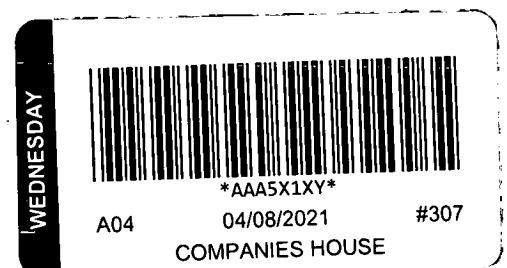


REGISTERED NUMBER: 03511659 (England and Wales)

**Annual Report and
Financial Statements for the Year Ended 31 March 2021
for
Water Plus Select Limited**



Water Plus Select Limited (Registered number: 03511659)

**Contents of the Financial Statements
for the Year Ended 31 March 2021**

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Water Plus Select Limited

Company Information for the Year Ended 31 March 2021

DIRECTORS:

O R Garfield
A M Gunther
A Hughes
S L Mogford
L Gross
P A Aspin
J Bowling

SECRETARIES:

K A Garrett
Oakwood Corporate Secretary Limited

REGISTERED OFFICE:

South Court
Riverside Park
Campbell Road
Stoke-On-Trent
ST4 4DA

REGISTERED NUMBER:

03511659 (England and Wales)

AUDITOR:

Mazars LLP
Chartered Accountants and Statutory Auditor
One St. Peter's Square
Manchester
M2 3DE

Water Plus Select Limited (Registered number: 03511659)

Strategic Report for the Year Ended 31 March 2021

Business overview

Water Plus Select Limited forms part of The Water Plus Group ("Water Plus") which comprises Water Plus Group Limited and its two wholly owned subsidiaries, Water Plus Limited and Water Plus Select Limited.

We are the UK's largest non-household water and wastewater retailer, serving approximately 29% of England's supply points and 2% of supply points in Scotland. Our core activities are billing, meter reading, customer support, and water-efficiency advice. Additionally, we offer key account management services, provision of management information, and help customers reduce costs and improve resilience through our Advanced Water Services such as leakage detection and repair, water audits, benchmarking, smart metering, contingency planning and emergency water supply.

Our services in both England and Scotland are available to companies of all sizes, ranging from Small and Medium-sized Enterprises (SMEs) through to large Corporates in both the private and public sectors (e.g. hospitals and schools), with commercial propositions and service models tailored to each customer sub-segment.

Our head office is located in Stoke-on-Trent with our Scotland team based out of our Bellshill office, near Glasgow.

GROUP PERFORMANCE

As with many businesses, the 2020/21 financial year for Water Plus was significantly impacted by the Covid-19 global pandemic, most notably: hindering the progress of our customer service improvement plans; reducing our revenue as a result of reduced consumption; and creating the need for additional coverage of the risk of bad debt.

During the year we reviewed our financing requirements to ensure the business maintained access to sufficient cash funds through the uncertain times posed by Covid. We obtained £70m of additional funding from a high street bank and this, along with our continuing shareholder loans, are committed facilities available to us until November 2023 at the earliest. In April 2021, our financing position was further strengthened by replacing £65m of shareholder loans with a £65m equity injection, providing the business with long-term financing security.

On an underlying basis, without the impacts of Covid, we anticipate our result for the year would have been close to breakeven. This is a significant improvement from 2019/20 due to revenue assurance processes we implemented part way through 2019/20 resulting in much reduced levels of margin leakage throughout 2020/21.

At the end of 2019/20 and across 2020/21 we built up a larger than otherwise expected bad debt provision to reflect the likelihood of increased customer defaults, exacerbated by the immediate lockdowns and subsequent recessionary impacts of Covid. In addition to the £82.0m bad debt provision as at 31 March 2020, we have increased the provision by a further £9.2m in the year to 31 March 2021 in expectation of increased payment defaults following the unwind of government finance support schemes later in 2021.

In response to the pandemic national lockdown measures in March 2020, we successfully enacted business continuity plans resulting in approximately 90% of our 523 people working from home. Adjustments were made to the offices for those that still needed to work from them, including introduction of one-way systems, additional distancing of individuals and their available work areas, set up of additional hand sanitisation facilities and more frequent and thorough cleaning of the offices.

Unfortunately, the need to react to Covid adversely impacted the speed of progression of our customer service improvement plans. Additionally, Covid led to new complaints due to the constraints of our billing system to efficiently pause and restart billing and collection activity for customers who were eligible for temporary vacant status. It is with regret that the number of written complaints received per 10,000 SPIDs increased from 80.5 in 2019/20 to 86.8 in 2020/21. We will continue to implement improvements to address the underlying issues that cause complaints as quickly as we can, working with other market parties, such as wholesalers, where necessary.

Despite the unacceptable level of complaints, we have continued to make forward progress - just not at a fast enough speed. Timely completion of market required transaction activities, as measured by Market Performance Standards, increased to 87.5% from 81.9% in 2019/20. Our telephony call abandonment rate reduced year-on-year from 8.3% to 8.0% and we continued to invest in our digital offerings, launching our "My Account" service in July 2020. Now 110,000 accounts are managed online by users of the service, which is 30% of the Live accounts we hold. Feedback has been positive.

Water Plus Select Limited (Registered number: 03511659)

Strategic Report for the Year Ended 31 March 2021

Group Key Performance Indicators

Metric	Unit	2021	2020
Gross profit	£m	54.1	33.5
(Loss)/Profit before taxation	£m	(19.9)	(110.7)
Days sales outstanding	Days	115	92
Complaints	Complaints per 10k supply points	86.8	80.5
Abandonment rate	% of inbound calls	8.0	8.3
Market Performance Standards	%	87.5	81.9

Water Plus Select Limited Key Performance Indicators

Gross profit	£m	30.8	12.4
(Loss)/Profit before taxation	£m	(3.0)	(35.3)

*Operational KPIs are only measured on a group-wide basis

Abandonment rate was monitored as a key performance indicator for the group during the year. We used this and Complaints to gauge customer satisfaction.

Gross profit

Gross profit for the group increased from £33.5m to £54.1m (Water Plus Select Limited - £30.8m (2020: £12.4m)) during the year. For both the group and the company this was due to improvements in margin leakage (misalignment between revenue and cost of sales e.g. if we incur wholesale charges on a timely basis but fail to bill customers within the market code allowed 16 month timeframe). The leakage improvements were partly offset by a drop in customer water usage of approximately 19% as many customers were closed or operating at reduced capacity during the year.

Loss before taxation

The group's loss before taxation of £19.9m (Water Plus Select Limited - £3.0m loss (2020: £35.3m loss)) was a £91m improvement on 2019/20. The company was not affected by the £51m asset write down but benefitted from the reduction in other administrative expenses including a smaller incremental allowance for expected credit losses than was necessary during 2019/20; and an improvement in margin leakage due to revenue assurance processes we implemented in 2019/20.

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 and deferred income) expressed in terms of days of revenue. It is a measure of the group's collection period. The period increased from 92 to 115 in the year due to lower customer payments and extension of Covid payment plans. DSO is expected to reduce as the economy recovers in 2021/22.

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. The categorisation of complaints is in line with industry guidelines from the Consumer Council for Water (CCW), is tracked and reviewed daily, and has been subject to external assurance. Complaints per 10k SPIDs was 86.8, an increase of 6.3 from March 2020. Complaints performance is discussed above.

Abandonment rate

Abandonment rate (ABR) is the percentage of inbound calls which are not answered before the caller ends the call. During the year ended 31 March 2021, ABR improved from 8.3% to 8.0%. This is a small but notable improvement given the lockdowns and staff working from home.

**Strategic Report
for the Year Ended 31 March 2021**

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 2021 our overall performance improved to 87.5% from 81.9% in the year to 31 March 2020. We were pleased to continue the improvement in our MPS performance and will look to make further improvements in the year ahead.

Outlook

Despite the level of income statement improvement year-on-year, which was marginally ahead of expectations once Covid-19 had been factored in, the business was still loss making in 2020/21, primarily due to the impacts of Covid (reduced gross profit and increased bad debt charge). Dependent on the speed of national recovery from Covid during 2021/22, our expectations for the year ahead are that we will outturn close to breakeven. Whilst, we expect to see larger than normal levels of bad debt over the coming year, as businesses succumb to the effects of the pandemic, we believe we have created a sufficient expected credit losses allowance to avoid future cost shock.

**Strategic Report
for the Year Ended 31 March 2021**

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 29 of the Water Plus Group Limited's financial statements, 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. The total number of switches during the first four full years of the market has been equal to 14.6% of eligible supply points, and despite lower market activity during the economic lockdowns in 2020 we expect the market to pick up in 2021. 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 (£265m at 31 March 2021) 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 3B, and for more information on liquidity risk see note 29 of Water Plus Group Limited's financial statements.

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 Ofwat and other 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 English customers on default tariffs (those who have never switched) are regulated by Ofwat. To manage these risks, we actively engage with our regulatory stakeholders including Ofwat through regular dialogue, and we play an active part in industry panels, committees and working groups. We 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.

**Strategic Report
for the Year Ended 31 March 2021**

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, along with a description of how the directors have had regard to each factor.

(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 2025 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.

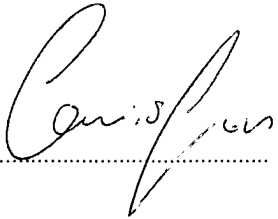
We regularly engage with our regulators in England and Scotland through membership of panels and committees, and actively participate in their market publications.

(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.

(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 an independent director. This balance of composition encourages fair representation of the members of the business.

APPROVED BY AND SIGNED ON BEHALF OF THE BOARD:


.....
L Gross - Director

Date: 30 July 2021

**Report of the Directors
for the Year Ended 31 March 2021**

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

DIRECTORS

The directors during the year under review were:

O R Garfield	
A M Gunther	
A Hughes	
S L Mogford	
A P Smith	- resigned 29/7/2020
L Gross	
P A Aspin	
J Bowling	- appointed 29/7/2020

The directors holding office at 31 March 2021 did not hold any beneficial interest in the issued share capital of the company at 1 April 2020 (or date of appointment if later) or 31 March 2021.

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 and senior leadership briefings. 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 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 company's loss for the year after taxation was £2,413,000 (2020: £28,657,000 loss).

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2021 (2020: nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

STREAMLINED ENERGY AND CARBON REPORTING

A review of the company's consumptions for the year is contained within the directors report of the group for the year ended 31 March 2021.

**Report of the Directors
for the Year Ended 31 March 2021**

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 Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

The auditor, Mazars LLP, will be proposed for re-appointment in accordance with section 485 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:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they 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.

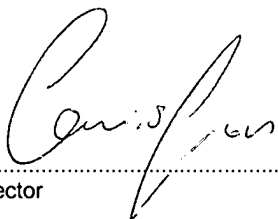
Principal risks and uncertainties

The principal risks and uncertainties of the company including those pertaining to the use of financial instruments are discussed in the Strategic Report.

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:



.....
L Gross - Director

Date: 30 July 2021

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

Opinion

We have audited the financial statements of Water Plus Select Limited (the 'company') for the year ended 31 March 2021 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

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 were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

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.

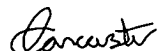
Independent Auditor's Report to the Members of Water Plus Select Limited

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.



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: 30 July 2021

Water Plus Select Limited (Registered number: 03511659)**Income Statement
for the Year Ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
REVENUE	4	311,282	372,240
Cost of sales		<u>(280,507)</u>	<u>(359,840)</u>
GROSS PROFIT		30,775	12,400
Administrative expenses		<u>(30,715)</u>	<u>(45,270)</u>
OPERATING PROFIT/(LOSS)		60	(32,870)
Interest receivable and similar income		1,544	1,662
Interest payable and similar expenses	6	<u>(4,638)</u>	<u>(4,074)</u>
LOSS BEFORE TAXATION	7	(3,034)	(35,282)
Tax on loss	8	<u>621</u>	<u>6,625</u>
LOSS FOR THE FINANCIAL YEAR		(2,413)	(28,657)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(2,413)</u>	<u>(28,657)</u>

Amounts relate to continuing operations

The notes form part of these financial statements

Water Plus Select Limited (Registered number: 03511659)

Statement of Financial Position
31 March 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Owned			
Intangible assets	9	27,161	30,345
Tangible assets	10	409	549
Right-of-use			
Tangible assets	10, 16	-	2,141
		27,570	33,035
CURRENT ASSETS			
Trade and other receivables	11	145,027	140,877
Cash at bank	12	4,443	10
		149,470	140,887
TRADE AND OTHER PAYABLES	13	(219,217)	(211,283)
NET CURRENT LIABILITIES		(69,747)	(70,396)
TOTAL ASSETS LESS CURRENT LIABILITIES		(42,177)	(37,361)
NON-CURRENT LIABILITIES	14	-	(2,377)
PROVISIONS FOR LIABILITIES	17	(1,578)	(1,604)
NET LIABILITIES		(43,755)	(41,342)
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium	19	3,500	3,500
Other reserves	19	697	697
Retained earnings		(47,952)	(45,539)
SHAREHOLDERS' FUNDS		(43,755)	(41,342)

The financial statements were approved by the Board of Directors and authorised for issue on 30 July 2021 and were signed on its behalf by:


.....
L Gross - Director

The notes form part of these financial statements

Water Plus Select Limited (Registered number: 03511659)

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

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 April 2019	-	(16,449)	3,500	697	(12,252)
Changes in equity					
Adjustment on adoption of IFRS 16	-	(433)	-	-	(433)
Total comprehensive loss	-	(28,657)	-	-	(28,657)
Balance at 31 March 2020	-	(45,539)	3,500	697	(41,342)
Changes in equity					
Total comprehensive loss	-	(2,413)	-	-	(2,413)
Balance at 31 March 2021	-	(47,952)	3,500	697	(43,755)

The notes form part of these financial statements

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

1. GENERAL INFORMATION

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

2. STATUTORY INFORMATION

Water Plus Select 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 Company Information page.

3. ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The financial statements 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 company's functional currency, and presented in round-thousands.

The 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 EU-adopted IFRS have been applied, with amendments where necessary in order to comply with Companies Act 2006.

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

- a statement of cash flows and related notes;
- 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;
- 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 year;
- 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).

The key accounting policies for the company are set out below and have been applied consistently.

B) GOING CONCERN

After assessing the company's forecasts, covering a minimum period of 18 months from the balance sheet date, the directors have a reasonable expectation that the company will have adequate cash reserves and borrowing facilities to continue operating for the foreseeable future and therefore the company financial statements continue to be prepared on the going concern basis.

In performing this year's assessment, the directors have considered the on-going impacts of Covid-19 and its impact on customers' ability to pay. During the year, the company also secured additional loan funding that will aid the group's liquidity until November 2023 at least.

Whilst we anticipate that we are now past the worst impacts of the virus on society, uncertainty remains as to the impact on our customers, and these conditions are likely to exist for at least the next twelve months. Therefore, the assessed forecasts include reasonable but prudent downside conditions. The forecasts were then stress tested and available mitigating actions were considered that could be taken to ensure that the business would maintain sufficient liquidity. These tests highlighted that cash reserves and available borrowings facilities, in place until 30 November 2023 (in advance of which we would expect to have arranged extended/alternative facilities), would be sufficient to meet the liquidity requirements. While there remains a risk that the impact of Covid-19 is greater than that modelled by the group, the directors are satisfied that even with the increased level of uncertainty presented by Covid-19, it is appropriate to apply the going concern basis of preparation.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

C) REVENUE

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

The company 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.

Revenue includes an estimate of the amount of mains water and wastewater charges unbilled at the period end. The company 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 3M.

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 company makes use of the practical expedient in IFRS 15.94 and expenses them as they are incurred.

D) 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

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

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

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.

Assets are then written off over their expected useful economic life. Amortisation of an asset starts when the project has been implemented and the asset is in use.

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

E) 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	3
Right of use assets	3-10

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

F) LEASED ASSETS

For any new lease contracts the company 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 company, 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 company 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 company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company 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 company's incremental borrowing rate if not. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest charged.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients as permitted by IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these 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 trade and other payables and non-current liabilities.

G) IMPAIRMENT OF NON-CURRENT ASSETS

If the recoverable amount of any 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 company 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 company's cost of capital.

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

H) FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company 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 company'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 company accounts for lifetime expected credit losses with reference to the simplified model in IFRS 9. See note 3M.

Classification and measurement of financial liabilities

The company'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 company 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.

I) 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.

J) EQUITY AND RESERVES

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

K) TAXATION

Current tax payable is based on taxable profit for the year 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 income 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.

L) LEASES

Lease liabilities are initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method.

M) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, the company 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 judgement was:

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 company. 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 company and have therefore not met the criteria for revenue recognition. As a result, these have not been recognised.

The key Accounting estimates were:

ii) Amortisation and carrying amount of the billing system

The assessment of the useful economic life of the company'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 9.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

iii) 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 year end.

Meters are read on a cyclical basis and the company 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 provided. 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.

At 31 March 2021, unbilled revenue totalled £45,631k (2020: £43,590k) before allowances for expected credit losses. The unbilled estimate also includes a reduction to unbilled revenue of £7,054k (2020: £3,769k) in relation to the Covid-19 pandemic. This is an estimate to account for the reduction in consumption caused by the lockdown which came into force in March 2020, during the current financial year the calculation methodology has been updated to more accurately estimate the impact that Covid-19 and subsequent lockdown restrictions have had on industry sectors based on actual consumption data available. This was necessary as these changes would not be reflected in the estimates based on cyclical meter readings. A further reduction of £2,386k (2020: £nil) has been made to account for a reduction in system generated unbilled where accounts qualified for the MOSL Temporary Vacancy period during the first national lockdown between 23rd March and 31st July 2020 which have not yet been processed in our billing software.

iv) 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 company works with the relevant wholesaler and market operator to correct the underlying data. The updated figures will show on future settlement reports and be reflected on future bills. Until the updated bill is received the company recognises an additional accrual for the relevant amount. The carrying amount of wholesale accruals at 31 March 2021 was £13,323k (2020: £19,714k). Within this is £8,869k (2020: £488k) relates to issues identified in the water retail market data which, once corrected, will lead to a reduction in wholesale charge invoices, £4,372k (2020: £3,534k reduction) which relates to increased wholesale charges expected following the Yearly Volume Estimate changes actioned in the market due to Covid-19 pandemic and the corresponding actual meter reads that have been received. The calculation method for the current year has been updated to reflect the changes made in year consistent with the Revenue accrual approach and £544k reduction in wholesale charges in relation to MOSL temporary vacancy scheme.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

3. ACCOUNTING POLICIES - continued

v) Provision for impairment of trade receivables and contract assets

The ongoing pandemic presents additional challenges to calculating lifetime expected credit losses (ECLs). Before the pandemic, the main component of ECL provisioning was historical cash collection experience, calculated by comparing the age of each customer's debt to the chance of debt of that age going unpaid. In preparing the financial statements, the judgement has been made that the increased ECL risk from the pandemic was not captured in the historical cash collection data as it considered performance from before the pandemic.

To reflect this increased risk, a range of forward-looking economic data such as forecasts of insolvency rates and industry-level outlooks have been considered in addition to historical collection experience. Yet, even with these additional supporting factors, there remains a level of uncertainty to future outcomes and actual amounts collected could differ from those estimated.

The total provision is shown in note 15. The number reflects an estimate that insolvencies in the coming year across all businesses will be 1.8 times pre-pandemic levels, increasing the ECL provision from the historical collection experience levels by the same amount. This estimate was reached by looking at a range of external forecasts, and the additional uplift has been applied at a customer level by considering the forward-looking factors mentioned above. This estimate sits in a reasonably foreseeable range of 1.6 times to 2.0 times increase. If insolvency rates increased by only 1.6 times, the bad debt provision could decrease by £2,518k. If insolvency rates increased by 2.0 times the bad debt provision could increase by £4,511k.

4. REVENUE

The revenue and loss before taxation are attributable to the one principal activity of the company.

REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021	2020
	£'000	£'000
Water, wastewater and other services	<u>311,282</u>	<u>372,240</u>
Total Revenue	<u>311,282</u>	<u>372,240</u>

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

5. EMPLOYEES AND DIRECTORS

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£'000	£'000
Interest payable	<u>4,638</u>	<u>4,074</u>

Interest is payable on intercompany balances at a rate of 3.3% (2020: 3.5%).

7. LOSS BEFORE TAXATION

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

	2021	2020
	£'000	£'000
Management recharges	19,095	15,381
Operating lease rentals	61	60
Depreciation and amortisation	<u>5,137</u>	<u>5,037</u>

Included within management charges is an amount relating to the audit of the company financial statements totalling £61k (2020: £65k). Auditor remuneration during the current year was borne by another group company.

Operating lease rentals relate to short-term leases accounted for by applying the practical expedient allowed by IFRS 16.6.

8. TAXATION

Analysis of tax income

	2021	2020
	£'000	£'000
Current tax:		
Tax	(601)	(6,762)
Adjustment in respect of prior periods	<u>6</u>	<u>-</u>
Total current tax	(595)	(6,762)
Deferred tax	<u>(26)</u>	<u>137</u>
Total tax income in income statement	<u>(621)</u>	<u>(6,625)</u>

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

8. TAXATION - continued

FACTORS AFFECTING THE TAX EXPENSE

The tax assessed for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Loss before income tax	<u>(3,034)</u>	<u>(35,282)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(576)	(6,704)
Effects of:		
Tax effect of expenditure and income not deductible in determining taxable profits	(226)	(87)
Tax effect of non-qualifying depreciation	175	(32)
Adjustments in respect of prior years	6	25
Deferred tax charge/(credit) arising from rate change	-	173
Group / consortium relief surrendered	622	6,762
Receivable from parent company for tax losses	<u>(622)</u>	<u>(6,762)</u>
Tax income	<u>(621)</u>	<u>(6,625)</u>

9. INTANGIBLE FIXED ASSETS

	Billing system £'000	Other software £'000	Other intangibles £'000	Totals £'000
Cost				
At 1 April 2020	37,533	914	493	38,940
Additions	-	1,502	-	1,502
Disposals	-	(116)	(87)	(203)
Reclassification/transfer	<u>521</u>	<u>(768)</u>	<u>247</u>	<u>-</u>
At 31 March 2021	<u>38,054</u>	<u>1,532</u>	<u>653</u>	<u>40,239</u>
Amortisation				
At 1 April 2020	8,377	-	218	8,595
Amortisation for year	4,323	-	197	4,520
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
At 31 March 2021	<u>12,700</u>	<u>-</u>	<u>378</u>	<u>13,078</u>
Net book value				
At 31 March 2021	<u>25,354</u>	<u>1,532</u>	<u>275</u>	<u>27,161</u>
At 31 March 2020	<u>29,156</u>	<u>914</u>	<u>275</u>	<u>30,345</u>

The Mecoms billing system has a remaining useful economic life of 5 years. Other intangibles include purchased software and wholesale market-related guarantees.

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

10. TANGIBLE FIXED ASSETS

	Leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 April 2020	3,430	396	618	4,444
Additions	-	-	93	93
Disposals	-	(2)	(57)	(59)
At 31 March 2021	<u>3,430</u>	<u>394</u>	<u>654</u>	<u>4,478</u>
Depreciation				
At 1 April 2020	1,289	142	323	1,754
Charge for year	228	73	151	452
Eliminated on disposal	-	(2)	(48)	(50)
Impairments	<u>1,913</u>	<u>-</u>	<u>-</u>	<u>1,913</u>
At 31 March 2021	<u>3,430</u>	<u>213</u>	<u>426</u>	<u>4,069</u>
Net book value				
At 31 March 2021	<u>-</u>	<u>181</u>	<u>228</u>	<u>409</u>
At 31 March 2020	<u>2,141</u>	<u>254</u>	<u>295</u>	<u>2,690</u>

The leasehold property is a Right-of-Use Asset recognised under IFRS 16 - Leases. On 26 November 2020, Water Plus exercised the break clause in the leasehold property's lease. In line with IFRS 16, a remeasurement of the assets value was performed which saw the carrying value reduce to nil. The company vacated the premises on 30 May 2021.

During the year the break clause on the lease was invoked which led to a remeasured of the Right-of-Use assets value.

11. TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Trade receivables	96,155	91,869
Contract assets - accrued income	42,281	34,667
Other receivables	2,497	2,349
Tax receivable from group members for group relief	601	7,164
Prepayments	<u>3,493</u>	<u>4,828</u>
	<u>145,027</u>	<u>140,877</u>

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

11. TRADE AND OTHER RECEIVABLES - continued

Contract assets and contract liabilities arise due to timing differences between billing and revenue recognition as set out in note 3C. Contract assets are shown net of allowances for expected credit losses of £3,350k (2020: £8,923k).

	2021 £'000	2020 £'000
Receivables classed as financial assets:		
Trade receivables	129,187	117,007
Less: allowance for expected credit losses	<u>(33,032)</u>	<u>(25,138)</u>
Net trade receivables	<u>96,155</u>	<u>91,869</u>
Total receivables classed as financial assets	<u><u>96,155</u></u>	<u><u>91,869</u></u>

The carrying values of trade and other receivables are reasonable approximations of their fair values. All amounts stated are recoverable within one year.

12. CASH AT BANK

	2021 £'000	2020 £'000
Cash at bank	<u>4,443</u>	<u>10</u>

13. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Leases (see note 15)	314	560
Trade payables	279	12,623
Amounts owed to group undertakings	161,195	146,189
Other payables	43,538	31,090
Accrued expenses	13,836	20,790
Contract liabilities	<u>55</u>	<u>31</u>
	<u><u>219,217</u></u>	<u><u>211,283</u></u>

	2021 £'000	2020 £'000
Payables classed as financial liabilities:		
Trade payables	279	12,623
Amounts owed to group undertakings	<u>161,195</u>	<u>146,189</u>
Total payables classed as financial liabilities	<u><u>161,474</u></u>	<u><u>158,812</u></u>

Trade payables includes £nil (2020: £12,055k) which was unpaid at the year end as a result of changes to the retail market codes to assist retailers with the Covid-19 pandemic.

All trade and other payables are to be settled within one year. Amounts owed to group undertakings are repayable on demand and attract interest at 3.3% (2020: 3.5%).

14. NON-CURRENT LIABILITIES

	2021 £'000	2020 £'000
Leases (see note 15)	<u>-</u>	<u>2,377</u>

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

15. LEASE LIABILITIES

	2021 £'000	2020 £'000
Current:		
Leases (see note 16)	<u>314</u>	<u>560</u>
Non-current:		
Leases (see note 16)	<u>-</u>	<u>2,377</u>

Terms and debt repayment schedule

	1 year or less £'000
Leases	<u>314</u>

16. LEASING

RIGHT-OF-USE ASSETS

Tangible fixed assets

	2021 £'000	2020 £'000
Cost or valuation		
At 1 April 2020	<u>3,430</u>	<u>3,430</u>
Depreciation		
At 1 April 2020	1,289	942
Charge for year	228	347
Impairments	<u>1,913</u>	<u>-</u>
	<u>3,430</u>	<u>1,289</u>
Net book value	<u>-</u>	<u>2,141</u>

During the year the break clause on the lease was invoked which led to a remeasured of the right-of-Use lease value.

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

16. LEASING - continued

LEASE LIABILITIES

Minimum lease payments fall due as follows:

	2021 £'000	2020 £'000
Gross obligations repayable:		
Within one year	314	646
Between one and five years	-	2,068
In more than five years	-	517
	<u>314</u>	<u>3,231</u>
Finance charges repayable:		
Within one year	-	86
Between one and five years	-	198
In more than five years	-	10
	<u>-</u>	<u>294</u>
Net obligations repayable:		
Within one year	314	560
Between one and five years	-	1,870
In more than five years	-	507
	<u>314</u>	<u>2,937</u>

17. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Deferred tax	<u>1,578</u>	<u>1,604</u>
		Deferred tax
		£'000
Balance at 1 April 2020		1,604
Accelerated capital allowances		<u>(26)</u>
Balance at 31 March 2021		<u>1,578</u>

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

Deferred tax is provided at the rate that is expected to apply when the asset or liability is expected to be settled at the rate of 19%. See note 24 for enactment of future tax rate.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021	2020
Number:	Class:		£	£
302	Ordinary share	£1	<u>302</u>	<u>302</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

18. CALLED UP SHARE CAPITAL - continued

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

Called up share capital - represents the nominal value of shares that have been issued.

19. RESERVES

Share premium

	2021	2020
	£'000	£'000
At 1 April	<u>3,500</u>	<u>3,500</u>
At 31 March	<u>3,500</u>	<u>3,500</u>

Share premium account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

	2021	2020
	£'000	£'000
At 1 April	<u>697</u>	<u>697</u>
At 31 March	<u>697</u>	<u>697</u>

Other reserves - represents parental company guarantees granted by shareholders in relation wholesale settlement liabilities.

20. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2021 (2020: nil).

21. CAPITAL COMMITMENTS

The company had no capital commitments at 31 March 2021 (2020: nil).

22. OFF-BALANCE SHEET ARRANGEMENTS

During the year Water Plus Select Limited provided a cross guarantee to Water Plus Group Limited for an Invoice financing loan. This loan is secured by way of a fixed and floating charge over the assets of all group companies. At the 31 March 2021 £64,588k was outstanding on this loan.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

23. RELATED PARTY TRANSACTIONS

The company's related parties are its shareholders. As permitted by FRS 101 related party transactions with wholly owned members of Water Plus Group have not been disclosed.

The group's shareholders, United Utilities Plc and Severn Trent Plc transacted with the company in their capacity as water wholesalers. In addition, they provided various administration services for the company during its setup. The cost of these services was charged to the company on an arm's length basis.

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 company for these transactions. The value to the company was estimated at £0.3m and is shown as an intangible asset and an equity contribution from shareholders. The book value of this asset at year end was nil (2020: £0.2m).

		Sale/(purchase of services)		Amounts receivable/(payable)	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
United Utilities	Trading (including TSAs)	(129)	(323)	-	-
Severn Trent	Trading (including TSAs)	(239,781)	(295,930)	1,194	(31,540)

Transactions with United Utilities were with United Utilities Water Limited.

Transactions with Severn Trent were with Severn Trent Water Limited.

Outstanding balances are usually settled in cash.

Guarantees

At 31 March 2021, 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. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2021, an increase in the headline rate of corporation tax to 25 per cent from 1 April 2023 was announced in the Chancellor's Budget. This increase was substantively enacted on 24 May 2021 and will result in a future deferred tax charge currently estimated at around £506k. As this substantive enactment occurred after the reporting date, no adjustments have been made to current or deferred tax amounts recognised in the financial statements at and for the year ended 31 March 2021.

25. ULTIMATE PARENT COMPANY AND CONTROL

The company is controlled by its immediate parent company Water Plus Group Limited, a company incorporated in England and Wales. Copies of the consolidated financial statements for this entity can be obtained from Companies House.

The ultimate parent undertakings are United Utilities Group Plc and Severn Trent Plc. Both companies are incorporated in England and Wales.

The company does not have an ultimate controlling party.