

Annual Report and Financial Statements

Anglian Water Business (National) Limited

For the Year Ended 31 March 2022



Registered number: 03017251

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Company Information

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Registered number 03017251

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Strategic Report (continued)

For the Year Ended 31 March 2022

The Directors of Anglian Water Business (National) Limited ("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 2022.

Principal activities

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

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

Business review and Key Performance Indicators

The results for the year continue to be impacted by the COVID-19 pandemic with the Company's customers experiencing increased business closures and reduced operations leading to much lower consumption across large areas of the portfolio. This has impacted the revenue and gross margin reported in the year.

Throughout the year, the Company continued to adopt a flexible approach to working, with our offices reopened for the majority of the year for those wishing to work from either of our office locations. Throughout the year, the Company reacted to latest government guidelines to ensure the safety and wellbeing of all employees, whilst ensuring the Company maintained a high level of support to customers who continued to be impacted by COVID-19.

One of the mechanisms the Company developed in response to COVID-19 to support customers in financial difficulty was a bespoke payment plan offering ("Covid Repayment Scheme"). Throughout the financial year the Company continued to offer this to customers most impacted by COVID-19. Despite this the Company continued to see cash collections in excess of expectations due to continuing improving control over unpaid debtors, with the debt book at its lowest ever level at the year end, although lower revenue and billing in year have also contributed to this.

In recognition of the Company's response to the challenging pandemic period for the Company, its people and its customers, the Company was announced as winner of the UK Water Retailer of the Year award at The Water Industry Awards, in the early part of the year. The Company was also nominated for customer experience at the Utility Week Awards.

A key operational focus during the year was the improvement of data quality and control reporting as data quality and management continue to be a significant theme in the retail market. The Company undertook a lengthy project with external consultants to review process around metering and billing, which is the main cause of customer complaints across the market. The scope of the project included the identification and design of a suite of controls required to ensure accuracy of revenues and to minimise margin leakage. In response to the market regulator launching a centralised bilateral transactions 'hub', the Company also launched its bilateral solution with SWIM-Pool, which changes the way retailers and wholesalers interact, making it easier to do business.

Throughout the year, the Company continued to perform well in the public sector with success in securing a number of frameworks which public sector customers can opt into. This will continue to be an area of focus in the coming year. The Company works with these customers to develop strategies for water efficiency and sustainability, championing social value.

Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2022

Business review and Key Performance Indicators (continued)

Switching continues in the market at an increased level than pre-pandemic. The Company's reduction in supply points this year was 3.0% (2021: 7.3% and 2020: 0.4%). The term supply points represents the number of supply points ("SPIDs") where we are the retailer in England and Scotland. The prior year measure is skewed by the transfer of the Scottish Procurement contract where the Company's bid was qualified with restrictions to mitigate the impact of proposed changes in Scotland's regulatory environment, which would otherwise have required an unsustainable level of working capital investment to retain this contract. The Company's bid was subsequently excluded leading to over 25,000 supply points switching to another retailer allowing the full recovery of our working capital. The retention rate, being the percentage of SPIDs where we remain the retailer after 12 months, has decreased to 96.6% from 97.5% as a result of some strategic I&C losses.

During the year, the Company has continued to see good improvements in the level of service provided to customers. Complaints have continued to decrease from 32.7 per 10,000 SPIDs to 20.2, showing Wave's continued commitment to being a market leading retailer and proactive approach to improving customers' experiences. Pleasingly, complaints escalated to the Consumer Council for Water ("CCW") have also continued to decrease from 6 per 10,000 SPIDs to 5.1.

Towards the end of the year, the Company participated in the early stages of Ofwat's Retail Exit Code review. The intention of this is to assess the appropriateness of pricing mechanisms within the NHH market.

In the year, the original Coronavirus Large Business Interruption Loan Scheme ("CLBILS") agreement was renegotiated. The changes included the deferral of the repayment of £10m of the first revolving credit facility from August 2022 to March 2023 and change to covenants.

Revenue for the year ended 31 March 2022 was £370.6m (2021: £391.0m). This reflects lengthy periods of reduced consumption for many of our customers due to COVID-19 and increased business closures. Portfolio gross margin, being the element of charges retained by the retailer after settlement of wholesale costs, was 4.8% (2021: 6.4%).

Operating costs before exceptional items (cost of sales and administrative expenses) totalled £374.9m (2021: £398.1m) giving an operating loss before exceptional items of £4.3m (2021: £7.1). Exceptional items totalled £4.4m (2021: £nil) and relate to the release of bad debt costs previously charged in the early period of the COVID-19 pandemic which proved to be overly prudent. Included within operating costs is a £4.5m release of previously charged bad debt costs where cash collections have far exceeded initial expectations due to improved operational processes.

Net interest payable was £2.2m (2021: £2.3m), giving the Company a loss before taxation for the year ended 31 March 2022 of £2.1m (2021: £9.5m).

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

	Units	31 March 2022	31 March 2021
Supply points	'000	414	427
Retention rate	%	96.6	97.5
Portfolio gross margin	%	4.8	6.4
Complaints	no./10,000 SPIDs	20.2	32.7

Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2022

Section 172 (1) statement and our stakeholders

We report here on how our Directors have performed their duty under Section 172 (s172) of the Companies Act 2006. S172 sets out a series of matters to which the Directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders.

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the Company to ensure that our obligations to our shareholders, employees, customers, and others are met. Management drives the embedding of the desired culture through the organisation. The Board monitors adherence to our policies and compliance with local corporate governance requirements across the Company and is committed to acting where our business fails to act in the manner we expect of them.

For each matter which comes before the Board, the Board considers the likely consequence of any decision in the long-term and identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

The table below sets out our approach to stakeholder engagement throughout the period:

Stakeholders	Why are they important?	What is our approach to engaging with them?
Customers	Providing a market leading service to customers is at the heart of what we do	<ul style="list-style-type: none"> • The Board receives regular reporting on customer outcomes and customer related strategic initiatives throughout the year. • The Board closely monitors customer metrics, including those published by CCW, and engages with management to understand any issues if our performance does not meet our and our customers' expectations. • The Company encourages customers to provide a Trustpilot rating and review following all customer service interactions with us, with all reviews read and responded to, ensuring a continuous improvement of our services. • Our internal Quality team provide quality checks on completed work across all operational areas, to ensure we are delivering a market leading level of service, with feedback and training provided where relevant. • The Board continues to monitor the ways in which we interact with customers and in the year saw continued strong use of alternative methods of communication, such as WebChat and use of our online customer portal 'My Account', providing customers with more flexibility. • Our CEO regularly listens in to live calls with customers to gain firsthand insight into customers' issues.

Strategic Report (continued)

For the Year Ended 31 March 2022

Section 172 (1) statement and our stakeholders (continued)

Stakeholders	Why are they important?	What is our approach to engaging with them?
Our People	Our People's commitment to serving our customers is essential for us to deliver on our vision to earn customers' trust and provide market leading levels of service.	<ul style="list-style-type: none"> Throughout the year, our people continued to work flexibly with a mix of office and home working, and this was supported by a continuous improvement in our communications software. In the coming year the Directors will continue to monitor the COVID-19 situation and frequently review our 'Living with COVID-19' policy to ensuring our people are central to key decision making. Through employee forums, internal communications and bi-weekly Business Updates, the Directors engage with our people on a wide range of matters In the current year we completed a business wide employee survey for the third time, the results of which form the basis for our people strategy for the coming year. We believe these methods of communication are effective in building and maintaining trust and communication with our employees, allowing for openness, honesty and transparency within our business. We are committed to recruiting, training and retaining the best talent we can find and are proud of the competitive benefits package we offer to all employees. Regular training opportunities are provided to all employees on a variety of topics through e-learning and external speakers / trainers, with sessions covering topics relevant to our people.
Wholesalers	We operate across a wide wholesaler base and it's vital we maintain strong working relationships and processes with wholesalers to provide the best service possible to our customers.	<ul style="list-style-type: none"> The Company recognises the important role played in our business by wholesalers and has a dedicated Wholesaler Management function to manage these relationships. Representatives of the Company are members of the Retailer Wholesaler Group ("RWG"). The RWG has representatives from retailers, wholesalers, Market Operator Services Limited ("MOSL"), CCW and Ofwat, and aims to tackle market wide issues and share good practice. The Company has invested in a new software solution SWIM-Pool to submit operational requests to Wholesalers via a central market hub. This solution ensures these requests are submitted in a timely and efficient manner.

Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2022

Section 172 (1) statement and our stakeholders (continued)

Stakeholders	Why are they important?	What is our approach to engaging with them?
Regulators	As a water retailer we are subject to regulations in both the English and Scottish markets we operate in.	<ul style="list-style-type: none"> • We maintain constructive and open relationships with our regulators, which is vital in these early stages of the water retail market. • The Company's Chief Executive Officer is a member of MOSL Board, acting as Non-Executive Director for Associated Retailers, and a member of the MOSL Strategic Panel. • A representative of the Company is a member of MOSL's Market Performance Committee ("MPC"). The purpose of the MPC is to provide oversight on Market Performance. • A representative of the Company is a member of MOSL's Disputes Committee. Its purpose is to determine the outcomes of various market disputes. • A representative of the Company is a member of MOSL's Code Change Committee. Its purpose is to recommend changes to the non-household retail market rules to support effective competition and bring about improved customer outcomes and sustainable customer benefit. • A representative of the Company is a member of MOSL's Digital and Data Committee which supports MOSL in its aims to enable the market to operate at a lower cost with greater speed and accuracy and by encouraging the effective use of a single source of accurate data by all stakeholders. • A representative of the Company is a member of MOSL's Metering Committee. Its purpose is to oversee and inform the areas of work on improving the metering arrangements set out in the market codes.
Shareholders	The shareholders of the Wave Group are the ultimate owners of the Company.	<ul style="list-style-type: none"> • Representatives of our Group shareholders are Board members and so are engaged regularly in our business decision making.

Strategic Report (continued)

For the Year Ended 31 March 2022

Section 172 (1) statement and our stakeholders (continued)

Stakeholders	Why are they important?	What is our approach to engaging with them?
Communities	We recognise the importance of doing our bit to help the community through fundraising, volunteering and promoting water sustainability.	<ul style="list-style-type: none">• During the year, representatives from the Company have attended conferences on climate emergency and water efficiency to promote water sustainability.• Despite fundraising and volunteering efforts again being limited this year, Wave continues to advocate key issues such as climate change, water scarcity and water quality with its social media presence.• In the coming year the Company has adopted a new volunteering policy, with all employees eligible for a paid day of volunteering leave in the year.

Our People

The Company engages with its employees in a number of ways. A bi-weekly Business Update is hosted by the Wave Leadership Team ("WLT") and other members of management. This is open to all employees, with a strong attendance rate. The session updates the wider business on the Company's performance and strategy alongside current topics of interest. For the second year this method of communication continued to be key in keeping all employees up to date with the impact of COVID-19 on our customers and people and was important in maintaining the Company's strong people-centric culture through this year of hybrid working. The Company also circulates the Wavelength Newsletter monthly, which includes an update from each directorate of the business.

The Company's focus on its people has again been rewarded in 2021/22 with awards from the UK Business Awards, This Can Happen Awards where the Company won HR / Diversity & Inclusion / Wellbeing Team of the Year, and a nomination at the Utility Week Awards.

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 they have a disability that may disadvantage them 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.

Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2022

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, how they impact the Company and how the Company mitigates against those risk is as follows;

Economic and financial performance risk – The Company faces many uncertainties within the market as a result of macroeconomic factors and the continuing impacts on the NHH market of COVID-19. Subsequent to the year end the UK economy has tipped into recession. Failure to deliver financial plans could impact on expected returns for the shareholders. Rolling monthly forecasts are maintained to monitor performance and these are reviewed regularly by the Board. Corrective action plans are discussed by the Board and implemented by management.

Reputational risk – Failure to deliver a positive customer experience or negative media coverage is likely to lead to loss of customer trust and confidence in our business. We regularly review customer complaints and our Trust Pilot score as part of our balanced scorecard of KPIs. Over recent years we continue to see reduced complaint numbers and actively work to prevent poor customer experiences through investment in quality processes, increasing communication methods for customers and finding new ways to enhance the digital experience we offer our customers.

Technology and data risk – The Company faces loss of key business systems due to a malicious attack or failure of cyber security. Software and hardware access controls are in place and we make use of additional web-based security. Regular mandatory training is undertaken by our employees to ensure user awareness against this type of attack.

Timely access to accurate data is key to ensuring our customers are billed correctly and debt collection is efficient. Data strategy is a key business focus and this is continuously reviewed to ensure best practice of our data storage and architecture and data management.

Regulation and compliance risk – The Company operates in a highly regulated environment and as such may experience unfavorable changes to the regulatory environment within the industry that may adversely impact on the balance of risk and return or ability to operate. We continue to engage with Ofwat on its strategic objectives and play an active part in industry panels, committees and working groups.

To ensure we are compliant with any changes in tax legislation we seek external professional tax advice. To ensure there are no breaches of Data Protection Act 2018 or the General Data Protection Regulation we ensure all employees undertake mandatory training and include data breaches within the Company's balanced scorecard of KPIs.

Health and safety risk – A large majority of our people continue to work remotely as part of our 'Living with COVID-19' policy. Despite this, we encourage our employees to report all near misses so that we can learn and further develop the policies and procedures we have in place to ensure our employees are working in a safe environment. The Company is ISO 45001 Health and Safety Management System accredited and is regularly audited. We work with reputational third party firms when performing work offsite and provide our partners with clear guidelines of our health and safety policies and assess their performance against these standards.

Strategic Report (continued)

For the Year Ended 31 March 2022

Financial risk management objectives and policies

The Directors have considered the Company's exposures to financial risk. As the Company operates wholly within the United Kingdom the Directors do not believe it is materially exposed to foreign currency risk. The principal finance risks facing the Company and its associated risk management policies are:

- **Interest rate risk** - The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest rate risk arises from its interest-bearing liabilities, which are comprised of shareholder loans, bank loans and the receivables financing facility. Many of the Company's interest-bearing liabilities are linked to SONIA and the Bank of England base rate and movements in these rates are not expected to materially impact the Company. Work is ongoing to update shareholder agreements to reflect the phasing out of LIBOR, with other agreements already reflecting the transition.
- **Credit risk** - There are no significant concentrations of credit risk within the Company other than the geographical concentrations of customers acquired from its shareholders. Customer specific credit risk is assessed by management using external credit risk assessment tools, and the Company adheres to strict policies to ensure sales of products and services are made to customers with an appropriate credit history. Management's assessment of the maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date. COVID-19 has had a significant impact on many customers' ability to pay their bills in year and this has been considered when calculating the provision included against doubtful debts, which is disclosed in note 16 and has been calculated as set out in note 2.15.
- **Liquidity risk** - Drawdown against the funding facilities held by the Company is managed to ensure the Company has sufficient funding to settle its liabilities as they fall due. Drawdowns are included in net debt figures reviewed by management and stakeholders. Regular detailed cash flow forecasts are reviewed by management to ensure sufficient liquidity within the Company. The risk of funding being withdrawn from the Company is minimal and this has been considered in management's assessment of going concern.

Future developments

Going forward, the Company will continue to focus on supporting its customers during the post pandemic period, providing them with market leading customer service and flexible payment plans. We expect the market outlook to remain challenging due to the increase in business closures seen in the year, and as customers' liquidity continues to be impacted by the current economic climate, with the UK economy tipping into recession following the year end. The Directors continue to monitor energy prices and wider macroeconomic conditions. No significant events have arisen as a result of the current economic climate. We also remain focused on continuing to provide a safe working environment for our people and a flexible approach to working.

Directors' assessment of going concern

As at 31 March 2022, the Company had net current assets of £72.4m (2021: £72.8m) and net assets of £50.9m (2021: £52.6). The significant loss in the year is driven by the reduced consumption seen across the portfolio, with in year gross margins not sufficient to cover the overhead cost base.

The Directors have reviewed trading forecasts and cash flow requirements, including reasonably possible changes in trading performance in light of continuing impacts of COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. Furthermore, the Company has received confirmation from its shareholders repayment of any shareholder funding will not be sought in the next 12 months together with other confirmations to support the going concern assessment. 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.


Anglian Water Business (National) Limited

Strategic Report (continued)

For the Year Ended 31 March 2022

The Directors' have considered the impact on the business of the United Kingdom leaving the European Union in the year, 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
29 September 2022

Anglian Water Business (National) Limited

Directors' Report

For the Year Ended 31 March 2022

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

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 (resigned 8 October 2021)

NJ Watson

WP Young

K Main

N Corfield

RWP Somerville (appointed 14 October 2021)

Indemnification of Directors

The Company had Directors' and Officers' insurance in place for the year to 31 March 2022. This insurance policy indemnifies the Directors and Officers of the Company, its parent and fellow subsidiary 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. The Company has also provided an indemnity for its directors which is a qualifying third-party indemnity provision for the purpose of s234 (2-6) Companies Act 2006.

Results and dividends

The Company's financial results are summarised in the Strategic Report. No dividends were paid or proposed in the current year (2021: £nil) and the Directors do not recommend a final dividend for the year (2021: £nil).

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

Please refer to the Strategic Report.

Policy for disabled employees and employee engagement

Please refer to the Strategic Report.

Engagement with suppliers, customers and others

Please refer to the Strategic Report.

Energy and carbon reporting

The Company's Greenhouse Gas ("GHG") emissions and energy usage are reported under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage data for period 1 April 2021 to 31 March 2022	
Emissions from combustion of gas (tonnes of CO ₂ e)	41.18
Emissions from electricity purchased for own use, including for the purposes of transport (tonnes of CO ₂ e)	23.83
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tonnes of CO ₂ e)	6.93
Total gross CO₂e based on above	71.94
Energy consumption used to calculate emissions (gas) – m ³	20,371
Energy consumption used to calculate emissions (electric) - kwh	90,656

Anglian Water Business (National) Limited

Directors' Report (continued)

For the Year Ended 31 March 2022

Energy and carbon reporting (continued)

The Company's main emissions are produced through electricity and gas usage within our offices. Our property strategy moving forward will include built in energy efficient decisions points. The business continues to adopt a flexible hybrid working model which is expected to influence the Company's carbon footprint going forward.

In the current year, the Company has developed a strategic plan to become net-zero carbon. An environmental working group has been launched to share good practice and develop initiatives around carbon neutrality both within the Company's operation and employee's homes, with the support of a corporate giving and volunteering platform.

The Company recognises the importance of water efficiency savings across customer operations and has developed a number of offerings for customers to help them better understand their water consumption.

Post balance sheet event

The Directors have considered potential post balance sheet events within its reporting and after the balance sheet date and conclude there were no events subsequent to the balance sheet date that require adjusting in these financial statements.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Auditor

Pursuant to s487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as the Company's auditor 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 20 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.

Directors' 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".

Directors' Report (continued)

For the Year Ended 31 March 2022

Directors' responsibilities statement (continued)

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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



S Hazon
Director
29 September 2022

Anglian Water Business (National) Limited

Independent Auditor's Report

For the Year Ended 31 March 2022

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 2022 and of its loss 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 27.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

Independent Auditor's Report (continued)

For the Year Ended 31 March 2022

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

Other information (continued)

misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the 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.

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 framework 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 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the relevant provisions of the Water Industry Act 1991.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report (continued)

For the Year Ended 31 March 2022

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

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

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

- **Accrued revenue:** we have tested the design and implementation of the key control that mitigates the risk and independently recalculated the accrued revenue recorded for a sample of customers using the latest billing information available.
- **Provision for doubtful debts:** we have tested the design and implementation of the key control that mitigates the risk, assessed and challenged the judgements made by management for reasonableness, assessed cash collection post year end on a sample basis and looked to identify significant deterioration or improvement in the collection history.

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

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 Directors' Report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Anglian Water Business (National) Limited

Independent Auditor's Report (continued)

For the Year Ended 31 March 2022

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

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.

A handwritten signature in black ink, reading "Anthony Matthews", with a horizontal line underneath.

Anthony Matthews FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 September 2022

Anglian Water Business (National) Limited

Statement of Comprehensive Income

For the Year Ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	4	370,559	391,035
Cost of sales		(352,911)	(366,194)
Gross profit		17,648	24,841
Administrative expenses		(21,941)	(31,951)
Exceptional items	12	4,375	-
Total administrative expenses including exceptional items		(17,566)	(31,951)
Operating profit/loss	5	82	(7,110)
Interest receivable and similar income	9	193	121
Interest payable and expenses	10	(2,357)	(2,464)
Loss before tax		(2,082)	(9,453)
Tax on loss	11	336	1,257
Loss for the financial year		(1,746)	(8,196)

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income; accordingly, no separate statement of other comprehensive income has been presented. Revenue and operating loss are all derived from continuing operations.

Anglian Water Business (National) Limited

Statement of Financial Position

As at 31 March 2022

	Note	2022 £000	2021 £000
Non-current assets			
Intangible assets	13	10,932	13,073
Tangible assets	14	313	404
Right of use assets	15	266	374
Deferred tax	21	2,922	3,270
Debtors amounts falling due in more than one year	16	23,590	18,366
		<u>38,023</u>	<u>35,487</u>
Current assets			
Debtors amounts falling due within one year	16	149,489	150,609
Cash at bank and in hand	17	247	5,583
		<u>149,736</u>	<u>156,192</u>
Current liabilities			
Creditors amounts falling due within one year	18	(46,046)	(49,316)
Loans and borrowings falling due within one year	19	(31,274)	(34,088)
		<u>(77,320)</u>	<u>(83,404)</u>
Net current assets		<u>72,416</u>	<u>72,788</u>
Total assets less current liabilities		<u>110,439</u>	<u>108,275</u>
Non-current liabilities			
Creditors amounts falling due after more than one year	18	(184)	(274)
Loans and borrowings due after more than one year	19	(59,362)	(55,362)
		<u>(59,546)</u>	<u>(55,636)</u>
Net assets		<u><u>50,893</u></u>	<u><u>52,639</u></u>
Capital and reserves			
Called up share capital	23	73,803	73,803
Share premium account	24	8	8
Retained earnings	24	(22,918)	(21,172)
		<u><u>50,893</u></u>	<u><u>52,639</u></u>

The financial statements of Anglian Water Business (National) Limited (registered number 03017251) were approved by the Board of Directors and authorised for issue on 29 September 2022. They were signed on its behalf by:



S Hazon

Director

Notes 1 to 27 form part of these financial statements.

Anglian Water Business (National) Limited

Statement of Changes in Equity

For the Year Ended 31 March 2022

Statement of Changes in Equity For the Year Ended 31 March 2022

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2021	73,803	8	(21,172)	52,639
Comprehensive expense for the year				
Loss for the year and total other comprehensive expense	-	-	(1,746)	(1,746)
Total comprehensive expense for the year	-	-	(1,746)	(1,746)
At 31 March 2022	73,803	8	(22,918)	50,893

Statement of Changes in Equity For the Year Ended 31 March 2021

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
At 1 April 2020	73,803	8	(12,974)	60,837
Adoption of IFRS 16 inclusive of associated tax impact	-	-	(2)	(2)
At 1 April 2020 (restated)	73,803	8	(12,976)	60,835
Comprehensive expense for the year				
Loss for the year and total other comprehensive expense	-	-	(8,196)	(8,196)
Total comprehensive expense for the year	-	-	(8,196)	(8,196)
At 31 March 2021	73,803	8	(21,172)	52,639

Notes to the Financial Statements

For the Year Ended 31 March 2022

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 26. The registered office of the parent company preparing consolidated financial statements is stated in note 26.

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's 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. Equivalent disclosures are made in the consolidated financial statements of Wave Ltd, the Company's immediate parent, copies of which are available from Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

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

In the current year the Company has considered the amendments to IFRS 16 'Leases' in relation to COVID-19 rent concessions, which is effective for any annual period beginning on or after 1 June 2020. These changes do not materially impact the Company.

The Company has also considered the amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 in relation to interest rate benchmark reform. These changes do not materially impact the Company.

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 17) and several amendments to existing standards in issue but not yet effective. IFRS 17 is not expected to have a significant effect on the financial statements of the Company.

Notes to the Financial Statements

For the Year Ended 31 March 2022

2. Significant Accounting policies (continued)

2.3 Going concern

As at 31 March 2021, the Company had net current assets of £72.4m (2021: £72.8m) and net assets of £50.9m (2021: £52.6m). The Directors have reviewed trading forecasts and cash flow requirements, including reasonably possible changes in trading performance in light of the continuing impacts of COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. Furthermore, the Company has received confirmation from its shareholders repayment of any shareholder funding will not be sought in the next 12 months together with other confirmations to support the going concern assessment. 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.

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 arises solely within the United Kingdom.

Revenue is charged based on usage, with usage being determined by data held by the market operator. The application of IFRS 15 on 1 April 2018 does not impact recognition of this income.

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. The exception to this is where properties are unoccupied and, in these cases, income is not recognised.

2.5 Leases

Lease costs are recognised under IFRS 16 'Leases', which was previously adopted using the modified retrospective approach.

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of the physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the assets throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to all contracts entered into, or changed, on or after 1 January 2019. This policy has also been applied retrospectively to all contracts entered into before 1 January 2019.

Notes to the Financial Statements

For the Year Ended 31 March 2022

2. Significant Accounting policies (continued)

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. Any amounts outstanding at a period end are held recognised within creditors.

2.7 Exceptional items

Exceptional items derive from events or transactions which are significant by virtue of their size or incidence, and in order to provide a proper understanding of the Company's financial performance are disclosed separately. These items include, but are not limited to, impairment charges, reorganisation costs, additional bad debt charges arising on unprecedented market events (e.g. COVID-19) and profits or losses on disposal of business assets and other one-off items which meet this definition.

2.8 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.

2.9 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.

2.10 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 temporary 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.

Notes to the Financial Statements

For the Year Ended 31 March 2022

2. Significant 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 and is charged to the statement of comprehensive income through administrative expenses. 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 Right of use assets

The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as 12 months or less) and leases of low value assets. For these leases the Company recognises lease payments as operating expenses on a straight-line basis over the term of the lease. The lease liability is initially measured at the present value of lease payments not paid at the lease commencement date, discounted using the rate implicit in the lease. If not readily available, the Company uses its incremental borrowing rate.

Right of use assets are depreciated over the term of the lease and are presented as a separate line in the statement of financial position. Depreciation is charged to the statement of comprehensive income through administrative expenses.

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

Property	5 years / 10 years
Motor vehicles	3 years

2.13 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. Depreciation is charged to the statement of comprehensive income through administrative expenses.

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

Notes to the Financial Statements

For the Year Ended 31 March 2022

2. Significant Accounting policies (continued)

2.14 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.

2.15 Trade and other receivables

Short term debtors are measured at transaction price, less expected credit losses. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. An estimate for expected credit losses is made from the date the receivable is recognised at a low probability. As debt ages, a higher estimate of expected credit losses is recognised. This estimate is based on historical experience of recoverability and an assessment of general economic conditions, particularly around expected business insolvency rates.

2.16 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.

2.17 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.

2.18 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, such as 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.

Notes to the Financial Statements

For the Year Ended 31 March 2022

2. Significant Accounting policies (continued)

2.18 Financial instruments

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 and is therefore inclusive of expected credit losses. This 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.

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.

Estimate: Unbilled revenue

The Company 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 £0.8m.

Notes to the Financial Statements

For the Year Ended 31 March 2022

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 year 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 or prepayment for the relevant amount.

The Company also utilises information available in the market, but not yet included in settlement reports, to form an estimate of the impact of this data on future bills. The Company recognises additional accruals or prepayments for the relevant amounts where this data indicates an expected future charge or refund.

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 and in the current year, based on an expectation of increased bad debts in relation to COVID-19 formed using the most recent data available. The amount recovered from these debtors in the future could differ from the estimated recovery, which in turn would impact operating results. The amount of the provision applied is outlined in note 16.

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 £0.2m.

4. Turnover

Analysis of turnover by category:

	2022	2021
	£000	£000
Water	182,984	207,379
Sewerage	148,220	140,114
Trade Effluent	35,574	37,501
Other	3,781	6,041
	<u>370,559</u>	<u>391,035</u>

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

Notes to the Financial Statements

For the Year Ended 31 March 2022

5. Operating loss

Operating loss is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets (see note 14)	137	161
Depreciation of right of use assets (see note 15)	108	150
Amortisation of software (included within administrative expenses) (see note 13)	1,124	1,110
Amortisation of customer contracts (included within administrative expenses) (see note 13)	1,193	1,193
Staff Costs (see note 8)	11,719	11,613

6. Auditor's remuneration

Fees payable to the group's auditor:

	2022 £000	2021 £000
Audit of the Company's financial statements	130	106
Total Audit services	130	106
Assurance services	13	12
Total non-audit services	13	12
	143	118

7. Directors' emoluments

(a) Directors' remuneration

Remuneration paid by the Company to the Directors during the year:

	2022 £000	2021 £000
Directors' remuneration	827	655
Company contributions to money purchase pension plans	33	18
	860	673

Pension contribution paid in the year relates to 3 Directors (2021: 4).

(b) Highest paid Director

The value of remuneration shown in note 7(a) include the following amounts in respect of the highest paid director:

	2021 £000	2021 £000
Director's remuneration	394	400
Company contributions to money purchase pension plans	5	4
	399	404

As at 31 March 2022 there were outstanding contributions of £1k (2021: £1k) to the Company's defined contribution pension scheme in relation to the highest paid director.

Anglian Water Business (National) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2022

8. Employees

	2022	2021
	£000	£000
Wages and salaries	10,079	9,998
Social security costs	954	942
Cost of defined contribution pension scheme	686	673
	<u>11,719</u>	<u>11,613</u>

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

	2022	2021
	No.	No.
Administration and support	<u>285</u>	<u>275</u>

9. Interest receivable and similar income

	2022	2021
	£000	£000
Interest income on financial assets	193	121
	<u>193</u>	<u>121</u>

10. Interest payable and similar charges

	2022	2021
	£000	£000
Interest payable on bank overdrafts and loans	893	734
Interest payable on loans from shareholders	1,451	1,361
Interest payable on leased assets	-	19
Other interest payable	13	350
	<u>2,357</u>	<u>2,464</u>

11. Taxation

	2022	2021
	£000	£000
Corporation tax		
Group relief payable on losses claimed for the year	(145)	(116)
Adjustments in respect of previous years – Current tax	-	-
Adjustments in respect of previous years – Group relief	(539)	(402)
Total current tax	<u>(684)</u>	<u>(518)</u>

Deferred tax

Opening restatement due to rate change	(1,031)	-
Origination and reversal of temporary differences		
- Derecognition of deferred tax assets	322	-
- Other timing differences	354	(1,130)
Adjustments in respect of previous years	703	391
Total deferred tax	<u>348</u>	<u>(739)</u>

Taxation on loss

	<u>(336)</u>	<u>(1,257)</u>
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Notes to the Financial Statements

For the Year Ended 31 March 2022

11. Taxation (continued)

Factors affecting tax credit for the year

The rate of UK corporation tax for the current year was 19%. Finance Act 2021 provides that the rate will be increased to 25% with effect from 1 April 2023. As the new rate had been enacted by the balance sheet date, the rate change has been taken into account for the Company's financial statements at 31 March 2022. In particular, deferred tax has been restated to reflect the future reversal of temporary differences at the higher rate.

Factors affecting future tax credits

However, in the September 2022 'mini-budget' it was announced that the increase to 25% would not now occur and the corporation tax rate would remain at 19%. This rate had not been substantively enacted at the balance sheet date and, as a result, the deferred tax balance as at 31 March 2022 continues to be measured taking into account the 25% rate noted above. However, the estimated impact of the cancellation of the corporation tax rate increase would be to reduce the deferred tax asset by £432,000.

	2022 £000	2021 £000
Loss before tax	(2,082)	(9,453)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(395)	(1,796)
Effects of:		
Expenses not deductible for tax purposes	238	238
IFRS 16 transitional relief	(2)	(2)
Deferred tax opening restatement	(1,031)	-
Deferred tax derecognised	341	314
Deferred tax movement not at average rate for year	(5)	-
Deferred tax reversing in next twelve months at less than 25%	354	-
Adjustments to tax charge in respect of prior periods	164	(11)
Transfer pricing adjustment	(145)	(116)
Transfer pricing balancing payment	145	116
Total tax credit for the year	(336)	(1,257)

Notes to the Financial Statements

For the Year Ended 31 March 2022

12. Exceptional items

	2022 £000	2021 £000
Exceptional items	(4,375)	-
	<u>(4,375)</u>	<u>-</u>

Exceptional items are presented as such by virtue of their nature and / or size, and in accordance with the Company's detailed accounting policy in respect of exceptional items classification, as set out in note 2. They are not indicative of the Company's underlying trade and separate disclosure of these items is relevant to the understanding of the Company's financial performance.

Exceptional items in the year are the release of the bad debt provision deemed to be the over provision relating to COVID-19. A further credit to the P&L relating to bad debt can be seen within administrative costs, with this element relating to an improvement in underlying operational performance.

13. Intangible fixed assets

	Customer Contracts £000	Computer Software £000	Total £000
Cost			
At 1 April 2021	12,107	8,415	20,522
Additions	-	176	176
At 31 March 2022	<u>12,107</u>	<u>8,591</u>	<u>20,698</u>
Amortisation			
At 1 April 2021	(3,746)	(3,703)	(7,449)
Charge for the year	(1,193)	(1,124)	(2,317)
At 31 March 2022	<u>(4,939)</u>	<u>(4,827)</u>	<u>(9,766)</u>
Net book value			
At 31 March 2022	<u>7,168</u>	<u>3,764</u>	<u>10,932</u>
At 31 March 2021	<u>8,361</u>	<u>4,712</u>	<u>13,073</u>

Notes to the Financial Statements

For the Year Ended 31 March 2022

14. Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2021	242	419	562	1,223
Additions	4	5	37	46
At 31 March 2022	<u>246</u>	<u>424</u>	<u>599</u>	<u>1,269</u>
Depreciation				
At 1 April 2021	(229)	(230)	(360)	(819)
Charge for period on owned assets	(14)	(53)	(70)	(137)
At 31 March 2022	<u>(243)</u>	<u>(283)</u>	<u>(430)</u>	<u>(956)</u>
Net book value				
At 31 March 2022	<u>3</u>	<u>141</u>	<u>169</u>	<u>313</u>
At 31 March 2021	<u>13</u>	<u>189</u>	<u>202</u>	<u>404</u>

15. Right of use assets

	Property £000	Motor vehicles £000	Total £000
Cost or valuation			
At 1 April 2021	1,114	199	1,313
At 31 March 2022	<u>1,114</u>	<u>199</u>	<u>1,313</u>
Depreciation			
At 1 April 2021	(742)	(197)	(939)
Charge for the year	(106)	(2)	(108)
At 31 March 2022	<u>(848)</u>	<u>(199)</u>	<u>(1,047)</u>
Net book value			
At 31 March 2022	<u>266</u>	<u>0</u>	<u>266</u>
At 31 March 2021	<u>372</u>	<u>2</u>	<u>374</u>

Anglian Water Business (National) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2022

16. Trade and other receivables

Amounts falling due within one year	2022	2021
	£000	£000
Trade debtors	61,128	81,901
Less doubtful debt provision	(23,774)	(33,300)
Net trade receivables	<u>37,354</u>	<u>48,601</u>
Amounts owed by parent undertaking	785	639
Corporation Tax Recoverable	537	-
Other debtors	2,766	2,549
Prepayments	24,030	6,231
Accrued income	84,017	92,589
	<u>149,489</u>	<u>150,609</u>

Amounts falling due in more than one year	2022	2021
	£000	£000
Amounts owed by parent undertaking	23,590	18,366
	<u>23,590</u>	<u>18,366</u>

Amounts falling due within one year owed by parent undertakings carry no interest, are unsecured and are repayable on demand. Amounts falling due in more than one year owed by parent undertakings carry no interest, are unsecured and are repayable in 2023.

Doubtful debts provision

Movement on the doubtful debts provision were as follows:

	£000
At 1 April 2021	33,300
Debts written off	(1,804)
Release of provision for bad and doubtful debts	(7,722)
At 31 March 2022	<u>23,774</u>

17. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	247	5,583
	<u>247</u>	<u>5,583</u>

Anglian Water Business (National) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2022

18. Creditors

Amounts falling due within one year	2022	2021
	£000	£000
Trade creditors	4,412	15,716
Taxation and social security	245	231
Amounts owed to associated undertakings	518	620
Other creditors	1,385	1,255
Accruals	37,162	30,267
Deferred income	2,224	1,114
Lease creditors	100	113
	46,046	49,316
Amounts falling due in more than one year	2022	2021
	£000	£000
Lease creditors	184	274
	184	274

Amounts included in lease creditors reflect the liabilities associated with all leases to which the Company has committed.

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 20.

19. Loans and borrowings

	2022	2021
	£000	£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	2,659
Loan from AVHL	15,000	13,000
Loan from NWGL	25,000	23,000
	59,362	55,362
Amounts falling due within one year		
Receivables financing facility	16,274	19,088
Coronavirus Large Business Interruption Scheme ("CLBILS") Term Loan	-	15,000
Coronavirus Large Business Interruption Scheme ("CLBILS") RCF A Loan	15,000	-
	31,274	34,088

Anglian Water Business (National) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2022

19. Loans and borrowings (continued)

	Currency	Nominal interest rate	Year of maturity	Face value and carrying amount 31 March 2022 £000	Face value and carrying amount 31 March 2021 £000
Non-current liabilities					
Loan from AVHL	GBP	LIBOR +2.75%	n/a	16,703	16,703
Loan from NWGL	GBP	LIBOR +2.75%	n/a	2,659	2,659
Loan from AVHL	GBP	SONIA + CAS +2.75%	2023	15,000	13,000
Loan from NWGL	GBP	SONIA + CAS +2.75%	2023	25,000	23,000
Non-current assets					
Loan to Wave Ltd	GBP	Nil	2023	(23,590)	(18,366)
Current liabilities					
Receivables financing facility	GBP	SONIA + CAS +1.25%	2022	16,274	19,088
CLBILS Term Loan	GBP	Base Rate + 1.86%	2022	-	15,000
CLBILS RCF A	GBP	SONIA + CAS +1.09%	2022	15,000	-
				67,046	71,084

The Company's receivables financing facility is secured on elements of the Company's overall trade receivables outstanding at 31 March 2022.

20. Financial instruments

Categories of financial instruments held at fair value:

	2022 £000	2021 £000
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents (see note 17)	247	5,583
Trade and other receivables (see note 16)	173,079	168,975
	173,326	174,558
Financial liabilities measured at amortised cost:		
Shareholder long term loans (see note 19)	59,362	55,362
Receivables financing facility (see note 19)	16,274	19,088
CLBILS Term Loan (see note 19)	-	15,000
CLBILS RCF A Loan (see note 19)	15,000	-
	90,636	89,450

Anglian Water Business (National) Limited

Notes to the Financial Statements

For the Year Ended 31 March 2022

21. Deferred taxation

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

	Accelerated tax	Corporate interest restriction	Provisions	Tax losses	Total
	£000	£000	£000	£000	£000
At 1 April 2021	68	-	101	3,101	3,270
Restatement following rate change	20	-	32	979	1,031
Restatement following rate change in equity	2	-	-	-	2
Credited/(charged) in the income statement	55	-	(75)	(1,359)	(1,379)
Credited in changes to equity	(2)	-	-	-	(2)
At 31 March 2022	143	-	58	2,721	2,922

A deferred tax asset has been recognised to the extent that it is expected to be recovered against forecast future profits of the Company. The company may in future obtain deductions for interest of £5,245,000 which has been disallowed under the corporate interest restriction rules. Due to the current uncertainty regarding its recovery, no deferred tax asset has been recognised.

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 £686k (2021: £673k). As at 31 March 2022 there were outstanding contributions of £93k (2021: £86k) included within other creditors.

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 2021	738,030,700	73,803
Issued in the year	-	-
At 31 March 2022	738,030,700	73,803

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.

Notes to the Financial Statements

For the Year Ended 31 March 2022

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 FRS 101 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 payable	Amount owed to related party	Trading charges
	£000	£000	£000
Year ending 31 March 2022			
NWGL	82	27,756	-
AVHL	436	32,255	-
NWL	-	(128)	113,981
AWSL	-	(47)	170,647
Year ending 31 March 2021			
NWGL	99	25,659	-
AVHL	522	29,703	-
NWL	-	(624)	119,222
AWSL	-	14,420	182,578

26. Ultimate parent undertaking and Controlling party

The Directors consider that Wave Ltd, the immediate 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 Ltd, 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 these companies to be joint controlling parties.

27. Post balance sheet event

The Directors have considered post balance sheet events within its reporting and after the balance sheet date and conclude there were no events subsequent to the balance sheet date that require adjusting in these financial statements.