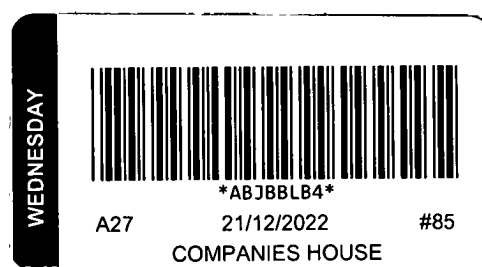


Company Registration No. 06021063 (England and Wales)

LEEP NETWORKS (WATER) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



LEEP NETWORKS (WATER) LIMITED

COMPANY INFORMATION

Directors	Victoria Manfredi Timothy Power Lee Kitchen	(Appointed 5 April 2022)
Company number	06021063	
Registered office	Level 2 Metro 33 Trafford Road Manchester M5 3NN	
Auditor	Deloitte LLP The Hanover Building Corporation Street Manchester United Kingdom M4 4AH	
Bankers	Royal Bank of Scotland St Ann Square PO Box 320 Manchester M60 2SS National Westminster Bank Reading RG1 2AG	

LEEP NETWORKS (WATER) LIMITED

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LEEP NETWORKS (WATER) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and audited financial statements for the year ended 31 March 2022.

The directors' report has been prepared in accordance with the provisions applicable to the small companies exemption. Accordingly a strategic report has not been prepared.

The company meets the definition of a small entity under the Companies Act 2006 and has therefore taken advantage of the reduced disclosure requirements including the presentation of a cash flow statement.

Principal activities

Leep Networks (Water) Limited ("the Company") is a private limited company, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. Its principal activity is operation of water infrastructure, including supply of water and provision of wastewater and sewerage services.

Going concern

The directors have received confirmation that Leep Utilities Topco Limited ("Leep"), the division's holding company, will continue to provide the necessary level of support to enable the company to continue to operate for the foreseeable future. In considering the ability of Leep to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate, the directors have obtained an understanding of Leep's forecasts, the continuing availability of its facilities and its strategic and contingent plans.

The board have considered the appropriateness of the going concern basis given the fact the company is in a net asset position. However, we note that this is due to intragroup borrowings, and understand this will not be called up to the detriment of the business.

Leep Networks (Water) Limited has net current assets of £0.2m (2021: net current liabilities £1.0m) stated after amounts owed to group undertakings of £1.4m (2021: £2.3m). The Directors have sought confirmation that this will not be called up to the detriment of Leep Networks (Water) Limited and therefore consider it appropriate to prepare the accounts on a going concern basis.

Taking all these factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the directors. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company has no exposure to either foreign currency risk or interest rate risk.

Credit risk

Trade debtors as presented in the notes to the Balance Sheet are net of provisions for doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company can rely on appropriate funding from the group it belongs to.

Future developments

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the coming year.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

LEEP NETWORKS (WATER) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Victoria Manfredi

Timothy Power

Lee Kitchen

(Appointed 5 April 2022)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- 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.

LEEP NETWORKS (WATER) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Results and dividends

Profit before tax for the year was £2.7m (2021: £1.3m). There were no dividends paid or declared in the current or prior year.

The company continues to invest in water supply infrastructure and has agreements with developers that will more double the number of connections. The majority of these are expected to be completed in the next 2-3 years.

There were no dividends paid or declared (2021: £nil).

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

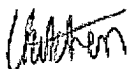
Statement of disclosure to auditor

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

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

This report was approved by the board on 13 December 2022 and signed on its behalf.



Lee Kitchen
Director

LEEP NETWORKS (WATER) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Leep Networks (Water) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

LEEP NETWORKS (WATER) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

LEEP NETWORKS (WATER) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED

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

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

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

We obtained an understanding of the legal and regulatory 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 UK Companies Act, 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. These included the company's operating licence and regulatory requirements.

We discussed among the audit engagement team 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 within revenue recognition due to pressures to meet stakeholder expectations could provide incentives to record revenue where risk and reward have not passed. We also identified a risk from fraud around valuation and recoverability of debtors owed from water customers. Our specific procedures performed to address these risks are described below:

Accuracy of the recording of revenue transactions through cut-off, by agreeing a sample of transactions both pre and post year end to the underlying invoice and consumption reports and ensuring these have been appropriately recorded within the financial statements.

Valuation and recoverability of debtors through audit and recalculation of bad debt provision, agreeing a sample to subsequent receipts to cash after date, and seeking explanations for any not received nor provided for.

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

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

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

reading minutes of meetings of those charged with governance.

Report on other legal requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 material misstatements in the directors' report.

LEEP NETWORKS (WATER) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEEP NETWORKS (WATER) LIMITED

Matters on which we are required to report by exception

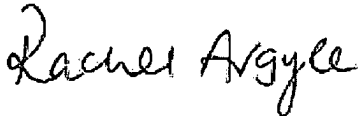
Under the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Rachel Argyle (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester

United Kingdom

14 December 2022

LEEP NETWORKS (WATER) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 £000
Turnover	2	10,820	8,464
Cost of sales		(6,684)	(5,606)
Gross profit		4,136	2,858
Administrative expenses		(1,419)	(1,503)
Operating profit	3	2,717	1,355
Interest payable and similar expenses	5	(18)	(27)
Profit before taxation		2,699	1,328
Tax credit/(charge)	6	(645)	34
Profit for the financial year		2,054	1,362

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

There are no other gains and losses than as presented in the above profit and loss account, and accordingly, no separate statement of comprehensive income is presented.

LEEP NETWORKS (WATER) LIMITED

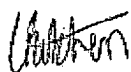
BALANCE SHEET

AS AT 31 MARCH 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		14,299		13,360
Current assets					
Stocks		200		-	
Debtors	8	6,033		4,279	
Cash at bank and in hand		1,166		1,795	
		7,399		6,074	
Creditors: amounts falling due within one year	9	(7,178)		(7,079)	
Net current assets/(liabilities)			221		(1,005)
Total assets less current liabilities			14,520		12,355
Creditors: amounts falling due after more than one year	10		(3,723)		(3,622)
Deferred Taxation	11		(10)		-
Net assets			10,787		8,733
Capital and reserves					
Called up share capital	12		-		-
Capital contribution reserve			14,467		14,467
Retained earnings			(3,680)		(5,734)
Shareholder's funds			10,787		8,733

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A-small entities.

The financial statements were approved by the board of directors and authorised for issue on 13 December 2022 and are signed on its behalf by:



Lee Kitchen
Director

Company Registration No. 06021063

LEEP NETWORKS (WATER) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000	contribution reserve £'000	Retained earnings £000	Total equity £000
Balance at 1 April 2020	-	14,467	(7,096)	7,371
Year ended 31 March 2021:				
Profit and total comprehensive income for the year	-	-	1,362	1,362
Balance at 31 March 2021	-	14,467	(5,734)	8,733
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	2,054	2,054
Balance at 31 March 2022	-	14,467	(3,680)	10,787

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Leep Networks (Water) Limited is a private company limited by shares incorporated in the United Kingdom, registered in England and Wales under Companies Act 2006. The registered office is Level 2, Metro 33 Trafford Road, Manchester, England, M5 3NN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have received confirmation that Leep Utilities Topco Limited ("Leep"), the division's holding company, will continue to provide the necessary level of support to enable the company to continue to operate for the foreseeable future. In considering the ability of Leep to provide any necessary support in the context of the uncertainties it faces as a result of the current economic climate, the directors have obtained an understanding of Leep's forecasts, the continuing availability of its facilities and its strategic and contingent plans.

Taking all these factors into account, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Turnover

Turnover, stated net of value added tax, represents income associated with operating and maintaining a water distribution network within the UK. Revenue is recognised as the water services are provided to the customer.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Network assets	40 years
Fixtures & fittings	5 years

Assets in the course of construction are not depreciated.

Developer contributions

In certain instances, the Company receives contributions from developers towards the cost of constructing water supply and wastewater infrastructure for new-build properties. These contributions are capitalised and amortised to profit and loss over the life of the relevant assets. The capitalised amounts are reported within creditors as deferred income.

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

Current tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

No payment is made or received for group relief surrendered to or by the company.

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, 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 only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.10 Related party transactions

The company has taken advantage of the exemption in Section 33 of FRS 102 and has not disclosed details of transactions with fellow wholly owned undertakings within the Leep Utilities Topco Limited group of companies.

2 Turnover

Turnover derives entirely from supply of water and collection of waste water within the United Kingdom.

3 Operating profit

	2022	2021
Operating profit for the year is stated after charging/(crediting):	£'000	£'000
Depreciation of owned tangible fixed assets	443	470
Amortisation of developer contributions	(286)	(170)
	<u> </u>	<u> </u>

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

3 Operating profit

(Continued)

The auditor's remuneration of £5,000 for audit work was borne by Leep Holdings (Utilities) Limited, (a group company) (2021: £5,000) and was not recharged. There has been no remuneration in the year for non-audit services (2021: same).

4 Employees

There were no employees during the year apart from the directors (2021: none).

The directors remuneration is borne by Leep Holdings (Utilities) Limited, a group company and is not recharged as no fair apportionment can be determined.

5 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts	18	20
Interest payable to group undertakings	-	7
	<u>18</u>	<u>27</u>

6 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	575	26
Deferred tax		
Origination and reversal of timing differences	(62)	(4)
Adjustment in respect of prior periods	58	(56)
Effect of changes in tax rates	74	-
	<u>70</u>	<u>(60)</u>
Total deferred tax		
	<u>70</u>	<u>(60)</u>
Total tax charge/(credit)	<u>645</u>	<u>(34)</u>

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

6 Taxation

(Continued)

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2021 £'000
Profit before taxation	2,699	1,328
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021:19.00%)	513	252
Tax effect of expenses that are not deductible in determining taxable profit	22	16
Income not taxable	(22)	(20)
Adjustment to tax in respect of previous periods	58	(56)
Deferred tax not provided	-	(226)
Tax rate changes	74	-
Taxation charge/(credit) for the year	645	(34)

The Finance Bill 2021 which increased the rate of corporation tax to 25% on profits over £250,000 from April 2023 was substantively enacted on 24 May 2021. As a result, deferred taxes in the United Kingdom at 31 March 2022 are re-measured at 25% and the impact of the change is £74,000.

7 Tangible fixed assets

	Construction in Progress £'000	Network Assets £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 1 April 2021	-	23,200	36	23,236
Additions	22	1,360	-	1,382
At 31 March 2022	22	24,560	36	24,618
Depreciation				
At 1 April 2021	-	9,875	1	9,876
Depreciation charged in the year	-	436	7	443
At 31 March 2022	-	10,311	8	10,319
Carrying amount				
At 31 March 2022	22	14,249	29	14,299
At 31 March 2021	-	13,325	35	13,360

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

8 Debtors

		2022	2021
		£'000	£'000
Amounts falling due within one year:			
Trade debtors		3,705	2,106
Amounts owed by group undertakings		447	123
Deferred tax	11	-	60
Other debtors		199	502
Prepayments		11	19
Accrued income		1,671	1,468
		<u>6,033</u>	<u>4,278</u>

Amounts owed from group companies do not carry interest and are repayable on demand.

9 Creditors: amounts falling due within one year

		2022	2021
		£'000	£'000
Trade creditors		1,132	705
Amounts owed to group undertakings		1,399	2,393
Group relief payable		-	26
Developer contributions		116	106
Other creditors		2,691	1,136
Accruals		1,620	2,698
Deferred income		220	15
		<u>7,178</u>	<u>7,079</u>

Amounts due to group undertakings do not carry interest and are repayable on demand.

10 Creditors: amounts falling due after more than one year

		2022	2021
		£'000	£'000
Developer contributions		<u>3,723</u>	<u>3,622</u>

LEEP NETWORKS (WATER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Assets
	2022	2021
	£'000	£'000
Balances:		
Fixed asset timing differences	10	60
	<u>10</u>	<u>60</u>
		2022
Movements in the year:		£'000
Asset at 1 April 2021		(60)
Charge to profit or loss		70
		<u>10</u>
Liability at 31 March 2022		<u>10</u>

12 Called up share capital

	2022	2021
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
1 Ordinary Share of £1 each	-	-
	<u>-</u>	<u>-</u>

13 Controlling party

The immediate parent company is Leep Nav Networks Limited.

Leep Utilities Topco Limited is the ultimate parent company undertaking and is the largest and smallest group to consolidate these accounts. A copy of the consolidated accounts is available from its registered office at Grenville Street, St Helier, Jersey, JE4 8PX.

The Company is ultimately controlled by Ancala UK Infrastructure Platform B LP, who does not prepare consolidated accounts for public use.