architecture in key areas, put in place an experienced IT team including a dedicated IT Security Officer, developed business continuity plans, and regularly review our cyber security. Furthermore, we are reliant on timely access to accurate, high-quality data in order to accurately issue bills, collect cash and trade competitively. We engage actively with market participants including wholesalers and customers to ensure the data we use is fit for purpose and continue to strive for improvement in the available data.

Regulation and 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), data protection and competition law. Furthermore, the prices we charge customers on default tariffs are regulated by Ofwat and the Central Market Authority. To manage these risks, we actively engage with our regulatory stakeholders through regular dialogue, and we play an active part in industry panels, committees and working groups. We have a robust Compliance Framework in place which includes clear accountability as well as assurance activities for each obligation to ensure we remain compliant. In addition, we design our policies and procedures to conform with relevant laws and regulation and regularly review and monitor these as part of our governance model.

SECTION 172(1) STATEMENT
In complying with responsibilities under the Companies Act, directors have a duty to promote the success of the company by acting in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f) set out below.

(a) the likely consequences of any decision in the long term - The Board of Water Plus Group reviews and approves business plans for a multi-year period, and routinely acts upon the challenges and opportunities that arise when monitoring performance relative to the plans. Our most recent plan to 31 March 2026 focuses on improving customer service, alongside right-sizing our cost base, so that we can offer a competitive value-for-money service for the long term. During the year we have continued investment in a number of projects aligned to this strategic focus.

(b) the interests of the company's employees - Our employees are one of our most valuable resources. To promote the interests of employees, people matters are discussed at the Board to make sure that the issues of our employees are represented at the highest level of decision-making.

See Directors report for further insight into employee engagement.

(c) the need to foster the company's business relationships with suppliers, customers and others
We identify our key stakeholders in this area to be our customers, our suppliers and our regulators.

Customer service is paramount to the success of the business as it encapsulates what we do as a water retailer. Our business thrives when Water Plus is a company that customers want to engage with. To this end, customer service is regularly discussed by the Board, ensuring customer matters remain at the forefront of our consideration. We track our customer service performance by a number of measures such as regular reviews of complaints, including root cause analysis.

To meet our customer service requirements, we see our suppliers as key partners in delivering the success of the company. The Board engages in selection of suppliers for strategically important contracts and sets the business targets for supplier payment reporting, which is monitored at Board meetings and the results of which are published by each company within the group on the BEIS website.

We regularly engage with our regulators in England and Scotland through membership of panels and committees, and actively participate in their market publications.

(d) the impact of the company's operations on the community and the environment - The Board recognises that the business's actions have an impact on the local community and the environment and so looks to nurture its relations in this area. The business is a member of the local chamber of commerce and engages in charitable activities in the local area, which we fully support as a Board of directors. Our environmental aim, that we've announced, is to be carbon neutral across our Scope 1 and Scope 2 emissions by December 31, 2025 - supporting the UK's mission to Net Zero and beyond. This is covered in more detail in the earlier Outlook section.

(e) the desirability of the company maintaining a reputation for high standards of business conduct - As a Board we set the agenda for high standards of business conduct by setting the values and vision of the business, which emphasise high standards. Our performance review processes and inclusion of key metrics around standards of conduct (for example customer complaints and supplier payment reporting) in papers presented to the Board, mean we continue to push this agenda within the business.

(f) the need to act fairly as between members of the company - The Board of Water Plus has a balance of skills and backgrounds, drawing its members from each set of shareholders, from the business itself and independent directors. This balance of composition encourages fair representation of the members of the business.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD:

....
Director

Date: 18 August 2022

The directors present their report together with the audited financial statements of the Group for the year ended 31 March 2022.

Directors

The directors shown below have held office during the period from 1 April 2021 to the date of this report except where indicated.

O R Garfield
A M Gunther
S L Mogford
A Hughes
L Gross
P A Aspin
J Bowling
R Pierce (Chairperson) Appointed 29 March 2022

Directors' indemnities

The parent company of the group, Water Plus Group Limited, has obtained qualifying third-party indemnity provisions for the benefit of the directors of the company against any costs incurred by them in carrying out their duties including defending any legal proceedings arising out of their positions as directors. These indemnities were in force throughout the year and up to the date of signing of the financial statements.

Employees

Keeping our colleagues informed and engaged at Water Plus is a key priority for us. We use various channels to do this, including all-colleague updates, a business-wide weekly newsletter, supported by live news updates and information on our intranet and regular briefings for our colleagues, people managers and senior leaders. In addition to this, we provide routes (e.g. meetings with the Chief Executive and Executive leads, a people engagement forum, employee opinion surveys and focus groups) for colleagues to feedback and exchange ideas with the senior leadership team, and involve all colleagues in the performance and enhancement of the business. Our Star Awards programme also allows us to celebrate and give recognition to our people and teams for the great work they do.

We are continuing to evolve our culture to make Water Plus an engaging and exciting place to work. We are pushing to improve what we do, encouraging our colleagues to think about the world through the eyes of the customer. We're creating an environment where our people have a thirst for learning and continuously develop their skills - increasing their job satisfaction and ensuring a high quality service for our customers.

Looking after our colleagues' wellbeing is very important to us, including their physical, mental and emotional health and wellbeing. We care about our local community too, and want to make a difference for them. Our people participate in a lot of charity work and fundraising, including volunteering days either individually or with their teams.

We are an equal opportunities employer and welcome applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities). We are also responsive to the needs of our existing employees - should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible in order to keep them in employment with us.

Results

The group's loss for the year after taxation was £2,796,000 (2021: £17,692,000 loss).

DIVIDENDS
No dividends will be distributed for the year ended 31 March 2022.

DIRECTORS

STREAMLINED ENERGY AND CARBON REPORTING
All admin expenses are shared across the group and recharged via a management charge. Energy usage is not available on a subsidiary basis and has been reported on a group basis as a whole.

During the year ended 31 March 2022, the Group's UK emissions amounted to 7 (2021: 6) carbon dioxide equivalent tonnes from the combustion of fuel and 182 (2021: 74) tonnes from the purchase of electricity. This increased considerably on the prior year as the group switched back to office-based working. This represents 0.01 (2021: 0.01) and 0.24 (2021: 0.10) tonnes of carbon dioxide equivalent per £million of sales revenue.

The Group's UK operations consumed 884,003 kWh (2021: 344,942) of energy during the year through the combustion of gas, fuel and the purchase of electricity.

A comparison with prior year is shown below.

		Carbon Dioxide			Kilowatt hours		
		Tonnes	**per £1m of revenue**	**per employee**	**kWh**	**per £1m of revenue**	**per employee**
Emissions from combustion of fuel	2021	6	0.01	0.01	22,763	31.50	44
	2022	7	0.01	0.01	25,791	34.35	50
Emissions from purchase of electricity	2021	74	0.10	0.14	322,179	445.87	616
	2022	182	0.24	0.35	858,212	1,142.98	1,647
Total	**2021**	**80**	**0.11**	**0.15**	**344,942**	**477.37**	**660**
	2022	**189**	**0.25**	**0.36**	**884,003**	**1,177.33**	**1,697**

Relevant UK energy use includes Electricity usage for our England and Scotland offices. In addition to this, car fuel usage has been calculated from mileage expenses paid multiplied by the average conversion factor for the fuel used.

Tonnes of CO2 were converted into kWh using government conversion factors for 2021. Data for use of electricity and gas for the company offices was prepared using estimates of kWh per square foot, converted into CO2 using government conversion factors for 2021.

During the year the group moved to a new head office and as part of our plan to minimise waste, all employees were provided with reusable cups with lids, with discounts at the on-site café for those using these for hot drinks.
In November 2021 the group was recognised with an international Green Apple Environment Award – for our work with organisations, along with how we are raising awareness around water efficiency and how it can help the environment. We were presented with a "National Silver" for Environmental Improvement for our work, at the awards event in November.
The group also supported Forest Carbon's peatland restoration work to prevent 400 tonnes of greenhouse gas emissions being released, which was verified under the Peatland Code, helping the UK towards its Net Zero target. This was in recognition of the emissions linked to our business for the 19/20 and 20/21 financial years, as published in our Group Accounts for 2021.

See the Water Plus website (https://www.water-plus.co.uk) for a report with further details on the activities and action being taken by Water Plus to reduce impacts on the environment.

DISCLOSURE IN THE STRATEGIC REPORT
Details on how the directors have had regard to relationships with suppliers, customers and others can be found in the strategic report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 group financial statements in accordance with UK-adopted IFRS and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information,. including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

In preparing the parent company 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR
The auditor, Mazars LLP, will be deemed to continue in office under section 487(2) of the Companies Act 2006.

In the case of each of the persons who are directors of the company at the date when this report is approved:

a) so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
b) each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Relevant audit information means information needed by the company's auditor in connection with preparing its report. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Principal risks and uncertainties

The principal risks and uncertainties of the group are considered to be the risks discussed in the Strategic Report and further explained in the Risks arising from financial instruments note (note 27).

Outlook

The future developments in the business of the company are discussed in the Strategic Report.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD:

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L Gross - Director

Date: 18 August 2022

Independent Auditor's Report to the Members of Water Plus Group Limited

Opinion

We have audited the financial statements of Water Plus Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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 group and the parent 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

In auditing the financial statements, we have concluded that the director's 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 group's and the parent 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 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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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 parent company 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 9, 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 group's and the parent 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 group or the parent 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 the financial statements.

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. Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, employment and health and safety regulation, anti-bribery, corruption and fraud, money laundering and non-compliance with implementation of Ofwat regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the estimated expected credit loss provision and the estimation of unbilled revenue.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Lancaster

Charlene Lancaster (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St. Peter's Square
Manchester
M2 3DE
Date: .18. August 2022.........................

Water Plus Group Limited (Registered number: 10012579)

Consolidated Statement of Comprehensive Income
for the Year Ended 31 March 2022

	Notes	2022 £'000	2021 £'000
CONTINUING OPERATIONS			
Revenue	4	750,855	722,589
Cost of sales		(697,163)	(668,440)
GROSS PROFIT		53,692	54,149
Administrative expenses		(56,660)	(68,736)
OPERATING LOSS		(2,968)	(14,587)
Finance costs	6	(7,717)	(8,484)
Finance income	6	4,015	3,152
LOSS BEFORE INCOME TAX	7	(6,670)	(19,919)
Income tax	8	3,874	2,227
LOSS FOR THE YEAR		(2,796)	(17,692)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,796)	(17,692)
Loss attributable to:			
Owners of the parent		(2,796)	(17,692)
Total comprehensive income attributable to:			
Owners of the parent		(2,796)	(17,692)

The notes form part of these financial statements

Water Plus Group Limited (Registered number: 10012579)

Consolidated Statement of Financial Position
for the Year Ended 31 March 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Owned			
Intangible assets	11	23,347	27,161
Property, plant and equipment	12	349	410
Right-of-use			
Property, plant and equipment	12, 20	2,248	-
Deferred tax asset	21	15,791	-
		41,735	27,571
CURRENT ASSETS			
Trade and other receivables	14	332,233	327,025
Tax receivable		-	2,171
Cash and cash equivalents	15	24,384	20,299
		356,617	349,495
TOTAL ASSETS		398,352	377,066
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	-	-
Share premium	17	85,000	20,000
Merger reserve	17	51,100	51,100
Other reserves	17	8,641	8,641
Retained earnings		(130,989)	(128,193)
TOTAL EQUITY		13,752	(48,452)
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	19	239,580	217,867
Deferred tax	21	1,478	1,543
		241,058	219,410
CURRENT LIABILITIES			
Trade and other payables	18	142,742	140,794
Borrowings	19	800	65,314
		143,542	206,108
TOTAL LIABILITIES		384,600	425,518
TOTAL EQUITY AND LIABILITIES		398,352	377,066

The financial statements were approved by the Board of Directors and authorised for issue on 18 August 2022 and were signed on its behalf by:

....

L Gross - Director

The notes form part of these financial statements

Water Plus Group Limited (Registered number: 10012579)

Company Statement of Financial Position
for the Year Ended 31 March 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
NON-CURRENT ASSETS			
Right-of-use			
Property, plant and equipment	12, 20	2,248	-
Investments	13	-	-
		2,248	-
CURRENT ASSETS			
Trade and other receivables	14	279,787	295,675
Cash and cash equivalents	15	15,864	11,444
		295,651	307,119
TOTAL ASSETS		297,899	307,119
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	-	-
Share premium	17	85,000	20,000
Merger reserve	17	51,100	51,100
Other reserves	17	6,930	6,930
Retained earnings		(98,004)	(53,957)
TOTAL EQUITY		45,026	24,073
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings			
Interest bearing loans and borrowings	19	239,580	217,867
CURRENT LIABILITIES			
Trade and other payables	18	12,493	114
Borrowings			
Interest bearing loans and borrowings	19	800	65,000
Tax payable		-	65
		13,293	65,179
TOTAL LIABILITIES		252,873	283,046
TOTAL EQUITY AND LIABILITIES		297,899	307,119

The financial statements were approved by the Board of Directors and authorised for issue on 18 August 2022 and were signed on its behalf by:

....

L Gross - Director

The notes form part of these financial statements

Water Plus Group Limited (Registered number: 10012579)

Consolidated Statement of Changes in Equity
for the Year Ended 31 March 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 1 April 2020	-	(110,501)	20,000
Changes in equity			
Total comprehensive loss	-	(17,692)	-
Balance at 31 March 2021	-	(128,193)	20,000
Changes in equity			
Issue of share capital	-	-	65,000
Total comprehensive loss	-	(2,796)	-
Balance at 31 March 2022	-	(130,989)	85,000

	Merger reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 April 2020	51,100	8,641	(30,760)
Changes in equity			
Total comprehensive loss	-	-	(17,692)
Balance at 31 March 2021	51,100	8,641	(48,452)
Changes in equity			
Issue of share capital	-	-	65,000
Total comprehensive loss	-	-	(2,796)
Balance at 31 March 2022	51,100	8,641	13,752

The notes form part of these financial statements

Water Plus Group Limited (Registered number: 10012579)

Company Statement of Changes in Equity
for the Year Ended 31 March 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 1 April 2020	-	(52,865)	20,000
Changes in equity			
Total comprehensive income	-	(1,092)	-
Balance at 31 March 2021	-	(53,957)	20,000
Changes in equity			
Issue of share capital	-	-	65,000
Total comprehensive income	-	(44,047)	-
Balance at 31 March 2022	-	(98,004)	85,000

	Merger reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 April 2020	51,100	6,930	25,165
Changes in equity			
Total comprehensive income	-	-	(1,092)
Balance at 31 March 2021	51,100	6,930	24,073
Changes in equity			
Issue of share capital	-	-	65,000
Total comprehensive income	-	-	(44,047)
Balance at 31 March 2022	51,100	6,930	45,026

The notes form part of these financial statements

Water Plus Group Limited (Registered number: 10012579)

Consolidated Statement of Cash Flows
for the Year Ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	1	(12,815)	(54,926)
Tax refund		2,350	10,024
Interest received from operations		4,015	3,152
Net cash from operating activities		(6,450)	(41,750)
Cash flows from investing activities			
Purchase of non current assets		(1,098)	(1,502)
Purchase of tangible fixed assets		(186)	(92)
Sale of tangible fixed assets		-	20
Net cash from investing activities		(1,284)	(1,574)
Cash flows from financing activities			
Interest paid		(5,813)	(8,623)
Receipts from borrowings		18,692	74,000
Repayments of borrowings		-	(5,412)
Payment of lease liabilities		(1,060)	(528)
Net cash from financing activities		11,819	59,437
Increase in cash and cash equivalents		4,085	16,113
Cash and cash equivalents at beginning of year	2	20,299	4,186
Cash and cash equivalents at end of year	2	24,384	20,299

The notes form part of these financial statements

Notes to the Consolidated Statement of Cash Flows
for the Year Ended 31 March 2022

1. **RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2022 £'000	2021 £'000
Loss before income tax	(6,670)	(19,919)
Depreciation charges	996	451
Loss on disposal of fixed assets	-	155
Amortisation charges	4,913	4,777
Finance costs	7,717	8,484
Finance income	(4,015)	(3,152)
	2,941	(9,204)
Increase in trade and other receivables	(5,208)	(27,895)
Decrease in trade and other payables	(10,548)	(17,827)
Cash generated from operations	(12,815)	(54,926)

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2022

	2022 £'000	2021 £'000
Cash and cash equivalents	24,384	20,299

Year ended 31 March 2021

	2021 £'000	2020 £'000
Cash and cash equivalents	20,299	4,186

3. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 1 April 2021 £'000	Cash flows £'000	Other non-cash movements £'000	As at 31 March 2022 £'000
Revolving credit facilities	197,703	25,898	(63,903)	159,698
Zero-coupon loan notes	20,576	-	678	21,254
Bank loan	64,588	(7,206)	-	57,382
Lease liabilities	314	(1,060)	2,791	2,045
Financing liabilities	283,181	17,632	(60,434)	240,379

	As at 1 April 2020 £'000	Cash flows £'000	Other non-cash movements (Restated) £'000	As at 31 March 2021 (Restated) £'000
Revolving credit facilities	194,316	6,445	(3,058)	197,703
Zero-coupon loan notes	19,918	-	658	20,576
Bank loan	-	64,588	-	64,588
Lease liabilities	2,937	(528)	(2,095)	314
Financing liabilities	217,171	70,505	(4,495)	283,181

A non-cash movement of £65m is included within revolving credit facilities and is reflected in the 2022 note. This was regarding a debt for equity replacement which occurred on the 23 April 2021 – see note 17 for further details.

Other non-cash movements in the prior year omitted the negative brackets from the £3,058k movement. This has been corrected in the table above.

1. **GENERAL INFORMATION**

Water Plus Group provides water and wastewater retail services to non-household customers in England, Wales and Scotland.

2. **STATUTORY INFORMATION**

Water Plus Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

3. **ACCOUNTING POLICIES**

A) BASIS OF PREPARATION
The financial statements for the group and the parent company have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value. The financial statements are prepared in £ sterling, the group's functional currency, and presented in round-thousands.

(i) Consolidated financial statements
The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006

(ii) Parent company financial statements
The parent company financial statements have been prepared in accordance with United Kingdom Accounting Standards and comply with the Companies Act 2006. The company meets the definition of a qualifying entity as defined in FRS 100 'Financial Reporting Standard 100', accordingly the company has elected to apply FRS 101 'Reduced Disclosure Framework'.

The recognition and measurement requirements of UK-adopted IFRS have been applied, with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as the parent company financial statements are Companies Act 2006 accounts.

As permitted by FRS 101, the parent company has taken advantage of the disclosure exemptions available under that standard, therefore the parent company financial statements do not contain:

- the requirements of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group;
- a statement of cash flows and related disclosures for each financial year
- presentation of comparative reconciliations for property, plant and equipment and intangible assets;
- disclosure of key management personnel compensation;
- capital management disclosures;
- presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- the effect of future accounting standards not adopted;
- disclosures in relation to impairment of assets;
- disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value);
- fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).

As permitted by Section 408 of the Companies Act 2006, no profit or loss account is presented for the parent company. The profit for the period and loss for the prior period are disclosed in note 9.

The key accounting policies for the group and the parent company are set out below and have been applied consistently. Any differences in the accounting policies applied in the consolidated and the parent company financial statements are described below.

3. **ACCOUNTING POLICIES - continued**

B) BASIS OF CONSOLIDATION
The consolidated financial statements include the results of Water Plus Group Limited and its subsidiaries. Results are included from the date of acquisition or incorporation and excluded from the date of disposal.

Subsidiaries are consolidated where the group has the power to control a subsidiary.

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not included within the group financial statements.

C) GOING CONCERN
In preparing its financial statements, the directors of the Group are required to assess whether or not it is a going concern. The directors have reviewed forecasts for the Group covering a minimum period of 12 months from the date of signing that include reasonably foreseeable stress tests and downsides. They conclude that the Group has adequate cash reserves and available borrowing facilities to continue in operational existence for the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

In making the assessment the directors have considered known risks to the business, which include those set out in the strategic report and note 27. They have also considered new and emerging risks. These risks include the possibility of economic downturn, delays to customer billing and collections, the impact of inflation on the cost base and the impact of Bank of England base rates on interest charges. Enduring risks from previous periods include the longer-term impacts of emerging from the Covid-19 pandemic. Emerging risks include increased inflation and the war in Ukraine. For each risk the possible impacts of the risk on the Group are considered. Where the Group is sensitive to the impacts of a risk (defined as the risk resulting in a material outflow of resource from the Group) the impact will be explored further and a scenario is modelled to detail how the risk would affect the Group, over what timeframe and how the risk could be mitigated, or its impacts endured during the going concern window. To assess the impact of combined risks on the business, a combined stress test, which compounds multiple risks is carried out. Where the combined stress test is passed, it is followed up with reverse stress test considerations, which consider what it would take to make the Group unable to continue trading during the period assessed to make sure that the possibility of such events happening is considered remote.

The business is adequately funded for the duration of the assessment having available cash reserves and undrawn borrowing facilities with shareholders and a bank that would allow it to continue trading under stressed conditions. Details of these borrowings can be found in note 19. All borrowing facilities are secured until at least November 2023, which is beyond the going concern window. Under the combined stress test conditions, it is likely that covenants associated with bank borrowings could be met, but the possibility of breaching a covenant is considered as part of the test. While it is not deemed likely that a breach of covenant will occur, the Group maintains and monitors forward looking cash forecasts that would allow it to engage in early discussions with banks and shareholders, should it be necessary, to look to agree on suitable alternative arrangements.

D) NEW ACCOUNTING POLICIES AND FUTURE REQUIREMENTS
Standards effective for the first time in the year to 31 March 2022

Two new accounting standards came into effect and were adopted by the group during the year:

- Amendments to IFRS 16 for covid-19-related Rent Concessions – effective 1 April 2022
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2. Effective from 1 January 2021.

No rent concessions were offered or taken by the group or company and all of the group and company borrowings were adjusted from LIBOR to Bank of England base rate when last renewed. Neither standard has had a material impact on the group or company.

3. **ACCOUNTING POLICIES - continued**

Standards and interpretations that had been issued but were not yet mandatory

The following updates have not been early adopted by the group, nor are they expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions:

	Mandatory from period commencing
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
- Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
- Annual Improvements to IFRS Standards 2018-2020	1 January 2022
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	1 January 2023
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
- Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

E) REVENUE RECOGNITION
Revenue arises mainly from the sale of water and wastewater retail services to non-household customers in England, Scotland and Wales. The supply of water and collection of wastewater and trade effluent is provided through the national infrastructure networks owned by wholesalers.

The group considers the delivery of water supply, wastewater and trade effluent services to represent a single performance obligation along with associated administrative activities. Revenue is recognised over time as customers simultaneously receive and consume the water and wastewater services as provided. Revenue is either recognised on the basis of volumetric consumption of water by the customer, daily charges or based on the size or rateable value of the customers' property. The transaction price is based upon customers' usage of water and wastewater services. These are either in line with Water Plus's published default tariffs or tariffs included in contracts with customers. The tariffs can broadly be split into two categories, those charged on an annual rate and those charged on consumption. The transaction price of consumption tariffs are based on either actual consumption or estimated consumption depending on the availability of meter readings at the time of invoicing. For more information on estimated revenue see note 3T. Customers do not make returns of goods but amounts charged may reduce as estimates of consumption are replaced with actual measurements or customer standing data is changed. These are reflected as credit notes in the period in which they occur.

Revenue includes an estimate of the amount of mains water and wastewater charges unbilled at the period end. The group adopts a hierarchical approach whereby precedence is given to observable outputs. Where there are no observable outputs, the estimate is recognised based on the applicable charges incurred to date. Contract assets are recognised in respect of these balances and included in trade and other receivables in the statement of financial position. Contract liabilities arise when payments are received in advance of the performance obligations being met. Contract liabilities are included in trade and other payables in the statement of financial position. Calculation of unbilled revenue is a key accounting estimate, covered in note 3T.

Contract costs are capitalised as part of the contract asset and amortised over the period of the contract. Where the amortisation period of these costs would be less than one year, the group makes use of the practical expedient in IFRS 15.94 and expenses them as they are incurred.

F) GOODWILL
Goodwill represents the excess of the fair value of purchase consideration over the fair value of the net assets acquired. Goodwill arising on acquisition of subsidiaries is included in intangible assets. If an acquisition gives rise to negative goodwill this is credited directly to the income statement.

Goodwill is tested for impairment in accordance with the policy set out in note 3I below and carried at cost less accumulated impairment losses. Goodwill is allocated to the assets of the business for impairment testing purposes.

3. **ACCOUNTING POLICIES - continued**

G) OTHER INTANGIBLE NON-CURRENT ASSETS
Intangible assets acquired separately are capitalised at cost. Following initial recognition, finite life intangible assets are amortised from the point they are available for use on a straight-line basis over their estimated useful economic lives as follows:

	Years
Billing system	10
Other intangibles	2-7
Customer lists	Indefinite

Amortisation charged on intangible assets is taken to the income statement through administrative expenses.

Development expenditure is capitalised as an intangible asset where the following criteria are met:

a) it is technically feasible to create and make the asset available for use or sale;
b) there are adequate resources available to complete the development and to use or sell the asset;
c) there is the intention and ability to use or sell the asset;
d) it is probable that the asset created will generate future economic benefits; and
e) the development costs can be measured reliably.

Costs are categorised as development costs until an asset is ready for use and then transferred to the relevant intangible asset category.

Research expenditure is expensed when it is incurred. Subsequent expenditure on maintenance of intangible assets is expensed as incurred.

Assets are then written off over their expected useful economic life. Amortisation of the assets starts when the project has been implemented and the asset is ready for use. Assets are tested for impairment annually.

Intangible assets are reviewed for impairment where indicators of impairment exist.

Assets classified as having an indefinite life are tested for impairment annually, or at any time there is indication of impairment. An annual review is undertaken to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

See policy 3I for details of impairments of Non-current assets.

3. **ACCOUNTING POLICIES - continued**

H) PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is held at cost less accumulated depreciation and depreciated on a straight-line basis over its estimated useful economic life.

The estimated useful lives are:

	Years
Fixtures and fittings	7
Computer equipment	4
Right of use assets	4 (term of lease)

Depreciation charged on property, plant and equipment is taken to the income statement through administrative expenses.

I) IMPAIRMENT OF NON-CURRENT ASSETS
If the recoverable amount of goodwill, an item of property, plant and equipment, or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from an asset or cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the asset cash-generating unit being assessed.

The discount rate used is based on the group's cost of capital.

Intangible assets deemed to have an indefinite useful economic life are tested for impairment annually.

Impairment reviews are also carried out if there is an indication that an impairment may have occurred, or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairment charges are recognised in the income statement through administrative expenses.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. Where the recoverable amount is higher than the carrying amount, the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised in profit or loss. After a reversal, any applicable depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Under IAS 36 goodwill impairment may not be reversed.

3. **ACCOUNTING POLICIES - continued**

J) PARENT COMPANY INVESTMENTS
The parent company recognises investments in subsidiary undertakings at historical cost less cumulative impairment to date.

K) FINANCIAL INSTRUMENTS
Recognition and derecognition
Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards of ownership are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires

Classification and measurement of financial assets
All financial assets are initially measured at fair value adjusted for transaction costs, except for trade receivables which are measured at the transaction price in accordance with IFRS 15.

The group's business model is to recognise the contractual cash flows, which solely consist of principal and interest on the principal amount outstanding, of its financial assets by holding them for the purpose of collection. Accordingly, after initial recognition, all financial assets are held at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Expected credit losses
The group accounts for lifetime expected credit losses with reference to the simplified model in IFRS 9.

Classification and measurement of financial liabilities
The group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designates a financial liability at fair value through profit or loss (FVTPL).

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried at fair value with gains or losses recognised in profit or loss.

All income and expenses relating to financial instruments that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

L) CASH AND CASH EQUIVALENTS
Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

M) RETIREMENT BENEFITS
Contributions to the defined contribution pension scheme are charged to the income statement in the period in which they fall due.

N) BORROWINGS
Borrowings are initially recognised at fair value less issue costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method whereby interest and issue costs are charged to the income statement and added to the carrying value of borrowings at a constant rate in proportion to the capital amount outstanding..

Where the fair value is different to the consideration transferred at the outset of a loan, the difference is recognised as equity in other reserves. An interest charge representing the unwind of this fair value element is charged to finance costs. All borrowings are denominated in the group's functional currency.

3. **ACCOUNTING POLICIES - continued**

O) CASH FLOW STATEMENT
For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Net cash and cash equivalents include overdrafts repayable on demand.

P) EQUITY AND RESERVES
Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any resulting income tax benefits.

The Merger reserve represents the excess of the fair value of shares issued to acquire an entity above the nominal value of the shares issued.

The Other Reserve represents loans and other financial instruments that are classified as equity in accordance with International Financial Reporting Standards.

Q) ACQUISITIONS
The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are recognised at their acquisition-date fair values.

Where consideration transferred is in the form of equity instruments issued by the group, any excess in the fair value of the shares issued above the nominal value of the shares is recognised in a merger reserve.

Any excess in fair value of consideration transferred above the fair values of the separately identifiable assets and liabilities of the acquired company is recognised as goodwill in line with policy 3F.

R) TAXATION
Current tax payable is based on taxable profit for the period and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income that are taxable or deductible in future years and it further excludes items that are never tax deductible.

Deferred taxation is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future to utilise it.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

3. **ACCOUNTING POLICIES - continued**

S) LEASES
For any new lease contracts entered into on or after 1 April 2019, the group recognises a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, any lease payments made in advance of the lease commencement date, and net of any incentives received.

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate if not. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest charged.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients permitted by IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in loans and borrowings.

T) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
In the process of applying the group's accounting policies, the group is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Although these estimates are based on Management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The more significant judgements were:

i) 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 group. Under the rules of the retail water market, revenue becomes time-barred if it has not been invoiced by given dates.

Management have made the assessment that any unbilled amounts which are now time-barred are not going to lead to economic benefits flowing to the group and have therefore not met the criteria for revenue recognition. As a result, these have not been recognised.

ii) Deferred tax asset

During the year the group reversed previous consortium relief claims made to shareholders. These losses will now be held to use against future profits of the business. There is a resulting deferred tax asset of £15.8m and a credit to the P&L of £3.7m due to the change in expected tax rate at the point when the asset will be used. See note 8 for details of the tax charge and note 21 for details of resulting deferred tax balances. The recognition of the asset is dependent on the judgement that future profits will be available against which to utilise the losses. The valuation of the asset is dependent on the judgement that future tax rates will be 25%. Management have made the judgement sufficient profits will be available between the group companies and their shareholders in order to use these losses and that these profits will arise while the prevailing tax rate is 25%.

3. **ACCOUNTING POLICIES - continued**

iii) Revenue and cost of sales adjustments for fluctuations in consumption

The water retail industry relies on meter reads to accurately record the level of customer consumption that gives rise to revenue and cost of sales. Where a customer has consumed water between their last meter read and the end of a reporting period, it is common industry practice to estimate the amount of consumption used in this time by reference to historical levels of consumption observed. The methodology considers the average daily consumption (ADC) between two historical meter reads by dividing the number of units consumed by the number of days between reads. This ADC is then applied to the number of days where charges need to be estimated. This assumes that consumption of water per day remains constant for the period between the last two meter reads and the period being estimated. The imposition and release of various lockdown restrictions on businesses since the start of the Covid-19 pandemic mean greater than usual seasonal fluctuations have been observed since March 2020, making this 'core' estimation logic less accurate.

The financial statements to 31 March 2020 and 31 March 2021 included material adjustments to revenue and cost of sales to recognise the need to reduce estimates of consumption as the methodology would look back to a period of consumption where no significant disruption to consumption had yet occurred, made worse by difficulties in obtaining access to customer sites to take meter reads during this time.

During the year to 31 March 2022, businesses faced fewer restrictions and the number of meter reads taken has caught up to pre-pandemic levels. As a result, management have assessed that no material adjustments needed applying to the core estimation. However, some element of fluctuation in consumption could still occur as there is an element of the customer base whose ADC will now include a period of restricted trade, but who are trading without restrictions during the estimate period.

If future meter readings are received which show higher or lower consumption than the currently used estimates this could lead to an adjustment to revenue and wholesale charges relating to the year. There is significant judgement as to whether any future adjustment to the current year's revenue and wholesale charges will arise that will not resolve until more meter reads are taken. The Group's best estimate at the year-end is that future meter reads could lead to an increase in revenue from estimates of £3,960k and an increase in cost of sales of £3,680k giving rise to addition gross profit of £280k. These amounts have not been recognised in the financial statements.

The key accounting estimates were:

iv) Amortisation and carrying amount of the billing system

The assessment of the useful economic life of the group's Mecoms billing system is a key accounting estimate. Management has made a subjective assessment having paid regard to the lives of billing systems used by other, similar entities, prospective changes in the market and compatibility. The result of this assessment is that the billing system will have a 10-year useful economic life and is subsequently being amortised in a straight-line over this period. The amortisation charged in the year and carrying value of the billing system can be found in note 11.

v) Unbilled revenue

Water Plus 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 units supplied between the date of the last meter read and the period end.

Meters are read on a cyclical basis and the group recognises 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. Non-volumetric charges are applied on a straight-line basis for the number of days in the accrual period.

In circumstances where no volumetric data is available, revenue is accrued to the standard margin for a customer of that type.

3. **ACCOUNTING POLICIES - continued**

At 31 March 2022, unbilled revenue totalled £97,809k (2021: £101,889k) before allowances for expected credit losses. In 2019/20 and 2020/21 the unbilled revenue total had been adjusted for the impacts of Covid-19 lockdowns on revenue recognised in the year. At 31 March 2022, this adjustment is £nil (2021: a reduction of £16,753k). In 2021 there was also a reduction to unbilled revenue for customers who were entitled to a reduction in charges due to the MOSL temporary vacancy scheme which had not yet been processed by the billing software. At 31 March 2022, this adjustment is £nil (2021: a reduction to accrued income of £4,199k). For more information on the impact of Covid-19 on revenue at 31 March 2022 see judgement iii above.

vi) Wholesale charges

Water Plus accrues wholesale charges for any period not billed at the period 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 group 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 group recognises an additional accrual for the relevant amount. The carrying amount of wholesale accruals at 31 March 2022 was £41,282k (2021: £40,971k) within which £21,766k (2021: £12,261k) relates to issues identified in the water retail market data which, once corrected, will lead to a reduction in wholesale charge invoices.

At 31 March 2022, Water Plus recognised an increase in wholesale charges totalling £14,496k (2021:£nil) in relation to market transactions which had been processed, but had yet to be invoiced. At 31 March 2022 no adjustment has been made in respect of the impact of Covid-19 lockdowns on wholesale charges (2021: decrease totalling £7,943k). For more information on the impact of Covid-19 on wholesale charges at 31 March 2022 see judgement iii above.

vii) Provision for expected credit losses

The total provision for expected credit (ECL's) incorporates forward-looking information about the performance of trade receivables and contact assets that have yet to be billed to customers. This information includes all known information about future events that could lead to a credit loss including but not limited to the ongoing Covid-19 pandemic and the conflict in Ukraine. The method used at 31 March 2022 is the same as at 31 March 2021 and incorporates internal, historical cash collection rates and external forward-looking economic data.

At 31 March 2019, the final year end before the start of the Covid-19 pandemic, the level of provision for expected credit losses was £46,017k. At 31 March 2020 the level of provision was increased to £81,983k to reflect the increased risk, and increased further to £91,186k at 31 March 2021. At 31 March 2022 the total provision of £82,193k reflects a continued increased level of credit risk.
Total ECL provision is shown in note 14. The number incorporates an estimate, arrived at from considering forward-looking economic data, that insolvency rates and therefore probability of default will be 40% higher than before the start of the pandemic. The estimate was reached by looking at a range of external forecasts, and the additional uplift has been applied at a customer level. The estimate sits within a reasonably foreseeable range of 30% to 50% increased insolvencies. If insolvency rates were to increase by 30%, the ECL provision could decrease by £3,867k. If insolvency rates were to increase by 50%, the ECL provision could increase by £4,269k.

Included within the total ECL provision is £15,119k relating to provision against fees levied on customer accounts. These fees have previously attracted 100% provision as there was limited historical evidence of cash collection for fees. During the year, the business passed three years of raising fees and determined it had sufficient information with which to recognise a lower than 100% provision. The provision balance represents 83% of £18,306k worth of debt associated with fees. The sensitivity of payment of fees is linked to customer insolvency rates as discussed above and forms part of the potential increase or decrease in ECL quoted above.

viii) Fair value of zero-coupon loan notes

Water Plus holds zero-coupon loan notes from its shareholders. These loan notes have been recognised at fair value on inception using a representative interest rate for similar funding. This rate has been derived from those quoted for borrowing of a similar duration, modified for the specific circumstances of the loan. The carrying amount of the zero-coupon loan notes at 31 March 2022 was £21,254k (2021 - £20,576k).

4. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS
The revenue and loss before taxation are attributable to the one principal activity of the company.

	2022 £'000	2021 £'000
Water, wastewater and other services	750,855	722,589
Total Revenue	750,855	722,589

Revenue includes £0.8m (2021: £2.1m) included in the contract liability balance at the beginning of the period.

All of the group's revenue was generated in the UK and derived from services transferred over time.

5. EMPLOYEES AND DIRECTORS

	2022 £'000	2021 £'000
Wages and salaries	16,629	15,566
Temporary staff	991	1,721
Total wages and salaries	**17,620**	**17,287**
Social security costs	1,616	1,458
Other pension costs	874	801
Capitalised development costs	(941)	(1,538)
	19,169	18,008

Wages and salaries includes £941k (2021: £1,538k) which were transferred to capitalised development costs.

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

	2022	2021
Sales	45	43
Services	417	422
Support	59	58
	521	523

All of the group's employees are employed by Water Plus Limited. The company does not directly employ any staff or directors. However, included within management recharges is an element relating to the time spent by staff from other group entities conducting work on the company's behalf.

Directors' remuneration

	2022 £'000	2021 £'000
Aggregate remuneration	524	440
Aggregate pension contributions	38	37
Total aggregate directors' remuneration	562	477

5. EMPLOYEES AND DIRECTORS - continued

Remuneration of highest paid director	269	231
Pension contributions of highest paid director	21	21
Total remuneration of highest paid director	290	252

The number of directors to whom retirement benefits are accruing in respect of qualifying services:

Defined contribution schemes	2	2

6. NET FINANCE COSTS

	2022 £'000	2021 £'000
Finance income:		
Interest receivable from late payment of receivables	4,015	3,152
	4,015	3,152

Fees for the late payment of receivables are recognised net of a provision for non-recoverable amounts.

	2022 £'000	2021 £'000
Finance costs:		
Interest payable on borrowings from shareholders	6,677	7,127
Interest payable on deferred wholesale charges	-	1,214
Interest payable on invoice financing loan	1,007	322
Interest payable on leases	33	(179)
	7,717	8,484

During 2021 the break clause on the lease was invoked. In accordance with IFRS 16 the value of the lease liability and asset were remeasured which led to a negative interest charge for the year.

7. LOSS BEFORE INCOME TAX

a) Operating profit/(loss) is stated after charging the following expenses:

	2022 £'000	2021 £'000
Operating lease rentals		
- land and buildings	60	60
Depreciation and amortisation	5,909	5,228

During the period the following fees were charged by the auditors:

	2022 £'000	2021 £'000
Fees payable to the company's auditors for		
- the audit of the company's annual accounts	130	113
- the audit of the company's subsidiary accounts	140	122
Total audit fees	270	235

8. INCOME TAX

Analysis of tax income

	2022 £'000	2021 £'000
Current tax:		
Tax	-	(1,999)
Adjustment in respect of prior periods	(178)	(227)
Total current tax	(178)	(2,226)
Deferred tax:		
Deferred tax	(3,696)	(1)
Total deferred tax	(3,696)	(1)
Total tax income in consolidated statement of comprehensive income	(3,874)	(2,227)

FACTORS AFFECTING THE TAX EXPENSE

The tax assessed for the year is lower (2021 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £'000	2021 £'000
Loss before income tax	(6,670)	(19,919)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,267)	(3,785)
Effects of:		
Non-qualifying depreciation and amortisation	374	206
Expenditure not deductible in determining taxable profits	1,002	1,579
Adjustments relating to prior periods	(178)	(227)
Reversal of previous consortium relief claim – see note 21	(12,161)	-
Repurchase from shareholders of tax losses	12,161	-
Deferred tax charge/(credit) arising from rate change - see note 21	(3,705)	-
Accelerated capital allowances	(100)	-
Group relief surrendered	-	2,227
Receivable from shareholders for tax losses	-	(2,227)
Tax income	(3,874)	(2,227)

9. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £44,047,000 (2021 : £1,092,000 loss) after a £47,101k impairment. As part of the group restructure transferral of Water Plus Select Limited's trade and assets to Water Plus Limited, Water Plus Group Limited subsequently fully impaired the £47,101k value of its intercompany receivable from Water Plus Select Limited which was in a net liability position.

10. DIVIDENDS

No dividends were proposed or paid in this period. The directors do not recommend a final dividend for the period.

11. INTANGIBLE ASSETS

GROUP

	Billing system £'000	Capitalised development costs £'000	Other intangibles £'000	Customer lists £'000	Total £'000
COST					
At 1 April 2021	43,510	1,533	675	17,274	62,992
Additions	311	772	15	-	1,098
Disposals	(67)	-	(347)	-	(414)
Transfers	-	-	-	-	-
At 31 March 2022	43,754	2,305	343	17,274	63,676
AMORTISATION					
At 1 April 2021	18,158	-	399	17,274	35,831
Charge for year	4,764	-	149	-	4,913
Eliminated on disposal	(67)	-	(347)	-	(414)
At 31 March 2022	22,854	-	201	17,274	40,329
NET BOOK VALUE					
At 31 March 2022	20,900	2,305	142	-	23,347

	Billing system £'000	Capitalised development costs £'000	Other intangibles £'000	Customer lists £'000	Total £'000
COST					
At 1 April 2020	42,989	915	1,029	17,274	62,207
Additions	-	1,502	-		1,502
Disposals	-	(116)	(601)	-	(717)
Transfers	521	(768)	247	-	-
At 31 March 2021	43,510	1,533	675	17,274	62,992
AMORTISATION					
At 1 April 2020	13,835	-	496	17,274	31,605
Charge for year	4,323	-	454	-	4,777
Eliminated on disposal	-	-	(551)	-	(551)
At 31 March 2021	18,158	-	399	17,274	35,831
NET BOOK VALUE					
At 31 March 2021	25,352	1,533	276	-	27,161

The Mecoms billing system has a remaining useful economic life of 4 years.

Capitalised development costs are ongoing project costs that we have deemed to be capital in nature. Once complete the asset will be transferred to the relevant asset category it relates to.

Other intangibles include purchased software and wholesale market-related guarantees.

11. **INTANGIBLE ASSETS – continued**

The customer lists were originally acquired from shareholders and represent all non-household connections formerly served by Severn Trent and United Utilities prior to the opening of the retail water market. This asset was assessed to have an indefinite useful economic life as management could not foresee a limit to the period over which the asset will generate future cash flows. This was based on the observable evidence of low levels of customers switching in the English and Scottish retail markets and the nature of the relationship with these customers.

Customer lists have previously been impaired in full and whilst these customers will continue to generate future cash flows, the cash flows generated by the group do not support the carrying value of the asset. Following a review, there is no indication that any previously recognised impairment loss should be reversed.

12. **PROPERTY, PLANT AND EQUIPMENT**

Group

	Right of use asset - Property £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 April 2021	3,430	500	837	4,767
Additions	2,997	13	173	3,183
Disposals	(3,430)	-	-	(3,430)
At 31 March 2022	2,997	513	1,010	4,520
Depreciation				
At 1 April 2021	3,430	318	609	4,357
Charge for year	749	74	173	996
Eliminated on disposal	(3,430)	-	-	(3,430)
At 31 March 2022	749	392	782	1,923
Net book value				
At 31 March 2022	2,248	121	228	2,597

	Right of use asset - Property £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 April 2020	3,430	502	802	4,734
Additions	-	-	92	92
Disposals	-	(2)	(57)	(59)
At 31 March 2021	3,430	500	837	4,767
Depreciation				
At 1 April 2020	1,289	248	506	2,043
Charge for year	228	72	151	451
Eliminated on disposal	-	(2)	(48)	(50)
Impairments	1,913	-	-	1,913
At 31 March 2021	3,430	318	609	4,357
Net book value				
At 31 March 2021	-	182	228	410

12. PROPERTY, PLANT AND EQUIPMENT - continued

Company

	Right of use asset - Property £'000
Cost	
Additions	2,997
At 31 March 2022	2,997
Depreciation	
Charge for year	749
At 31 March 2022	749
Net book value	
At 31 March 2022	2,248

13. INVESTMENTS

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

SUBSIDIARIES

Water Plus Limited
Registered office: South Court, Riverside Park, Campbell Road, Stoke-On-Trent, ST4 4DA
Nature of business: Water and wastewater retailer

Class of shares:	% holding
Ordinary	100.00

Water Plus Select Limited
Registered office: South Court, Riverside Park, Campbell Road, Stoke-On-Trent, ST4 4DA
Nature of business: Water and wastewater retailer

Class of shares:	% holding
Ordinary	100.00

Investments in subsidiaries were acquired at a cost of £51,100k but were impaired in full following an impairment review at 31 March 2020.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Current:				
Trade receivables	222,419	217,604	-	-
Contract assets - accrued income	93,041	94,570	-	-
Amounts owed by group undertakings	-	-	279,775	295,552
Other debtors	6,737	10,573	12	86
Prepayments	10,036	4,278	-	37
	332,233	327,025	279,787	295,675

Contract assets arise due to timing differences between billing and revenue recognition as set out in note 3E. Balances owed by the group undertakings are repayable on demand and attract interest at 3.9% (2021: 3.3%). During the year 31 March 2022, amounts owed by group undertakings have been impaired by £47,101k – see note 9.

GROUP

	2022	**2021**
	£'000	**£'000**
Receivables classed as financial assets:		
Trade receivables	300,368	301,470
Less: allowance for expected credit losses	(77,949)	(83,866)
Net trade receivables	222,419	217,604
Other receivables	-	-
Total receivables classed as financial assets	222,419	217,604

The carrying values of trade and other receivables are reasonable approximations of their fair values. All amounts stated are recoverable within one year. An analysis of the aging of trade receivables from date of bill is shown below. Customers have a range of payment terms, with most debt being due between 0 and 30 days.

GROUP

2022

	Trade receivables £'000	**Loss allowance £'000**	**Expected loss rate**
0 – 30 days	53,656	4,052	7.6%
31 – 90 days	43,241	5,615	13.0%
91 – 365 days	94,062	25,143	26.7%
1 year plus	109,410	43,138	39.4%
Total	300,368	77,949	26.0%

2021

	Trade receivables £'000	**Loss allowance £'000**	**Expected loss rate**
0 – 30 days	55,172	4,532	8.2%
31 – 90 days	47,665	7,613	16.0%
91 – 365 days	89,971	24,415	27.1%
1 year plus	108,662	47,305	43.5%
Total	301,470	83,866	27.8%

14. **TRADE AND OTHER RECEIVABLES - continued**

Allowance for expected credit losses

Movements on the allowance for expected credit losses were as follows:

GROUP

	2022 £'000	2021 £'000
Loss allowance as at 1 April	(91,186)	(81,983)
Loss allowance recognised during the period	(13,461)	(23,676)
Amounts written off during the period	21,930	14,473
Loss allowance as at 31 March	(82,717)	(91,186)

	2022 £'000	2021 £'000
Loss allowance relating to:		
Trade receivables	(77,949)	(83,866)
Contract assets	(4,768)	(7,320)
Loss allowance as at 31 March	(82,717)	(91,186)

The group uses historical, observed collection experience to determine the lifetime expected loss on each receivable. The allowance recognised during the current and prior periods includes an adjustment to reflect the impact of Covid-19 and the ongoing war in Ukraine. More information on this can be found in the Strategic Report and note 3T iii.

15. **CASH AND CASH EQUIVALENTS**

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank and in hand	24,384	20,299	15,864	11,444

16. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
100	A Ordinary	£1	101	100
100	B Ordinary	£1	101	100
			202	200

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

17. RESERVES

Group & Company
Share Premium

	2022 £'000	2021 £'000
At 1 April	20,000	20,000
Issue of share capital	65,000	-
At 31 March	85,000	20,000

Share premium represents the amount paid in excess of the nominal value of the shares upon issue.

On 23 April 2021, the Board approved a debt for equity replacement, securing additional long-term investment support from the existing shareholders. The previous fully drawn £65m revolving credit facilities - £32.5m issued by United Utilities PLC and £32.5m issued by Severn Trent PLC - were cancelled and simultaneously: 1 Ordinary A share was allotted and issued to United Utilities Plc for £32.5m; and 1 Ordinary B share was allotted and issued to Severn Trent Services International (Overseas Holdings) Limited for £32.5m.

Merger Reserve

	2022 £'000	2021 £'000
At 1 April	51,100	51,100
At 31 March	51,100	51,100

The merger reserve arose on the acquisition of the group's subsidiaries for consideration in shares as part of the formation of the Water Plus joint venture.

Group
Other reserve

	2022 £'000	2021 £'000
At 1 April	8,641	8,641
At 31 March	8,641	8,641

Company
Other reserve

	2022 £'000	2021 £'000
At 1 April	6,930	6,930
At 31 March	6,930	6,930

Other reserves represent the contribution arising on the issue of loans and other financial instruments that are treated as equity under IFRS.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current:				
Trade payables	3,003	1,274	21	-
Amounts owed to shareholders	12,161	-	12,161	-
Social security and other taxes	546	519	-	-
Other payables	76,751	91,109	-	-
Accrued expenses	49,272	47,134	311	114
Contract liabilities	1,009	758	-	-
	142,742	140,794	12,493	114

Contract liabilities arise due to timing differences between billing and revenue recognition as set out in note 3E.

GROUP

	2022	2021
	£'000	£'000
Payables classed as financial liabilities:		
Trade payables	3,003	1,274
Amounts owed to shareholders	12,161	-
Total payables classed as financial liabilities	15,164	1,274

All trade and other payables are to be settled within one year.

19. BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current:				
Borrowings from shareholders	-	65,000	-	65,000
Leases (see note 20)	800	314	800	-
	800	65,314	800	65,000
Non-current:				
Loan notes from shareholders	21,254	20,576	21,254	20,576
Borrowings from shareholders	159,698	132,703	159,698	132,703
Bank loan	57,382	64,588	57,382	64,588
Leases (see note 20)	1,246	-	1,246	-
	239,580	217,867	239,580	217,867

19. **BORROWINGS - continued**

Terms and debt repayment schedule

2022
Group

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Loan notes from shareholders	-	-	21,254	21,254
Borrowings from shareholders	-	159,698	-	159,698
Bank loan	-	57,382	-	57,382
Leases	800	822	424	2,046
	800	217,902	21,678	240,380

2021
Group

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Loan notes from shareholders	-	-	20,576	20,576
Borrowings from shareholders	65,000	132,703	-	197,703
Bank loan	-	64,588	-	64,588
Leases	314	-	-	314
	65,314	197,291	20,576	283,181

Loan notes of £25m are zero-coupon loan notes held at an amortised cost of £21.3m (2021: £20.5m) repayable in March 2027.

Borrowings from shareholders consist of:

£200m of revolving credit facilities from the group's shareholders of which £161m (2021: £135m) was drawn at 31 March 2022. These facilities are available to 15 December 2023 at a rate of Bank of England base rate + 3.25% (2021: BoE base rate + 3.25%). An undrawn fee of 1.1% (2021: 1.1%) was charged on any undrawn balance.

The bank loan is a revolving facility up to £70m, which was entered into with RBS on 30 November 2020 and maturing on 30 November 2023. The loan carries a rate of 1.25% above Bank of England base rate. An undrawn fee of 0.6% was charged on any undrawn balance. RBS Invoice Finance Limited hold a fixed and floating charge in respect of balances owed. The group has satisfied all covenants in respect of the bank loan following the year end.

The group is party to one lease that has been capitalised as a right of use asset under IFRS 16. This is for the group's head office in Stoke-on-Trent.

Interest payable on borrowings is shown in note 6.

20. LEASING

Group
RIGHT-OF-USE ASSETS

Property, plant and equipment

	2022 £'000	2021 £'000
Cost or valuation		
At 1 April 2021	3,430	3,430
Additions	2,997	-
Disposals	(3,430)	-
	2,997	3,430
Depreciation		
At 1 April 2021	3,430	1,289
Charge for year	749	228
Eliminated on disposal	(3,430)	-
Impairments	-	1,913
	749	3,430
Net book value	2,248	-

During the year the group moved to a new head office in Stoke on Trent this is included in the additions above. The corresponding lease liability was initially recognised at £2,997k.

Company
RIGHT-OF-USE ASSETS

Property, plant and equipment

	2022 £'000	2021 £'000
Cost		
Additions	2,997	-
Depreciation		
Charge for year	749	-
Net book value	2,248	-

During the year the group moved to a new head office in Stoke on Trent.

20. **LEASING - continued**

Group
LEASE LIABILITIES

Minimum lease payments fall due as follows:

	2022 £'000	2021 £'000
Gross obligations repayable:		
Within one year	822	314
Between one and five years	1,258	-
	2,080	314
Finance charges repayable:		
Within one year	22	-
Between one and five years	12	-
	34	-
Net obligations repayable:		
Within one year	800	314
Between one and five years	1,246	-
	2,046	314

Company
LEASE LIABILITIES

Minimum lease payments fall due as follows:

	2022 £'000	2021 £'000
Gross obligations repayable:		
Within one year	822	-
Between one and five years	1,258	-
	2,080	-
Finance charges repayable:		
Within one year	22	-
Between one and five years	12	-
	34	-
Net obligations repayable:		
Within one year	800	-
Between one and five years	1,246	-
	2,046	-

20. **LEASING - continued**

Group
During the year ended 31 March 2022, £33k (2021: (£179k)) of interest expense on lease liabilities was recognised. This can be found in note 6 on page 33.
Total cash outflows for leases in the year ended 31 March 2022 was £1,060k (2021: £528k). See note 3 of the cashflow statement on page 21.

21. **DEFERRED TAX**

Group

Deferred tax liabilities

	2022 £'000	2021 £'000
Balance at 1 April	1,543	1,544
Reclassified to deferred tax asset	35	-
Accelerated capital allowances	(100)	(1)
Balance at 31 March	1,478	1,543

All deferred tax liabilities relate to the temporary differences between depreciation and writing down allowances.

Deferred tax assets

	2022 £'000	2021 £'000
At 1 April	-	-
Reclassified from deferred tax liability	35	-
Reversal of previous consortium relief claim	12,161	-
Change in tax rate	3,705	-
Group losses relieved	(102)	-
Movement on provisions	(8)	
At 31 March	15,791	-

The £15.8m deferred tax asset arose due primarily to the reversal of consortium relief claims made in prior years for losses arising in those years. Substantially all of the asset relates to entities that have suffered a loss in the current and previous financial year. The amount of the asset is supported by a Business Plan that indicates sufficient future taxable profits will be available to utilise these profits. The asset is stated at the rate expected to prevail when the asset is realised, which for most of the asset is 25%.

Deferred tax is provided at the rate that is expected to apply when the asset or liability is expected to be settled at the future tax rate, currently 25%.

22. **PENSION COMMITMENTS**

The group operates a defined contribution scheme for its employees.

The total cost charged to operating costs of £874,000 (2021: £801,000) represents contributions payable to the scheme by the group at rates specified in the rules of the scheme. As at 31 March 2022, contributions amounting to £122,000 (2021: £119,000) in respect of the current reporting period were owed to the scheme.

23. **CAPITAL COMMITMENTS**

The group had no capital commitments at 31 March 2022 (2021: nil).

24. RELATED PARTY TRANSACTIONS

The group's related parties are its shareholders and its key management. Transactions with subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with shareholders
The group's shareholders, United Utilities and Severn Trent transacted with the group in their capacity as water wholesalers and lenders. Throughout the current and prior period, cash for certain customers was paid by the customers into a United Utilities or Severn Trent bank account. This money was then remitted to the group.

United Utilities Plc and Severn Trent Plc provided financing to the company in the form of revolving credit facilities (RCFs) and loan notes. The RCFs are provided jointly by each shareholder and have a term of 34 months. Interest is charged on the RCFs on a commercial basis and is linked to the Bank of England base rate. Loan notes with a face value of £25m and a carrying value of £21.3m, £10.7m per shareholder, remained at year-end. These are zero-coupon and repayable in 5 years.

United Utilities Plc and Severn Trent Plc have provided guarantees to their respective regulated water entities in relation to certain wholesale settlement liabilities for a duration of two years. No charge was made to the group for these transactions. The value to the group was estimated at £0.9m for the 2 years.

		Sale/(purchase of services)		Amounts receivable/(payable)	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
United Utilities	Trading (including TSAs)	(364,368)	(363,871)	(31,845)	(20,693)
	Borrowings	(2,807)	(2,646)	(91,127)	(110,288)
Severn Trent	Trading (including TSAs)	(253,462)	(239,832)	(21,057)	(10,718)
	Borrowings	(2,807)	(2,646)	(91,127)	(110,288)

Trading transactions with United Utilities were with United Utilities Water Limited. Borrowings transactions were with United Utilities Plc. PCG fees of £nil (2021: £0.5 m) were incurred in the year, and included within the balance of borrowings are £nil (2021: £nil) of unamortised upfront PCG fees. Included within borrowings is a £6.1m payable, due to a reversal of a consortium relief claim.

Trading transactions with Severn Trent were with Severn Trent Water Limited. Borrowings transactions were with Severn Trent Plc. PCG fees of £nil (2021: £0.3m) were incurred in the year, and included within the balance of borrowings are £nil (2021: £nil) of unamortised upfront PCG fees. Included within borrowings is a £6.1m payable due to a reversal of a consortium relief claim.

Guarantees
Company
At 31 March 2022, a guarantee was held by Royal Bank of Scotland whereby amounts owed by fellow group companies are guaranteed by the company. The balance outstanding and thus guaranteed by the company is nil.

24. RELATED PARTY TRANSACTIONS - continued

Remuneration of key management personnel

Key management personnel comprise the members of Executive Committee during the period. Their remuneration is disclosed below:

	2022 £'000	2021 £'000
Short term employee benefits	1,830	1,391
Post-employee benefits	98	93
Termination benefits	34	210
	1,962	1,694

25. CAPITAL MANAGEMENT

The group's principal objectives in managing capital are:

- to access sufficient financial resources to meet the working capital requirements of the business and maintain market compliant operations;
- to ensure shareholder funding is on an arm's length basis and benchmarked against external financing rates;
- to access external financing at the most cost competitive rates with the need for continued availability;
- to monitor exposure to changes in interest rates though a rolling business planning process using external sources of interest rate forecasts.

The group seeks to achieve a balance of long term funding or commitment of funds across a range of funding sources at the best possible economic cost. The group monitors future funding requirements and credit market conditions to ensure continued availability of funds.

The group's capital at 31 March 2022 was:

	2022 £'000	2021 £'000
Cash and short-term deposits	24,384	20,299
Borrowings (excluding leases)	(238,334)	(282,867)
Net Debt	(213,950)	(262,568)
Total equity	(13,752)	48,452
Total Capital	(227,702)	(214,116)

26. FINANCIAL INSTRUMENTS

a) Categories of financial assets

	2022 £'000	2021 £'000
Assets held at amortised cost (including cash and cash equivalents)		
Trade receivables (note 14)	222,419	217,604
Cash at bank and in hand	24,384	20,299
Total assets held at amortised cost	246,803	237,903
Total financial assets	246,803	237,903
Disclosed in the balance sheet as:		
Current assets		
Cash and cash equivalents	24,384	20,299
Trade and other receivables	222,419	217,604
	246,803	237,903

b) Categories of financial liabilities

	2022 £'000	2021 £'000
Other financial liabilities		
Borrowings (note 19)	240,380	283,181
Amounts owed to shareholders	12,161	-
Trade payables (note 18)	3,003	1,274
Total financial liabilities	255,544	284,455
Disclosed in the balance sheet as:		
Non-current liabilities		
Borrowings	239,580	217,867
	239,580	217,867
Current liabilities		
Trade and other payables	3,003	1,274
Amounts owed to joint ventures	12,161	-
Borrowings	800	314
	15,964	1,588
	255,544	284,455

c) Fair value measurements

The valuation techniques that the group applies in determining the fair values of its financial instruments on a recurring basis are described below. The techniques are classified under the hierarchy defined in IFRS 13 which categorises valuation techniques into Levels 1 - 3 based on the degree to which the fair value is observable. All the group's valuation techniques are Level 2.

The directors consider that the carrying amounts of cash and short-term deposits, bank overdrafts, trade receivables, trade payables, floating rate loan notes and revolving credit facilities as approximate to their fair values. The fair value of zero-coupon loan notes is determined by discounting the principal of the loan to its fair value using a suitable discount rate and is approximate to its carrying value. Details of the carrying value are given in note 19.

27. **RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The group's activities expose it to the following financial risks:
- market risk
- credit risk
- liquidity risk

The group's overall stance on risk management is to understand its risks and manage, mitigate or accept those risks as is necessary to minimise potential adverse effects on the group's financial performance or position.

Financial risks are managed by a Financial Control department under approved policies documented in the Treasury Policy. Financial Control identifies and evaluates financial risks in close co-operation with its shareholders.

a) Market risk
The group is exposed to fluctuations in interest rates. The nature of this risk and the steps that the group has taken to manage them are described below.

(i) Interest rate risk
The group's income and its operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from its interest-bearing liabilities, which are comprised of revolving credit facilities. The group's borrowings come from a mix of its shareholder entities, of which the group is a joint venture and an Invoice financing loan from Royal Bank of Scotland. The group borrows at floating rates and accepts the possibility of the adverse cash flow impact from increased rates.

	2022 £'000	2021 £'000
Revolving credit facilities	218,382	264,588
	218,382	264,588

All the group's interest-bearing liabilities are linked to the Bank of England base rate.
The sensitivity after tax of the group's profits, cash flow and equity to changes in interest rates at 31 March is as follows:

	2022		2021	
	+1.0% £'000	-1.0% £'000	+1.0% £'000	-1.0% £'000
Profit or loss	(1,704)	1,719	(1,831)	1,847
Cash flow	(1,704)	1,719	(1,831)	1,847
Equity	(1,704)	1,719	(1,831)	1,847

b) Credit risk

For new customers, signed onto contracts after 1 June 2016, the group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Trade receivables consist of a large number of customers in various industries and geographical areas, therefore it is not exposed to any significant concentrations of risk.

27. **RISKS ARISING FROM FINANCIAL INSTRUMENTS – continued**

In accordance with policy 3K, The group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The group has established a provision matrix that is based on its historical payment experience considering a three-year time horizon, adjusted for forward-looking factors specific to the debtors and the economic environment, most significantly forward-looking data on company insolvencies. If experience of a specific debt suggests the Group is exposed to more risk than is captured by the provision matrix, a specific increase in expected credit loss for that customer is recognised.

Trade receivables are written off (derecognised) when there is no reasonable expectation of recovery due to the age of the balance or failure of the counterparty. See note 14 and accounting estimate 3T(vii). No amounts outstanding relating to debts written off during the period were still subject to enforcement activity (2021: £nil).

Cash deposits are only placed with investment grade (BBB- or Baa3 or higher) financial institutions, which have been approved by the Board.

	Amount deposited	
	2022	**2021**
	£'000	**£'000**
Rated A by S&P	24,384	20,299
	24,384	20,299

c) Liquidity risk

(i) Committed facilities
Prudent liquidity management requires sufficient cash balances to be maintained and adequate committed facilities to be available. Financial Control manages liquidity by monitoring forecast and actual cash flows and the maturity profile of financial assets and liabilities, and by keeping committed credit lines available.

At the balance sheet date the group had £52m of committed undrawn borrowing facilities (2021: £70m).

(ii) Cash flows from non-derivative financial instruments
The following table shows the maturity profile of the group's non-derivative financial liabilities. The information presented is based on the earliest date on which the group can be required to pay and represents undiscounted cash flows including both principal and interest. The group holds no derivative financial liabilities.

Interest assumptions are based on prevailing market conditions at the year-end date.

27. **RISKS ARISING FROM FINANCIAL INSTRUMENTS – continued**

2022 Undiscounted amounts payable	**0-3 months £'000**	**3-6 months £'000**	**6-12 months £'000**	**1+ years £'000**	**Payments on financial liabilities £'000**
Revolving credit facilities	(1,768)	(1,883)	(3,475)	(221,905)	(229,031)
Loan notes	-	-	-	(25,000)	(25,000)
Leases	(204)	(204)	(413)	(1,251)	(2,072)
Consortium relief repaid to shareholders	(12,161)	-	-	-	(12,161)
Trade payables	(3,003)	-	-	-	(3,003)
	(17,136)	(2,087)	(3,888)	(248,156)	(271,267)

2021 Undiscounted amounts payable	**0-3 months £'000**	**3-6 months £'000**	**6-12 months £'000**	**1+ years £'000**	**Payments on financial liabilities £'000**
Revolving credit facilities	(1,182)	(66,274)	(3,186)	(201,765)	(272,407)
Loan notes	-	-	-	(25,000)	(25,000)
Leases	(314)	-	-	-	(314)
Trade payables	(809)	-	-	-	(809)
	(2,305)	(66,274)	(3,186)	(226,765)	(298,530)

28. **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events identified after the balance sheet date that are required to be disclosed.