Annual Report and Financial Statements

Anglian Water Business (National) Limited

For the Year Ended 31 March 2019

Registered number: 03017251

Contents

Company Information

Director	RA Boucher LJ Darch A Donnelly S Hazon M Parker NJ Watson WP Young
Registered number	03017251
Registered office	Northumbria House Abbey Road Pity Me Durham United Kingdom DH1 5FJ
Independent auditor	Deloitte LLP Statutory Auditor One Trinity Gardens Broad Chare Newcastle upon Tyne United Kingdom NE1 2HF

The Directors of Anglian Water Business (National) Ltd ("AWBN" or "the Company") are pleased to present their Strategic report on the affairs of the Company, along with their Directors' report, the Independent auditor's report and the audited financial statements for the year ended 31 March 2019.

Principal activities

The principal activities of the Company is retail services relating to the provision of water, sewerage and trade effluent services to non-household customers, together with advice on water efficiency and Value-Added Services (i.e. leakage detection and repair, water audits and benchmarking).

The Company has a growing customer base across England and Scotland, serving the full suite of business customers, from large industrial/commercial customers to Small and Medium sized Enterprises (SMEs) across both the public and private sectors.

Business review and Key Performance Indicators

On 31 August 2018, the Company acquired the trade and assets of NWG Business Limited ("NWGB"), a fellow subsidiary of the Wave Group, allowing the Group to trade out of one operating entity going forwards.

The Company continues to make solid progress in consolidating its market position whilst continuing to develop a strong service offering for customers. Growth in supply points was 1% (2018: 4%), with growth attributed to the NWGB customers and continued growth since market opening. Whilst switching rates continue to increase in the market, the Company has continued to achieve net growth, (being the only one of the top 5 retailers to achieve this). Retention rates have fallen since prior year reflecting the increase in switching, but at 96% are considered very healthy.

Data quality and management continue to be a dominant theme in the market, with implications for all elements of our customer interactions. The Company has focused specifically on improvements in compliance with the market performance standards set out by Market Operator Services Ltd ("MOSL"), and has seen positive progress from 68% to 82% compliance between H1 and H2. In addition, work has been ongoing with wholesalers to improve the accuracy and timeliness of data flows to and from the market to improve the accuracy of billing, particularly around vacant properties.

Linked to the data issues above, the Company saw a build up in unresolved billing issues throughout the prior year and early this year, which in turn lead to an increase in the level of outstanding debtors. Concerted effort has been directed at resolving this, with clearance of the billing queries achieved in November and ongoing good progress at reducing the level of debtors.

During the year the Company has continued to see good improvements in the level of service provided to customers. Complaints have decreased from 61.1 per 10,000 customers to 53.5 and has now fallen below the market average of 62.3 demonstrating strong progress. Complaints escalated to CCWater have increased from 8.0 per 10,000 customers to 12.8, still below the market average of 13.1 per 10,000 customers.

Revenue for the year ended 31 March 2019 was £470.9m (2018: £343.9m). This reflects the acquisition of the business from NWGB, combined with the underlying growth in the number of supply points.

Operating costs (cost of sales and administrative expenses) totaled £468.9m (2018: £342.5m) giving an operating profit of £2.1m (2018: £1.4m), 2018 reflecting the additional transitional costs being incurred following the creation of the business and the opening of the Non-Household ("NHH") market.

Net interest payable was £0.7m (2018: £0.9m), giving the Company a profit before taxation for the year ended 31 March 2019 of £1.3m (2018: £0.5m).

Business review and Key Performance Indicators (continued)

The Company uses a balanced scorecard of Key Performance Indicators (KPIs) to monitor and track performance, which are outlined below:

	Units	31 March 2019	31 March 2018
Number of accidents (RIDDOR)	'no.	nil	nil
Supply points	'000	462	280
Portfolio Gross margin	%	6.3	6.8
Complaints	no./10,000 customers	53.5	61.1

Our People

The Company holds a monthly Business Update which is hosted by the Wave Leadership Team (WLT). This is open to by all employees, with a strong attendance rate. The session updates the team on Company's performance and strategy alongside current topics of interest, for example safety when driving in winter or the appraisal process.

There is also the Wavelength Newsletter which is circulated monthly and includes an update from each section of the business.

The Company have a committee of elected employee representatives who are informed of any proposals of formal changes affecting employees. The forum consults with their members and provides feedback to the WLT.

The Company has a bonus scheme which rewards employees for their performance over the period. This recognises the contribution employees make against their own personal objectives, which align to the Company's overall performance.

The Company is committed to equal opportunities from recruitment and selection, through training, development, appraisal and promotion to retirement for all employees including those with a disability.

Where a job applicant or an employee believes that he/she has a disability that may disadvantage him/her in respect of recruitment or employment, we advise that they should inform the Company to allow for reasonable adjustments to be made.

The Company is committed to creating an environment that is free from discrimination, harassment and victimisation.

Treasury policies

The Group's board is responsible for the financing strategy of all Group companies. The aim of this strategy is to assess the ongoing capital requirements of the Group and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

Principal risks and uncertainties

The Company identifies and assesses the impact of risks to the business using a standard risk register. The Company's view of acceptable risk is based on a balanced view of all the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion and opportunities. The principal business risks facing the Company are:

Principal risks and uncertainties (continued)

- Loss of customer trust and confidence in either the business or the market;
- Inherent health and safety risk, particularly across field operations carried out by third parties on behalf of the Company;
- Loss of key business systems due to a malicious attack or failure of cyber security;
- Breach of Data Protection Act or General Data Protection Regulation;
- Unfavorable changes to the regulatory environment or methodology within the industry that may adversely impact on the balance of risk and return or ability to operate;
- Impact of changes in tax legislation;
- Failure to deliver financial plans, impacting expected returns for the Joint Venture partners; and
- Funding and liquidity risk (see note 18)

Future Developments

Going forward, the Company is focused on integrating onto one billing platform (Gentrack Velocity) to support customer growth and improving operating efficiencies.

We expect the market outlook to remain challenging whilst the new market structures, customer understanding, data and wholesaler/retailer relationships continue to mature.

Directors' assessment of going concern

As at 31 March 2019, the Company had net current assets of £75.6m (2018: £51.8m) and net assets of £74.3m (2018: £42.1m). The Directors have reviewed trading forecasts and cash flow requirements, including reasonably possible changes in trading performance, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. Accordingly, the Directors expect the Company to continue with its principal activity for the foreseeable future, and the financial statements have been prepared on a going concern basis.

The Directors' have considered the impact on the business of the United Kingdom leaving the European Union, and do not believe this to be significant.

The Strategic report was approved by order of the Directors and signed on their behalf by:

S Hazon
Director
30 September 2019

Directors' Report

For the Year Ended 31 March 2019

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2019.

Directors

The Directors who held office during the year and up to the date of signing were as follows:

RA Boucher	
LJ Darch	
A Donnelly	
S Hazon	
M Parker	
NJ Watson	
WP Young	
JP Clarke	(resigned 24 May 2018)
MA Dugdale	(resigned 19 April 2018)
L Shipsey	(resigned 6 July 2018)
RH Wilkinson	(resigned 10 April 2018)

Indemnification of directors

The Company had Directors' and Officers' insurance in place for the year to 31 March 2019. This insurance policy indemnifies the Directors and Officers of the Company for any loss first made against the insured person for a wrongful act or an employment practices wrongful act, subject to the conditions set out in the Companies Act 2006, and this remains in place.

Results and dividends

The Company's financial results are summarised in the Strategic report. No dividends were paid or proposed in the current period (2018: £3,737k) and the Directors do not recommend a final dividend for the year.

On 31 August 2018 the company acquired the trade and net assets from NWGB, a wholly owned subsidiary of the Company's parent, Wave Ltd ("Wave"). The consideration paid for this transaction was £31,320k. The acquisition was financed through the issue of 313,200,000 ordinary £0.10 shares to Wave.

Future developments, financial risk management objectives and policies, and going concern

Please refer to the Strategic report.

Post balance sheet event

There were no events subsequent to the balance sheet date that require adjusting in these financial statements.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the Directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Deloitte LLP was appointed as auditor in the current period. Pursuant to S487 of the Companies Act 2006, the auditor is deemed to be re-appointed for the ensuing year.

Principal risks and uncertainties

All of the company's financial risks are governed by Wave Group policies and procedures. The company's principal risks and uncertainties are discussed in the Strategic report and further explained in the risks arising from financial instruments outlined in note 19 to the financial statements.

Treasury policies

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

Director's responsibilities statement

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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

S Hazon
Director
30 September 2019

Independent auditor's report to the members of Anglian Water Business (National) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Anglian Water Business (National) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the director's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 audit or otherwise appears to be materially misstated. If we

Independent auditor's report to the members of Anglian Water Business (National) Limited (continued)

Other information (continued)

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 respect of these matters.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 directors' 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

Independent auditor's report to the members of Anglian Water Business (National) Limited (continued)

Matters on which we are required to report by exception (continued)

- 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 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.

Anthony Matthews

Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 September 2019

Anglian Water Business (National) Limited

Statement of Comprehensive Income

For the Year Ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	5	**470,931**	343,908
Cost of sales		**(441,465)**	(320,548)
Gross profit		**29,466**	23,360
Administrative expenses		**(27,404)**	(21,955)
Operating profit	6	**2,062**	1,405
Interest receivable and similar income	10	**647**	469
Interest payable and expenses	11	**(1,393)**	(1,399)
Profit before tax		**1,316**	475
Tax on profit	12	**(407)**	(212)
Profit for the financial year		**909**	263

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

Notes 1 to 28 form part of these financial statements.

Anglian Water Business (National) Limited

Statement of Financial Position

As at 31 March 2019

	Note	2019 £000	2019 £000	2018 (restated) £000	2018 (restated) £000
Non-current assets					
Intangible assets	13		**17,114**		6,503
Tangible assets	14		**727**		335
Deferred tax	20		**288**		192
			18,129		7,030
Current assets					
Debtors amounts falling due within one year	15	**194,085**		131,736	
Cash at bank and in hand	16	**1,587**		332	
			195,672		132,068
Current liabilities					
Creditors amounts falling due within one year	17	**(79,762)**		(65,427)	
Loans and borrowings falling due within one year	18	**(40,359)**		(14,879)	
			(120,121)		(80,306)
Net current assets			**75,551**		51,762
Total assets less current liabilities			**93,680**		58,792
Non-current liabilities					
Loans and borrowings due after more than one year	18	**(19,362)**		(16,703)	
			(19,362)		(16,703)
Net assets			**74,318**		42,089
Capital and reserves					
Called up share capital	23		**73,803**		42,483
Share premium account	24		**8**		8
Retained earnings	24		**507**		(402)
			74,318		42,089

The financial statements of Anglian Water Business (National) Limited (registered number 03017251) were approved by the Board of Directors and authorised for issue on 30 September 2019. They were signed on its behalf by:

S Hazon

Director

Notes 1 to 28 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 March 2019

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2018	**42,483**	**8**	**(402)**	**42,089**
Comprehensive income for the year				
Profit for the year and total other comprehensive income	-	-	**909**	**909**
Total comprehensive income for the year	**42,483**	**8**	**507**	**42,998**
Issue of shares (see note 23)	**31,320**	-	-	**31,320**
At 31 March 2019	**73,803**	**8**	**507**	**74,318**

Statement of Changes in Equity
For the Year Ended 31 March 2018

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2017	732	8	3,072	3,812
Comprehensive income for the year				
Profit for the year and other comprehensive income	-	-	263	263
Dividends for the year	-	-	(3,737)	(3,737)
Total comprehensive income for the year	732	8	(402)	338
Issue of shares (see note 23)	41,751		-	41,751
At 31 March 2018	42,483	8	(402)	42,089

Notes 1 to 28 form part of these financial statements.

1. General information

The Company is a company incorporated and domiciled 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 page 4.

These financial statements are separate financial statements. The Group financial statements of Wave Ltd (the ultimate parent company) are available to the public and can be obtained as set out in note 27. The registered office of the parent company preparing consolidated financial statements is stated in note 27.

2. Significant Accounting policies

2.1 Basis of preparation of financial statements

The financial statements for the company have been prepared on the going concern basis under the historical cost convention.

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council.

The Company financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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, financial instruments, related party transactions and certain requirements of IAS 1, IAS 8, IAS 24, and IFRS 15.

2.2 Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the current period

In the current financial year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards; and IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Details of the new requirements are described below.

Impact of application of IFRS 9 'Financial Instruments'

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Classification and measurement

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018.

2. Accounting policies (continued)

2.2 Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the current period (continued)

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments:

1. Amortised cost;
2. Fair value through other comprehensive income (FVTOCI); and
3. Fair value through profit or loss (FVTPL).

Equity investments within the scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

Under IFRS 9, financial assets can be designated as at FVTPL to mitigate an accounting mismatch.

In respect of the classification and measurement of financial liabilities, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

There will be no financial impact due to the changes in the classification and measurement of the following financial assets held by the group: trade receivables, and cash at bank.

There will be no change in the accounting for any financial liabilities as no liabilities are held at FVTPL.

Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised.

Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses will be updated at each reporting date.

In respect of trade receivables, the group has carried out an analysis of the impairment (or bad debt) charge and economic measures over a two year period since market opening. The group has concluded that there is no material impact on the bad debt charge as a result of applying IFRS 9.

Impact of application of IFRS 15 'Revenue from Contracts with Customers'

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This is achieved by a five-step model to be applied to all contracts with customers, except for contracts that are within the scope of other standards such as leases and financial instruments, as summarised below.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

2. Accounting policies (continued)

2.2 Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the current period (continued)

Sources of income

The Group's principal source of income is from the provision of water, sewerage and trade effluent services to non-household customers. Services are provided at a price determined annually by its regulatory tariffs.

Revenue is charged based on usage, with usage being determined by data held by the market operator. IFRS 15 will not impact recognition of this income.

Under the recognition rules of IFRS 15, income should only be recognised if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We have considered recent data that supports our conclusion that de-recognition of income is not appropriate on the grounds of past payment record and current credit worthiness. Our view is that for all occupied properties it is more probable than not that we will collect the income, and therefore it is appropriate to continue to recognise the income. The exception to this is where properties are unoccupied and, in these cases, income is not recognised.

Amendments to International Financial Reporting Standards (IFRS) and the new Interpretation that are mandatorily effective for the next period

At the balance sheet date, there is one new standard (IFRS 16) and several amendments to existing standards in issue but not yet effective. IFRS 16 is not expected to have a significant effect on the financial statements of the Group or parent Company. The effect and consideration of this standard is set out below:-

The standard establishes principles for the recognition, measurement, presentation and disclosure of leases. As a Lessee, the Company will continue to classify leases as operating or finance.

IFRS 16's approach to lessee accounting is substantially unchanged from its predecessor, IAS 17, and therefore the Company does not envisage any impact from the implementation of this standard.

2.3 Going concern

As at 31 March 2019, the company had net current assets of £75.6m (2018: £51.8m) and net assets of £74.3m (2018: £42.1m). The Directors have reviewed cash flow requirements, including reasonably possible changes in trading performance, and are confident that they will be able to meet these from funds available and agreed borrowing facilities in place. Accordingly, the Directors believe that the Company has the ability to continue with its principal activity for the foreseeable future, and the financial statements have been prepared on a going concern basis.

2.4 Revenue recognition

Revenue is stated net of value added tax. Revenue, loss before taxation and net assets are wholly attributable to the principal activity of the Company, being the delivery of retail water and waste water services for non-domestic customers and arise solely within the United Kingdom.
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and can be reliably measured. At each period end an element of revenue recognised is unbilled, and therefore the best estimate of accrued revenue is calculated, based on historic usage, assumptions and estimates, as disclosed in note 3.

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

2.6 Pensions and other post-employment benefits

The Company operates a defined contribution scheme. Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise.

2.7 Finance costs receivable

Interest income is earned on advance payments made to the Scottish Water wholesaler, as per the market terms in Scotland. Interest earned is calculated and taken to the income statement based on the amounts prepaid and the applicable interest rate at that time.

2.8 Finance costs payable

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Other borrowing costs are recognised as an expense when incurred.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2. Accounting policies (continued)

2.11 Intangible assets

The intangible assets are customer contracts and software, and are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided for on all intangible assets and is applied evenly over the useful economic life of each asset. Annual reviews will be carried out to ensure that the amortisation profile of intangible assets is still relevant.

The expected useful lives of the intangible assets are categorised as follows:

Customer Contracts	10 years
Computer software	3-7 years

2.12 Tangible fixed assets

All tangible assets are initially recorded at cost. The carrying values of all assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible assets, evenly over the useful economic life of each asset, at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition.

The expected useful lives of the tangible fixed assets are categorised as follows:

Leasehold improvements	Remaining life of the lease
Computer equipment	2-3 years
Fixtures, fittings & equipment	3 years

2.13 Impairment of fixed assets and intangibles

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Trade and other receivables

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Trade and other payables

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs.

2.17 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which approximates to the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

2. Accounting policies (continued)

2.18 Provisions for liabilities (continued)

Provisions are charged as an expense to the income statement in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimates) that have a significant impact on the amount recognised, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not clear from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgements used in the financial statements are as follows:

Judgement: 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. The Company assesses the probability that a customer will pay, and therefore whether economic benefit will flow to the Company based on their past performance.

Judgement: Intangible assets
The Company tests the carrying value of intangible assets on an annual basis or more frequently if there is are indications that an impairment may be required.

Estimate: Unbilled revenue
Wave 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 the units supplied between the date of the last meter read and the period end.

Meters are read on a cyclical basis and the Company recognises the revenue for unbilled volumes based on estimated usage from the last billing date to the end of the financial period. The estimated usage is based on historical data, judgement and assumptions. Where a customer has no billing history, the accrual is based on the historical average for customers with the same meter size. Other volume-related charges are accrued in proportion to the volume of water calculated.

Should management's overall estimated unbilled revenue differ by 1% the impact on reserves and the statement of comprehensive income by would £0.7m.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Estimate: Wholesale charges

The Company 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.

Should management's overall estimated wholesale charges accrual differ by 1% the impact on reserves and the statement of comprehensive income by would £0.3m.

Estimate: Provision for impairment of trade receivables

Provisions are made against the Company's trade receivables based on historical experience of recoverability. The amount recovered from these debtors in the future could differ from the estimated recovery, which in turn would impact operating results.

Should management's overall provision required for impairment of trade receivables differ by 1% the impact on reserves and the statement of comprehensive income by would £0.1m.

4. Prior year adjustment

In the previous year, debtors and deferred income were inclusive of a balance in relation to annual billing for unmeasured customers billed. The invoices were raised before year end in relation to future services yet to be provided, for which an unconditional right to cash had not yet been established, and thus neither an asset or a liability should have been recognised in the balance sheet.

As a result, the comparative period has been restated by decreasing debtors and deferred income by the same amount, with no impact on the statement of comprehensive income.

5. Turnover

Analysis of turnover by category:

	2019	2018
	£000	£000
Water	214,539	140,550
Sewerage	201,309	155,604
Trade Effluent	43,796	42,236
Other	11,287	5,518
	470,931	343,908

The Company operates in a single geographic region, the United Kingdom.

6. Operating profit

Operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets (see note 14)	301	197
Amortisation of software (included within Administrative Expenses) (see note 13)	1,134	704
Amortisation of customer contracts (included within Administrative Expenses) (see note 13)	883	477
Staff Costs (see note 9)	11,804	8,329
Other operating lease rentals	283	104

7. Auditor remuneration

Fees payable to the Group auditors:

	2019	2018
	£000	£000
Audit of the Company's financial statements	55	38
Total Audit services	55	38
Assurance services	12	7
Total non-audit services	12	7
	67	45

8. Directors' emoluments

(a) Directors' remuneration

Remuneration paid by the company to the directors during the year:

	2019	2018
	£000	£000
Directors' remuneration	579	953
Company contributions to money purchase pension plans	22	83
	601	1,036

(b) Highest paid director

The value of remuneration shown in note 8(a) include the following amounts in respect of the highest paid director:

	2019	2018
	£000	£000
Director's remuneration	257	539
Company contributions to money purchase pension plans	5	23
	262	562

Remuneration for 31 March 2018 includes severance of £223k in respect of the highest paid director.

9. Employees

	2019	2018
	£000	£000
Wages and salaries	10,098	6,840
Social security costs	931	598
Cost of defined contribution pension scheme	775	891
	11,804	8,329

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

	2019	2018
	No.	No.
Administration and support	283	190

10. Interest receivable and similar income

	2019	2018
	£000	£000
Interest income on unimpaired financial assets	647	469
	647	469

11. Interest payable and similar charges

	2019	2018
	£000	£000
Interest payable on bank overdrafts and loans	460	795
Interest payable on loans from joint venture partners	933	604
	1,393	1,399

12. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	399	404
Adjustments in respect of previous years – Group relief	(17)	(3)
Total current tax	382	401
Deferred tax		
Origination and reversal of timing differences	27	(189)
Adjustments in respect of previous years	(2)	-
Total deferred tax	25	(189)
Taxation on profit	407	212

12. Taxation (continued)

Factors affecting tax charge for the year

The rate of UK corporation tax for the current year was 19%. Finance Act 2016 provides that this will be reduced to 17% with effect from 1 April 2020. Deferred tax has been provided wholly at 17% as amounts that are expected to reverse at the higher rate are insignificant.

	2019 £000	2018 £000
Profit before tax	**1,316**	475
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**250**	90
Effects of:		
Expenses not deductible for tax purposes	**179**	103
Deferred tax movement not at average rate for period	**(3)**	22
Adjustments to tax charge in respect of prior periods	**(19)**	(3)
Total tax charge for the year	**407**	212

13. Intangible assets

	Customer Contracts £000	Computer Software £000	Total £000
Cost			
At 1 April 2018	4,768	2,916	7,684
Additions	-	1,782	1,782
Acquired on business acquisition	7,339	3,507	10,846
At 31 March 2019	**12,107**	**8,205**	**20,312**
Amortisation			
At 1 April 2018	(477)	(704)	(1,181)
Charge for the year	(883)	(1,134)	(2,017)
At 31 March 2019	**(1,360)**	**(1,838)**	**(3,198)**
Net book value			
At 31 March 2019	**10,747**	**6,367**	**17,114**
At 31 March 2018	**4,291**	**2,212**	**6,503**

14. Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2018	112	313	255	680
Reclassification	-	-	36	36
Additions	-	320	205	525
Acquired on business acquisition	56	38	74	168
At 31 March 2019	**168**	**671**	**570**	**1,409**
Depreciation				
At 1 April 2018	(39)	(240)	(66)	(345)
Reclassification	-	-	(36)	(36)
Charge for period on owned assets	(79)	(76)	(146)	(301)
At 31 March 2019	**(118)**	**(316)**	**(248)**	**(682)**
Net book value				
At 31 March 2019	**50**	**355**	**322**	**727**
At 31 March 2018	**73**	**73**	**189**	**335**

15. Trade and other receivables

	2019 £000	2018 restated £000
Trade debtors	**101,842**	80,181
Less doubtful debt provision	**(14,005)**	(7,002)
Net trade receivables	**87,837**	73,179
Amounts owed by other parent undertaking	**7,246**	7,500
Other debtors	**3,538**	3,916
Corporation tax recoverable	**79**	-
Prepayments and accrued income	**95,385**	47,141
	194,085	131,736

Amounts owed by other group undertakings carry no interest, are unsecured and are repayable on demand.

15. Trade and other receivables (continued)

Doubtful debts provision

Movement on the doubtful debts provision were as follows:

	£000
At 1 April 2017	2,530
Charge for bad and doubtful debts	4,472
At 1 April 2018	**7,002**
Acquired as part of business acquisition	4,182
Charge for bad and doubtful debts	2,821
At 31 March 2019	**14,005**

16. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**1,587**	332
	1,587	332

17. Creditors: Amounts falling due within one year

	2019 £000	2018 (restated) £000
Trade creditors	**906**	258
Taxation and social security	**277**	-
Corporation tax payable	**-**	26
Amounts owed to group undertakings	**577**	348
Amounts owed to associated undertakings	**888**	540
Other creditors	**1,667**	732
Accruals	**47,491**	31,295
Deferred income	**27,956**	32,228
	79,762	65,427

Amounts owed to other group undertakings, carry no interest and are repayable on demand.

Amounts owed to associated undertakings include interest accrued in relation to loans and borrowings, as detailed in note 18.

18. Loans and borrowings

	2019 £000	2018 £000
Amounts falling due after more than one year		
Loan from Anglian Venture Holdings Ltd ("AVHL")	**16,703**	16,703
Loan from Northumbrian Water Group Ltd ("NWGL")	**2,659**	-
Amounts falling due within one year		
Receivables financing facility	**30,359**	14,879
Loan from NWGL	**10,000**	-
	59,721	31,582

	Currency	Nominal interest rate	Year of maturity	Face value and carrying amount 31 March 2019 £000	Face value and carrying amount 31 March 2018 £000
Non-current liabilities					
Loan from AVHL	GBP	LIBOR +2.75%		**16,703**	16,703
Loan from NWGL	GBP	LIBOR +2.75%		**2,659**	-
Current assets					
Loan to NWG (Business) Ltd	GBP	LIBOR +1.25%	2018	**-**	(7,500)
Loan to Wave Ltd	GBP	Nil	2019	**(6,723)**	-
Current liabilities					
Receivables financing facility	GBP	LIBOR +1.25%	2019	**30,359**	14,879
Loan from NWGL	GBP	LIBOR +2.75%	2019	**10,000**	-
				52,998	24,082

The Company's receivables financing facility is secured on elements of the Company's overall trade receivables outstanding at 31 March 2019.

19. Financial instruments

Categories of financial instruments held at fair value

	2019 £000	2018 £000
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents	**1,587**	332
Trade and other receivables	**194,085**	131,736
	195,672	132,068

	2019 £000	2018 £000
Financial liabilities measured at amortised cost:		
Joint Venture partners long term loans	**29,362**	16,703
Receivables financing facility	**30,359**	14,879
	59,721	31,582

20. Deferred taxation

The following are the major deferred tax assets recognised by the Company and movements thereon during the current year.

	Accelerated tax £000	Corporate interest restriction £000	Other £000	Total £000
At 1 April 2017	3	-	-	3
Credited in the income statement	17	87	85	189
At 1 April 2018	20	87	85	192
(Charged) / credited in the income statement	(12)	123	(136)	(25)
Business acquisition	36	-	85	121
At 31 March 2019	**44**	**210**	**34**	**288**

21. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases for the Company are as follows:

	Vehicles £000	Buildings £000	2019 Total £000
Payable <12 months	62	293	**355**
Payable 2-5 years	26	725	**751**
Payable > 5 years	-	140	**140**
At 31 March 2019	88	1,158	**1,246**

21. Operating lease commitments (continued)

	Vehicles	Buildings	2018 Total
Payable <12 months	75	153	228
Payable 2-5 years	101	140	241
At 31 March 2018	176	293	469

The Company entered a lease on 4 July 2016 in relation to its main office location for an initial five-year period. The lease contains a clause which enables an upward revision of the rental charge according to prevailing market conditions.

22. Pension Commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £775k (2018: £891k). As at 31 March 2019 there were no outstanding or prepaid contributions. Commitments provided for in the financial statements amounted to £nil (2018: £nil).

Pension commitments related to pensions payable to past directors are the liability of Anglian Venture Holdings Limited.

23. Share capital

	No.	£000
Authorised, issued and fully paid Ordinary shares of £0.10		
At 1 April 2017	7,320,000	732
Issued in the year	417,510,700	41,751
At 1 April 2018	424,830,700	42,483
Issued in the year	313,200,000	31,320
At 31 March 2019	**738,030,700**	**73,803**

On 3 April 2017, a share issue of 417,510,700 new ordinary shares of £0.10 each was authorised by the directors of the company. All these shares were issued to Anglian Venture Holdings Limited and fully paid. On 31 August 2018 the company issued 313,200,000 ordinary shares of £0.10 each to Wave Ltd which were fully paid.

24. Reserves

Profit & loss account
Includes all current and prior periods' retained profits and losses.

Share premium account
The Company's share premium account is a non-distributable reserve, including all premiums paid on the Company's share capital.

25. Related parties

The company is a directly wholly owned subsidiary of Wave Ltd, which produces publicly available consolidated financial statements which include the company. Accordingly, the company is exempt under FRS101 from disclosing transactions with other members of the group headed by Wave Ltd.

Details of transactions between the Company and other related parties are disclosed below:

	Interest £000	Amounted owed to related party £000
Related party:		
12 months ending 31 March 2019		
NWGL	**275**	**12,659**
AVHL	**556**	**16,703**
7 months ending 31 March 2018		
AVHL	513	16,703

26. Business Combinations

On 31 August 2018 the Company acquired the trade and net assets from NWG Business Limited, a wholly owned subsidiary of Wave. The consideration paid for this transaction was £31,320k. The acquisition was financed through the issue of 313,200,000 ordinary £0.10 shares to its parent company Wave Ltd.

Assets acquired, and liabilities recognised at the date acquisition

	2019 £000
Current Assets	
Cash and cash equivalents	**685**
Trade and other receivables	**76,637**
Non-current assets	
Customer contracts	**7,339**
Computer software	**3,507**
Leasehold improvements	**57**
Fixtures and Fittings	**18**
Computer Equipment	**94**
Deferred tax asset	**121**
Current Liabilities	
Trade and other payables	**(18,405)**
Corporation tax	**130**
Non-current liabilities	
Loans and borrowings	**(38,863)**
	31,320

27. Ultimate parent undertaking and Controlling party

The Directors consider that Wave, the parent and controlling party of the Company, is the ultimate parent company of the Group. Wave Ltd is a company registered in England and Wales.

The parent undertaking of the smallest and largest group of undertakings for which the group financial statements are drawn up and which is the reporting company, is Wave, registered at Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ. Copies of Wave group financial statements are available from Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

The Wave Group is jointly owned by Northumbrian Water Group Limited and Anglian Venture Holdings Limited, and considers the parents to be joint controlling parties.

28. Post balance sheet event

There were no events subsequent to the balance sheet date that require adjusting in these financial statements.