Annual Report and Financial Statements

Wave Ltd

For the Year Ended 31 March 2021

Registered number: 06492265

Contents

Company Information

Director	RA Boucher A Donnelly S Hazon M Parker NJ Watson WP Young
Registered number	06492265
Registered office	Northumbria House Abbey Road Pity Me Durham United Kingdom DH1 5FJ
Independent auditor	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom

The Directors of Wave Ltd ("Wave" or "the Company") are pleased to present their Strategic Report on the affairs of the Group (the Company and its subsidiaries - Anglian Water Business (National) Limited ("AWBN") and NWG Business Limited ("NWGB")), along with their Directors' Report, the independent auditor's report and the audited financial statements for the year ended 31 March 2021.

Principal activity

The principal activities of the Group 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 Group 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 are significantly impacted by the COVID-19 pandemic and are therefore not comparable with the performance of the prior year. The Group's customers have experienced enforced business closures and reduced operations leading to much lower consumption across large areas of the portfolio.

In the immediate aftermath of the announcement of the first lockdown in March 2020, the Group focused on fully mobilising its workforce under lockdown conditions and was able to have 95% of employees able to fully perform their duties within 3 weeks. This allowed the business to provide a high level of support to customers during this very difficult period, and also protected the Group's ability to perform its duties.

In the early part of the year the Group and its customers benefitted from changes to market codes implemented by Ofwat to provide relief to retailers and consumers. The Group was able to utilise a scheme to defer payment of an element of wholesale charges during the early stage of the COVID-19 pandemic, although consistently made payments covering over 80% of its wholesale payments and was able to clear all deferred balances by 30 September 2020 on receipt of government backed funding via the Coronavirus Large Business Interruption Loan Scheme ("CLBILS").

The Group also utilised the market code change enabling retailers to use the temporary vacant flag within the Central Market Operator System ("CMOS") so charges would not accrue for premises that had closed due to COVID-19 in England. This was originally for a period of 3 months and was later extended to 31 July 2020. Due to the interaction of the Velocity billing system with the market, the Group were able to act quickly and suspend wholesale charges for impacted premises from 1 April 2020. In turn, billing was also suspended for these customers, providing immediate relief to customers experiencing financial struggles. Billing and cash collections recommenced on removal of the temporary vacant flag from 1 August 2020 or where customers were identified as reopening earlier.

Debt collection activity was severely restricted from late March 2020 through to July 2020 due to changes to the Consumer Protection Code of Practice ("CPCOP") which prevented escalation and disconnections for non-payment during the pandemic. Debt collection activity recommenced in August 2020 with the Group offering COVID-19 repayment schemes to support customers struggling financially. For those customers not impacted by the pandemic third party debt collection agencies were re-engaged and the Group continued to escalate customers to disconnection for non-payment, as in the prior year. A significant reduction in debtors has been achieved through these methods and with 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.

Business review and Key Performance Indicators (continued)

Additional funding was secured in September 2020 through CLBILS. This comprised of a £15m term loan due for full repayment by March 2022 and two revolving credit facilities totaling £20m with repayment dates of August 2022 (£15m) and June 2023 (£5m) respectively.

As a result of COVID-19 new business activity was suspended during the year leading to a strategic review of our sales and bid management organisational structure.

Switching continues in the market albeit at a more subdued level than pre-pandemic. The Group's reduction in supply points this year was 7.2% (2020: 0.4%), however this measure is skewed by the transfer of the Scottish Procurement contract from 1 April 2020 where the Group's bid was qualified with restrictions to mitigate the impact of proposed changed in Scotland's regulatory environment, which would otherwise have required an unsustainable level of working capital investment to retain this contract. The Group'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 term supply points represents the number of supply points ("SPIDs") where we are the retailer in England and Scotland. Excluding the loss of this contract, the retention rate, being the percentage of SPIDs where we remain the retailer after 12 months, has increased to 97.5% from 95.6%.

During the year the Company has continued to see good improvements in the level of service provided to customers. Complaints have decreased from 41.1 per 10,000 SPIDs to 32.7 in a time when complaints increased across the retailer market to 53.8 per 10,000 SPIDs, partly driven by COVID-19, showing Wave's continued commitment to being a market leading retailer. Pleasingly, complaints escalated to the Consumer Council for Water ("CCW") have decreased from 11.1 per 10,000 SPIDs to 6, well below the market average of 9.7 per 10,000 SPIDs.

In recognition of Wave's response to the challenging year for the Group, its people and its customers, Wave was announced as winner of the UK Water Retailer of the Year award at The Water Industry Awards, in the weeks following the year end.

In the year Wave instigated a NHH market review with nine other retailers, engaging an external consultant to perform the review independently. The review highlighted improvements needed in the market and conducted stakeholder engagement activities with Ofwat, the market regulator, Defra, wholesalers and self-suppliers. The results of the study are expected to inform future changes in the NHH market.

Group revenue for the year ended 31 March 2021 was £391.0m (2020: £556.7m). This reflects lengthy periods of business closure for many of our customers due to COVID-19 and the loss of the Scottish Procurement contact mentioned above. Portfolio gross margin, being the element of charges retained by the retailer after settlement of wholesale costs, was 6.4% (2020: 5.9%).

Operating costs before exceptional items (cost of sales and administrative expenses) totaled £399.0m (2020: £555.7m) giving an operating loss before exceptional items of £8.0m (2020: profit of £1.0m). Exceptional items totaled nil (2020: £16.1m and primarily relate to additional bad debt costs associated with COVID-19), although included within operating costs is an additional £6.6m in bad debt costs over and above Wave's historic levels due to the ongoing COVID-19 pandemic.

Net interest payable was £4.3m (2020: £4.0m), giving the Group a loss before taxation for the year ended 31 March 2021 of £12.3m (2020: £19.0m).

Business review and Key Performance Indicators (continued)

Wave uses a balanced scorecard of Key Performance Indicators (KPIs) to monitor and track performance. The key measures as at 31 March 2021 are outlined below:

	Units	31 March 2021	31 March 2020
Supply points	'000	427	460
Retention rate	%	97.5	95.6
Portfolio gross margin	%	6.4	5.9
Complaints	no./10,000 customers	32.7	41.1

Section 172 (1) statement and our stakeholders

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

Our Board considers it crucial that Wave 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 Group 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 Group 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;

- In late March 2020 we took the decision to mobilise a 100% home workforce, not taking advantage of the government's Coronavirus Job Retention Scheme. This was to ensure the Company could provide the required level of support to customers during the pandemic and to operationalise the short-term reliefs for customers granted by Ofwat.

- During the first half of the year the Board considered the impact of COVID-19 on cashflows and began negotiations with Natwest to secure government backed funding through the CLBILS. Additional funding of £35m was secured in September 2020 in the form of a £15m term loan and £20m revolving credit facility. This funding has provided the Company with sufficient headroom to continue to deliver a quality level of service to customers and through this difficult period.

- In October 2020 we announced restructuring as a result of reduced sales activity during the COVID-19 pandemic. The impact on our people was carefully considered both before the announcement and during the consultation process, as set out in the business review section.

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

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	• 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 Board continues to monitor the ways in which we interact with customers and in the current year saw increases in alternative methods of communication, such as WebChat and use of our online customer portal 'My Account', providing customers with more flexibility during this year of uncertainty. • Our CEO regularly listens in to live calls with customers to gain firsthand insight into customers' issues.
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.	• Throughout the year our people have worked entirely from home and have been supported through this by the rollout of new communications software and promotion of flexible working. • 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 second time, which saw improved results. These results form the basis for our people strategy for the coming year. • In the coming year the Directors will also be considering the best approach to retuning to our offices and ways of blended working, involving our people in key decision making. • 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, such as our Lunch and Learn and 'audience with' sessions covering topics relevant to our people.

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

Stakeholders	Why are they important?	What is our approach to engaging with them?
Wholesalers	We operate across a wide wholesaler base and it's vital we build strong working relationships and process with wholesalers to provide the best service possible to our customers.	• The Group recognises the important role played in our business by wholesalers and has a dedicated Wholesaler Management function to manage these relationships • Representative of the Group 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.
Shareholders	The shareholders of the Wave Group are the ultimate owners of the Company.	• Representatives of our Group shareholders are Board members and so are engaged regularly in our business decision making.
Communities	We recognise the importance of doing our bit to help the community through fundraising, volunteering and promoting water sustainability.	• 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 being limited this year, Wave continues to advocate key issues such as mental health awareness and climate change, water scarcity and water quality with its active social media presence.
Regulators	As a water retailer the Group is subject to regulations in both the English and Scottish markets we operate in.	• We maintain constructive and open relationships with our regulators, which is vital in these early stages of the water retail market. • The Group's Chief Executive Officer is a member of MOSL Board, acting as Non-Executive Director for Associated Retailers. • A representative of the Group is a member of the MOSL Panel. The purpose of this panel is to oversee the operation and evolution of the water retail market. • A representative of the Group 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 Group is a member of the Central Markets Agency ("CMA") Board. The Board ensures that the CMA fulfils its duties under the Market Code in Scotland.

Our People

Wave 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 Wave's performance and strategy alongside current topics of interest. In the current year this method of communication was 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 Wave's strong people-centric culture through this year of remote working. The Group also circulates the Wavelength Newsletter monthly, which includes an update from each section of the business.

Wave's focus on its people has been rewarded in 2021 with awards from the UK Employee Experience Awards and UK Business Awards where Wave was given a Gold Award for its COVID-19 Project Team in the Team of the Year category.

Wave has a committee of elected employee representatives who are informed of any proposals of formal changes affecting employees. In the current year this committee played a key part in a restructuring exercise, providing a link between management and colleagues impacted. Feedback from this committee was reviewed and considered by management regularly during the process and was vital in ensuring positive outcomes for the Group and its employees.

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

Wave 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 Wave to allow for reasonable adjustments to be made. Wave has an early intervention medical service to facilitate the diagnosis and treatment of any employee with a disability. This enables Wave to make any reasonable adjustments, add in specialist training and offer other support to help keep that employee in work and supported. Wave 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 the Group. 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 Group identifies and assesses the impact of risks to their businesses using a standard risk register. The Group'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 Group are:

- Loss of customer trust and confidence in either the business or the market;
- Uncertainty within the market as a result of COVID-19;
- Inherent health and safety risk, particularly across field operations carried out by third parties on behalf of the Group;
- Loss of key business systems due to a malicious attack or failure of cyber security;
- Breach of Data Protection Act 2018 or the 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 shareholder returns; and
- Funding and liquidity risk (see note 20).

Financial risk management objectives and policies

The Directors have considered the Group's exposures to financial risk. As the Group 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 Group and its associated risk management policies are:

- **Interest rate risk** - The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from its interest-bearing liabilities, which are comprised of shareholder loans and the receivables financing facility. Many of the Group's interest-bearing liabilities are linked to LIBOR and the Bank of England base rate and movements in these rates are not expected to materially impact the Group. Work is ongoing to update agreements to reflect the phasing out of LIBOR in 2021.
- **Credit risk** - There are no significant concentrations of credit risk within the Group 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 Group 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 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 2.16.
- **Liquidity risk** - Drawdown against the funding facilities held by the Group is managed to ensure the Group 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 Group. The risk of funding being withdrawn from the Group is minimal and this has been considered in management's assessment of going concern.

Future developments

Going forward, Wave is focused on supporting its customers during business reopenings, providing them with market leading customer service and flexible payment plans. We expect the market outlook to remain challenging during this time, as customers liquidity continues to be impacted by COVID-19. We are also focused on continuing to provide a safe working environment for our people and navigating a return to the office with new blended ways of working.

Directors' assessment of going concern

As at 31 March 2020, the Group had net current assets of £70.6m (2020: £46.9m) and net assets of £8.2m (2020: £8.9m). The significant loss in the year is by driven 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 COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. The key assumptions of the trading forecasts reviewed by management include:

- the Group will continue to with its principal activity for the 12 months following the balance sheet date;
- consumption across the portfolio will increase as COVID-19 restrictions are lifted;
- an increase in permanent business closures will impact the Group in the short term;
- renegotiation of the CLBILS funding structure; and
- an improvement in billing and cash collection.

At the year end the Group had total funding available of £174.7m, with £118.8m utilised. Throughout the 12 months following the balance sheet date total available funding will increase to £178.7m due to agreed changes in shareholder support. The maximum amount of funds expected to be utilised throughout the 12 month period is £131.5m, therefore sufficient headroom is available to support the activities of the Group.

Strategic Report (continued)

For the Year Ended 31 March 2021

Directors' assessment of going concern (continued)

After the year end the Group renegotiated a change to the structure of the CLBILS funding and the associated covenants. These covenants have been embedded into trading forecasts and stress-tested to ensure compliance is forecasted for the next 12 months. In cases where stress-testing indicates potential non-compliance with covenants management have confirmation from shareholders they are committed to any required equity cure (debt for equity swap) under the terms of the CLBILS agreement if a potential covenant breach is identified.

Accordingly, the Directors expect the Group 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:

WP Young
Director
27 September 2021

Directors' Report

For the Year Ended 31 March 2021

The Directors present their report together with the audited financial statements of the Group for the year ended 31 March 2021.

Directors

The Directors who held office during the year and up to the date of signing were as follows:
RA Boucher
A Donnelly
S Hazon
M Parker
NJ Watson
WP Young

Indemnification of directors

The Group and subsidiary companies had Directors' and Officers' insurance in place for the year to 31 March 2021. This insurance policy indemnifies the Directors and Officers of the Group 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 Group 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 Group's financial results are summarised in the Strategic Report. No dividends were paid or proposed in the current year (2020: £nil) and the Directors do not recommend a final dividend for the year (2020: £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.

Energy and carbon reporting

The Group'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 2020 to 31 March 2021	
Emissions from combustion of gas (tonnes of CO_2e)	33.65
Emissions from electricity purchased for own use, including for the purposes of transport (tonnes of CO_2e)	57.54
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tonnes of CO_2e)	0.63
Total gross CO_2e based on above	**91.82**
Energy consumption used to calculate emissions (gas) – m^3	16,637
Energy consumption used to calculate emissions (electric) - kwh	227,243

The Group'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 has adopted a flexible hybrid working model which is expected to influence Wave's carbon footprint going forward.

Energy and carbon reporting (continued)

Throughout the next financial year, the Group is developing a strategic plan to become net-zero carbon. An environmental working group is being created and launched to share good practice and develop initiatives around carbon neutrality both within the Group's operation and employee's homes. Wave also recognises the importance of water efficiency savings across customer operations and is developing a water strategy framework with customers.

Post balance sheet event

The Directors have considered the impact of COVID-19 and any other potential post balance sheet event 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 Group's auditor for the ensuing year.

Principal risks and uncertainties

The principal risks and uncertainties of the Group are the risks discussed in the Strategic Report, and further explained in the risks arising from financial instruments outlined in note 20 to the financial statements.

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 the group financial statements for each financial year. Under that law, the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the parent company financial statements in accordance with the 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 the parent company 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.

Directors' responsibilities statement (continued)

In preparing the group company financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 Group'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:

WP Young
Director
27 September 2021

Independent auditor's report to the members of Wave Ltd

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of Wave Ltd (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 [and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements 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 consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related consolidated notes 1 to 27 and parent company notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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 group's and parent 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.

Independent auditor's report to the members of Wave Ltd (continued)

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 group's and the parent 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 group or the parent 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 group's industry and its control environment, and reviewed the group'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 group 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; 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.

Independent auditor's report to the members of Wave Ltd (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
We discussed among the audit engagement team including significant component audit teams and 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.

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Wave Ltd (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.

Anthony Matthews

Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2021

Wave Ltd

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2021

	Note	**2021** **£000**	2020 £000
Turnover	4	**391,035**	556,677
Cost of sales		**(366,193)**	(523,950)
Gross profit		**24,842**	32,727
Administrative expenses		**(32,823)**	(31,701)
Exceptional items	12	**-**	(16,054)
Total administrative expenses including exceptional items		**(32,823)**	(47,755)
Operating (loss) / profit		**(7,981)**	(15,028)
Interest receivable and similar income	9	**122**	622
Interest payable and similar charges	10	**(4,394)**	(4,580)
Loss before tax		**(12,253)**	(18,986)
Taxation	11	**1,526**	2,361
Loss for the year		**(10,727)**	(16,625)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income. Accordingly, no separate statement of other comprehensive income has been presented.

Notes 1 to 27 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2021

		2021		2020	
	Note	**£000**	**£000**	£000	£000
Non-current assets					
Intangible assets	13		**17,788**		20,858
Tangible assets	14		**403**		455
Right of use assets	15		**374**		523
Deferred tax	21		**3,958**		3,028
			22,523		24,864
Current assets					
Debtors amounts falling due within one year	16	**149,969**		175,537	
Cash and cash equivalents	17	**5,687**		243	
			155,656		175,780
Current liabilities					
Creditors amounts falling due within one year	18	**(50,974)**		(64,714)	
Loans and borrowings falling due within one year	19	**(34,088)**		(64,129)	
			(85,062)		(128,843)
Net current assets			**70,594**		46,937
Total assets less current liabilities			**93,117**		71,801
Non-current liabilities					
Creditors amounts falling due after more than one year	18	**(274)**		(229)	
Loans and borrowings due after more than one year	19	**(84,682)**		(62,682)	
			(84,956)		(62,911)
Total liabilities			**(170,018)**		(191,754)
Net assets			**8,161**		8,890
Capital and reserves					
Called up share capital	22		**41,320**		31,320
Retained earnings	24		**(33,159)**		(22,430)
			8,161		8,890

The consolidated financial statements of Wave Ltd (registered number 06492265) were approved by the Board of Directors and authorised for issue on 27 September 2021. They were signed on its behalf by:

WP Young
Director

Notes 1 to 27 form part of these financial statements.

Consolidated statement of Changes in Equity
For the Year Ended 31 March 2021

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2020	31,320	(22,430)	8,890
Adoption of IFRS 16 inclusive of associated tax impact		(2)	(2)
At 1 April 2020 (restated)	31,320	(22,432)	8,888
Issue of share capital	10,000	-	10,000
Comprehensive expense for the year			
Loss for the year and total comprehensive expense	-	(10,727)	(10,727)
Total comprehensive expense for the year	-	(10,727)	(10,727)
At 31 March 2021	41,320	(33,159)	8,861

Consolidated statement of Changes in Equity
For the Year Ended 31 March 2020

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2019	31,320	(5,761)	25,559
Adoption of IFRS 16 inclusive of associated tax impact	-	(44)	(44)
At 1 April 2019 (restated)	31,320	(5,805)	25,515
Comprehensive expense for the year			
Loss for the year and total comprehensive expense	-	(16,625)	(16,625)
Total comprehensive expense for the year	-	(16,625)	(16,625)
At 31 March 2020	31,320	(22,430)	8,890

Notes 1 to 27 form part of these financial statements.

Wave Ltd

Consolidated Cash Flow Statement

For the Year Ended 31 March 2021

	Note	2021 £000	2020 £000
Operating activities			
Operating loss		**(7,981)**	(15,028)
Depreciation and amortisation	5	**3,458**	4,220
Loss on disposal of intangible asset		**-**	1,012
Adoption of IFRS 16		**-**	(141)
Decrease in trade and other receivables	16	**25,566**	11,283
Decrease in trade and other payables	18	**(13,586)**	(16,375)
Cash generated from operations		**7,457**	(15,029)
Interest paid		**(4,309)**	(4,748)
Income tax received		**403**	71
Net cash flows from operating activities		**3,551**	(19,706)
Investing activities			
Interest received	9	**121**	622
Proceeds from sale of fixed assets		**-**	3
Purchase of intangible assets – computer software	13	**(78)**	(1,933)
Purchase of tangible assets	14	**(109)**	(190)
Net cash flows from investing activities		**(66)**	(1,498)
Financing activities			
Issue of share capital		**10,000**	-
Net movement on receivables financing facility		**(22,541)**	11,270
Repayment of shareholder preference loan		**(4,000)**	(4,000)
Repayment of medium term loan		**(10,000)**	-
Net movement on shareholder working capital facility		**13,500**	12,500
Coronavirus Large Business Interruption Scheme ("CLBILS") Term Loan		**15,000**	-
Net cash flows from financing activities		**1,959**	19,770
Cash and cash equivalents			
Decrease in cash and cash equivalents		**5,444**	(1,434)
Cash and cash equivalents at start of year		**243**	1,677
Cash and cash equivalents at end of year		**5,687**	243

Notes 1 to 27 form part of these financial statements.

1. General information

Wave Ltd (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 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 presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are group and separate financial statements.

2. Significant Accounting policies

2.1 Basis of preparation of financial statements

The financial statements for the Group have been prepared on the going concern basis under the historical cost convention. The consolidated financial statements include the Company and its subsidiary undertakings. Intercompany revenue and profits are eliminated fully on consolidation. The consolidated financial statements have been prepared in accordance with International Reporting Standards (IFRS).

The principal accounting policies adopted are set out on the following pages.

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 Group has considered the amendments to the definition of a business in IFRS 3 'Business Combinations', which if effective for any annual period beginning on or after 1 January 2020. These changes do not materially impact the Group.

The Group has also considered the amendments to the definition of material in IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amended definition has been considered by management in preparing these financial statements.

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 (listed below). None are expected to have a significant effect on the financial statements of the Group.

- Amendments to IFRS 16 'Leases' (COVID-19 related rent concessions) – effective for annual periods beginning on or after 1 June 2020
- Amendments to IFRS 7, IFRS 9, IAS 39 and IFRS 16 (interest rate benchmark reform) – effective for annual periods beginning on or after 1 January 2021
- Amendments to IAS 1 'Presentation of Financial Statements' (classification of liabilities) – effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 37 'Onerous Contracts' – effective for annual periods beginning on or after 1 January 2022
- Annual Improvements to IFRS Standards 2018 – 2020 - effective for annual periods beginning on or after 1 January 2022
- Amendments to IAS 16 'Property, Plant and Equipment' – effective for annual periods beginning on or after 1 January 2022

2. Significant Accounting policies (continued)

2.3 Going concern

As at 31 March 2020, the Group had net current assets of £70.6m (2020: £46.9m) and net assets of £8.2m (2020: £8.9m). The significant loss in the year is by driven 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 COVID-19, and are confident that they will be able to meet future financing needs from funds available and through agreed borrowing facilities. The key assumptions of the trading forecasts reviewed by management include:

- the Group will continue to with its principal activity for the 12 months following the balance sheet date;
- consumption across the portfolio will increase as COVID-19 restrictions are lifted;
- an increase in permanent business closures will impact the Group in the short term;
- renegotiation of the CLBILS funding structure;
- an improvement in billing and cash collection.

At the year end the Group had total funding available of £174.7m, with £118.8m utilised. Throughout the 12 months following the balance sheet date total available funding will increase to £178.7m due to agreed changes in shareholder support. The maximum amount of funds expected to be utilised throughout the 12 month period is £131.5m, therefore sufficient headroom is available to support the activities of the Group.

After the year end the Group renegotiated a change to the structure of the CLBILS funding and the associated covenants. These covenants have been embedded into trading forecasts and stress-tested to ensure compliance is forecasted for the next 12 months. In cases where stress-testing indicates potential non-compliance with covenants management have confirmation from shareholders they are committed to any required equity cure (debt for equity swap) under the terms of the CLBILS agreement if a potential covenant breach is identified.

Accordingly, the Directors expect the Group 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 is wholly attributable to the principal activity of the Group, 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.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group 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. Significant Accounting policies (continued)

2.5 Operating leases: the Group as lessee

In the prior year the Company adopted IFRS 16 'Leases', using the modified retrospective approach to accounts for the Company's property leases on its office space and small fleet of company vehicles.

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.

2.6 Pensions and other post-employment benefits

The Group 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 Group'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 income 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. Significant Accounting policies (continued)

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 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 Group 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.

2.11 Intangible assets

Intangible assets consist of customer contracts and computer software. Intangible assets 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 though administrative expenses. Annual reviews are 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. Significant Accounting policies (continued)

2.12 Right of use assets

The Group 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 Group 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 Group 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 though 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

Non-current tangible assets are initially recognised 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 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 though administrative expenses.

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

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

2.14 Impairment of non-current assets

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. Significant Accounting policies (continued)

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.16 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. Debt is categorised appropriately by customer type when calculating expected credit losses.

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. The measurement of expected credit losses is a function of the probability of default (defined as failure to meet obligations as they fall due), loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information including the use of macroeconomic information. Receivables owed by group undertakings are considered low risk and as such no allowances have been made for amounts owed by related parties during the year.

Credit-impaired receivables are defined as such when one or more events that have a detrimental impact on the estimated future cash flows of that receivable have occurred, such as insolvency. These financial assets are identified with reference to publicly available information, use of external credit agencies and direct customer contact.

2.17 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.

2.18 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, and are measured subsequently at amortised cost using the effective interest method.

2. Significant Accounting policies (continued)

2.19 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.

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 simultaneously. For financial assets, 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

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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.

Provisions are charged as an expense to the Income statement in the year that the Group 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 Group'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 Group. The Group assesses the probability that a customer will pay, and therefore whether economic benefit will flow to the Group based on their past performance.

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

Estimate: Unbilled revenue
The Group 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 Group 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 £0.9m

Estimate: Wholesale charges
The Group 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 Group 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 Group 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.

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

Estimate: Provision for impairment of trade receivables

Provisions are made against the Group'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.

Receivables are segmented by age and an expectation formed as to the value of receivables which will 'roll' from one ageing bucket to the next based on recent history. These roll rates were used to derive the appropriate provision rate to apply to each category of ageing. Insolvent debt is fully provided.

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, which relates to lifetime expected credit losses, 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 £0.3m.

4. Turnover

Analysis of turnover by category:

	2021	2020
	£000	£000
Water	**207,379**	258,195
Sewerage	**140,114**	239,276
Trade Effluent	**37,501**	45,638
Other	**6,041**	13,568
	391,035	556,677

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

5. Operating loss

The operating loss is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets (see note 14)	**161**	330
Depreciation of right to use assets (see note 15)	**149**	178
Amortisation of software (included within administrative expenses) (see note 13)	**1,110**	1,674
Amortisation of customer contracts (included within administrative expenses) (see note 13)	**2,038**	2,038
Staff Costs (see note 8)	**11,613**	12,726

6. Auditor remuneration

	2021 £000	2020 £000
Fees payable to the Group auditor's for:		
Audit of the Company's financial statements	**15**	13
Audit of the Company's subsidiary financial statements	**118**	111
Total Audit services	**133**	124
Assurance services	**12**	12
Total non-audit services	**12**	12
	145	136

7. Directors' emoluments

(a) Directors' remuneration

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

	2021 £000	2020 £000
Directors' remuneration	**655**	342
Company contributions to money purchase pension plans	**18**	4
	673	346

(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	2020 £000
Director's remuneration	**400**	342
Company contributions to money purchase pension plans	**4**	4
	404	346

As at 31 March 2021 there were outstanding contributions of £1k (2020: £1k) to the Company's defined contribution pension scheme in relation to the highest paid director.

8. Employees

	2021 £000	2020 £000
Wages and salaries	**9,998**	10,805
Social security costs	**942**	1,064
Cost of defined contribution scheme	**673**	857
	11,613	12,726

8. Employees

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

	2021	2020
	No.	No.
Sales	19	28
Operations	159	196
Support	97	120
	275	344

9. Interest receivable and similar income

	2021	2020
	£000	£000
Interest income on unimpaired financial assets	122	622
	122	622

10. Interest payable and similar charges

	2021	2020
	£000	£000
Interest payable on bank overdrafts and loans	3,467	3,913
Financing charges payable under invoice financing arrangements	558	640
Interest payable on leased assets	19	27
Other interest payable	350	-
	4,394	4,580

11. Taxation

	2021	2020
	£000	£000
Corporation tax		
Adjustments in respect of previous periods		
- Group relief	(594)	-
Total current tax	(594)	-
Deferred tax		
Opening restatement due to rate change	-	(79)
Origination and reversal of temporary differences		
- Derecognition of deferred tax asset	-	917
- Other timing differences	(1,515)	(3,203)
Adjustments in respect of previous periods	583	4
Total deferred tax	(932)	(2,361)
Taxation on loss	(1,526)	(2,361)

11. Taxation (continued)

Factors affecting tax charge for the year

The rate of UK corporation tax for the current year was 19%. The UK government announced in its Budget on 3 March 2021 that the rate will be increased to 25% with effect from 1 April 2023. At the balance sheet date, the rate change had neither been enacted nor substantively enacted. Accordingly, there is no impact on the group's financial statements at 31 March 2021. Had the rate change applied during the year, the opening deferred tax asset would have been restated to £3,984,000, the net movement in the year would have been a charge of £1,224,000 (including a credit of £2,000), and the closing balance would have been £5,208,000.

	2021	2020
	£000	£000
Loss before tax	**(12,253)**	(18,986)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**(2,328)**	(3,607)
Effects of:		
Expenses not deductible for tax purposes	**396**	404
Deferred tax opening restatement	**-**	(79)
Deferred tax derecognised	**417**	917
Adjustments to tax charge in respect of prior periods	**(11)**	4
Total tax credit for the year	**(1,526)**	(2,361)

12. Exceptional items

	2021	2020
	£000	£000
Exceptional items	**-**	16,054
	-	16,054

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 prior year comprise:

- Restructuring and re-organisation costs of £412k
- Additional bad debt expense impacted by COVID-19, above normal industry bad debt levels, of £14,594k. The cause of this additional bad debt expense is considered by management to be exceptional in nature; and
- Billing system decommissioning costs of £1,048k.

13. Intangible assets

	Customer Contracts £000	Computer Software £000	Total £000
Cost			
At 1 April 2020	20,380	9,192	29,572
Additions	-	78	78
Disposals	-	(365)	(365)
At 31 March 2021	20,380	8,905	29,285
Amortisation			
At 1 April 2020	(5,265)	(3,449)	(8,714)
Charge for the year	(2,038)	(1,110)	(3,148)
Disposals	-	365	365
At 31 March 2021	(7,303)	(4,194)	(11,497)
Net book value			
At 31 March 2021	13,077	4,711	17,788

	Customer Contracts £000	Computer Software £000	Total £000
Cost			
At 1 April 2019	20,380	8,695	29,075
Additions	-	1,933	1,933
Disposals	-	(1,436)	(1,436)
At 31 March 2020	20,380	9,192	29,572
Amortisation			
At 1 April 2019	(3,227)	(2,328)	(5,555)
Charge for the year	(2,038)	(1,674)	(3,712)
Disposals	-	553	553
At 31 March 2020	(5,265)	(3,449)	(8,714)
Net book value			
At 31 March 2020	15,115	5,743	20,858

14. Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2020	**277**	**385**	**595**	**1,257**
Additions	**1**	**1**	**107**	**109**
Disposals	**-**	**-**	**(110)**	**(110)**
At 31 March 2021	**278**	**386**	**592**	**1,256**
Depreciation				
At 1 April 2020	**(226)**	**(131)**	**(445)**	**(802)**
Charge for the year	**(39)**	**(67)**	**(55)**	**(161)**
Disposals	**-**	**-**	**110**	**110**
At 31 March 2021	**(265)**	**(198)**	**(390)**	**(853)**
Net book value				
At 31 March 2021	**13**	**188**	**202**	**403**

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2019	205	494	600	1,299
Additions	72	4	114	190
Disposals	-	(113)	(119)	(232)
At 31 March 2020	277	385	595	1,257
Depreciation				
At 1 April 2019	(155)	(123)	(294)	(572)
Charge for the year	(71)	(92)	(167)	(330)
Reclassification	-	(16)	16	-
Disposals	-	100	-	100
At 31 March 2020	(226)	(131)	(445)	(802)
Net book value				
At 31 March 2020	51	254	150	455

15. Right of use assets

	Property £000	Motor vehicles £000	Total £000
Cost or valuation			
At 1 April 2020	**1,114**	**199**	**1,313**
Additions	**-**	**-**	**-**
At 31 March 2021	**1,114**	**199**	**1,313**
Depreciation			
At 1 April 2020	**(611)**	**(179)**	**(790)**
Charge for the year	**(132)**	**(17)**	**(149)**
At 31 March 2021	**(743)**	**(196)**	**(939)**
Net book value			
At 31 March 2021	**371**	**3**	**374**

	Property £000	Motor vehicles £000	Total £000
Cost or valuation			
At 1 April 2019	-	-	-
On adoption of IFRS 16	1,114	199	1,313
At 31 March 2020	1,114	199	1,313
Depreciation			
At 1 April 2019	-	-	-
On adoption of IFRS 16	(480)	(132)	(612)
Charge for the year	(131)	(47)	(178)
At 31 March 2020	(611)	(179)	(790)
Net book value			
At 31 March 2020	503	20	523

16. Trade and other receivables

	2021	2020
	£000	£000
Trade debtors	**81,902**	117,647
Less doubtful debt provision	**(33,300)**	(32,379)
Net trade receivables	**48,602**	85,268
Other debtors	**2,547**	3,120
Prepayments	**6,231**	13,143
Accrued income	**92,589**	74,006
	149,969	175,537

Doubtful debts provision

Movement on the doubtful debts provision were as follows:

	£000
At 1 April 2020	32,379
Debts written off	(8,055)
Charge for bad and doubtful debts	8,976
At 31 March 2021	**33,300**

The ageing of trade debtors at the year end and the doubtful debts provision held on each ageing category is as follows:

As at 31 March 2021	Trade debtors £000	Doubtful debts provision £000	Provision rate %
Not past due	24,973	(1,294)	5.2
Past due 0 – 30 days	9,435	(606)	6.4
Past due 31 – 90 days	10,314	(1,701)	16.5
Past due more than 90 days	36,391	(28,927)	79.5
Insolvent	789	(772)	97.6
	81,902	(33,300)	40.7

As at 31 March 2020	Trade debtors £000	Doubtful debts provision £000	Provision rate %
Not past due	38,477	(3,747)	9.7
Past due 0 – 30 days	15,439	(1,703)	11.0
Past due 31 – 90 days	16,983	(1,890)	11.1
Past due more than 90 days	42,581	(20,929)	49.2
Insolvent	4,167	(4,110)	98.6
	117,647	(32,379)	27.5

17. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	**5,687**	243
	5,687	243

18. Creditors

Amounts failing due in less than one year	**2021**	2020
	£000	£000
Trade creditors	**15,716**	21,409
Taxation and social security	**231**	260
Other creditors	**3,489**	2,823
Accruals	**30,311**	38,163
Deferred income	**1,114**	1,519
Lease creditors	**113**	375
Provisions	**-**	165
	50,974	64,714

Amounts falling due in more than one year	**2021**	2020
	£000	£000
Lease creditors	**274**	229
	274	229

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

19. Loans and borrowings

	2021	2020
	£000	£000
Amounts falling due within one year		
Bank invoice discount facilities	**19,088**	41,629
CLBILS Term Loan	**15,000**	-
Loans from shareholders	**-**	22,500
	34,088	64,129
Amounts falling due after more than one year		
Loans from shareholders	**84,682**	62,682
	84,682	62,682
Total Loans	**118,770**	126,811

19. Loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	**Face value and carrying amount 31 March 2021 £000**	Face value and carrying amount 31 March 2020 £000
Current liabilities					
CLBILS Term Loan	GBP	1.46%	2022	**15,000**	-
				15,000	-
Non-current liabilities					
Shareholder Preference Loan	GBP	5.0%	2022	**8,000**	12,000
Medium term loan – Anglian Venture Holdings Limited ("AVHL")	GBP	5.5%	2027	**10,660**	15,660
Medium term loan – Northumbrian Water Group Limited ("NWGL")	GBP	5.5%	2027	**10,660**	15,660
Consideration adjustment loan - AVHL	GBP	LIBOR+2.75%	2022	**16,703**	16,703
Consideration adjustment loan – NWGL	GBP	LIBOR+2.75%	2022	**2,659**	2,659
Working capital loan - AVHL	GBP	LIBOR+2.75%	2023	**13,000**	-
Working capital loan – NWGL	GBP	LIBOR+2.75%	2023	**23,000**	-
				84,682	62,682

20. Financial instruments

	2021 £000	2020 £000
Financial assets that are debt instruments measured at amortised cost:		
Cash and cash equivalents	**5,687**	243
Trade and other receivables	**149,969**	175,537
	155,656	175,780
Financial liabilities measured at amortised cost:		
Shareholder medium term loan	**21,320**	31,320
Shareholder preference loan	**8,000**	12,000
Shareholder working capital loans	**55,362**	41,862
Receivables financing facility	**19,088**	41,629
CLBILS Term Loan	**15,000**	-
	118,770	126,811

20. Financial instruments (continued)

Group strategy and funding risk

The main requirement for funding is driven by the Group's working capital requirement, being the difference between payment terms for the water wholesalers and expected customer payment timelines. To manage this requirement, the Group has the following funding facilities in place:

- £45m (2020: £45m) receivables financing facility with the Group's bankers, Royal Bank of Scotland;
- £15m CLBILS term loan and £20m revolving credit facility with Natwest;
- £65m short term working capital facility with shareholders;
- £21m medium term loan facility with shareholders; and
- £8m (2020: £12m) preference loan with AVHL.

Capital Management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns whilst maximising the return to shareholders though the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in consolidated statement of changes in equity).

The Group is not subject to any externally imposed capital requirements.

Market Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from its interest-bearing liabilities, which are comprised of shareholder loans and the receivables financing facility.

All the Group's interest-bearing liabilities are linked to LIBOR. The sensitivity of the Group's profits and equity (after tax) to changes in interest rates at 31 March 2021 is as follows:

	+1%	-1%
	£000	£000
Interest sensitivity	(487)	487

Credit risk

There are no significant concentrations of credit risk within the Group 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 Group 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 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 2.16.

Liquidity risk

Drawdown against the funding facilities outlined above is managed to ensure the Group 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 Group. The risk of funding being withdrawn from the Group is minimal and this has been considered in management's assessment of going concern.

20. Financial instruments (continued)

Liquidity risk (continued)

Drawdowns are included within loans and borrowing detailed in note 19. As at 31 March 2021, the Group had £55.9m (2020: £20.3m) committed undrawn borrowing facilities.

The following table shows the maturity profile of the Group's non-derivative financial liabilities. The Group holds no derivative financial liabilities.

As at 31 March 2021	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Interest bearing loans and borrowings	**-**	**15,000**	**63,362**	**21,320**	**99,682**
Receivables financing facility	**-**	**19,088**	**-**	**-**	**19,088**
Trade and other payables	**19,436**	**31,425**	**-**	**-**	**50,861**
Lease creditors	**-**	**113**	**274**	**-**	**387**
Corporation tax payable	**-**	**-**	**-**	**-**	**-**
Total	**19,436**	**65,626**	**63,636**	**21,320**	**170,018**

As at 31 March 2020	<3 months	3-12 months	1-5 years	>5 years	Total
Interest bearing loans and borrowings	-	22,500	31,362	31,320	85,182
Receivables financing facility	-	41,629	-	-	41,629
Trade and other payables	24,493	39,846	-	-	64,339
Lease creditors	-	375	229	-	604
Corporation tax payable	-	-	-	-	-
Total	24,493	104,350	31,591	31,320	191,754

21. Deferred taxation

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

	Accelerated tax	Provisions	Tax losses	Corporate interest restriction	
	£000	£000	£000	£000	Total
At 1 April 2020	73	1,674	1,281	-	3,028
Credited in changes to equity	(2)	-	-	-	(2)
Charged in the income statement	(3)	(1,573)	2,508	-	932
At 31 March 2021	68	101	3,789	-	3,958

A deferred tax asset has been recognised on the basis that it will be recovered against forecast future profits of the Group. The group may in future obtain deductions for interest of £7,023,000 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. Share capital

	2021 £000	2020 £000
Shares classified as equity Authorised, allotted, called up and fully paid		
20,660,001 Ordinary-A shares of £1 each	**20,660**	15,660
20,660,001 Ordinary-B shares of £1 each	**20,660**	15,660
	41,320	31,320

On 28 September 2020, 5,000,000 Ordinary-A shares were allotted and issued to AVHL and 5,000,000 Ordinary-B shares were allotted and issued to NWGL. Equivalent rights are associated with both Ordinary-A and Ordinary-B shares.

23. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

	Interest £000	Trading charges £000	Amounts owed to related party £000
Year ended 31 March 2021			
NWGL	1,308	-	36,319
AVHL	1,982	-	48,363
NWL	-	119,222	(624)
AWSL	-	182,578	14,420
Year ended 31 March 2020			
NWGL	1,532	-	34,569
AVHL	2,379	-	50,613
NWL	-	137,993	6,565
AWSL	-	224,573	9,368

Interest and outstanding balances with both NWGL and AVHL relate to the loan facilities outlined in note 19.

Remuneration of key management personnel

Key management personnel comprise the Chief Executive Officer, Finance Director, Industrial & Commercial Customer Director, and Sales Director. The remuneration of the key management personnel is included within the amounts disclosed below.

	Year to 31 March 2021	Year to 31 March 2020
Short term employment benefits	**939**	837
Post-employment benefits	**31**	44
	970	881

24. Reserves

Profit & loss account

Includes all current and prior periods' retained profits and losses.

25. Pension commitment

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 £673k (2020: £857k). Contributions totaling £86k (2020: £101k) were payable to the fund at the reporting date, included within other creditors.

26. Controlling party

The Group is jointly owned by NWGL and AVHL and considers these companies to be joint controlling parties.

27. Post balance sheet event

The Directors have considered the impact of COVID-19 and any other potential post balance sheet event 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.

As noted in the Going Concern section of the Strategic Report, refinancing of the Group's Coronavirus Large Business Interruption Loan Scheme funding of £35m took place after the year end, this forming a key assumption in management's assessment of going concern.

Wave Ltd

Company Statement of Financial Position

For the Year Ended 31 March 2021

		2021		2020	
	Note	£000	£000	£000	£000
Non-current assets					
Investment in subsidiaries	3		**113,960**		113,960
Deferred tax	4		**688**		495
			114,648		114,455
Current assets					
Debtors amounts falling due within one year	5	**95**		742	
Cash and cash equivalents	6	**82**		58	
			177		800
Current liabilities					
Creditors amounts falling due within one year	7	**(89)**		(31)	
Loans and borrowings falling due within one year	8	**(36,018)**		(35,041)	
			(36,107)		(35,072)
Net current liabilities			**(35,930)**		(34,272)
Total assets less current liabilities			**78,718**		80,183
Non-current liabilities					
Loans and borrowings due after more than one year	8	**(47,686)**		(56,565)	
			(47,686)		(56,565)
Net assets			**31,032**		23,618
Capital and reserves					
Called up share capital	9		**41,320**		31,320
Retained earnings			**(10,288)**		(7,702)
			31,032		23,618

The loss within the statements of the Company is £2.6m (2020: £3.3m).

The financial statements of Wave Ltd (registered number 06492265) were approved by the Board of Directors and authorised for issue on 27 September 2021. They were signed on its behalf by:

WP Young
Director

Notes 1 to 12 form part of these financial statements.

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

		Called up share capital	Retained earnings	Total equity
		£000	£000	£000
At 1 April 2020		31,320	(7,702)	23,618
Issue of share capital	9	10,000	-	10,000
Comprehensive expense for the year				
Loss for the year and other comprehensive expense		-	(2,586)	(2,586)
At 31 March 2021		**41,320**	**(10,288)**	**31,032**

Statement of Changes in Equity
For the Year Ended 31 March 2020

	Called up share capital	Retained earnings	Total equity
	£000	£000	£000
At 1 April 2019	31,320	(4,435)	26,885
Comprehensive expense for the year			
Loss for the year and other comprehensive expense	-	(3,267)	(3,267)
At 31 March 2020	31,320	(7,702)	23,618

Notes 1 to 12 form part of these financial statements.

1. Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, these 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 exemption available under that standard in relation to presentation of a cash flow statement, financial instruments, standards not yet effective, capital management and remuneration of key management personnel. As permitted by S408 of the Companies Act 2006, no profit and loss account has been presented for the Company.

Where relevant, equivalent disclosures have been given in the Notes to the Consolidated financial statements. Apart from the above, the accounting policies as outlined in note 2 to the consolidated financial statements have been applied consistently to the company only financial statements and form part of these notes by cross reference. There are no critical judgements or key accounting estimates specifically related to the financial statements of the Company.

2. Employees

The average monthly number of employees during the year was nil (2020: nil).

3. Investments in subsidiaries

Cost and carrying value	£000
At 1 April 2020	113,960
At 31 March 2021	**113,960**

The Company's subsidiaries as at 31 March 2021 were as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
NWG Business Limited	England & Wales	Ordinary	100 %	Non-trading
Anglian Water Business (National) Limited	England & Wales	Ordinary	100 %	Water retail

The registered office of both subsidiaries is Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ.

4. Deferred taxation

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

	Corporate interest restriction £000	Other £000	Total £000
At 1 April 2020	-	495	495
Restatement following rate change	-	-	-
Credited in the income statement	-	193	193
At 31 March 2021	**-**	**688**	**688**

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 £3,165,000 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.

5. Trade and other receivables

	2021	2020
	£000	£000
Trade debtors	**-**	-
Amounts due from shareholders	**-**	-
Amounts recoverable from subsidiaries	**95**	742
	95	742

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

6. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	**82**	58
	82	58

7. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Amounts owed to group undertakings	**56**	-
Accruals	**33**	31
	89	31

Within amounts owed to group undertakings are tax losses relieved from the Company's parent. These amounts do not attract interest, are unsecured and are repayable on demand.

8. Loans and borrowings

	2021	2020
	£000	£000
Amounts falling due within one year		
Loans from subsidiaries	**34,458**	33,685
Loans from shareholders	**1,560**	1,356
	36,018	35,041
Amounts falling due after more than one year		
Loans from subsidiaries	**18,366**	13,245
Loans from shareholders	**29,320**	43,320
	47,686	56,565
Total Loans	**83,704**	91,606

8. Loans and borrowings (continued)

Amounts due to shareholders within one year relate to interest payable on the Preference loan and Medium term loans included in amounts due after more than one year. Interest payable is due on the date set out within the loan agreements.

Amounts due to subsidiaries attract nil interest and are due for repayment in 2023, with the exception of a loan from NWG Business Ltd of £31,320,000 (2020: £31,320,000) which attracts interest at LIBOR + 2.75%. No credit losses have been recognised on this receivable.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	**Face value and carrying amount 31 March 2021**	Face value and carrying amount 31 March 2020
				£000	£000
Non-current liabilities					
Shareholder Preference Loan	GBP	5.0%	2022	**8,000**	12,000
Medium term loan – Anglian Venture Holdings Limited ("AVHL")	GBP	5.5%	2027	**10,660**	15,660
Medium term loan – Northumbrian Water Group Limited ("NWGL")	GBP	5.5%	2027	**10,660**	15,660
Loan from AWNM	GBP	Nil	2023	**18,366**	13,245
				47,686	56,565

9. Share capital

Shares classified as equity Authorised, allotted, called up and fully paid

	2021	2020
	£000	£000
20,660,001 Ordinary-A shares of £1 each	**20,660**	15,660
20,660,001 Ordinary-B shares of £1 each	**20,660**	15,660
	41,320	31,320

On 28 September 2020 5,000,000 Ordinary-A shares were allotted and issued to AVHL and 5,000,000 Ordinary-B shares were allotted and issued to NWGL. Equivalent rights are associated with both Ordinary-A and Ordinary-B shares.

10. Related parties

During the year, the Company entered into transactions, in the ordinary course of business with other related parties. Transactions entered into and trading balances outstanding at the balance sheet date between the Company and companies within the groups of either shareholder (NWGL and AVHL), are as follows:

Related party: **Year ended 31 March 2021**	Trading charges £000	Interest £000	Amounts owed to related party £000
NWGL	-	723	10,660
AVHL	-	1,207	18,660

Related party: **Year ended 31 March 2020**	Trading charges £000	Interest £000	Amounts owed to related party £000
NWGL	-	864	15,660
AVHL	-	1,549	27,660

Interest and outstanding balances with both NWGL and AVHL relate to the loan facilities outlined in note 8.

11. Controlling party

The Directors consider that Wave Ltd is the ultimate parent company of the Group.

The Group is jointly owned by NWGL and AVHL and considers these companies to be joint controlling parties.

12. Post balance sheet event

The Directors have considered the impact of COVID-19 and any other potential post balance sheet event within its reporting and have determined there were no events subsequent to the balance sheet date that require adjusting in these financial statements.