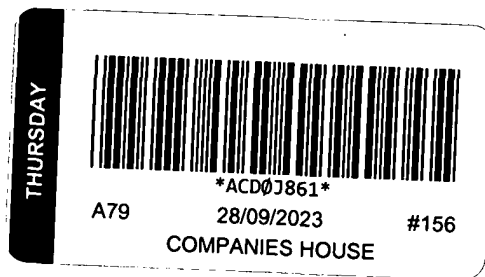


Reiver Finance Limited

Registered No: 04872988

Annual Report and Financial Statements

for the year ended 31 March 2023



Annual Report and Financial Statements

for the year ended 31 March 2023

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Company Information

Registered No: 04872988

Directors

R W P Somerville

Company Secretary

R W P Somerville

Auditor

Deloitte LLP

Statutory Auditor

1 City Square

Leeds

LS1 2AL

United Kingdom

Banker

Barclays Bank Plc

PO Box 299

Birmingham

B1 3PF

Registered Office

Northumbria House

Abbey Road

Pity Me

Durham

DH1 5FJ

Strategic report

The Director of Reiver Finance Limited (RFL or the Company) is pleased to present their Strategic report for the year ended 31 March 2023.

Principal activity and review of the business

RFL is incorporated and domiciled in the UK. The Company's principal activity during the year continued to be to act as a special purpose financing vehicle in respect of the securitisation of revenue receivable from the Environment Agency (EA) under the Water Resources Operating Agreement (WROA) relating to Kielder Reservoir. No new finance was raised during the year. The Company's immediate parent company is Reiver Holdings Limited (RHL). At 31 March 2023 the Company had net liabilities of £78,287,000 (2022: net liabilities £78,511,000).

Results and dividends

The profit for the year, after taxation, amounted to £224,000 (2022: loss of £16,649,000). This is partly due to the loss arising from the market valuation in finance costs arising on derivative financial instruments of £1,616,000 (2022: loss of £26,286,000) (note 5). The Director does not recommend the payment of a final dividend (2022: nil) and no dividend has been paid since the balance sheet date. The Director does not consider the setting of KPIs to be relevant to the Company's operations as a special purpose financing vehicle with a fixed income stream from the EA under the terms of the WROA.

Principal risks and uncertainties

The main risk arising from the Company's financial instruments is liquidity risk.

The Company's financing strategy is developed in accordance with the treasury policies of Northumbrian Water Group Limited (NWGL or the Group), the Board of which reviews and agrees policies for managing each of these risks. These are summarised below and the treasury activities of the Company are conducted in accordance with these policies.

Liquidity risk

The Company utilises revenue received from the EA under the WROA to fund interest payments arising on its loan from Bakethin Finance Plc (BFP). The revenue receivable is indexed annually by the Retail Prices Index (RPI). At the inception of the securitisation, an RPI inflation swap was entered to provide certainty of future cash flows, and this remains in place. This is the only financial instrument used by the Company.

Interest rate risk

The interest payable on the loan from BFP is at a fixed rate for the full duration of the loan. Only interest receivable on cash balances is at variable rate.

Strategic report (continued)

Foreign currency risk

NWGL's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature, or £3,000,000 sterling equivalent of a translation nature, should be covered immediately on recognition. At 31 March 2023, the Company had no currency exposures (2022: nil) and does not anticipate any foreign currency exposures in the future.

Market price risk

The Company's exposure to market price risk principally comprises interest rate exposure. The Company's policy is to accept a degree of interest rate risk. On the basis of the Company's analysis, it is estimated that a 1% rise in interest rates would not have a material effect.

Events after the Balance sheet date

There have been no events subsequent to the year end and to the date of signing this report.

Approved by the Board on 15 September 2023 and signed on its behalf:



R W P Somerville
Director

15 September 2023

Director's report

The Director is pleased to present the Annual Report and audited Financial Statements for the year ended 31 March 2023.

Directors and Officers

The Directors who served during the year and up to the date of signing, except as otherwise noted below, were:

- M Porter (resigned 25 August 2023)
- R W P Somerville

Results and dividends

Information on results and dividends is contained in the Strategic report.

Going concern

The Company had net liabilities at 31 March 2023 of £78,287,000 (2022: net liabilities £78,511,000). NWGL has confirmed that adequate resources will be made available for the Company to continue in operational existence for at least twelve months from the date of approval of these Financial Statements.

The Director confirms that, in their opinion, the Company has sufficient resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. In arriving at this decision, the Director has taken into account the confirmation of support by NWGL and the certainty of cash flows receivable from the EA under the WROA.

Accordingly, the Director continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Future developments

The Director has no plans to expand the existing operations of the Company.

Treasury operations

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

The Treasury department of NWGL carries out treasury operations on behalf of the Company. Surplus funds are invested based upon forecast requirements, in accordance with the treasury policy. On occasion, derivatives are used as part of this process, but the treasury policies prohibit their use for speculation.

Director's report (continued)

Political donations

There have been no political donations during the current or prior years.

Events after the Balance Sheet date

Information on events after the Balance Sheet date is contained in the Strategic report.

Director's declaration

As required under Section 418 of the Companies Act 2006, as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Indemnification of Directors

Directors and Officers liability insurance was in place for the year ended 31 March 2023. On 21 March 2017 NWGL entered into a deed of indemnity to grant the Directors of NWGL and its subsidiaries further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006, and this remains in place.

Auditor

Following a competitive tender process, Deloitte LLP were re-appointed as the Company's auditor for the year ended 31 March 2023.

Approved by the Board and signed on its behalf:



R W P Somerville
Director

15 September 2023

Director's responsibilities statement

The Director is responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Independent auditor's report to the member of Reiver Finance Limited

Opinion

In our opinion the Financial Statements of Reiver Finance Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of the Company which comprise:

- the Statement of comprehensive income;
- the Balance Sheet;
- the Statement of changes in equity; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the 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 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 Director with respect to going concern are described in the relevant sections of this report.

Independent auditor's report

to the member of Reiver Finance Limited (continued)

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 Director is 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.

Responsibilities of Directors

As explained more fully in the Director's responsibilities statement, the Director is 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 Director determines what 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

Independent auditor's report

to the member of Reiver Finance Limited (continued)

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Director about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the Financial Statements. These included the UK Companies Act and Tax legislation; and
- do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists namely tax, financial instruments and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the Financial Statements.

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

- Valuation of RPI inflation swap: The valuation of the inflation swap within the entity is subject to judgement and hence inherently risky. Working in conjunction with our financial instrument specialists we have assessed the accuracy of the year-end valuation of the inflation swap.

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

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

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

Independent auditor's report

to the member of Reiver Finance Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Director's report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Director's report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.



David M Johnson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

15 September 2023

Statement of comprehensive income

for the year ended 31 March 2023

		<u>2023</u>	<u>2022</u>
	Notes	£'000	£'000
Continuing operations			
Revenue	2	18,345	17,951
Operating costs	3	(2,095)	(2,084)
Operating profit		<u>16,250</u>	<u>15,867</u>
Net finance costs	5	(15,635)	(40,368)
Profit (Loss) before taxation		<u>615</u>	<u>(24,501)</u>
Taxation	6	(391)	7,852
Profit (Loss) for the year attributable to the shareholder of the Company		<u><u>224</u></u>	<u><u>(16,649)</u></u>

Balance Sheet

as at 31 March 2023

(Registered number 04872988)

	Notes	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	7	177,001	178,858
Investments	8	11,576	11,537
Deferred tax assets	9	15,134	14,731
		<u>203,711</u>	<u>205,126</u>
Current assets			
Trade and other receivables	10	292	314
Cash at bank and in hand	11	7,008	6,884
		<u>7,300</u>	<u>7,198</u>
Total assets		<u>211,011</u>	<u>212,324</u>
Current liabilities			
Trade and other payables	12	(125)	(256)
Borrowings	13	(3,103)	(3,022)
		<u>(3,228)</u>	<u>(3,278)</u>
Non-current liabilities			
Borrowings	13	(225,534)	(228,637)
Financial instruments	14	(60,536)	(58,920)
		<u>(286,070)</u>	<u>(287,557)</u>
Total liabilities		<u>(289,298)</u>	<u>(290,835)</u>
Net liabilities		<u>(78,287)</u>	<u>(78,511)</u>
Capital and reserves			
Share capital	15	-	-
Profit and loss account		<u>(78,287)</u>	<u>(78,511)</u>
Equity attributable to the shareholder of the Company		<u>(78,287)</u>	<u>(78,511)</u>

Approved by the Board of Directors on 15 September 2023 and signed on its behalf:



R W P Somerville

Statement of changes in equity

for the year ended 31 March 2023

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total</i>
	£'000	£'000	£'000
At 1 April 2021	-	(61,862)	(61,862)
Loss for the year and total comprehensive expense	-	(16,649)	(16,649)
At 31 March 2022	-	(78,511)	(78,511)
Profit for the year and total comprehensive income	-	224	224
At 31 March 2023	-	(78,287)	(78,287)

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting Policies

General information

RFL is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 4-5.

These Financial Statements are presented in sterling and all values are rounded to the nearest one thousand pounds (£000) except where otherwise indicated.

Basis of accounting

The Company is a qualifying entity for the reduced disclosure framework under FRS 101. These Financial Statements have been prepared in accordance with FRS 101, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The Financial Statements have been prepared under the historical cost convention modified to include certain items at fair value.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, impairment of assets, presentation of comparative information for certain assets, related party transactions, financial instruments and capital risk management.

The principal accounting policies adopted are set out below

Accounting standards

There were no new accounting standards adopted in the period.

Going concern

The Company had net liabilities at 31 March 2023 of £78,287,000 (2022: net liabilities £78,511,000). NWGL has confirmed that adequate resources will be made available for the Company to continue in operational existence for at least twelve months from the date of approval of these Financial Statements.

The Director confirms that, in their opinion, the Company has sufficient resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. In arriving at this decision the Director has taken into account the confirmation of support by NWGL and the certainty of cash flows receivable from the EA under the WROA.

Accordingly, the Director continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

1. Accounting policies (continued)

Revenue

Revenue, which excludes Value Added Tax, represents the income receivable net of swap payments, in the ordinary course of business for services provided to the EA under a WROA for Kielder Reservoir and is recognised over the life of the contract.

Interest bearing loans and borrowings

Loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the statement of comprehensive income.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

1. Accounting policies (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

The intangible asset represents the right to receive income under the operating agreement with the EA in respect of the WROA for Kielder Reservoir for a period of 30 years. The asset is initially recorded at cost. Amortisation is provided to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, evenly over its expected useful life of 30 years, being the period for which the rights to the income have been assigned to the Company.

Investments

Investments are held at cost less any provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative

The Company utilises an inflation rate swap as a derivative financial instruments. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Group's risk management policies. Such instruments are used for economic hedging purposes and are not considered to be financial hedges.

Under IFRS 13, derivative financial instruments are measured at fair value, which is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction reflecting the credit risk of the counterparties in the principal (or most advantageous) market under market conditions as at the balance sheet date.

Any gains or losses arising from changes in fair value of the inflation rate swap is recognised through the Statement of comprehensive income.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

1. Accounting policies (continued)

Expected credit loss

Credit losses on financial assets are measured and recognised using the 12 month expected credit loss (ECL) approach. With credit losses being defined as the difference between the present value of contractual cash flows and the present value of expected cash flows. At each year end the credit risk relating to the financial assets are assessed and providing no increased risk is identified the Company will continue to recognise a 12 month ECL, which may be nil. If the credit risk has deemed to of increased a full lifetime ECL will be calculated and recognised through profit or loss with a corresponding provision being recognised.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The Director considers that there are no significant judgements or estimates applied at the balance sheet date which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Revenue

Revenue is attributable to one continuing activity in the United Kingdom, the right to receive annual sums from the EA under the WROA relating to Kielder Reservoir, which was assigned to the Company by NWL. The Company holds an RPI inflation swap to fix the future inflation-linked cash flows under this agreement (note 14).

3. Operating costs

	2023	2022
	£'000	£'000
Amortisation of intangible asset	1,857	1,857
Auditor's remuneration	35	25
Other costs	203	202
	<u>2,095</u>	<u>2,084</u>

Auditor's remuneration includes fees of £11,534 (2022: £9,148) in respect of the Company's annual Financial Statements for the year ended 31 March 2023. The Company also incurred costs of £23,169 (2022: £18,376) on behalf of RHL, Bakethin Holdings Limited (BHL) and BFP in respect of audit fees for their annual Financial Statements for the year ended 31 March 2023.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

4. Staff costs

There were no employees during the year (2022: nil). The Directors did not receive any remuneration in respect of their services to the Company. The Directors of the Company are remunerated by NWL and NWGL and, as their services to the Company are incidental to the services provided to NWL and NWGL, they receive no remuneration in respect of qualifying services to RFL.

5. Net finance costs

	2023 £000	2022 £000
<i>Finance costs payable</i>		
Interest payable on loan from BFP	14,594	14,656
<i>Finance income receivable</i>		
Bank interest receivable	(575)	(574)
Fair value loss on derivative financial instruments with associated undertaking	1,616	26,286
Net finance costs payable	<u>15,635</u>	<u>40,368</u>

6. Taxation

	2023 £000	2022 £000
(a) Tax in the statement of comprehensive income		
<i>Current tax</i>		
Group relief payable for the year at 19% (2022: 19%)	778	692
Adjustments in respect of prior periods:		
- UK corporation tax	10	-
- Group relief receivable	-	(15)
- Tax funding	6	1
Total current tax	<u>794</u>	<u>678</u>
<i>Deferred tax</i>		
Opening tax rate change	-	(1,959)
Movement in the year at 25% (2022: 25%):		
- Origination and reversal of temporary differences in the year	(404)	(6,572)
- Adjustments in respect of prior years	1	1
Movement in the year	<u>(403)</u>	<u>(6,571)</u>
Total deferred tax (note 9)	<u>(403)</u>	<u>(8,530)</u>
Total tax charge (credit)	<u>391</u>	<u>(7,852)</u>

The rate of UK corporation tax for the current year is 19%. However, deferred tax has been provided at 25% to reflect the change to the rate of tax enacted by Finance Act 2021.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

6. Taxation (continued)

	2023	2022
	£000	£000
(b) Reconciliation of the tax charge (credit)		
Profit/(loss) before tax	615	(24,501)
Profit/(loss) before tax multiplied by the rate of UK corporation tax of 19% (2022: 19%)	117	(4,655)
Effects at 19% (2022: 19%) of:		
Expenses not deductible for tax purposes	354	353
Deferred tax movement not at average rate for year	(97)	(1,577)
Adjustments in respect of prior years	11	(14)
Impact of rate reduction on opening deferred tax	-	(1,959)
Tax funding payable for current and prior years	6	-
Total tax charge (credit) (note 6a)	391	(7,852)

The Company pays a contribution to fund the tax liabilities of Bakethin Finance Plc and Reiver Holdings Limited.

(c) Factors that may affect future tax charges

The rate of UK corporation tax for the current year was 19%. The Finance Act 2021 provides that the rate will increase from 19% to 25% with effect from 1 April 2023. These financial statements are unaffected by the change.

7. Intangible assets

	£000
Cost:	
At 1 April 2022 and 31 March 2023	212,130
Amortisation:	
At 1 April 2022	33,272
Provided during the year	1,857
At 31 March 2023	35,129
Net book value:	
At 31 March 2023	177,001
At 31 March 2022	178,858

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

8. Investments

	£000
Cost:	
At 1 April 2022	11,537
Additions	39
At 31 March 2023	<u>11,576</u>

The investments represent guaranteed investment contracts with Financial Security Assurance (UK) Limited. Of this total, £1,576,000 (2022: £1,537,000) increases by interest receivable in instalments between 16 July 2022 and 16 January 2034. The whole investment matures on 16 January 2034.

9. Deferred tax assets

The following are the deferred tax assets recognised by the Company and movements thereon during the current and prior reporting periods:

	<i>Financial instruments</i> £000
At 1 April 2021	6,201
Credit in the Statement of comprehensive income	<u>8,530</u>
At 31 March 2022	14,731
Credit in the Statement of comprehensive income	<u>403</u>
At 31 March 2023	<u>15,134</u>

Deferred tax is recognised on financial instruments as the fair value will ultimately unwind over the term of the swap (see note 14).

10. Trade and other receivables

	<u>2023</u> £000	<u>2022</u> £000
Prepayments and accrued income	277	314
Amounts owed to other group companies	<u>15</u>	<u>-</u>
	<u>292</u>	<u>314</u>

Included in amounts recoverable from other group undertakings is £15,114 (2022: £nil) in respect of tax losses provisionally surrendered by this company.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

11. Cash at bank and in hand

	2023	2022
	£000	£000
Cash at bank and in hand	7,008	6,884
	<u>7,008</u>	<u>6,884</u>

12. Trade and other payables

	2023	2022
	£000	£000
Interest payable	34	26
Accruals and deferred income	48	69
Amounts owed to other group companies	43	161
	<u>125</u>	<u>256</u>

Interest payable relates to ongoing issuer costs in relation to the loan agreement with BFP. Included in amounts owed to group companies is £6,763 (2022: £nil) in respect of tax funding to fellow group companies and £nil (2022: £124,483) in respect of losses provisionally claimed as group relief. The remaining £36,513 (2022: £36,513) is owed to NWL and is due on demand with no fixed repayment date and bears no interest.

13. Borrowings

	2023	2022
	£000	£000
Current instalments due on loan from BFP	3,103	3,022
Non-current instalments due on loan from BFP	225,534	228,637
	<u>228,637</u>	<u>231,659</u>

Interest is payable at 5.88526% and the loan is repayable by increasing instalments ending in January 2034. The loan is secured on the revenue receivable from the EA under the WROA.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

14. Financial instruments

Financial liabilities carried at fair value through profit and loss:

	<u>2023</u>	<u>2022</u>
	£000	£000
Inflation swap	<u>60,536</u>	<u>58,920</u>

As at 31 March 2023 and 31 March 2022, the Company held a Retail Price Index (RPI) inflation swap. The swap was used to convert variable inflation-linked revenue from the EA under the WROA, to a fixed income stream.

The inflation-linked revenues are accounted for in the statement of comprehensive income on an accruals basis. However, the long-term inflation swap that fixes these variable cash flows is measured at fair value with changes in fair value recognised in the statement of comprehensive income. The changes in the fair value reflects the change in the present value of the future cash flows which incorporates future expectations of inflation over the full term of the swap.

<u>Notional amount</u>	<u>Annual swap cash flow paid</u>	<u>Start date</u>	<u>Termination date</u>	<u>Fixed</u>
£000	£000			%
2,900	700	12 May 2004	09 Jan 2034	2.56

15. Share capital

	<u>2023</u>	<u>2022</u>
	£	£
<i>Authorised</i>		
100 Ordinary Shares of £1 each (2022: 100)	<u>100</u>	<u>100</u>
<i>Allotted, called up and unpaid</i>		
100 Ordinary Shares of £1 each (2022: 100)	<u>1</u>	<u>1</u>

16. Related parties

The Company is an indirectly wholly owned subsidiary of NWGL, whose publicly available consolidated Financial Statements include the Company. Accordingly, the Company is exempt under the terms of FRS 101 from disclosing transactions with other members of the group headed by NWGL.

Notes to the Financial Statements (continued)

for the year ended 31 March 2023

17. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is RHL, which is incorporated in England and Wales.

NWGL is, in the Director's opinion, the Company's ultimate parent undertaking and controlling party. NWGL is incorporated in England and Wales.

The parent undertaking of both the largest and smallest group of undertakings for which group Financial Statements are drawn up, and of which the reporting company is a member, is NWGL. Copies of NWGL's group Financial Statements are available on the website at: www.nwg.co.uk and from its registered office at Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.