NORTHUMBRIAN WATER GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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STRATEGIC REPORT

The Directors of Northumbrian Water Group Limited (NWG or the Company) are pleased to present their Strategic Report on the affairs of the Group and Company, along with their Directors' Report, the Independent auditor's report and the audited financial statements for the year ended 31 March 2022.

Principal activities

Northumbrian Water Group Limited
NWG owns a number of companies which, together with NWG, form the Group. The emphasis given to Northumbrian Water Limited (NWL) throughout this report, reflects its importance to the overall performance of the Group, although the Group's other operations also deliver an important contribution to the overall reported performance.

Northumbrian Water Limited
NWL's principal activities comprise the supply of potable and raw water in both the north east and south east of England and the collection, treatment and disposal of sewage and sewage sludge in the north east of England.

Water and wastewater contracts
NWG holds investments in a number of companies which operate water and wastewater contracts in Scotland, the Republic of Ireland and Gibraltar.

Cautionary statement
This report contains certain statements with regard to the future operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those forecast. Such statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update such statements. Nothing in this report should be construed as a profit forecast. Certain regulatory performance data contained in this report is subject to regulatory audit.

Business overview
NWG is the holding company of NWL and a number of other companies, as reported above.

NWL is one of the ten regulated Water and Sewerage Companies (WASCs) in England and Wales, operating in the north east of England, trading as Northumbrian Water, and in the south east of England, trading as Essex & Suffolk Water. In the north east, the business comprises the supply of both potable and raw water and the collection, treatment and disposal of sewage and sewage sludge, serving approximately 2.7 million people. In the south, NWL supplies water services to approximately 1.6 million people in Essex and approximately 0.3 million in Suffolk.

Regulatory and legislative developments
NWL operates within a strict regulatory environment. The Water Services Regulation Authority (Ofwat) regulates prices and levels of customer service, the Drinking Water Inspectorate (DWI) monitors drinking water quality and the Environment Agency (EA) covers environmental protection. NWL's customers' interests are represented by the Consumer Council for Water.

The board of directors of the Company (the Board) is fully aware of the ongoing investigations by the EA and Ofwat into 'Flow to Full Treatment' (FFT) and the action plan which is being implemented to address issues arising. These investigations have not concluded and the Board will respond as appropriate in due course.

During the year the NWL board commenced its planning for PR24 and is clear that it retains ultimate responsibility for the Business Plan. The NWL board discussed the importance of balancing the need for environmental and service improvements, in particular reducing storm overflows and improving drinking water quality, with ensuring affordability for customers. It will also consider how the improvement of long term asset health can be addressed through the Business Plan.

Business objectives
The vision of the Directors of NWG is for the Group companies to continue to deliver value to customers and other stakeholders by focussing on their core competencies of water and wastewater management.

Performance measures

NWL uses a balanced scorecard of Key Performance Indicators (KPIs), reflecting its strategic themes. These are internal measures set at stretching levels so as to drive year on year performance improvements on a path to deliver its 'national leader' vision. This means that they are often more stretching than the regulatory Performance Commitments (PC). Following the review of the Short Term Incentive Plan (STIP) for NWL's Executive Leadership Team (ELT), by the NWL Remuneration Committee in 2020, 60% of the STIP relates to the achievement of balanced scorecard targets, delivering benefits for customers and the environment, and 40% relates to financial targets.

The balanced scorecard measures and targets, and performance against the targets in the year, are shown in the table below.

Scorecard measure	*Target*	*Performance*	*Achieved*	*% of total awarded*	*% of total STIP potential*
Customer					
C-MeX experience	top 2	1st	yes	2.5	2.5
C-MeX customer service	top 2	5th	yes[1]	2.5	2.5
D-MeX experience	top 2	5th	no	-	5
Unplanned interruptions >3 hours (mm:ss per property)	<=5:02	4:47	yes[2]	5	5
Compliance risk index (number)	<=3	6.36	no	-	5
Repeat sewer flooding (number)	<=28	23	yes	2.5	2.5
Internal sewer flooding (number)	<=212	238	no	-	2.5
Environment					
Leakage – NW (Mld)	<=126.9	130.5	no	-	2.5
Leakage – ESW (Mld)	<=60.2	59.3	yes	2.5	2.5
Discharge permit compliance (EPA)	100%	98.04	no	-	5
Pollution incidents category 1 & 2	<=1	1	yes	5	5
Greenhouse gas emissions (ktCO2e)	<=50.21	21.917	yes	5	5
Competitiveness					
Group EBIT	budget	-	no	-	20
Group distributions	budget	-	yes	20	20
People					
Employee engagement score (Trust Index) (%)	>=72	67	no	-	5
Lost time reportable accidents (number)	<=3	14	no	-	5
Communities					
BITC Platinum Plus/Ethisphere/CCW 'Most Trusted Water Company'	award	awarded	yes	5	5
Total				**50**	**100**

1. As a result of achieving top 2 in the sector for the overall C-MeX measure, the Remuneration Committee deemed the target to have been achieved for both C-MeX measures.
2. The Remuneration Committee decided to exclude any unplanned interruptions related to Storm Arwen, on the basis that it was an exceptional event, and therefore deemed the measure to be achieved.

The NWL Remuneration Committee will review the structure annually and may choose to revise the individual measures within the STIP to reflect appropriate performance objectives but the 60% weighting for customer-focused measures will not be reduced.

The balanced scorecard targets for 2022/23 are shown in the table below, in accordance with the revised policy. These are internal measures and continue to be set at stretching levels so as to drive year on year performance.

STRATEGIC REPORT (continued)

Performance measures (continued)

Scorecard measure	Target	% of total STIP potential
Customer		
C-MeX experience	top 2 company	2.5
C-MeX customer service	top 2 company	2.5
D-MeX experience	top 2 company	5
Unplanned interruptions >3 hours (mm:ss per property) [1]	<=4:53	5
Compliance risk index (number) [1]	<=3	5
Repeat sewer flooding (number) [1]	<=31	2.5
Internal sewer flooding (number) [1]	<=207	2.5
Environment		
Leakage – NW (Mld) [1]	<=121.3	2.5
Leakage – ESW (Mld) [1]	<=63.2	2.5
Discharge permit compliance (EPA) [1]	100%	5
Pollution incidents category 1 & 2 [1]	=0	5
Greenhouse gas emissions (ktCO2e) [1]	<=21.917	5
Competitiveness		
Group EBIT	budget	20
Group distributions	budget	20
People		
Employee engagement score (Trust Index) (%)	>=70	5
Lost time accidents (number)	<=15	5
Communities		
BITC Platinum Plus/Ethisphere/CCW 'Most Trusted Water Company'	awarded	5
Total		**100**

To achieve the 'national leader' vision, NWL's targets are often more stretching than the regulatory performance commitments. It has made further progress towards this vision during 2021/22, under challenging circumstances, and remains one of the leaders in the industry.

NWL remains committed to delivering an unrivalled customer service and to being the national leader in the provision of sustainable water and wastewater services. NWL remains passionate about engaging with its customers and works hard to understand how they want world class customer service to be delivered. NWL's focus remains on getting things right first time, fast time, every time. NWL was delighted to achieve its target of being in the top two companies for Customer Measure of Experience (C-MeX), the industry-wide measure that provides a holistic comparison of companies' customer satisfaction and experience. In addition to C-MeX, for our NW region NWL ranked first place in the water industry and fourth place against all utilities in the latest Institute of Customer Service's UK Customer Satisfaction Index (UKCSI).

Developer Measure of Experience (D-MeX) measures the service that NWL provides to developer services customers, including property developers, self-lay providers and those with new appointments and variations. NWL's target is to be in the top two companies for D-MeX. This year, NWL finished in fifth place which showed improvement on the previous year and it continues to improve further and has already implemented further significant improvements to processes.

NWL has set an ambitious goal to eradicate water poverty in the regions it serves by 2030, and the challenges faced by households through the pandemic and impact of high inflation on energy bills and food prices make this as important as ever. NWL has been able to extend its support arrangements to more people this year through a range of social tariffs and flexible payments and brought more of its customers out of water poverty.

Performance measures (continued)

The water NWL supplies must meet the stringent quality standards set by the DWI, to ensure that it is safe to drink and free of colour and particles, poor tastes and smells. This is measured by the Compliance Risk Index (CRI), using information from the whole source to tap journey, through water treatment works, networks and customer taps, to make a more exacting assessment of water quality. Every compliance failure receives a CRI score based on the cause and significance of the failure, the location within the water supply system, and the quality of our investigation. NWL's ambition is to drive towards a zero score over time. NWL's CRI in 2021 was 6.5, which showed a marginal improvement on the previous year (7.11), but was still above its KPI target of 3 units. NWL is committed to achieving improved levels of CRI and are delivering long-term plans to reach this. NWL is continuing to work with the DWI on a prioritised programme of investment to deliver sustainable improvements across the whole end to end water process, from source to tap.

Storm Arwen hit the North East of England over 26 and 27 November 2021 and was one of the most powerful and damaging winter storms in a decade. There was widespread and sustained loss of power across NWL's region and a major incident was declared. The loss of power had a significant consequential impact on provision of water to NWL's customers, primarily because of loss of power to assets and associated loss of communications.

If the total impact of Storm Arwen was included in NWL's performance, it would give a result of 11:45 for the interruptions to supply measure. However, in accordance with Ofwat's 'Reporting Guidance - Supply Interruptions' NWL has requested that an exception be granted on the basis that the storm was treated as a civil emergency by the local authorities under the Civil Contingencies Act 2004.

NWL's performance on minimising interruptions to supply, setting aside the exceptional impacts of Storm Arwen, remains at the forefront of the industry, where it also achieved its leakage target in its Essex and Suffolk area of supply, which is one of the driest regions in the country. Leakage was also reduced in its Northumbrian operating region, though didn't quite reach the performance target and this remains an area of focus.

NWL achieved a 4-star company status in the EA's Environmental Performance Assessment (EPA) for 2021, with leading environmental performance.

For 2021/22, treatment works compliance for NWL included both wastewater and water treatment works discharges. NWL was disappointed to have four failing works, one wastewater and three water, out of a total of 204 eligible treatment works. The wastewater discharge was due to an ammonium failure with the water failures being two for iron and one for chlorine. Extensive investigations have been undertaken to establish the root cause of these events and corrective measures identified to mitigate the likelihood of a reoccurrence.

In respect of renewable energy, NWL achieved its target of reducing greenhouse gas (GHG) emissions by 35% by 2020 against a 2008 baseline ahead of schedule in 2018/19. NWL, through its PR19 Business Plan, has set an ambitious goal to go much further and achieve net zero carbon by 2027. Progress is well underway, reducing its emissions by more than double the target reduction this year. Plans to reach net zero carbon include further development of renewable energy generation, with the installation of solar generation at a number of sites, and transition to a low emission fleet, through investment in electric vehicles and trialling biodiesel tankers.

The health and safety of our employees and contractors is a responsibility that the Group takes very seriously. It is the Group's aspiration and ethical responsibility to make sure that everyone goes home safe every day, which extends to our employees, supply chain partners and customers.

It was disappointing to have had 14 lost time reportable accidents at NWL in the year, with lessons learnt from each accident or near miss. The learnings from each lost time accident and each high potential incident are overseen by an operational director and the learnings and actions are shared across the Group. NWL continued to see fantastic engagement with its established safety awareness tools within the business and as a result 107,732 '60 second checks' were carried out voluntarily, 84,657 COVID 60 second checks, 6,837 safety conversations and 3,269 hazards were also spotted and reported. All of these measures demonstrated a significant increase compared to the previous year, especially notable in a pandemic influenced environment.

Performance measures (continued)
The Group has continued to ensure that its people are fairly treated and we proactively promote diversity and inclusion to reap the benefits of a diverse workforce. NWL's equal opportunity policy seeks to ensure that all current employees and potential employees are treated with respect. Job applications are welcomed from all parts of the community and it is the intention that all job applicants and employees are treated equally, regardless of their age, ability, marital or partnership status, race, religion or belief, gender or sexual orientation. Employment applications are welcome from people with disabilities and, where existing employees develop disabilities, they are supported to remain in employment, wherever practicable, by providing appropriate adjustments to their roles and/or effective redeployments. Occupational health physicians assist this process with professional medical advice. NWL recognises the value and importance of diversity and inclusion in its workforce. NWL's customers come from a wide range of backgrounds, and the workforce needs to reflect that in both ambition and aspiration. NWL's diversity and inclusion work to date has focused heavily on gender but this year it has taken organisational diversity beyond this, particularly with regards to ethnicity and disability. Working in partnership with colleagues, networks, partners and communities, a robust Inclusion and Diversity Strategy was developed called TIDE (Together for Inclusion, Diversity and Equity). TIDE aligns to the Business in the Community Responsible Business Map and has been shaped to take a holistic approach to inclusion, diversity and equity. NWL continue to be accredited as a Living Wage Employer with the Living Wage Foundation, which means that every employee earns at least the Living Wage, an hourly rate set independently and calculated according to the basic cost of living for the UK.

We put great effort into creating an environment where our people are encouraged to engage and perform to the best of their ability. NWL engages with its employees through the Employee Relations Framework and through a range of communication channels including annual director roadshows, structured team talk briefings every two months, our weekly H2info ebulletin, and digital tools such as the intranet and Yammer. Networks and groups including Mind Mates (mental health first aiders), Male Health Group, Female Health Group, Young Persons Network, Rainbow Support Network, Reach Network, ThisAbility Network and Parents Network continue to be important sources for two-way communication.

The Group remains dedicated to building strong relationships with the communities we serve and we ensure that corporate responsibility is embedded in the business. We work with partners across sectors at a range of levels, from making sure we provide effective grassroots support to a large number of organisations in our community, to a small number of larger strategic flagship partners co-delivering with us in line with our vision and values.

NWL has now ran its Innovation Festival successfully in three different formats, from in-person to virtual to a hybrid approach in 2021, always bringing newness and generating genuine business impact. The Festivals are an important element of the innovation programme and are key to generating ideas given their outward facing nature that creates and builds meaningful partnerships. These events are now widely anticipated and attract industry-wide participants nationally and from across the globe.

SECTION 172 STATEMENT

The Directors of the Company have a duty to promote the success of the Company for the benefit of its members as a whole, as set out in section 172 of the Companies Act 2006. In doing so, the Directors must have regard to the needs of, and impact on, our many stakeholders and other matters described in the section. This Section 172(1) Statement has been prepared in accordance with the requirement established by the Companies (Miscellaneous Reporting) Regulations 2018 to describe how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing this duty.

How the Board has operated
The Statement of Corporate Governance arrangements on pages 15 to 18 describes how the board of directors of the Company (the Board) has operated in the best interests of the Company and its stakeholders during the year. This explains how the Board:
- has established the purpose, strategy and values to reflect the needs of all of our stakeholders;
- takes full responsibility for all aspects of the business over the long-term;
- demonstrates leadership and an approach to transparency and governance which engenders trust and ensures accountability for its actions; and
- has a range of skills and experience, including strong independent membership, enabling it to make decisions that address diverse customer and stakeholder needs.

SECTION 172 STATEMENT (continued)

Long-term planning horizon
The nature of the Group's main trading subsidiary, NWL, requires a long-term view to be taken and this is enshrined in the updated Purpose Statement for NWL.

This long-term perspective underpinned the strategy of the NWL board of directors (NWL board) for the PR19 Business Plan, which set out ambitious goals in respect of achieving net zero carbon and delivering reliable and resilient services for future generations.

The Board closely monitors the financial position of the business through a rolling five year plan, whilst also considering longer-term financial resilience over an extended time horizon.

The Board also considers the long-term funding needs of other subsidiaries of the Group, as well as joint ventures and other investments. During the year, the Board considered the revision of some of the terms of borrowings under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) for its joint venture, Wave. The proposed terms were noted and approved as was a change in terms for the Group's exposure, although no net increase overall.

Dividends
The Board considers whether or not to pay dividends each year after taking account of the considerations set out in its dividend policy. Having not paid any dividend between April 2019 and April 2021, the Board approved a final dividend for the year in respect of the year ended 31 March 2021, reflecting cumulative financial performance over the two years since the previous dividend payment, the impact of the CMA redetermination on the five year plan and performance against statutory obligations and regulatory commitments.

For the year ended 31 March 2022, the Board approved the payment of an interim dividend of £55.0m and a final dividend of £52.5m. In reaching these decisions, the Board took account of NWL's underlying financial performance and its five year plan which remained compatible with investment grade credit ratings, and how the Company had performed for its customers.

Strategic risks
The Board, through its Audit, Risk & Assurance Committee (ARAC), monitors the principal risks and uncertainties facing the business including longer-term strategic risks. A detailed review of the Strategic Risk Register is carried out each year, most recently in December 2021, which considers horizon scanning reports from external sources. The principal risks and uncertainties are reported on pages 13 to 14.

Governance
The Board is committed to maintaining high standards of corporate governance and business conduct.

The Group has in place robust corporate governance arrangements as laid out in the Corporate Governance section. The Group did not directly apply any external corporate governance code in the year, as it is a holding company and its principal subsidiary, NWL, has in place its own extensive corporate governance arrangements, including adhering to external codes.

Stakeholder engagement
The Group has a wide range of stakeholders. Much of the stakeholder engagement takes place at an operational level, the NWL board receiving regular reports in respect of customer service, operational performance, health and safety and key risks, such as data security of customer and water quality.

The NWL board reviews company performance across a wide range of subjects at each meeting through the balanced scorecard, which tracks performance across NWL's corporate themes of Customer, Environment, Competitiveness, People and Communities, and also through management reports on health and safety, finance, customer, regulation and operational performance. This provides a balanced view of performance across matters of interest to each of our key stakeholder groups.

Customers
Understanding customer needs is critical to delivering unrivalled customer service and this underpins the NWL board's decision making. The NWL board paid particular attention to how the company engaged with customers through the COVID-19 pandemic and maintained customer service when large parts of the business worked from home. This included the increased use of digital engagement and social media channels, building on the new website launched the previous year.

SECTION 172 STATEMENT (continued)

Customers(continued)
As part of understanding customer needs, the NWL board supports direct customer engagement across a wide range of subjects, as well as engaging with CCWater and the Water Forum. During the year, this included gaining customers' views on the development of regional water resource management plans and drainage and wastewater management plans.

The NWL board, its Audit Committee and R&CSC continued to take a keen interest in cash collection trends from customers and, in particular, how the company is working with CCWater and other stakeholders to extend the use of social tariffs for customers with affordability issues, which have been exacerbated by the financial impacts of COVID-19.

Environment
The Board is conscious of the environmental responsibilities of the businesses of its subsidiaries and the importance of maintaining the highest standards of compliance. The Board, through its ARAC, regularly requests 'deep dives' into areas of particular importance to its stakeholder enabling it to understand the risks and actions and provide direction.

During the year, the ARAC and NWL's R&CSC carried out a joint deep dive review into water quality in rivers, an area of increasing interest to stakeholders, and the impact of storm overflows which are a key part of the design of the network.

NWL's R&CSC received an update on business resilience and climate change and discussed how climate change could be manifested more explicitly across the business, involving all employees as climate change champions. Professor McGlade provided input into NWL's Climate Adaptation Report, reflecting her expertise in this area.

Employees
The health and safety of employees is the first matter considered by the NWL Board at each meeting, including considering any lost time accidents or high risk incidents and the learning points taken from, as well as performance against, leading and lagging indicators. The Board discussed the Company's approach to staff returning to offices in the aftermath of the COVID-19 pandemic and how to return staff on a phased basis to improve productivity and service levels whilst ensuring their safety.

The NWL board discussed proposals to consult with employees on the closure of the defined benefit pension scheme in the light of increasing costs and volatility. The board discussed how proposed contributions rates for a replacement defined contribution scheme could be benchmarked in the region and across the sector and considered how the impact on employees could be mitigated.

The NWL board also received updates on the development of an asset backed funding arrangement to improve the sustainability of the scheme's deficit recovery plan, and discussed how this would benefit customers and employees.

Community
The NWL board considers sustainability matters and the impacts on the local community when approving capital projects and contracts, and also when it discusses the progress of major capital investment projects.

The NWL board was kept appraised of research and engagement with local communities to help shape activities to deliver its Water Environment Improvements performance commitment. Many customers were keen to be involved in local projects and wanted the opportunity to volunteer to help deliver local improvements.

Suppliers
Our supply chain is vital in enabling us to deliver our services, and also makes a significant contribution to the economies of the regions we serve. The Board encourages the Group to work collaboratively and ethically with suppliers. This can be seen in NWL's work with partners on innovation, including our numerous successful bids to Ofwat's Innovation Fund.

The Board approves large contract awards, considering these from an ethical and sustainability perspective as well as a commercial standpoint. The Board also discussed and reaffirmed its commitment to its Slavery and Human Trafficking statement, which aims to ensure transparency on these matters in our supply chain. The Board requested that management carry out further engagement with suppliers to enhance the assurance provided to the Board that they are compliant.

SECTION 172 STATEMENT (continued)

S172 Duty

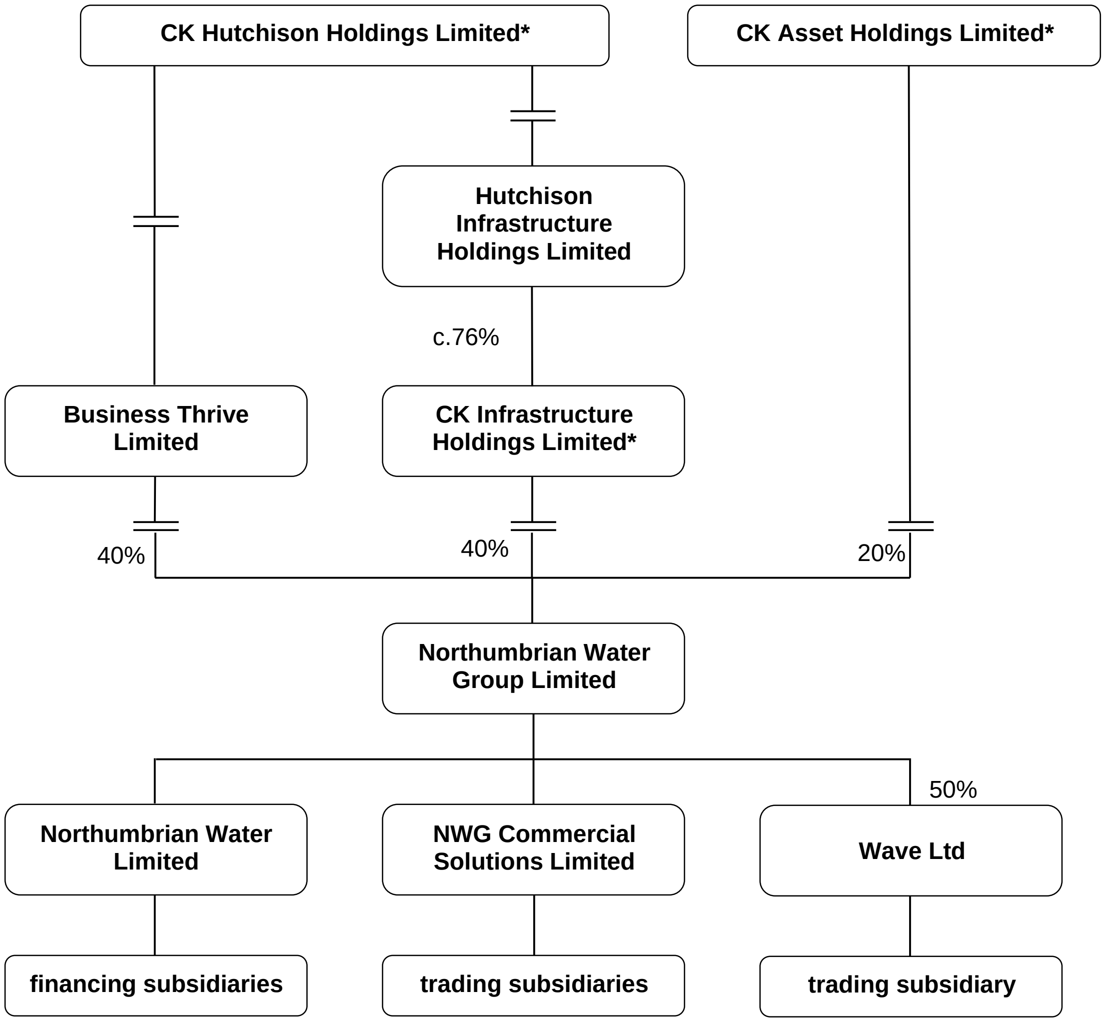
The Directors of NWG consider, both individually and together, that they have acted to promote the long term success of the Company and the Group for the benefit of its members as a whole during the year ended 31 March 2022, in accordance with their duties under S172 of the Companies Act 2006.

Financial performance and structure

Group structure

In addition to NWL, NWG has one other direct subsidiary, NWG Commercial Solutions Limited (NWGCSL), which acts as a holding company for other non-regulated trading companies. NWG also directly owns 50% of a joint venture company, Wave Ltd (Wave) which, through its trading subsidiary, carries out non-household retail activities in England and Scotland.

The chart below shows the summarised corporate structure of the Group. The chart shows the principal intermediate holding companies, which are wholly owned unless otherwise shown. On 21 May 2021, CK Asset Holdings Limited acquired the Li Ka Shing Foundation's indirect interest in NWG.



* Companies listed on The Stock Exchange of Hong Kong Limited

On 14 July 2022, Nimbus UK Bidco Limited (a company incorporated in England and Wales and indirectly owned by Kohlberg Kravis Roberts & Co. L.P.) entered into an agreement to purchase 25 per cent of the entire issued share capital of each of Northumbrian Water Group Limited and Northumbrian Services Limited (a sister group of Northumbrian Water Group Limited), on a pro rata basis from the current shareholders, subject to the receipt of certain anti-trust and regulatory approvals.

Financial performance

In addition to the balanced scorecard, the Group uses a range of financial indicators to monitor performance, which focus on the financial covenants underpinning the Group's private placement and committed bank facilities at NWL, which are reported to each Board meeting. For the Group, these financial KPIs, shown below, remained better than the target for the year. The NWL interest cover, fell to 2.3x, which was below the target level of 2.4x. The definition includes non-cash index-linked debt accretion within interest, which increased significantly as inflation rates increased during the year. For this reason, the counterparties to the committed facility agreed to NWL's request to amend the covenant test at 31 March 2022 to a target threshold of 2.1x.

	Performance				Target	
	2020/21		2021/22		2021/22 & 2022/23	
KPI	NWG	NWL	NWG	NWL	NWG	NWL
Gearing: net debt to RCV (%)	76.7	69.9	74.9	69.8	≤80.0	≤77.5
Interest cover (times)	2.7	3.0	2.2	2.3	≥2.2	≥2.4

NWL's Regulatory Capital Value (RCV), on which our allowed regulatory revenue is based, increased to £4,547.8m at 31 March 2022, from £4,196.4m at 31 March 2021, reflecting high levels of CPIH and RPI indexation.

Review of consolidated performance

NWG

Revenue for the year ended 31 March 2022 was £827.2m (2021: £797.9m), an increase of £29.3m, of which £22.7m was at NWL and is detailed below. Income from the Group's water and wastewater contracts continue to increase (£5.7m), in line with the provisions of the relevant contracts and has been impacted by higher than normal gas prices in the market, which have an impact on the tariffs for one of the contracts in Scotland.

Operating costs increased by £31.3m for the year ended 31 March 2022 at £628.7m (2021: £597.4m restated), which principally reflected movements at NWL (£25.0m), which are detailed below. Further increases of £6.3m for the Group's water and wastewater contracts principally reflect general inflationary increases, higher gas costs and a general catch-up since lockdown restrictions, across most contracts. Profit before interest for the year ended 31 March 2022 was £198.5m (2021: £200.5m restated).

Operating costs include the impact of a change in how the Group applies IAS 38 Intangible Assets in respect of 'software-as-a-service' (SaaS) arrangements for IT systems. This follows the publication of new guidance from the IFRS Interpretations Committee (IFRIC) on the treatment of configuration and customisation costs of SaaS software. As a result, costs which were previously capitalised as intangible assets are now recognised as operating costs in the period. The comparative operating costs, amortisation and capitalised interest have been restated as a prior year adjustment as explained in note 23.

Share of loss in respect of jointly controlled entities for the year ended 31 March 2022 was £0.9m (2021: £6.4m). The improved position principally reflects lower bad debt charges as a result of COVID-19 on the underlying trading performance at Wave.

Net interest payable was £206.3m for the year ended 31 March 2022 (2021: £227.1m restated), including £0.2m (2021: £91.8m) on shareholder loan notes. The decrease of £20.8m was principally as a result of lower shareholder loan note interest of £91.6m as a result of the conversion to equity in December 2020, partially offset with higher accretion on index-linked bonds due to higher inflation during the year (£36.7m) and a £44.2m adverse mark to market movements on the fair value of financial instruments compared to the prior year.

The Group's loss before tax for the year ended 31 March 2022 was £8.7m (2021: £33.0m restated). The current tax credit for the year ended 31 March 2022 was £9.0m (2021: charge £11.7m). The reduction of £20.7m reflects decreases of £18.6m in the current year UK charge and £0.3m in the current year overseas charge, and a decrease of £1.8m in the prior year tax charge. The current year decrease mainly reflects additional tax reliefs for capital expenditure (notably 'super deductions') and losses carried back to the previous year. The deferred tax charge for the year ended 31 March 2022 was £166.9m (2021: £5.3m restated). The increase of £161.6m reflects the restatement of deferred tax from 19% to 25% of £159.4m, a decrease of £2.2m in the current year charge (reflecting additional tax reliefs for capital expenditure and losses carried forward), and a decrease of £4.4m in the prior year credit. Further details of the net tax charge are provided in note 8 to the financial statements. The Group's loss after tax for the year ended 31 March 2022 was £166.6m (2021: £50.0m restated).

Total intangible asset additions for the Group for the year ended 31 March 2022 were £8.2m (2021: £9.2m restated) and total fixed asset additions for the year ended 31 March 2022 were £275.1m (2021: £253.8m), representing capital investment to maintain and enhance the Group's asset base.

Financial performance (continued)

NWL

Revenue was £782.5m for the year ended 31 March 2022 (2021: £759.8m). The increase of £22.7m principally reflects higher household and non-household revenue of £18.8m, of which £5.1m related to an increase in allowed revenue. The remainder related primarily to recovery in non-household demand following the Covid-19 lockdowns in the prior year. The impact of NWL's redetermination of the Final Determination (FD) by the Competition and Markets Authority (CMA) will take effect on revenue in 2022/23.

Operating costs, including capital maintenance costs for the year ended 31 March 2022 were £583.2m (2021: £558.2m restated), an increase of £25.0m. The most significant factor in the increased costs was the unprecedented rise in energy costs in the second half of the year. This caused year on year energy costs to increase by £27.2m, which was partially mitigated by a £6.1m increase in renewable energy generation. NWL's policy is to maintain a balance of medium to long term hedges and shorter term purchases. The Board has subsequently approved a new Energy Hedging Strategy. NWL released its £6.5m bad debt risk in relation to COVID-19, which was created at the outset of the pandemic reflecting uncertainty of cash collection.

During the year, NWL invested £0.5m (2021: £0.7m) in research and development.

Profit before interest for the year ended 31 March 2022 was £199.3m (2021: £201.6m restated). Capital investment for the year ended 31 March 2022 was £274.0m (2021: £253.2m), reflecting around £187m investment for the maintenance of NWL's asset base to ensure the continued provision of sustainable water and wastewater services. In addition, NWL has continued its AMP7 enhancement programme which will deliver environmental improvements through the Water Industry Environmental Programme, improved resilience of water and wastewater assets, as well as cyber resilience, and smart metering.

Water and wastewater contracts
The Group's water and wastewater contracts in Scotland, the Republic of Ireland and Gibraltar are all performing well and are broadly in line with expectations. Revenue for these contracts was £44.3m for the year ended 31 March 2022 (2021: £37.5m). Profit before interest was £2.0m (2021: £2.2m).

The two Scottish PFI contracts at Meadowhead and Levenmouth, continue to meet all operational and environmental requirements. The Irish contract at Carrigrenan, remains compliant with all contractual service levels.

The NWG Bioenergy Limited (Bioenergy) agricultural based anaerobic digestion plant (AD) at Garforth in West Yorkshire was disposed of on 31 January 2022 for a consideration of £11.4m (see note 30).

Dividends
A final dividend of £36.7m was paid for the year ended 31 March 2021. Prior to this payment, no dividends had been paid in respect of the years ended 31 March 2020 or 31 March 2021, as a result of the impact of the PR19 FD and the uncertainty surrounding the CMA redetermination process. For the year ended 31 March 2022 the Board approved payment of an interim dividend of £55.0m and, after the balance sheet date, a final dividend of £52.5m. More information is provided in note 9 to the Financial Statements.

Accounting policies
The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards.

Capital structure, liquidity and credit rating
The majority of the Group's financing activities are undertaken within the NWL group of companies given the significance of its operations to Group activities.

At year ended 31 March 2022, NWL had £283m (2021: £450m) of undrawn bank facilities, which is for the purpose of maintaining general liquidity and provided by a group of five key relationship banks, which mature in 2025.

In April 2021, the Company raised £125m with one of its existing US Private Placement counterparties for a tenor of 15 years, maturing 15 April 2036. The final note purchase agreement was agreed on 14 April 2021 and the notes priced with a semi-annual coupon of 2.59%. The Group used the majority of the proceeds to repay its existing £100m US Private Placement.

Capital structure, liquidity and credit rating (continued)

Moody's affirmed its rating of Baa1 with stable outlook in July 2021. Standard & Poor's (S&P) affirmed its rating of BBB+ (negative outlook) in June 2022.

On 12 April 2021, in accordance with their terms, the Company repaid the balance of shareholder loan notes of £56.8m, along with the payment of interest that had accrued up to and including that date.

NWG completed a restructuring of its share capital on 29 March 2022. Following a buyback of all of its B ordinary shares of £0.10 each and an issue of 12 A ordinary shares of £0.10 each, all 400 A ordinary shares of £0.10 each were re-designated as ordinary shares with a nominal value of £0.10 each.

Treasury policies

The Board sets high level objectives for the financing strategy of the Group which is determined within treasury policies set by the Board. The Group treasury function carries out treasury operations on behalf of all Group companies and its main purposes are to assess the ongoing capital requirement, maintain short-term liquidity, ensure access to medium term committed back up facilities, and to raise funding, taking advantage of any favourable market opportunities. It also invests any surplus funds the Group has in accordance with the Group's treasury policy. On occasion, derivatives are used as part of this process, but the Group's policies prohibit their use for speculation.

The detailed financing strategy and dividend policy at NWL is determined independently by the NWL board.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group requires all Group companies to identify and assess the impact of risks to their business using a standard risk model. The Group's view of acceptable risk is based on a balanced view of all of the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion and opportunities.

The Board sets the tone for risk management within the Group and determines the appropriate risk appetite. It monitors the management of fundamental risks and approves major decisions affecting the Group's risk profile. The Board is supported in this by the ARAC from which it receives regular and detailed reports. At NWL, the ELT reviews the approach to risk management in detail every year and reviews the significant risks every month. Any issues are reported by the Chief Executive Officer (CEO) to the boards of NWL and NWG. NWG's ELT implements policies on risk management and internal control.

Apart from NWL, none of the Group trading companies have risks considered to be significant to the Group's short and long term value.

The system of internal control incorporates risk management. It encompasses a number of elements, including policies and procedures, business planning and budgeting and the maintenance of a risk management framework, which together facilitates an effective and efficient operation, enabling the Group to respond effectively to a variety of challenges.

The ARAC, on behalf of the Board, carries out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, taking account of both the highest rated risks on our Corporate Risk Register and the Strategic Risk Register identified by the Board sub-group. The risks detailed below are not set out in order of priority.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The principal business risks facing the Group are:

- inherent health and safety risk in NWL's operational and construction workplaces;
- loss of customer trust and confidence;
- loss of supply to a large volume of customers due to failure of the NWL water systems, such as failure of a strategic water main or treatment works or contamination of a service reservoir;
- environmental pollution incidents due to failures in the NWL wastewater network giving rise to potential fines and reputational damage;
- loss of key business systems due to a malicious attack or failure of cyber security;
- breach of Data Protection Act, General Data Protection Regulation or Environmental Information Regulations;
- effects of climate change adversely impacting NWL's water resources and the integrity of the assets;
- unfavourable changes to the NWL Licence or regulatory methodology that may adversely impact on the balance of risk and return or reduce investor confidence in the stability and predictability of the regulatory framework;
- a change in government could introduce significant changes in policy, impacting upon NWL and the Group;
- failure to deliver financial plans could impact on expected shareholder returns;
- funding and liquidity risk (see note 21 to the financial statements);
- inadequate information about our asset base may result in sub-optimal investment decision-making leading to deterioration in asset health and service performance; and
- risk of supply chain disruption because of staff shortages, Brexit, the Covid pandemic and wider economic conditions impacting on the availability and price of key commodities.

Risk management is a dynamic process reflecting changes in the external environment and consequently some of the principal risks have changed from those reported in the previous year.

Emerging Risk – Recruitment and Retention of Staff

The demand for key skills in fields such as engineering and IT is making recruitment and retention of staff more challenging. This is particularly noticeable in our ESW operating area due to its proximity to London. Changes in working practices due to the COVID-19 pandemic have seen a sustained shift towards home working giving people more opportunity to take up roles working remotely.

R. Somerville

Approved for issue by the Board of Directors
R Somerville
General Counsel and Company Secretary
15 July 2022

DIRECTORS' REPORT

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Group has in place the robust corporate governance arrangements set out below, but it did not directly apply any external corporate governance code in the year. This is because it is a holding company and its principal subsidiary, NWL (which accounts for around 95% of the Group's turnover) has in place its own extensive corporate governance arrangements, including adhering to external codes, as explained below.

Best practice in corporate governance is evolving and Ofwat has worked with companies in the sector to develop four corporate governance objectives (the 2019 Objectives) which it expects them to meet. NWL has again explained, in its Annual Report and Financial Statements, how it meets the 2019 Objectives and supporting provisions.

In addition to reporting compliance with the 2019 Objectives and the supporting provisions, the NWL board has also applied the Wates Corporate Governance Principles For Large Private Companies (Wates Principles).

Directors

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

A J Hunter	Non-Executive Chairman
H Mottram CBE	Chief Executive Officer (CEO)
L S Chan	Non-Executive Director (alternate to A J Hunter and D N Macrae)
H L Kam	Non-Executive Director
D N Macrae	Non-Executive Director
W C W Tong Barnes	Non-Executive Director (alternate to H L Kam)
S K K Man	Non-Executive Director (appointed 28 April 2022)
E W L Ho	Non-Executive Director (appointed 28 April 2022)
K T Chow	Alternate Director to E W L Ho (appointed 5 July 2022)

Information about Directors' remuneration is contained in note 5 to the financial statements.

Board governance, responsibilities and processes

The Board sets the Group's high level vision, values and strategy and ensures compliance with Group policies and legal and regulatory obligations. Within this framework, NWL operates as a standalone company and its strategy is determined by the NWL board. During the year, the only decisions referred up to the NWG Board were a number of contract and loan approvals and the slavery and human trafficking statement for the group.

The Group has adopted terms of reference which set out the matters reserved to the Board for approval and matters which are, or can be, delegated to its committees and management. The Group has also adopted financial approval rules which set out the authorisation processes and financial limits to be applied to financial transactions within the Group. NWL has adopted its own appropriate guidelines.

The Standing Committee can take decisions not delegated to specific committees between Board meetings. All Directors receive notice of Standing Committee meetings and may participate if they wish. Decisions taken by the Standing Committee are reported at the next Board meeting. The NWG Board meets at least five times each year.

Authorisation of Directors' conflicts of interest

Directors have a statutory duty, under s175 of the Companies Act 2006, to avoid a situation in which they have, or could have, a conflict of interest with the Company's interests. However, there is no breach of this duty if the Board has authorised the matter in question. The Articles of Association permit Directors (other than the Director having the interest in question) to authorise any situation giving rise to a known or potential conflict. A register of the interests which have been authorised is maintained by the Company Secretary and is available at every Board meeting.

Board balance and independence
The composition of the Board at 31 March 2022 is as follows:

A J Hunter (Chairman) and D N Macrae were appointed by CK Infrastructure Holdings Limited. H L Kam, L S Chan and W C W Tong Barnes were appointed by Cheung Kong (Holdings) Limited, which is wholly owned by CKHH. The CEO, H Mottram was appointed on the recommendation of the Nomination Committee of Northumbrian Water Group plc when it was independently listed.

The Chairman and CEO have clearly defined roles and responsibilities. The Chairman leads the Board and creates the conditions for overall Board and individual Director effectiveness, both inside and outside the boardroom. The CEO is responsible for running the Group's businesses on a day-to-day basis.

Whilst not members of the NWG Board, the INEDs of NWL attend Board and Committee meetings of NWG and therefore have visibility over, and are welcome to make observations and suggestions regarding strategic considerations at NWG, with the exception of matters relating to Wave. This ensures that the NWL board is aware of all developments at the NWG level and therefore has full knowledge of the environment in which it is operating and any risks the Group might face. The NWG Board believes that this entirely transparent approach supports compliance with Ofwat's holding company principles. NWL has refreshed its INED population entirely during the year, with the four serving INEDs retiring and five new INEDs being appointed during the year.

As per his predecessor M Parker (who retired in October 2021), the General Counsel and Company Secretary, R Somerville (who joined in October 2021) assists the Board to ensure that good corporate governance compliance is maintained. He is also Company Secretary of NWL and is Secretary to all NWG and NWL board committees and sub-committees.

NWL has its own Audit, Remuneration and Nomination Committees as well as Risk & Compliance and Assurance Sub-committees of the Audit Committee. NWG has an Audit, Risk & Assurance Committee (ARAC).

Board committees
During the year, the Board was assisted by the ARAC in performing its duties. The Board sets the terms of reference of its Committees and receives regular reports from their chairmen at Board meetings.

Remuneration Committee
H Mottram's remuneration as CEO of NWL and NWG is set by NWL's Remuneration Committee, the members of which, during the year, were A J Hunter (Chairman), P Rew, M Fay, S Lyster and D N Macrae. The Human Resources Director, from the NWL ELT, provides advice to the Committee from time to time.

NWL complies with its obligations under s35A of the Water Act 2003 by disclosing in its financial statements each year a detailed breakdown of remuneration paid to the Executive Directors of NWL which is linked to NWL's standards of performance. NWL pays 70% of the remuneration of NWL's Executive Director, H Mottram, and NWG pays the remaining 30%, which reflects the time spent on activities other than NWL. No additional remuneration is paid by the Group or its shareholders.

The work of the NWL Remuneration Committee comprises the adoption of principles and standards in relation to executive remuneration and benefits, as well as agreeing individual remuneration packages.

ARAC
The Chairman of the ARAC is L S Chan. The other members are D N Macrae (or his alternate) and N D Herrington.

During the year, and up to the date of approval of these financial statements, the ARAC assisted both Executive and Non-executive Directors to discharge their individual and collective responsibilities. Its work included the following:

- reviewing the draft financial statements, considering reports from the external and internal auditors setting out the audit approach and plan, significant audit risks and conclusions on the Group's internal controls and risk management;
- reviewing the appropriateness of accounting policies, significant accounting judgements and evidence supporting the going concern basis for the accounts and recommending approval of both statutory and regulatory accounts to the Board;
- confirming the objectivity and independence of the external auditor, and in so doing reviewing the representations made in the audit report on these subjects;
- reviewing and monitoring the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

ARAC (continued)

- monitoring the effectiveness of the internal audit function;
- approving the external auditor's fees for both audit and non-audit services, by reference to the agreed policy;
- approving the internal audit work programme for the year and reviewing progress against the programme;
- approving arrangements for monitoring compliance with the Company's procedures designed to prevent bribery, having regard to the Bribery Act 2010 and the code of conduct 'Our Way at NWG', including receiving reports on any whistleblowing allegations; and
- reviewing the risk and control framework and reporting, including management of tax compliance matters and approval of financial approval rules.

The Chairman has reported formally to the NWG Board following each meeting of the Committee and minutes have been circulated to the Board.

The ARAC is fully cognisant of the need for NWG to manage risk in such a way that NWL is protected from risk elsewhere in the Group. Its work in relation to risk included the following:

- reviewing reports at each meeting on the top rated managed risks and priorities for assurance (being those risks with the biggest reduction between the business (gross) and managed (net) risk scores), representing key control areas for the Company;
- reviewing and updating the dynamic risk management framework and corporate risk register which are based on a detailed bottom-up assessment of risk across the Group;
- reviewing the management of specific areas of risk in relation to health and safety and environmental compliance;
- reviewing cyber security and steps being taken to enhance security;
- advising the Board on risk appetite and exposure and reviewing risk assessment processes as well as keeping the effectiveness of the risk and internal control management systems under review;
- monitoring compliance with covenants and treasury risks; and
- reviewing business continuity arrangements.

The Board is able to monitor the impact of environmental, social and governance matters on the Group's business, to assess the impact of significant risks on the business and to evaluate methods of managing these risks through reports it receives from its subsidiary boards and committees.

Code of Conduct

The Group has a code of conduct, 'Our Way at NWG', covering Group companies' relationships with customers, employees, suppliers, local communities, shareholders, other investors and regulators.

Ofwat's Holding Company Principles

The Company has reviewed its compliance with the document published by Ofwat in April 2014: "Board leadership, transparency and governance – holding company principles". The principles set out by Ofwat are addressed below (the numbering follows that of the principles):

1.1 As stated in the Strategic Report, at the balance sheet date, NWG is the holding company of NWL. The Directors of the Company consider that that there has been no ultimate controlling party of the Company.

1.2 NWG discloses detail of its debt structure and how this compares with the Group's policies. It also clearly defines who is the ultimate parent undertaking and controlling party (see 1.1 above) and gives full transparency as to the level of shareholder loan notes within the corporate structure.

1.3 This report (and NWL's Directors' Report) disclose that some of the Directors of each company were appointed by shareholder companies. Directors may also, from time to time, have roles in and/or hold shares or other interests in the shareholder companies and/or other companies within the CKHH group.

1.4 Decisions regarding certain large contract awards, capital projects, substantial funding arrangements and the re-appointment of Directors are referred to the NWG Board. During the year, the NWG Board has endorsed all the recommendations of the NWL board.

1.5 NWG's governance arrangements are set out clearly in the Strategic Report and the Directors' Report.

Ofwat's Holding Company Principles (continued)

2.1, 2.2, 2.3, 2.4 and 3.1

The Directors of NWG are all also Directors of NWL (W C W Tong Barnes is an alternate director) and NWL's INEDs attend all NWG's Board and Committee meetings, ensuring full transparency between the two companies. The executive management teams of the two companies are the same. The NWG Directors are therefore fully aware of NWL's obligations, under statute, under the Licence (and under the Condition P undertaking required by the Licence). NWL's need to make strategic and sustainable decisions (in its own interests and those of its customers) is seen as fundamental to the Group's strategy and is vigorously supported. Therefore, the flow of information between the two Boards is effective and relevant information regarding the wider CKHH group is freely shared. NWL is given the opportunity to take advantage of business synergies and opportunities available within the CKHH group, but always makes its own business decisions in order to achieve the most favourable terms available.

Within this supportive environment, NWL's board operates autonomously and each NWL Director understands his or her individual responsibility to act in the best interests of NWL. This enables NWL's Board to make sustainable, long-term decisions which take full account of the long term nature of the water sector.

OTHER DISCLOSURES

Results, dividends, capital structure, future developments and research and development

Please refer to the Strategic Report.

Business relationships

The Companies (Miscellaneous Reporting) Regulations 2018, effective for years beginning on or after 1 January 2019, set out revised requirements for reporting on engagement with employees, suppliers, customers and others in a business relationship with the Company. The Group's approach to stakeholder engagement is summarised in the S172 Statement in the Strategic Report.

Political

NWG does not support any political party and does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party or other political organisation. However, the wide definition of donations in the Political Parties, Elections and Referendums Act 2000 covers activities which form part of the necessary relationship between the Group and political parties and political organisations. These activities include attending party conferences, as these provide the best opportunity to meet a range of stakeholders, both national and local, to explain the Group's activities, as well as local meetings with MPs, MEPs and their agents. During the year, no external costs were associated with these activities, although, Group representatives also attended the party conferences of the Labour and Conservative parties.

Energy and Carbon reporting

Through NWL, the Group set out an ambitious target to achieve net zero emissions by the end of 2027, as part of its PR19 Business Plan. Our plan is to deliver this through a combination of further investment in renewable energy and green vehicles and continued focus on using energy more efficiently.

In line with NWL's regulatory PC, emissions are calculated using the UK Water Industry Research Ltd Carbon Accounting Workbook, using 'market-based' reporting which allows for the purchase of green energy through the electricity and gas networks. The emissions have been externally assured in accordance with ISO 14064-1 to ensure validity and transparency.

Under the calculation methodology above, NWL's baseline GHG emissions in 2019/20 were 68.6ktCO2e. Total net operational GHG emissions for 2021/22 reduced to 21.9ktCO2e, a reduction of 46.7ktCO2e, which is a significantly greater reduction than the regulatory performance commitment of 5.6 ktCO2e.

On a gross basis, NWL is responsible for around 90% of the Northumbrian Water Group's energy use and around 95% of the Group's Greenhouse Gas Emissions. On a net basis (including renewable energy that is generated and exported) NWL is responsible for around 99% of the Group's Greenhouse Gas Emissions. As such, information provided here relates to NWL.

DIRECTORS' REPORT

Energy and Carbon reporting (continued)

The table below summarises NWL emissions for the reporting year, the previous year and the baseline year of 2019/20 showing both market-based and location- based performance measures as reported in the Carbon Accounting Workbook.

Annual operational GHG emissions		Location-based			Market-based		
ktCO2e/Ml		2021/22	2020/21	2019/20	2021/22	2020/21	2019/20
Scope 1	Direct emissions from burning of fuels	41.9	43.9	28.9	8.6	43.9	28.9
	Process and fugitive emissions	28.0	28.3	28.8	28.0	28.3	28.8
	Transport in company owned/leased vehicles	8.0	8.3	8.3	8.0	8.3	8.3
Scope 2	Purchased electricity	71.1	75.4	86.9	-	-	-
Scope 3	Public transport and travel in private vehicles	0.3	0.2	0.9	0.3	0.2	0.9
	Outsourced activities	1.9	2.1	2.1	1.9	2.1	2.1
	Electricity Transmission & Distribution	6.3	6.5	7.4	-	-	-
Gross Operational Emissions		**157.5**	**164.7**	**163.3**	**46.8**	**82.8**	**69.0**
Exports	Renewable electricity generated & exported	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.4)
	Biomethane generated & exported	(24.7)	(26.6)	(15.4)	(24.7)	(26.6)	-
Net Operational Emissions		**132.6**	**137.9**	**147.7**	**21.9**	**55.9**	**68.6**

In 2021/22 the company used 595GWh of energy, compared to 530GWh in the baseline year of 2019/20, including:

- 334.9 GWh of grid-supplied electricity used for pumping, treatment and support functions (2019/20: 339.9 GWh);
- 217.0 GWh of natural gas used for treatment and support functions (2019/20: 147.7 GWh);
- 33.8 GWh of road fuels used (2019/20: 37.5 GWh).

In addition to gross and net emissions we also monitor the emissions intensity of NWL's operations using three measures, one relating to the water service and two for wastewater. These measures can vary depending on emissions performance and levels of rainfall or customer demand.

Annual operational GHG emissions	Location-based			Market-based		
ktCO2e/Ml	2021/22	2020/21	2019/20	2021/22	2020/21	2019/20
Emissions/Ml of water	121	126	144	3	3	2
Emissions/Ml of sewage treated (flow to full treatment)	270	276	253	102	198	155
Emissions/Ml of sewage treated (water distribution input)	528	556	517	200	399	316

Treasury policies

These are as described in the treasury policies section of the Strategic Report.

Financial risk management

Please refer see note 21 to the financial statements.

Employment policies and employee engagement

The Group's policies in respect of the employment for disabled persons and employee involvement and engagement are set out in the performance section of the Strategic Report and the s172 Statement.

Indemnification of Directors

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

Directors' declaration

As required under s418 of the Companies Act 2006, so far as each current Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

Auditor
The Company had expressed its intention to undertake a selection process to appoint an auditor for the year ending 31 March 2022. However, in order to allow an enable an effective and competitive tender process to take place, the Board decided to appoint Deloitte LLP as the Company's auditor for the year ended 31 March 2022 and to carry out a selection process for the following year.

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

Financial statements preparation and going concern
The Group has sufficient funding and facilities in place to meet its requirements for the foreseeable future. In addition, it is well placed to raise debt as and when required. The Directors believe that the Group is well placed to manage its business risks successfully and, accordingly, they continue to adopt the going concern basis in preparing the annual report and Group financial statements.

In arriving at their decision, the Directors have taken into account:
- the financial strength of the Group at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in July 2022;
- the key financial ratios over the next 12 month planning horizon, as reflected in NWL's investment grade credit ratings;
- the fact that the Group has in place £450m of committed bank facilities as back up liquidity, maturing in December 2025, of which £285m was undrawn at 31 March 2022;
- the updated Treasury Strategy which the Board approved in April 2022;
- the expectation that the water and wastewater contracts will be profitable over their respective terms;
- the Group's formal risk and governance arrangements which are monitored by the ARAC and Board; and
- the impact of the proposed sale of 25% of the Group's equity to Nimbus UK Bidco Limited (a company incorporated in England and Wales and indirectly owned by Kohlberg Kravis Roberts & Co. L.P.)

The Directors are conscious of the need to refinance £350m of Eurobonds in February 2023 (see note 17). The NWL board has approved a Treasury Strategy which sets out the approach to be followed to meet NWL's financing needs for the next four to six years.

The implementation of the strategy is underway and NWL has held initial meetings with a number of its relationship banks to consider options to deliver the strategy. NWL has also embarked on the introduction of a Medium Term Note Programme. This will offer a range of debt instruments and allow the Company to raise smaller amounts to suit borrowing requirements and provide the ability to react to market pricing and investor requests quickly.

Whilst NWL has not raised finance through the capital markets since 2019, it has maintained active relationships with a number of lenders and regularly receives reverse enquiries. The Directors are confident the Group will be able to raise the required financing in a timely manner and at a competitive rate.

Fair, balanced and understandable
The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Board has taken advice from the ARAC which has considered the process by which the annual report and financial statements have been produced as well as reviewing and commenting on the report.

Directors' responsibilities statement
The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

DIRECTORS' REPORT (continued)

Directors' responsibilities statement (continued)

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.

In preparing the Group 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 IFRS 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

R. Somerville

Approved for issue by the Board of Directors
R Somerville
General Counsel and Company Secretary
15 July 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Northumbrian Water Group Limited (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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 31; and
- the related 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 United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

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.

Other information (continued)

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 and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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. These included the UK Companies Act and OFWAT Pricing and customer service requirements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included group's compliance with the following: regulations surrounding pollution of water, the Drinking Water Inspectorate (DWI), the consumer council for water, Health and Safety regulations, the Employment Act and with the Environment Agency.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- **Provision for bad and doubtful debts:** Due to the complexity in calculating the provision, in conjunction with the additional considerations for Covid-19, we deemed this as a potential fraud risk for our audit. To address this risk, we completed the following procedures:
  - compared the assumptions made by management in calculating the provision to evidence provided from historical collection data;
  - we obtained an understanding of management's relevant controls surrounding the estimate;
  - we compared the assumptions made by management in calculating the provision to evidence provided from historical collection data;
  - we tested a sample of bad debt write offs occurring throughout the year as well as instances where the provision has been utilised;
  - we tested a sample of bills included within the bad debt provision in order to challenge the accuracy of the aged debtor balance and the ageing categories applied;
  - we assessed the reasonableness of any judgements made in respect of likely future events;
  - we evaluated disclosures made in the financial statements;
  - we compared the assumptions made by management in calculating the provision to evidence provided from historical collection data. We also tested any bad debt write offs and utilisation of the provision during the year and tested a sample of bills included within the bad debt provision to confirm accuracy of the aged debtor balance and the ageing categories applied;
  - we performed sensitivity analysis on the provision to assess the impact of changes in the cash collection rate; and
  - we assessed the receivables ageing report to help assess whether overdue debtors are appropriately provided for.

- **Revenue recognition:** Due to the nature of the unbilled revenue accrual for unread meters, we identified this as a potential fraud risk fraud risk for our audit. To address this risk, we completed the following procedures:
  - obtained an understanding of management's relevant controls over the unbilled revenue accrual;
  - performed testing of the accrued revenue calculation and assessed the appropriateness of accounting estimates made by management;
  - challenged management's retrospective review on the March 2021 balance;
  - assessed the accrued revenue balance for any potential recoverability issues by tracing a sample to subsequent bill and cash payment; and
  - performed substantive analytical procedures on the year-end balance by forming an expectation compared to the prior year.

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, the audit committee and external 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, reviewing internal audit reports and reviewing correspondence with any relevant regulatory authorities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHUMBRIAN WATER GROUP LIMITED (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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 during 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.

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.

David Johnson FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
15 July 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	Year to 31 March 2022 £m	Restated[1] Year to 31 March 2021 £m
Continuing operations			
Revenue	2	**827.2**	797.9
Operating costs	3	**(628.7)**	(597.4)
Profit before interest	2	**198.5**	200.5
Finance costs	7	**(147.4)**	(212.7)
Finance income	7	**1.9**	2.2
Net loss on financial instruments	7	**(60.8)**	(16.6)
Share of loss after tax of jointly controlled entities	12(a)	**(0.9)**	(6.4)
Loss before taxation	2	**(8.7)**	(33.0)
Current taxation	8(a)	**9.0**	(11.7)
Deferred taxation	8(a)	**(166.9)**	(5.3)
Loss for the year		**(166.6)**	(50.0)
Attributable to:			
Equity shareholders of the parent Company		**(166.9)**	(50.7)
Non-controlling interests		**0.3**	0.7
		(166.6)	(50.0)

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	**Year to 31 March 2022 £m**	Restated[1] Year to 31 March 2021 £m
Loss for the year		**(166.6)**	(50.0)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses)	26	**131.2**	(53.2)
Tax on items credited to equity not reclassified	8	**(19.4)**	10.1
Items that may be reclassified subsequently to the income statement:			
Gain on cash flow hedges taken to equity		**23.1**	2.8
Translation differences		**(0.1)**	(0.3)
Tax on items charged to equity that may be reclassified	8	**(5.1)**	(0.5)
Other comprehensive income/(expense)		**129.7**	(41.1)
Total comprehensive expense for the year		**(36.9)**	(91.1)
Attributable to:			
Equity shareholders of the parent Company		**(38.1)**	(92.1)
Non-controlling interests - profit for the year		**0.3**	0.7
Non-controlling interests - other comprehensive income		**0.9**	0.3
		(36.9)	(91.1)

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	**31 March 2022 £m**	Restated[1] 31 March 2021 £m	Restated[1] 31 March 2020 £m
Non-current assets				
Intangible assets	10	**118.4**	119.6	124.5
Property, plant and equipment	11	**4,825.8**	4,705.0	4,589.9
Investments in jointly controlled entities	12	**7.4**	9.1	11.2
Financial assets		**11.5**	11.5	11.5
Loan receivables due from associated companies		**39.2**	39.2	31.6
Derivatives	21	**12.8**	0.2	0.1
Pension asset	26	**22.7**	-	-
		5,037.8	4,884.6	4,768.8
Current assets				
Inventories	13	**7.7**	6.5	6.0
Trade and other receivables	14	**222.6**	226.0	243.3
Interest bearing loans	14	**15.0**	13.0	18.9
Income tax receivable	14	**19.5**	7.7	10.7
Short term cash deposits	15	**2.0**	2.0	1.3
Cash and cash equivalents	15	**109.2**	63.8	97.6
		376.0	319.0	377.8
Total assets		**5,413.8**	5,203.6	5,146.6
Non-current liabilities				
Interest bearing loans and borrowings	17	**2,919.5**	3,189.4	4,295.5
Provisions	19	**3.3**	5.4	1.3
Deferred income tax liabilities	8	**648.0**	456.4	460.7
Pension liability	26	**-**	126.0	83.7
Derivatives	21	**135.6**	85.3	71.4
Other payables		**1.2**	1.0	1.3
Grants and deferred income	20	**453.9**	430.9	408.0
		4,161.5	4,294.4	5,321.9
Current liabilities				
Interest bearing loans and borrowings	17	**655.1**	208.6	82.5
Provisions	19	**0.5**	1.1	0.2
Trade and other payables	16	**203.0**	176.8	284.8
		858.6	386.5	367.5
Total liabilities		**5,020.1**	4,680.9	5,689.4
Net assets/(liabilities)		**393.7**	522.7	(542.8)
Capital and reserves				
Called up share capital	22	-	-	-
Other reserve		**51.9**	51.9	51.9
Share premium reserve		**1,603.1**	1,603.1	446.5
Cash flow hedge reserve		**9.7**	(8.3)	(10.6)
Currency translation		**(1.2)**	(1.1)	(0.8)
Accumulated deficit		**(1,274.6)**	(1,126.9)	(1,032.8)
Equity shareholders' surplus/(deficit)		**388.9**	518.7	(545.8)
Non-controlling interests		**4.8**	4.0	3.0
Total capital and reserves		**393.7**	522.7	(542.8)

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

Approved by the Board of Directors and authorised for issue on 15 July 2022 and signed on its behalf by:

Heidi Mottram

H Mottram
Chief Executive Officer
Registered number 04760441

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Note	Other reserve £m	Share premium reserve £m	Cash flow hedge reserve £m	Currency translation £m	Retained earnings £m	Total equity £m	Non-controlling interests £m	Total £m
At 1 April 2020		51.9	446.5	(10.6)	(0.8)	(1,008.3)	(521.3)	3.0	(518.3)
Prior year adjustment[1]	23					(24.5)	(24.5)		(24.5)
At 1 April 2020		51.9	446.5	(10.6)	(0.8)	(1,032.8)	(545.8)	3.0	(542.8)
Loss for the year as previously stated		-	-	-	-	(46.8)	(46.8)	0.7	(46.1)
Prior year adjustment[1]	23	-	-	-	-	(3.9)	(3.9)	-	(3.9)
Gains on cash flow hedges taken to equity		-	-	2.8	-	-	2.8	-	2.8
Tax on items charged to equity		-	-	(0.5)	-	-	(0.5)	-	(0.5)
Other comprehensive (expense)/income		-	-	-	(0.3)	(43.4)	(43.7)	0.3	(43.4)
Total comprehensive income and expense for the year (restated)		-	-	2.3	(0.3)	(94.1)	(92.1)	1.0	(91.1)
Restructuring		-	1,156.6	-	-	-	1,156.6	-	1,156.6
At 31 March 2021		51.9	1,603.1	(8.3)	(1.1)	(1,126.9)	518.7	4.0	522.7
Loss for the year		-	-	-	-	(166.9)	(166.9)	0.3	(166.6)
Gains on cash flow hedges taken to equity		-	-	23.1	-	-	23.1	-	23.1
Tax on items charged to equity		-	-	(5.1)	-	-	(5.1)	-	(5.1)
Other comprehensive (expense)/income		-	-	-	(0.1)	110.9	110.8	0.9	111.7
Total comprehensive income and expense for the year		-	-	18.0	(0.1)	(56.0)	(38.1)	1.2	(36.9)
Equity dividends paid (see note 9)		-	-	-	-	(91.7)	(91.7)	(0.4)	(92.1)
At 31 March 2022		**51.9**	**1,603.1**	**9.7**	**(1.2)**	**(1,274.6)**	**388.9**	**4.8**	**393.7**

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

The ‘other reserve’ represents the Company’s reorganisation of its ordinary share capital on 8 March 2013, which the Directors consider to be distributable.

The cash flow hedge reserve arises from the cumulative amount of gains or losses on hedging instruments and associated deferred tax taken directly to equity under the hedge accounting provisions of IAS 39.

The currency translation reserve arises from exchange differences on translation of the net assets of the Group’s foreign subsidiaries.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

	Note	Year to 31 March 2022 £m	Restated[1] Year to 31 March 2021 £m
Operating activities			
Reconciliation of profit before interest to net cash flows			
Profit before interest		**198.5**	200.5
Depreciation and impairment losses		**149.1**	147.5
Other non-cash charges and credits		**(5.8)**	(7.7)
Net credit for provisions, less payments		**(1.5)**	5.0
Difference between pension contributions paid and amounts recognised in the income statement		**(19.9)**	(12.5)
Capital grants received		**15.6**	13.0
Increase in inventories		**(1.7)**	(0.5)
Decrease in trade and other receivables		**2.3**	17.6
Increase/(decrease) in trade and other payables		**26.8**	(5.3)
Cash generated from operations		**363.4**	357.6
Interest paid		**(109.3)**	(135.1)
Income taxes paid (including overseas tax paid of £0.9m (2021: £0.5m)		**(2.8)**	(8.7)
Net cash flows from operating activities		**251.3**	213.8
Investing activities			
Interest received		**1.7**	1.6
Proceeds on disposal of property, plant and equipment		**1.6**	1.8
Cash inflow on disposal of subsidiary undertakings		**11.4**	-
Dividends received from jointly controlled entities		**0.8**	0.8
Investment in joint ventures		**-**	(5.0)
Short term cash deposits		**-**	(0.7)
Purchase of property, plant and equipment and intangible assets		**(255.2)**	(227.4)
Net cash flows used in investing activities		**(239.7)**	(228.9)
Financing activities			
New borrowings		**295.9**	4.5
Dividends paid to minority interests		**(0.4)**	-
Dividends paid to equity shareholders		**(91.7)**	-
Net movements in Revolving Credit Facility		**(9.5)**	-
Net movements in overdraft		**43.0**	23.2
Repayment of borrowings		**(196.7)**	(39.3)
Net movement in borrowings to joint ventures		**(2.0)**	(6.7)
Debt to equity swap in joint venture		**-**	5.0
Payment of principal in respect of leases		**(4.8)**	(5.4)
Net cash flows from/(used in) financing activities		**33.8**	**(18.7)**
Increase/(decrease) in cash and cash equivalents		**45.4**	(33.8)
Cash and cash equivalents at start of year	15	**63.8**	97.6
Cash and cash equivalents at end of year	15	**109.2**	63.8
Cash and cash equivalents at end of year	15	**109.2**	63.8
Short term cash deposits	15	**2.0**	2.0
Total cash, cash equivalents and short-term cash deposits		**111.2**	65.8

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. ACCOUNTING POLICIES

(a) Statement of compliance
The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards.

The financial statements have been prepared on a going concern basis taking into account the principal risks and uncertainties disclosed in the Directors' Report, which assumes that the Group will have adequate funding to meet its liabilities as they fall due in the foreseeable future. The Directors have taken specific account of the impacts of the COVID-19 pandemic when making this assessment. As at 31 March 2022, the Group had net current liabilities of £482.6m (2021: £67.5m) and net assets of £393.7m (2021: £522.7m restated). The Directors have reviewed cash flow requirements, including reasonably possible changes in trading performance, and are confident that they will be able to meet these from funds available and existing financing facilities. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis. Further details can be found in the 'Financial statements preparation and going concern' section in the Directors' Report.

The Directors consider the following accounting policies to be relevant in relation to the Group's financial statements. The financial statements of the Group for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 15 July 2022 and the balance sheet was signed on the Board's behalf by H Mottram (CEO).

NWG is a private company, limited by shares and is registered, incorporated and domiciled in England and Wales.

The Group financial statements are presented in sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

The Group has adopted a number of standards, amendments to standards and interpretations during the year. Other than the prior year adjustment to reflect the adjustment in respect of SaaS (see note 23), there were no other material impacts on the financial statements.

(b) Basis of consolidation
The consolidated financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value. The consolidated financial statements include the Company and its subsidiary undertakings. The results of subsidiaries acquired during the period are included from the date of their acquisition. The results of subsidiaries disposed of during the period are included to the date of their disposal. Inter-segment revenue and profits are eliminated fully on consolidation. In accordance with IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the financial statements of two companies are consolidated as special purpose entities, with effect from 12 May 2004, being the date of the transaction which utilised these entities.

Where necessary, adjustments are made to bring the accounting policies used under relevant local GAAP in the individual financial statements of the Company, subsidiaries and jointly controlled entities into line with those used by the Group under IFRS.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(c) Associates and jointly controlled entities
Investments in associates and jointly controlled entities in the Group financial statements are accounted for using the equity method of accounting where the Group exercises significant influence over the associate. Significant influence is generally presumed to exist where the Group's effective ownership is 20% or more. The Group's share of the post tax profits less losses of associates and jointly controlled entities is included in the consolidated income statement and the carrying value in the balance sheet comprises the Group's share of their net assets/liabilities less distributions received and any impairment losses. Goodwill arising on the acquisition of associates and jointly controlled entities, representing the excess of the cost of investment compared to the Group's share of net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made to the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entities and associates.

1. ACCOUNTING POLICIES (continued)

(d) Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Prior to 1 April 2004, goodwill was amortised over its estimated useful life; such amortisation ceased on 31 March 2004. Goodwill relating to acquisitions since 1 April 2004 is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

(e) Intangible assets other than goodwill
Intangible assets include computer software and are recognised at cost less accumulated amortisation and any provision for impairment. Computer software is amortised evenly to its estimated economic life over a period of 2 to 25 years. Software is not amortised until commissioned.

Other intangible fixed assets represent the right to receive income under the operating agreement with the EA in respect of the Kielder Water transfer scheme. The value of this intangible asset has been assessed with reference to the net monies raised in accordance with the Kielder securitisation on 12 May 2004. The term of the operating agreement is in perpetuity and, accordingly, no amortisation is provided. The value of this intangible is assessed for impairment on an annual basis in accordance with IAS 36 ‘Impairment of Assets’.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the period in which it is incurred. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established.

(f) Property, plant and equipment
Property, plant and equipment and depreciation
Property, plant and equipment, including assets in the course of construction, comprise infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) and other assets (including properties, overground plant and equipment).

Purchased property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount incurred and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Where assets are constructed by a developer and adopted by NWL at no cost, the assets are recognised in the balance sheet at their fair value on the date of the transfer and an equivalent value is recognised in deferred income. The fair value is based on the average cost to NWL of constructing an equivalent asset.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows: freehold buildings, 30-60 years; operational structures, plant and machinery, 4-92 years; infrastructure assets 4-200 years (see below); and fixtures, fittings, tools and equipment, 4-25 years.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively. Assets in the course of construction are not depreciated until commissioned.

1. ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)
Infrastructure assets
In the regulated water services business, infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

Infrastructure assets were measured at a date prior to transition to IFRS (23 May 2003) at their fair value, which was adopted as deemed historical cost on transition to IFRS. The assets and liabilities were measured at fair value as a result of the acquisition on 23 May 2003.

Expenditure on infrastructure assets which enhances the asset base is treated as fixed asset additions while maintenance expenditure which does not enhance the asset base is charged as an operating cost.

Infrastructure assets are depreciated evenly to their estimated residual values over their estimated economic lives, which are principally as follows:

Dams and impounding reservoirs	150 years
Water mains	100 years
Sea outfalls	60 years
Sewers	200 years
Dedicated pipelines	4-20 years

(g) Financial assets
Financial assets comprise loans to third parties recoverable in more than one year and include cash held on long term deposit as a guaranteed investment contract relating to the Kielder securitisation. These assets are recognised at cost and are measured annually based on the ability of the borrower to repay. Any impairment is taken to the income statement in the period in which it arises. Other financial assets are measured at amortised cost using the effective interest rate method. The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(h) Foreign currency transactions
Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. The functional and presentational currency of NWG is United Kingdom sterling (£). Assets and liabilities of subsidiaries and jointly controlled entities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and the results of foreign subsidiaries are translated at the average rate of exchange for the period. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies and jointly controlled entities, and from the translation of the results of those companies at the average rate, are taken to equity. All other foreign exchange differences are taken to the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities, where material, and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

(i) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs, as well as an element of overheads that have been incurred in bringing the inventories to their present locations and condition.

1. ACCOUNTING POLICIES (continued)

(j) Revenues
Provision of services
Revenue, which excludes value added tax, represents the fair value of the income receivable in the ordinary course of business for services provided. In accordance with IFRS 15, revenue is recognised as performance obligations to the customer are satisfied.

Revenue is not recognised until the services have been provided to the customer. Revenue for services relates to the period, excluding any amounts paid in advance. Revenue for measured water and wastewater charges includes amounts billed plus an estimation of the amounts unbilled at the year end. The accrual is estimated using a defined methodology based upon daily average water consumption, which is calculated based upon historical billing information. Wholesale charges for non-household customers are estimated on the basis of market information provided by Market Operator Services Limited. This policy represents no change to the timing of recognition for water and wastewater services upon the adoption of IFRS 15.

A secondary source of revenue is contributions to capital investment, particularly from developers.

For contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, the Group considers that these activities form a combined performance obligation that is not distinct from the ongoing provision of water and wastewater services through the new connection. On this basis, these contributions continue to be recognised as deferred income and amortised to the income statement over the expected useful life of the connection, as per note 1(l).

For other contributions to capital investment, most significantly mains and sewer diversions, the Group considers that the performance obligation is satisfied upon completion of the investment, which will typically be the point at which the associated asset is brought into use. On this basis, these contributions are recognised in full in the income statement upon satisfaction of the performance obligation. Contributions received before the performance obligation is satisfied are recorded as receipts in advance.

(k) Dividends
Dividends payable and receivable are recognised when the shareholders' right to receive the revenue is established.

(l) Grants and contributions
Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate. Capital grants and contributions relating to property, plant and equipment are treated as deferred income and amortised to the income statement over the expected useful economic lives of the related assets. Deferred income relating to assets adopted from customers, recognised in accordance with IFRIC 18, is amortised to the income statement over the expected useful economic lives of the related assets.

(m) Leases
The Group adopted IFRS 16 with effect from 1 April 2019.

The Group assesses whether a contract is or contains a lease, at the inception of a new contract, and 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 leases with a lease term of 12 months or less). For short-term leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

1. ACCOUNTING POLICIES (continued)

(m) Leases (continued)
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating costs in the income statement.

(n) Pensions and other post-employment benefits
Defined benefit scheme
The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period, or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability.

The service cost is disclosed in employment costs and the net interest expense is disclosed within finance costs payable.

Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the consolidated statement of comprehensive income.

Defined contribution scheme
The Group also operates defined contribution schemes. Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise.

(o) Taxation
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1. ACCOUNTING POLICIES (continued)

(o) Taxation
Deferred tax (continued)
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except:
- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in respect of receivables and payables, where the net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(p) Derivative financial instruments
The Group utilises interest and inflation rate swaps, forward power contracts and forward exchange contracts as derivative financial instruments.

The Group designates certain derivatives as hedging instruments in respect of commodity risk and interest rate risk in cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the hedge is effective on a retrospective basis; and
- the hedge is effective on a prospective basis

1. ACCOUNTING POLICIES (continued)

(p) Derivative financial instruments (continued)
A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. Interest rate swap agreements are used to manage interest rate exposures. All derivative fair values are calculated with reference to relevant market rates at the reporting date. Further detail is provided in note 21.

The Group has not applied hedge accounting criteria under IFRS 9 on a retrospective basis. Existing derivative financial instruments, if eligible for hedge accounting, continue to apply the hedging criteria under the provisions of IAS 39.

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

An accounting policy choice is available with regards to applying the hedge accounting requirements of IFRS 9 or retaining the requirements of IAS 39. The Group has elected to retain the requirements of IAS 39.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in the cash flow hedge reserve and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in the cash flow hedge reserve are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in the cash flow hedge reserve are transferred to the income statement in the same periods in which the hedged firm commitment affects the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in the cash flow hedge reserve is kept in the cash flow hedge reserve until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the cash flow hedge reserve is transferred to the income statement.

(q) Interest bearing loans and borrowings
All loans and borrowings are initially measured at the amount of the net proceeds, being the fair value of the consideration received net of issue costs associated with the borrowing. Fixed rate borrowings are subsequently measured at amortised cost using the effective interest method, where the finance costs are recognised on an effective yield basis over the relevant accounting period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

For index-linked borrowings recognised at amortised cost, the carrying amount increases annually in line with the relevant RPI, with the accretion being charged to the income statement as finance costs payable. The finance costs for index-linked borrowing are recognised using the straight-line method over the term of the debt at a constant rate on the balance sheet carrying amount. Other borrowing costs are recognised as an expense when incurred.

For loans and borrowings acquired at acquisition, these are restated to fair value with the adjustment amortised to the income statement on the basis of the maturity profile of each instrument. Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

Net debt is the sum of all loans and borrowings less cash and cash equivalents, short term cash deposits, financial investments and loans receivable.

1. ACCOUNTING POLICIES (continued)

(r) Borrowing costs
Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial time to prepare for its intended use are capitalised while the asset is being constructed as part of the cost of that asset.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal, and use of each part ceases upon substantial completion of that part, a weighted average cost of borrowings is used.

(s) Cash and cash equivalents and short-term cash deposits
Cash and cash equivalents disclosed in the balance sheet comprise cash at bank and in hand and short term deposits with a maturity on acquisition of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Short term cash deposits disclosed in the balance sheet comprise cash deposited with a maturity of greater than three months on acquisition, a fixed interest rate and which do not constitute cash equivalents under IAS 7 'Statement of Cash Flows'.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

(t) Trade and other receivables
Trade receivables are measured at fair value on initial recognition. If there is objective evidence that the amount receivable is impaired, it is written down to its recoverable amount, with the irrecoverable amount being recognised as an expense in operating costs.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the trade receivable. In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

(u) Fixed asset investments
Investments are initially recorded at the fair value of the consideration given including the acquisition charges associated with the investment. Subsequent to initial recognition, they are valued at original cost less any impairment.

(v) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation.

(w) Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

1. ACCOUNTING POLICIES (continued)

(w) Impairment of assets (continued)
An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(x) De-recognition of financial assets and liabilities
A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

(y) Accounting standards
At the date of signing of these financial statements, there are no standards or interpretations in issue but not yet adopted which the Directors anticipate will have a material impact on the Group. The Directors anticipate that the Group will adopt these standards on their effective dates.

(z) Significant accounting judgements and key sources of estimation uncertainty
In the process of applying the accounting policies, the Group is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Actual results may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The significant accounting judgement was the asset lives assigned to property, plant and equipment, details of which can be found in note 1(f).

The significant accounting estimates were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 5% in the estimated consumption would change revenue by £2.1m;
- the estimation of income for measured water and sewerage services supplied to non-household customers based on estimated consumption. Non-household income is billed to the relevant retailer under the terms of the Wholesale Contract and may be either in advance or in arrears. Revenue billed in arrears is based upon wholesale market settlement reports which include an estimate for consumption since the most recent meter reading, adjusted for any additional information obtained after a settlement report has been run. A variation of 5% in the estimated consumption would change revenue by £0.5m;
- those assumptions used in arriving at the pension asset/liability under IAS 19. Those key assumptions and their possible impact are disclosed in note 26, 'Pensions and other post-retirement benefits'; and
- the bad debt provision, which is determined by estimating expected credit losses based on the Group's historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (e.g. current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.1% in the long-term collection rate would increase the provision by £6.0m.

2. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into business units according to the nature of its products and services and has three reportable operating segments. The trading of the business is principally carried out within the UK. Profit is measured at profit before interest.

Northumbrian Water Limited (NWL)
NWL is one of the ten regulated water and sewerage businesses in England and Wales. NWL operates in the north east of England, where it trades as Northumbrian Water, and in the south east of England, where it trades as Essex & Suffolk Water. NWL also has non-regulated activities closely related to its principal regulated activity.

Water and wastewater contracts
NWG owns a number of companies to deliver specific water and wastewater contracts in Scotland, the Republic of Ireland and Gibraltar. On 31 January 2022, NWG disposed of its subsidiary which operated a farm based anaerobic digestion plant in West Yorkshire, England.

Other
Central unallocated costs and provisions are included in this segment.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Revenue

	NWL £m	Water and wastewater contracts £m	Other £m	Total £m
Year ended 31 March 2022				
Segment revenue	**782.7**	**44.3**	**7.1**	**834.1**
Inter-segment revenue	**(0.2)**	**-**	**(6.7)**	**(6.9)**
Revenue from external customers	**782.5**	**44.3**	**0.4**	**827.2**
Year ended 31 March 2021				
Segment revenue	759.8	37.5	8.0	805.3
Inter-segment revenue	-	-	(7.4)	(7.4)
Revenue from external customers	759.8	37.5	0.6	797.9

Profit before interest

	NWL £m	Water and wastewater contracts £m	Other £m	Total £m
Year ended 31 March 2022				
Segment profit/(loss) before interest	**199.3**	**2.0**	**(2.8)**	**198.5**
Net finance costs				**(206.3)**
Share of loss after tax from jointly controlled entities				**(0.9)**
Loss before taxation				**(8.7)**
Taxation				**(157.9)**
Loss for the year from continuing operations				**(166.6)**
Year ended 31 March 2021 (restated)				
Segment profit/(loss) before interest	201.6	2.2	(3.3)	200.5
Net finance costs				(227.1)
Share of loss after tax from jointly controlled entities				(6.4)
Loss before taxation				(33.0)
Taxation				(17.0)
Loss for the year from continuing operations				(50.0)

2. SEGMENTAL ANALYSIS (continued)

Assets and liabilities

	NWL		Water and waste water contracts		Other		Total	
	31 March 2022	31 March 2021 Restated	**31 March 2022**	31 March 2021 Restated	**31 March 2022**	31 March 2021 Restated	**31 March 2022**	31 March 2021 Restated
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Segment assets[1]	**5,266.9**	5,063.6	**40.7**	30.9	**106.2**	109.1	**5,413.8**	5,203.6
Segment liabilities[1]	**4,822.0**	4,459.4	**8.4**	16.0	**189.7**	205.5	**5,020.1**	4,680.9

Other comprises head office companies and internal balances (2021 includes NWG Bioenergy Limited).

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

	NWL		Water and waste water contracts		Other		Total	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Property, plant and equipment additions	**274.0**	253.2	**1.1**	0.6	**-**	-	**275.1**	253.8
Depreciation & impairment	**137.9**	135.8	**1.8**	2.4	**-**	-	**139.7**	138.2

Geographical information

Revenue from continuing operations from external customers from the UK was £806.5m (2021: £777.8m). Revenue from other countries was £20.7m (2021: £20.1m).

Loss before tax from continuing operations from UK activities, which includes the results from joint controlled entities (see note 12a), was £6.2m (2021: £30.7m). Loss before tax from overseas activities was £2.5m (2021: profit of £2.5m).

Non-current assets for operations in the UK were £5,023.9m (2021: £4,882.9m restated). Non-current assets for operations in other countries were £1.1m (2021: £1.5m).

3. OPERATING COSTS

	Year to 31 March 2022 £m	Restated[1] Year to 31 March 2021 £m
Materials and consumables	**30.0**	20.8
Inventories recognised as an expense	**-**	3.2
Total employment costs (see note 6)	**162.8**	164.6
Own work capitalised	**(46.7)**	(45.1)
Depreciation of property, plant and equipment (see note 11)	**138.7**	138.2
Impairment of property, plant and equipment (see note 11)	**1.0**	
Amortisation of intangible assets (see note 10)	**9.4**	9.3
Profit on disposal of property, plant and equipment	**(0.8)**	(1.3)
Amortisation of capital grants	**(0.2)**	(0.3)
Loss on disposal of subsidiary	**(1.8)**	-
Costs of research and development	**0.5**	0.7
Bad debt charge	**7.1**	17.4
Other operating costs	**328.7**	289.9
Operating costs	**628.7**	597.4

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

4. AUDITOR'S REMUNERATION

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Fees payable for the audit of parent Company and consolidated financial statements	**0.1**	0.1
Other fees to auditor:		
Audit of subsidiaries	**0.4**	0.3
Audit related assurance services	**0.1**	0.1
	0.6	0.5

5. DIRECTORS' EMOLUMENTS

(a) Directors' remuneration

The remuneration of the Directors of the Group was as follows:

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Emoluments (including benefits in kind)	**1,000**	899

None of the Directors were members of the defined contribution pension scheme at 31 March 2022 (2021: nil).

Long Term Incentive Plan (LTIP)
Executive Directors participate in a cash based LTIP. The LTIP is designed to operate as a modest retention mechanism only.

The LTIP is structured with 60% related to the achievement of balanced scorecard targets, delivering benefits for customers and the environment, and 40% related to financial targets. For the financial targets there will be no vesting if less than 97.5% of the target value is achieved, increasing on a sliding scale to 50% vesting if 100% of the target is achieved and 100% vesting if 105% of the target is achieved.

The amount disclosed in note 5(b), includes £119k (2021: £79k) in respect of the amount vested under the LTIP.

(b) Highest paid Director

The amounts for remuneration shown in note 5(a) include the following in respect of the highest paid Director:

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Emoluments (including benefits in kind)	**1,000**	899

6. EMPLOYEE INFORMATION

The total employment costs of all employees (including Directors) of the Group were:

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Wages and salaries	**124.5**	124.7
Social security costs	**13.2**	13.1
Defined benefit pension service cost (see note 26)	**17.2**	19.4
Other pension costs	**7.9**	7.4
Total employment costs	**162.8**	164.6
Total employment costs were charged as follows:		
Capital schemes and infrastructure renewals	**42.6**	41.8
Manpower costs	**120.2**	122.8
	162.8	164.6

The average monthly number of employees (including Directors) of the Group were:

	Year to 31 March 2022 Number	Year to 31 March 2021 Number
NWL	**3,089**	3,085
Water and wastewater contracts	**156**	159
	3,245	3,244

7. FINANCE (INCOME)/COSTS

	Year to 31 March 2022 £m	Restated[1] Year to 31 March 2021 £m
Bank, other loans and overdrafts	**105.2**	209.6
Amortisation of discount, fees, loan issue costs and other financing items	**(0.8)**	(0.7)
Interest income in respect of derivatives	**(4.2)**	(4.5)
Loss/(gain) on arising on swaps where hedge accounting is not applied	**60.8**	16.6
Capitalisation of interest	**(8.8)**	(9.9)
Accretion on index linked bonds	**50.8**	14.1
Interest cost on pension plan obligations	**2.4**	1.6
Finance costs on leases	**2.8**	2.5
Total finance costs	**208.2**	229.3
Finance income	**(1.9)**	(2.2)
Net finance costs	**206.3**	227.1

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

8. TAXATION

(a) Tax on loss

	Year to 31 March 2022 £m	Restated[1] Year to 31 March 2021 £m
Current tax:		
UK current income tax (credit)/charge at 19% (2021: 19%)		
- continuing operations	**(7.6)**	11.0
Adjustment in respect of prior periods	**(1.6)**	0.2
UK corporation tax	**(9.2)**	11.2
Overseas tax	**0.2**	0.5
Total current tax	**(9.0)**	11.7
Deferred tax:		
Origination and reversal of temporary differences in the year at 25% (2021: 19%)		
- continuing operations	**4.7**	6.9
Effect of changes in tax rates and laws:		
Impact of increase in rate of UK corporation tax	**159.4**	-
Adjustment in respect of prior periods	**2.8**	(1.6)
Total deferred tax	**166.9**	5.3
Total tax charge in the income statement	**157.9**	17.0

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

The rate of UK corporation tax for the current year was 19%. Finance Act 2021 provides that the tax rate is to increase from 19% to 25% with effect from 1 April 2023. Accordingly, the deferred tax balance has been restated to 25%, and the movement in the year has been calculated using the higher rate.

Tax losses have arisen in the current year which have been partially carried back to generate a current year credit and provisionally surrendered as group relief to other group companies. The remaining losses have been carried forward to be set off against future taxable profits.

The prior year current tax credit mainly reflects the benefit of revisions to tax reliefs for capital expenditure and R&D claims. The prior year deferred tax charge reflects the revisions to tax reliefs on capital expenditure.

Overseas tax relates to the Group's trading activities in the Republic of Ireland and Gibraltar.

(b) Tax relating to items charged or credited outside the income statement

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Deferred tax:		
Actuarial gains/(losses) on pension schemes	**32.6**	(10.1)
Cash flow hedges	**5.8**	0.5
Impact of increase in rate of UK corporation tax	**(13.9)**	-
Tax charge/(credit) in the statement of comprehensive income	**24.5**	(9.6)
Deferred tax:		
Items that will not be reclassified subsequently to the income statement:		
Retirement benefit obligations	**19.3**	(10.1)
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges	**5.2**	0.5
Total	**24.5**	(9.6)

8. TAXATION (continued)

(c) Reconciliation of the total tax charge

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Loss before taxation	**(8.7)**	(33.0)
Loss before tax multiplied by standard rate of corporation tax of 19% (2021: 19%)	**(1.7)**	(6.3)
Effects at 19% of:		
Expenses not deductible for tax purposes	**0.3**	18.1
Depreciation in respect of non-qualifying items	**1.2**	1.1
Non-taxable income and enhanced tax reliefs	**(1.9)**	(0.2)
Non-allowable share of jointly controlled entities	**0.2**	1.2
Non-taxable amortisation of financing items	**(0.9)**	(0.6)
Derecognition of CIR deferred tax asset	**-**	5.1
Adjustment to tax charge in respect of prior periods	**1.2**	(1.4)
	(1.6)	17.0
Effect of changes in tax rates and laws:		
Impact on deferred tax balance of increase in rate of UK corporation tax	**159.4**	-
Impact on movement in deferred tax of reduction in main rate of UK corporation	**0.1**	-
Total tax charge reported in the income statement	**157.9**	17.0

The effective tax rate, excluding the restatement of deferred tax from 19% to 25%, for the year ended 31 March 2022 was 17.2% (2021: -51.5% restated). The increase of 68.7% reflects a decrease in expenses not deductible for tax purposes and non-qualifying depreciation (+51.4%), an increase in non-taxable income and enhanced tax reliefs (+21.2%), depreciation in respect of non-qualifying items (-10.5%), an increase in non-taxable amortisation of financing items (+8.5%), a decrease in the prior period tax credit (-18.0%), a reduction in the derecognition of the CIR deferred tax asset (+15.5%) and various small differences (+0.6%).

(d) Deferred tax

The movements in deferred tax liabilities/(assets) are as follows:

	Accelerated tax depreciation £m	Deferred income £m	Tax losses £m	Retirement benefit obligations £m	Fair value hedging instruments £m	Business combinations £m	Other £m	Total £m
At 1 April 2020	530.8	(57.8)	(0.8)	(16.1)	(13.5)	5.7	12.4	460.7
Charge/(credit) in the income statement (restated)	6.0	(4.2)	-	2.1	(3.2)	(0.1)	4.7	5.3
(Credit)/charge in other comprehensive income	-	-	-	(10.1)	0.5	-	-	(9.6)
At 31 March 2021 (restated)	536.8	(62.0)	(0.8)	(24.1)	(16.2)	5.6	17.1	456.4
Charge/(credit) in the income statement	193.8	(25.5)	(8.3)	9.9	(19.7)	1.6	15.1	166.9
Charge in other comprehensive income	-	-	-	19.3	5.2	-	-	24.5
Disposal of subsidiary undertakings	(0.6)	-	1.0	-	-	-	(0.2)	0.2
At 31 March 2022	**730.0**	**(87.5)**	**(8.1)**	**5.1**	**(30.7)**	**7.2**	**32.0**	**648.0**

'Other' includes deferred tax liabilities of £16.1m (2021: £12.2m) in respect of intangible assets (see note 10) and £16.1m (2021: £11.5m) in respect of capitalised interest, and a deferred tax asset of £1.8m (2021: £3.0m) in respect of provisions.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

8. TAXATION (continued)

(e) Factors that may affect future tax charges
The Group expects to continue to incur high levels of capital expenditure, especially by its principal subsidiary, NWL, during the remainder of the 2020-25 regulatory review period, which should result in claims for tax reliefs in excess of depreciation.

The temporary increase in the rate of capital allowances included in Finance Act 2021 ('super deductions') applies to qualifying expenditure incurred in the two years ended 31 March 2023 under contracts entered into on or after 3 March 2021. Such expenditure attracts allowances of 130% (compared to the normal 18%) in the case of assets with an economic life of less than 25 years, and 50% (compared to the normal 6%) in the case of assets with an economic life of 25 years or more. The additional allowances were a contributory factor to the tax losses arising in the current year and this may be repeated in the year ended 31 March 2023, after which it is expected the losses will be utilised during the remainder of the 2020-25 regulatory review period.

9. DIVIDENDS PAID AND PROPOSED

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Equity dividends declared and paid on ordinary shares during the year:		
A Ordinary shares:		
Final proposed dividend for the year ended 31 March 2021: £91,661 per share (2020: £nil)	**35.5**	-
Interim dividend for the year ended 31 March 2022: £37,750 per share (2021: £nil per share)	**53.3**	-
B Ordinary shares:		
Final proposed dividend for the year ended 31 March 2021: £775 per share (2020: £nil)	**1.2**	-
Interim dividend for the year ended 31 March 2022: £1,162 per share (2021: £nil per share)	**1.7**	-
Dividends paid	**91.7**	-
Final proposed dividend for the year ended 31 March 2022: £131,250 per share (2021: £91,661 per A share; £775 per B share)	**52.5**	36.7

10. INTANGIBLE ASSETS

	Software £m	Assets in development £m	Other £m	Total £m
Cost:				
At 1 April 2021	158.3	5.7	64.2	228.2
Prior year adjustment	(35.9)	(2.4)	-	(38.3)
At 1 April 2021 (restated)[1]	122.4	3.3	64.2	189.9
Additions	-	8.2	-	8.2
Schemes commissioned	6.2	(6.2)	-	-
At 31 March 2022	**128.6**	**5.3**	**64.2**	**198.1**
Amortisation:				
At 1 April 2021	73.5	-	-	73.5
Prior year adjustment	(3.2)	-	-	(3.2)
At 1 April 2021 (restated)[1]	70.3	-	-	70.3
Charge for the year	9.4	-	-	9.4
At 31 March 2022	**79.7**	**-**	**-**	**79.7**
Carrying value:				
At 31 March 2022	**48.9**	**5.3**	**64.2**	**118.4**
At 31 March 2021 (restated)[1]	52.1	3.3	64.2	119.6

1. The prior year balances have been restated to reflect the adjustment in respect of SaaS detailed in note 23.

10. INTANGIBLE ASSETS (continued)

The other intangible asset represents the right in perpetuity to receive income under the operating agreement with the EA in respect of the Kielder Water transfer scheme and, therefore, the Directors consider the asset has an indefinite life. Accordingly, future cash flows, which increase in line with inflation and have been assumed at 2.56%, have been discounted at a rate of 3% in perpetuity to calculate a value in use. This represents a long-term nominal gilt yield and an assumed credit spread. This calculation satisfied the Group that the carrying value at 31 March 2022 had not been impaired. Furthermore, it is improbable that the discount rate would increase to such a level that the carrying value would be impaired.

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £3.8m ((2021: £3.5m (restated)). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.18% ((2021: 4.25%).

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures, plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets in the course of construction £m	Total £m
Cost:						
At 1 April 2020	166.2	2,861.2	3,185.9	242.1	243.8	6,699.2
Additions	-	15.8	0.7	-	237.3	253.8
Schemes commissioned	3.6	92.4	134.8	15.4	(246.2)	-
Disposals	(0.5)	(3.4)	(2.5)	-	-	(6.4)
At 31 March 2021	169.3	2,966.0	3,318.9	257.5	234.9	6,946.6
Additions	-	13.8	0.7	-	260.6	275.1
Schemes commissioned	5.2	97.3	131.7	7.5	(241.7)	-
Disposal of Bioenergy	(1.5)	-	(15.2)	-	-	(16.7)
Reclassifications	(3.2)	-	3.2	-	-	-
Disposals	(0.9)	(2.2)	(2.5)	-	-	(5.6)
At 31 March 2022	**168.9**	**3,074.9**	**3,436.8**	**265.0**	**253.8**	**7,199.4**
Depreciation:						
At 1 April 2020	67.6	314.3	1,520.9	206.5	-	2,109.3
Charge for the year	4.1	30.8	95.2	8.1	-	138.2
Disposals	(0.1)	(3.4)	(2.4)	-	-	(5.9)
At 31 March 2021	71.6	341.7	1,613.7	214.6	-	2,241.6
Charge for the year	4.2	31.0	95.4	8.1	-	138.7
Impairment of assets	0.8	-	-	0.2	-	1.0
Disposal of Bioenergy	(0.3)	-	(2.6)	-	-	(2.9)
Reclassifications	(0.6)	-	0.6	-	-	-
Disposals	(0.1)	(2.2)	(2.5)	-	-	(4.8)
At 31 March 2022	**75.6**	**370.5**	**1,704.6**	**222.9**	**-**	**2,373.6**
Net book value at 31 March 2022	**93.3**	**2,704.4**	**1,732.2**	**42.1**	**253.8**	**4,825.8**
Net book value at 31 March 2021	97.7	2,624.3	1,705.2	42.9	234.9	4,705.0
Net book value at 1 April 2020	98.6	2,546.9	1,665.0	35.6	243.8	4,589.9
Right of Use Assets included above:						
Additions/adjustments in the year	-	-	4.0	-	-	4.0
Depreciation charge for the year	0.3	0.5	3.9	-	-	4.7
Carrying value at 31 March 2022	**2.2**	**43.4**	**11.4**	**-**	**-**	**57.0**
Carrying value at 31 March 2021	**3.7**	**43.9**	**11.3**	**-**	**-**	**58.9**

Operational structures, plant and machinery include an element of land and buildings dedicated to those assets. It is not possible to separately identify the value of all land assets. The Group continues to apply IAS 23 Borrowing Costs (Revised) and has capitalised £8.5m for the year ended 31 March 2022 (2021: £9.9m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.18% (2021: 4.25%).

Freehold land and buildings includes £4.3m of assets held for resale, reported at net realisable value.

12. INVESTMENTS

	31 March 2022	31 March 2021
	£m	£m
Investments in jointly controlled entities	**7.4**	9.1

(a) Investments in jointly controlled entities
The Group, through its direct subsidiary, NWGCSL, holds 50% of the nominal value of issued ordinary £1 shares in Vehicle Lease and Service Limited (VLS). VLS was incorporated in England and Wales and undertakes the business of hiring, leasing and servicing of vehicles and plant.

NWG also directly owns 50% of a joint venture company, Wave which, through its trading subsidiary, carries out non-household retail activities in England and Scotland.

	Wave	**VLS**	**Total**	Wave	VLS	CNL	Total
	31 March 2022	**31 March 2022**	**31 March 2022**	31 March 2021	31 March 2021	31 March 2021	31 March 2021
	£m	**£m**	**£m**	£m	£m	£m	£m
Revenue	**183.8**	**9.7**	**193.5**	193.5	9.0	0.6	203.1
Operating costs	**(184.2)**	**(8.4)**	**(192.6)**	(199.4)	(7.6)	(0.7)	(207.7)
(Loss)/profit before interest	**(0.4)**	**1.3**	**0.9**	(5.9)	1.4	(0.1)	(4.6)
Finance costs payable	**(1.9)**	**(0.3)**	**(2.2)**	(2.1)	(0.3)	-	(2.4)
Finance income receivable	**0.1**	**-**	**0.1**	-	-	-	-
(Loss)/profit before taxation	**(2.2)**	**1.0**	**(1.2)**	(8.0)	1.1	(0.1)	(7.0)
Taxation	**0.2**	**0.1**	**0.3**	0.8	(0.2)	-	0.6
(Loss)/profit for the year	**(2.0)**	**1.1**	**(0.9)**	(7.2)	0.9	(0.1)	(6.4)
Non-current assets	**10.6**	**11.7**	**22.3**	10.7	12.0	-	22.7
Current assets	**76.0**	**9.9**	**85.9**	78.7	8.7	-	87.4
Share of gross assets	**86.6**	**21.6**	**108.2**	89.4	20.7	-	110.1
Current liabilities	**(41.3)**	**(8.7)**	**(50.0)**	(34.6)	(8.1)	-	(42.7)
Non-current liabilities	**(42.4)**	**(8.4)**	**(50.8)**	(49.9)	(8.4)	-	(58.3)
Share of gross liabilities	**(83.7)**	**(17.1)**	**(100.8)**	(84.5)	(16.5)	-	(101.0)
Share of net assets	**2.9**	**4.5**	**7.4**	4.9	4.2	-	9.1

Where, for commercial reasons, the accounting reference date of a joint venture is a date other than that of the Company, management accounts made up to the Company's accounting reference date have been used.

12. INVESTMENTS (continued)

(b) The Group's interests in subsidiaries at 31 March 2022 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group (%)	Business activity
NWG Commercial Solutions Limited[1]	England and Wales	Ordinary shares of £1	100	Holding of investments and loans
Northumbrian Water Limited[1]	England and Wales	Ordinary shares of £1	100	Water and sewerage services
Northumbrian Water Finance plc[1]	England and Wales	Ordinary shares of £1	100	Holding of finance instruments
Caledonian Environmental Levenmouth Treatment Services Limited[1]	England and Wales	Ordinary shares of £1	100	Wastewater services
Ayr Environmental Services Operations Limited[2]	Scotland	Ordinary shares of £1	100	Wastewater services
AquaGib Limited[3]	Gibraltar	Ordinary shares of £1	67	Water and sewerage services
Northumbrian Water Projects Limited[1]	England and Wales	Ordinary shares of £1	100	Wastewater services
Analytical & Environmental Services Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Essex and Suffolk Water Limited[1]	England and Wales	Ordinary shares of £1	99.6	Holder of loan note
Northumbrian Holdings Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Mexico Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Pension Trustees Limited[1]	England and Wales	Ordinary shares of £1	100	Pension trustee company
Northumbrian Water Share Scheme Trustees Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Reiver Finance Limited[1]	England and Wales	Ordinary shares of £1	100	Finance
Reiver Holdings Limited[1]	England and Wales	Ordinary shares of £1	100	Holding company
Three Rivers Insurance Company Limited[4]	Isle of Man	Ordinary shares of £1	100	Insurance
Europa Environments Limited[6, 7]	Gibraltar	Ordinary shares of £1	100	Dormant

1. Registered office: Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ, UK.
2. Registered office: Meadowhead Wastewater Treatment Works and Sludge Treatment Centre, Meadowhead Road, Irvine, Ayrshire, KA11 5AY, UK.
3. Registered office: 10B Leanse Place, 50 Town Range, Gibraltar.
4. Registered office: 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, Isle of Man, IM1 1EB.
5. The company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.
6. Registered office: Suite 23, 10 Portland House, Glacis Road, Gibraltar.
7. The company is entitled to exemption from audit under section 259 of the Gibraltar Companies Act, 2014 relating to the reporting requirements for a small company.

NWG Commercial Solutions Limited and Northumbrian Water Limited are directly held. All other subsidiaries listed above are indirectly held.

13. INVENTORIES

	31 March 2022	31 March 2021
	£m	£m
Raw materials and consumables	**7.7**	6.5

14. TRADE AND OTHER RECEIVABLES

	31 March 2022 £m	31 March 2021 £m
Trade receivables	**205.0**	220.3
Doubtful debt provision	**(94.4)**	(111.2)
Amounts owed by jointly controlled entities	**10.2**	6.5
Interest bearing loans	**15.0**	13.0
Prepayments and accrued income	**80.2**	88.9
Income tax receivable	**19.5**	7.7
Other receivables	**21.6**	21.5
	257.1	246.7

Other receivables principally reflect amounts receivable in respect of value added tax and contractor gain sharing contracts. As at 31 March 2022, interest bearing loans were owed by jointly controlled entities, which are for a period of one calendar month for each Advance, or any other period agreed between the Borrower and the Lender.

As at 31 March 2022, trade receivables at nominal value of £102.6m (2021: £111.2m) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	£m
At 1 April 2020	104.6
Charge for the year	17.4
Utilised	(10.8)
At 31 March 2021	111.2
Charge for the year	7.1
Utilised	(23.9)
At 31 March 2022	**94.4**

The analysis of trade receivables overdue but not impaired on a net basis is as follows:

	0-3 months £m	3-12 £m	12-24 £m	24-36 £m	+36 months £m	Total £m
At 31 March 2022	**0.2**	**35.1**	**23.9**	**18.0**	**20.1**	**97.3**
At 31 March 2021	0.2	33.9	24.0	15.0	16.9	90.0

15. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	31 March 2022 £m	Restated 31 March 2021 £m
Cash at bank and in hand	**105.2**	59.6
Cash equivalent deposits	**4.0**	4.2
	109.2	63.8
Cash and cash equivalents	**109.2**	63.8
Short-term cash deposits >3 months	**2.0**	2.0

As at 31 March 2022, cash at bank and in hand includes £9.5m (2021: £19.6m) of restricted cash in respect of the Kielder securitisation and is therefore unavailable for general use by the Group. This is in addition to the £11.5m (2021: £11.5m) financial asset disclosed on the face of the balance sheet, which represents cash held on long-term deposit as a guaranteed investment contract relating, also relating to the Kielder securitisation.

16. TRADE AND OTHER PAYABLES

	31 March 2022 £m	31 March 2021 £m
Trade payables	**42.3**	22.6
Other payables	**15.1**	15.5
Interest payable	**43.2**	44.2
Amounts payable to related parties	**-**	2.6
Receipts in advance	**24.3**	22.1
Accruals and deferred income	**78.1**	69.8
	203.0	176.8

Other payables includes amounts due in respect of payroll related liabilities, insurance liabilities, deposits held, holiday pay accrual and contract retentions.

17. INTEREST BEARING LOANS AND BORROWINGS

	31 March 2022 £m	31 March 2021 £m
Current:		
Bank overdrafts	**104.4**	61.4
Current instalments on borrowings (principal £547.5m, 2021: £141.3m)	**548.0**	142.2
Current obligations under leases (see note 18)	**2.7**	5.0
	655.1	208.6
Non-current:		
Non-current obligations on leases (principal £56.8m, 2021: £58.8m) (see note 18)	**58.8**	58.6
Non-current instalments on borrowings (principal £2,882.0m, 2021: £3,152.1m)	**2,860.7**	3,130.8
	2,919.5	3,189.4
Borrowings comprise the following:		
Overdrafts payable on demand	**104.4**	61.4
Shareholder loan notes (principal £0.0m, 2021: £56.8m)	**-**	56.8
Loans (principal £651.3m, 2021: £508.0m)	**650.4**	506.5
Eurobonds - due 6 February 2023 bearing interest rate of 6.875% (principal £350.0m, 2021: £350.0m)	**350.1**	355.4
Eurobonds - due 29 April 2033 bearing interest rate of 5.625% (principal £346.6m, 2021: £350.0m)	**346.6**	347.9
Eurobonds - due 23 January 2042 bearing interest rate of 5.125% (principal £360.0m, 2021: £360.0m)	**346.5**	345.3
Eurobonds - due 11 October 2026 bearing interest rate of 1.625% (principal £300.0m, 2021: £300.0m)	**299.0**	298.7
Eurobonds - due 5 October 2027 bearing interest rate of 2.375% (principal £300.0m, 2021: £300.0m)	**298.3**	298.0
Eurobonds - due 23 January 2034 bearing interest rate of 5.87526% (principal £231.2m, 2021: £237.7m)	**229.8**	236.2
Index linked Eurobonds – due 15 July 2036 bearing interest rate of 2.033% (principal £244.3m, 2021: £233.6m)	**242.4**	231.2
Index linked Eurobonds – due 30 January 2041 bearing interest rate of 1.6274% (principal £96.2m, 2021: £91.8m)	**96.1**	91.7
Index linked Eurobonds – due 16 July 2049 bearing interest rate of 1.7118% (principal £159.2m, 2021: £152.2m)	**159.2**	152.3
Index linked Eurobonds – due 16 July 2053 bearing interest rate of 1.7484% (principal £159.2m, 2021: £152.2m)	**159.2**	152.3
Index linked Private Placement – due 29 October 2039 bearing interest rate of 0.242% (principal £106.5m, 2021: £101.1m)	**106.2**	100.7
US Private Placement (USPP) notes - due 14 April 2021 bearing interest rate of 5.82% (principal £0.0m, 2021: £100.0m)	**-**	100.0
US Private Placement (USPP) notes - due 14 April 2036 bearing interest rate of 2.59% (principal £125.0m, 2021: £0.0m)	**124.9**	-
	3,513.1	3,334.4
Less current instalments due on bank loans and on demand overdrafts (principal £651.9m, 2021: £202.7m)	**(652.4)**	(203.6)
	2,860.7	3,130.8

17. INTEREST BEARING LOANS AND BORROWINGS (continued)

The difference between the principal value of £2,882.0m (2021: £3,152.1m) and the carrying value of £2,860.7m (2021: £3,130.8m) is unamortised issue costs of £21.8m (2021: £24.2m) and a credit of £0.5m (2021: £2.9m) in excess of the original loan proceeds to reflect the fair value of loans owed by subsidiaries acquired in 2003.

The Eurobonds – due 23 January 2034 are secured on the income receivable under the Kielder Water transfer scheme for the period to 23 January 2034.

The value of the capital and interest elements of the index linked Eurobonds are linked to movements in the UK RPI (see note 1(q)).

On 12 April 2021, in accordance with their terms, the Company repaid the balance of shareholder loan notes of £56.8m, along with the payment of interest that had accrued up to and including that date.

18. LEASES

(a) Lease obligations under IFRS 16
The Group holds leases in respect of land and buildings, and to acquire plant, machinery and motor vehicles.

Land and building rent reviews are triggered by the lessor and typically take place every 3 to 5 years, at which point there may be an increase in rental payments. There are no purchase options or escalation clauses in respect of these leases and the terms of renewal are governed by Landlord and Tenant legislation. There are no restrictions imposed by these lease arrangements. There are no contingent rents, escalation clauses or material renewal or purchase options. The leases impose no restrictions in respect of dividends or raising additional debt. The obligations are as follows:

	31 March 2022	31 March 2021
	£m	£m
Maturity analysis:		
Year 1	**2.7**	5.0
Year 2	**3.6**	3.7
Year 3	**3.0**	3.0
Year 4	**2.5**	2.3
Year 5	**2.4**	2.0
Onwards	**47.3**	47.6
	61.5	63.6

19. PROVISIONS

	Decommissioning	Other	Total
	£m	£m	£m
At 1 April 2021			
Current	-	1.1	1.1
Non-current	0.5	4.9	5.4
At 1 April 2021	0.5	6.0	6.5
Transferred to income statement	-	(0.7)	(0.7)
Disposals	(0.5)	-	(0.5)
Utilised	-	(1.5)	(1.5)
At 31 March 2022	**-**	**3.8**	**3.8**
Analysed as:			
Current	-	0.5	0.5
Non-current	-	3.3	3.3
	-	**3.8**	**3.8**

The other provision represents outstanding pension liabilities that have been awarded on a discretionary basis. These pension liabilities have been calculated by an independent actuary, using the same actuarial assumptions as applied to the defined benefit pension scheme (see note 26), and are expected to be paid over the remaining lives, which is approximately seven years.

19. PROVISIONS (continued)

The other provision also includes estimated liabilities arising from historical pollution incidents and disputed rent reviews. In each case the timing of settlement is uncertain as a result of backlogs in the legal process due to the pandemic. The value of the provisions for each liability has not been disclosed due to the commercially sensitive nature of these legal matters.

20. GRANTS AND DEFERRED INCOME

	Capital grants and contributions £m	Revenue from contracts £m	Total £m
At 1 April 2021	429.7	1.2	430.9
Additions	29.0	-	29.0
Amortised during the year	(5.7)	(0.3)	(6.0)
At 31 March 2022	**453.0**	**0.9**	**453.9**

21. FINANCIAL INSTRUMENTS

(a) Group strategy and funding risk
The level of capital expenditure which the Group is obliged to incur is such that it cannot be wholly financed by internally generated sources. As a result, the Group must rely upon raising additional finance on a regular basis, to be principally used to fund the long-term assets required in its regulated business. The Group's strategy is to finance such investment by raising medium to long-term debt, to provide a balance sheet match with long-term assets and to fix a major proportion of interest rates. In order to raise this finance efficiently, the Board's aim is to retain a prudent investment grade credit rating. A reduction in the credit rating would likely restrict future sources of funding and increase the associated cost of new borrowing.

(b) Treasury operations
The main purpose of the Group's treasury function is to assess the Group's ongoing capital requirement and to raise funding on a timely basis, taking advantage of any favourable market opportunities. It also invests any surplus funds the Group may have, based upon its forecast requirements and in accordance with the Group's treasury policy. On occasions, derivatives are used as part of this process but the Group's policies prohibit their use for speculation.

(c) Risks arising from the Group's financial instruments
The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. All treasury activities are conducted in accordance with these policies.

(d) Liquidity risk
As regards day to day liquidity, the Group's policy is to have available committed bank borrowing facilities with a value of no less than £50m and with a bank agreement availability period of no less than three months. At 31 March 2022, the Group had £283m (2021: £450m) of undrawn committed bank facilities (maturing in 2025).

(e) Interest rate risk
The Group finances its operations through a mixture of retained profits and bank borrowings. It borrows at both fixed and variable rates of interest and, accordingly, uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy was refreshed during the year which seeks to ensure NWL has an efficient and flexible funding structure in the context of its risk appetite. This considers the relevant risk exposure for its financing while taking into account the regulatory framework and associated allowances for setting the cost of debt. The revised policy is to have index linked debt form 38% to 50% of the funding structure and floating rate exposures to form 5% to 8% of the capital structure. At 31 March 2022, 33% (2021: 34%) of the Group's borrowings were on an index linked basis, with variable rate borrowings at 5% (2021: 1%). Index linked borrowings are treated as variable rate debt.

21. FINANCIAL INSTRUMENTS (continued)

(e) Interest rate risk (continued)
In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. Phase 1 of these amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The Group early adopted the amendments to IAS 39 for the reporting period ending 31 March 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

The Group has applied Phase 2 for the period ending 31 March 2022. Under Phase 2, to the extent that modifications are made to financial instruments that are necessary to implement Interest Rate Benchmark Reform, reliefs from the discontinuation of hedge accounting or immediate recognition of any gains or losses in the income statement on the modification of financial instruments measured at amortised cost are available on transition to alternative rates, provided that the modification is a direct consequence of the reform and the new basis for calculating cash flows is economically equivalent to the previous basis.

During the year, the Group completed its assessment and contractual revisions under the interest rate benchmark reform, to transition remaining GBP LIBOR interest rate exposures to its replacement, the Sterling Overnight Index Average (SONIA) rate. This included those instruments designated within hedge accounting relationships.

(f) Foreign currency risk
The Group's policy is that any foreign currency exposure in excess of £100k sterling equivalent of a transactional nature, or £3m sterling equivalent of a translation nature, should be covered immediately on identification. Any exposures are covered through the use of forward foreign exchange contracts.

(g) Market price risk
The Group's exposure to market price risk principally comprises interest rate exposures. The Group's policy is to accept a degree of interest rate risk. The following table shows the impact on profit and equity of an increase in the variable cost of borrowing. The range is considered reasonable based on the forecast variable rates of borrowing and all other elements being consistent for the next 12 months and highlights this is not material to the Group.

Increase in basis points	£m
Year ended 31 March 2022	
+100	**0.2**
-100	**(0.2)**
Year ended 31 March 2021	
+100	0.3
-100	(0.3)

(h) Credit risk
There are no significant concentrations of credit risk within the Group. 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 (see note 21(o)). A significant proportion of the trade debtor balances are with domestic customers who are unlikely to have a published credit rating (see note 14).

(i) Counterparty risk
The treasury strategy, which is approved by the Board, requires that investments are limited to certain money market and treasury instruments, and that the Group's exposure to any single bank, building society or market is controlled, with maximum deposits allowed with any single counterparty. The investment criteria cover credit rating and asset size, including sovereign and political risk. Current market conditions have resulted in closer monitoring of counterparties.

21. FINANCIAL INSTRUMENTS (continued)

(j) Capital risk
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy credit ratios in order to support its business and maximise shareholder value.

The Group monitors capital using gearing ratios for the Group and NWL. The Group's policy is to keep the gearing ratio less than 80% and 77.5% for the Group and NWL, respectively. The RCV at 31 March 2022 was £4,547.8m (2021: £4,196.4m). On this basis and excluding shareholder loan notes, the gearing ratios were 74.9% for the Group and 69.8% for NWL. As at 31 March 2022, NWL's interest cover, fell to 2.3x, which was below the target level of 2.4x. The definition includes non-cash index-linked debt accretion within interest, which increased significantly as inflation rates increased during the year. For this reason, the counterparties to the committed facility agreed to NWL's request to amend the covenant test at 31 March 2022 to a target threshold of 2.1x. No other covenants for the Group had been breached.

(k) Contractual maturity of financial liabilities (principal and future interest payments)
The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 March 2022

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	104.4	169.9	387.6	768.7	2,540.3	3,970.9
Derivative financial instruments in hedge relationships	-	(0.1)	(9.8)	3.8	-	(6.1)
Derivative financial instruments not in hedge relationships	-	0.2	0.6	5.3	33.4	39.5
Trade and other payables	-	101.9	20.6	-	-	122.5
	104.4	**271.9**	**399.0**	**777.8**	**2,573.7**	**4,126.8**

Year ended 31 March 2021

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	61.4	213.4	117.2	981.5	3,270.7	4,644.2
Derivative financial instruments in hedge relationships	-	0.3	0.7	4.1	-	5.1
Derivative financial instruments not in hedge relationships	-	0.2	0.5	4.3	35.1	40.1
Trade and other payables	-	81.7	20.3	-	-	102.0
	61.4	295.6	138.7	989.9	3,305.8	4,791.4

21. FINANCIAL INSTRUMENTS (continued)

(l) Maturity profile of financial assets and liabilities (carrying value)
Year ended 31 March 2022

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate:							
Eurobonds	(348.7)	(2.1)	(2.4)	(3.2)	(303.6)	(1,210.2)	(1,870.2)
USPP notes	-	-	-	-	-	(124.9)	(124.9)
Bank loans	(22.2)	(8.8)	(15.5)	(11.3)	(7.2)	(23.2)	(88.2)
Leases	(1.7)	(4.8)	(2.1)	(1.5)	(1.3)	(3.0)	(14.4)
Loans receivable	-	-	-	-	-	54.2	54.2
Fixed rate as at 31 March 2022	**(372.6)**	**(15.7)**	**(20.0)**	**(16.0)**	**(312.1)**	**(1,307.1)**	**(2,043.5)**
Variable rate:							
Cash and cash equivalents	109.2	-	-	-	-	-	109.2
Short term cash deposits	2.0	-	-	-	-	-	2.0
Financial investments	-	-	-	-	-	11.5	11.5
Eurobonds	0.2	0.2	0.1	0.1	0.1	(657.7)	(657.0)
Bank loans	(177.3)	(10.3)	(10.5)	(10.5)	(191.5)	(162.1)	(562.2)
Overdrafts	(104.4)	-	-	-	-	-	(104.4)
Leases	(1.0)	(0.7)	(0.8)	(1.0)	(1.1)	(42.5)	(47.1)
Private Placement	-	-	-	-	-	(106.2)	(106.2)
Variable rate as at 31 March 2022	**(171.3)**	**(10.8)**	**(11.2)**	**(11.4)**	**(192.5)**	**(957.0)**	**(1,354.2)**
Net borrowings as at 31 March 2022							**(3,397.7)**

Year ended 31 March 2021

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate:							
Shareholder loan notes	-	-	-	-	-	(56.8)	(56.8)
Eurobonds	(5.1)	(354.4)	(2.2)	(2.4)	(3.1)	(1,514.3)	(1,881.5)
USPP notes	(100.0)	-	-	-	-	-	(100.0)
Bank loans	(27.1)	(15.3)	(15.3)	(15.5)	(9.8)	(30.4)	(113.4)
Leases	(3.8)	(3.0)	(2.3)	(1.6)	(1.1)	(4.3)	(16.1)
Loans receivable	-	-	-	-	-	52.2	52.2
Fixed rate as at 31 March 2021	(136.0)	(372.7)	(19.8)	(19.5)	(14.0)	(1,553.6)	(2,115.6)
Variable rate:							
Cash and cash equivalents	63.8	-	-	-	-	-	63.8
Short term cash deposits	2.0	-	-	-	-	-	2.0
Financial investments	-	-	-	-	-	11.5	11.5
Eurobonds	0.2	0.2	0.2	0.2	0.2	(628.5)	(627.5)
Bank loans	(10.3)	(10.1)	(10.4)	(10.4)	(181.1)	(170.8)	(393.1)
Overdrafts	(61.4)	-	-	-	-	-	(61.4)
Leases	(1.2)	(0.5)	(0.7)	(0.8)	(1.0)	(43.3)	(47.5)
Private Placement	0.1	-	-	0.1	-	(100.9)	(100.7)
Variable rate as at 31 March 2021	(6.8)	(10.4)	(10.9)	(10.9)	(181.9)	(932.0)	(1,152.9)
Net borrowings as at 31 March 2021							(3,268.5)

The variable rate net borrowings comprise sterling denominated bank borrowings and deposits that bear interest at rates based upon realised SONIA rate (previously LIBOR, see note 21(e)), CPI and RPI.

(m) Currency exposures
At 31 March 2022, after taking into account the effects of forward foreign exchange contracts, with the exception of the impact of translating the net assets of foreign operations into sterling, the Group had no material currency exposures (2021: £nil). At 31 March 2022, the Group held forward foreign exchange contracts with a future transaction value of £5.8m (2021: £5.1m) for the purpose of hedging the foreign currency risk of committed future purchases. At 31 March 2022, the fair value gain on the Company's outstanding foreign exchange contracts was £0.1m (2021: £0.2m).

21. FINANCIAL INSTRUMENTS (continued)

(n) Borrowing facilities
The Group has various undrawn committed borrowing facilities. The facilities available in respect of which all conditions precedent have been met, are as follows:

	31 March 2022	31 March 2021
	£m	£m
Expiring in more than two years but not more than five years	**283.0**	450.0

(o) Fair values of financial assets and financial liabilities
A comparison by category of book values, which are all recognised at amortised cost except for interest rate swaps which are recognised at fair value, and fair values of the Group's financial assets and liabilities is set out below:

	Book value		Fair value	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£m	£m	**£m**	£m
Financial assets:				
Cash and cash equivalents	**109.2**	63.8	**109.2**	63.8
Short term cash deposits	**2.0**	2.0	**2.0**	2.0
Financial investments	**11.5**	11.5	**11.5**	11.5
Loans receivable	**54.2**	52.2	**54.2**	52.2
Derivatives	**12.8**	0.2	**12.8**	0.2
Trade and other receivables	**242.1**	233.7	**242.1**	233.7
	431.8	363.4	**431.8**	363.4
Financial liabilities:				
Overdraft	**(104.4)**	(61.4)	**(104.4)**	(61.4)
Shareholder loan notes (principal £0.0m, 31 March 2021: £56.8m)	**-**	(56.8)	**-**	(56.8)
Bank loans (principal £651.3m, 31 March 2021: £508.0m)	**(650.4)**	(506.5)	**(621.3)**	(490.0)
Eurobonds (principal £2,546.7m, 31 March 2021: £2,527.5m)	**(2,527.2)**	(2,509.0)	**(3,063.7)**	(3,205.6)
Private Placement (principal £106.5m, 31 March 2021: £101.1m)	**(106.2)**	(100.7)	**(115.5)**	(115.5)
USPP notes (principal £125.0m, 31 March 2021: £0.0m)	**(124.9)**	(100.0)	**(125.0)**	(100.0)
Leases (principal £61.5m, 31 March 2021: £63.8m)	**(61.5)**	(63.6)	**(61.5)**	(63.6)
Derivatives	**(135.6)**	(85.3)	**(135.6)**	(85.3)
Trade and other payables	**(203.0)**	(176.8)	**(203.0)**	(176.8)
	(3,913.2)	(3,660.1)	**(4,430.0)**	(4,355.0)
	(3,481.4)	(3,296.7)	**(3,998.2)**	(3,991.6)

The fair values of the derivatives and sterling denominated long term fixed rate and index linked debt with a book value of £2,945.1m (2021: £2,858.4m), have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

In the absence of an openly traded market value for the index linked bonds with a book value of £650.4m (2021: £506.5m), the fair value at the balance sheet date has been calculated by considering the remaining debt maturity, the relevant UK index linked gilt rate and an appropriate credit spread by reference to market evidence for conventional bonds.

The difference between the principal value of £3,491.0m (2021: £3,357.2m) and the carrying value of £3,470.2m (2021: £3,336.6m) is unamortised issue costs of £23.7m (2021: £26.4m) and a credit of £2.9m (2021: £5.8m) in excess of the original loan proceeds to reflect the fair value of loans owed by subsidiaries acquired in 2003.

21. FINANCIAL INSTRUMENTS (continued)

(p) Hedges

Cash flow hedges – currency forward contracts

At 31 March 2022, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £m
US Dollars $ 274,250	**22 April 2022**	**1.3206**	**0.2**
US Dollars $ 1,154,155	**29 April 2022**	**1.3735**	**0.8**
US Dollars $ 274,250	**15 July 2022**	**1.3211**	**0.2**
US Dollars $ 307,750	**17 October 2022**	**1.3211**	**0.2**
US Dollars $ 158,919	**05 December 2022**	**1.3703**	**0.1**
US Dollars $ 159,875	**03 January 2023**	**1.3211**	**0.1**
US Dollars $ 307,750	**17 January 2023**	**1.3211**	**0.2**
US Dollars $ 307,750	**17 April 2023**	**1.3211**	**0.2**
US Dollars $ 1,154,155	**28 April 2023**	**1.3742**	**0.8**
US Dollars $ 307,750	**17 July 2023**	**1.3211**	**0.2**
US Dollars $ 338,750	**16 October 2023**	**1.3211**	**0.3**
US Dollars $ 158,919	**05 December 2023**	**1.3703**	**0.1**
US Dollars $ 338,750	**16 January 2024**	**1.3211**	**0.3**
US Dollars $ 338,750	**15 April 2024**	**1.3211**	**0.3**
US Dollars $ 338,750	**15 July 2024**	**1.3211**	**0.3**
US Dollars $ 403,250	**15 October 2024**	**1.3211**	**0.3**
US Dollars $ 403,250	**15 January 2025**	**1.3211**	**0.3**
US Dollars $ 403,250	**15 April 2025**	**1.3211**	**0.3**
US Dollars $ 403,250	**15 July 2025**	**1.3211**	**0.3**
US Dollars $ 421,750	**15 October 2025**	**1.3211**	**0.3**
			5.8

At 31 March 2021, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £m
US Dollars	15 April 2021	1.3211	0.2
US Dollars	15 April 2021	1.3706	0.1
US Dollars	15 July 2021	1.3211	0.2
US Dollars	15 October 2021	1.3211	0.2
US Dollars	4 January 2022	1.3211	0.1
US Dollars	18 January 2022	1.3211	0.2
US Dollars	19 April 2022	1.3211	0.2
US Dollars	15 July 2022	1.3211	0.2
US Dollars	17 October 2022	1.3211	0.2
US Dollars	3 January 2023	1.3211	0.1
US Dollars	17 January 2023	1.3211	0.2
US Dollars	17 April 2023	1.3211	0.2
US Dollars	17 July 2023	1.3211	0.2
US Dollars	16 October 2023	1.3211	0.3
US Dollars	16 January 2024	1.3211	0.3
US Dollars	15 April 2024	1.3211	0.3
US Dollars	15 April 2024	1.3716	0.1
US Dollars	15 July 2024	1.3211	0.3
US Dollars	15 October 2024	1.3211	0.3
US Dollars	15 January 2025	1.3211	0.3
US Dollars	15 April 2025	1.3211	0.3
US Dollars	15 July 2025	1.3211	0.3
US Dollars	15 October 2025	1.3211	0.3
			5.1

21. FINANCIAL INSTRUMENTS (continued)

(p) Hedges (continued)
Cash flow hedges – interest rate swap
At 31 March 2022, the Group held one interest rate swap, designated as a hedge of future interest cash flows, for which the Group has firm commitments. This swap was used to convert variable rate interest payments to a fixed rate basis. The terms of this swap were as follows:

Notional amount	Start date	Termination date	Fixed rate %
£150.0m	**15 October 2015**	**15 October 2025**	**2.36**

The swap was designated as highly effective.

Cash flow hedges – interest rate swap
At 31 March 2021, the Group held two interest rate swaps, designated as a hedges of future interest cash flows, for which the Group has firm commitments. The swaps were used to convert variable rate interest payments to a fixed rate basis. The terms of these swaps were as follows:

Notional amount	Start date	Termination date	Fixed rate %
£100.0m	15 September 2008	15 March 2022	4.79
£150.0m	15 October 2015	15 October 2025	2.36

The swaps were designated as highly effective.

Cash flow hedges: power forward contracts
At 31 March 2022, the Group held forward power contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The terms of these contracts are as follows:

Notional amount	Start date	Termination date	Price per MWH £
11,357 MWH	**1 April 2022**	**30 June 2022**	**199.25**
14,851 MWH	**1 April 2022**	**30 June 2022**	**175.00**
39,528 MWH	**1 April 2022**	**30 September 2022**	**82.00**
26,352 MWH	**1 April 2022**	**30 September 2022**	**168.90**
13,104 MWH	**1 October 2022**	**31 March 2023**	**87.00**
4,392 MWH	**1 April 2023**	**30 September 2023**	**64.55**

As at 31 March 2021, the Group held no forward power contracts.

Inflation swaps
As at 31 March 2022 and at 31 March 2021, the Group held three inflation swaps which were not designated in a hedge relationship. The first is a hedge of future inflation linked cash flows and was used to convert variable inflation-linked revenues on a contract with the EA, to a fixed income stream. The second and third swaps are economical hedges of future interest payments to convert fixed rate interest payments to index linked interest payments.

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

Notional amount	cash flow paid	Start date	Termination date	rate %
£2.9m	**£1.0 million**	**12 May 2004**	**9 January 2034**	**2.56**
£150.0m	**n/a**	**15 October 2015**	**15 October 2025**	**(0.42)**
£100.0m	**n/a**	**22 June 2017**	**22 June 2027**	**(1.10)**

Fair value hedges
At 31 March 2022 and at 31 March 2021, the Group held no fair value hedges.

21. FINANCIAL INSTRUMENTS (continued)

(q) Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's financial instruments are measured at level 2.

Financial instruments measured at fair value
Year ended 31 March 2022

	31 March 2022 £m
Interest rate swaps	**0.3**
Inflation swaps	**(135.6)**
Power forward contracts	**12.4**
Currency forward contracts	**0.1**
	(122.8)

Year ended 31 March 2021

	31 March 2021 £m
Interest rate swaps	(10.6)
Inflation swaps	(74.7)
Currency forward contracts	0.2
	(85.1)

During the year to 31 March 2022, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

All other financial assets and liabilities are carried at amortised cost.

The fair values of inflation swaps are determined by estimating the future cash flows from observable forward inflation indices, which are discounted at a rate which reflects the counterparty credit risk. The fair values of interest rate swaps are determined by estimating the future cash flows from observable yield curves, which are similarly discounted at a rate which reflects the counterparty credit risk. The fair values of power forward contracts are determined with reference to observable forward curves for the estimated commodity indices for the respective delivery periods. The fair values of currency forward contracts are calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles.

21. FINANCIAL INSTRUMENTS (continued)

(r) Categories of financial assets/(liabilities)
Other financial assets

	31 March 2022	Restated 31 March 2021
	£m	£m
Short term cash deposits	**2.0**	2.0
Cash and cash equivalents	**109.2**	63.8
Financial investments	**11.5**	11.5
Loans receivable	**54.2**	52.2
Trade and other receivables	**242.1**	233.7
	419.0	363.2

Other financial liabilities

Shareholder loan notes	**-**	(56.8)
Bank loans	**(650.4)**	(506.5)
Eurobonds	**(2,527.2)**	(2,509.0)
USPP notes	**(231.1)**	(200.7)
Leases	**(61.5)**	(63.6)
Overdrafts	**(104.4)**	(61.4)
Trade and other payables	**(203.0)**	(176.8)
	(3,777.6)	(3,574.8)

22. AUTHORISED AND ISSUED SHARE CAPITAL

NWG completed a restructuring of its share capital on 29 March 2022. Following a buyback of all of its B ordinary shares of £0.10 each and an issue of 12 A ordinary shares of £0.10 each, all 400 A ordinary shares of £0.10 each were re-designated as ordinary shares with a nominal value of £0.10 each.

	Number of ordinary shares of 10p each	£
Allotted, called up and fully paid:		
At 31 March 2021	1,808	181
Buyback of shares	(1,420)	(142)
Issue of shares	12	1
At 31 March 2022	**400**	**40**

23. PRIOR YEAR ADJUSTMENT

The Group has reviewed its Intangible Assets following publication of IFRIC guidance to IAS 38 Intangible Assets regarding ‘Customer’s Right to Receive Access to the Supplier’s Software Hosted on the Cloud’ and ‘Configuration or Customisation Costs in a Cloud Computing Arrangement’.

This has resulted in costs previously classified as intangible assets, along with associated amortisation and capitalised interest, being expensed to the statement of comprehensive income.

This change has been applied retrospectively and comparative information has been restated in the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement. The impact of these adjustments is shown in the table below:

23. PRIOR YEAR ADJUSTMENT (continued)

	Note	31 March 2021 £m	Change £m	Restated 31 March 2021 £m	31 March 2020 £m	Change £m	Restated 31 March 2020 £m
Income statement:							
Operating costs							
Other operating costs	3	(283.5)	(6.4)	(289.9)			
Amortisation of intangible	3	(11.8)	2.5	(9.3)			
Finance costs							
Capitalisation of interest	7	10.8	(0.9)	9.9			
Deferred taxation		(6.2)	0.9	(5.3)			
Balance sheet:							
Non-current assets							
Intangible assets							
Cost		228.2	(38.3)	189.9	216.5	(31.0)	185.5
Accumulated depreciation		(73.5)	3.2	(70.3)	(61.7)	0.7	(61.0)
Carrying value	10	154.7	(35.1)	119.6	154.8	(30.3)	124.5
Current assets							
Deferred income tax liabilities		(463.1)	6.7	(456.4)	(466.5)	5.8	(460.7)
Capital and reserves							
Accumulated deficit		(1,098.5)	(28.4)	(1,126.9)	(1,008.3)	(24.5)	(1,032.8)
Cash flow statement:							
Net cash flows from operating							
Profit before interest		204.4	(3.9)	200.5			
Depreciation and impairment		150.0	(2.5)	147.5			
Interest paid		(134.2)	(0.9)	(135.1)			
Purchase of property, plant and equipment and intangible assets		(234.7)	7.3	(227.4)			

The impact of the above adjustment on retained earnings as at 1 April 2021 was a debit of £35.1m (1 April 2020: £30.3m).

24. ADDITIONAL CASH FLOW INFORMATION

Analysis of net debt as at 31 March 2022

	As at 1 April 2021 £m	Cash flow £m	In respect of disposals	Other non-cash movements £m	**As at 31 March 2022 £m**
Cash and cash equivalents	63.8	45.4	-	-	**109.2**
Overdrafts	(61.4)	(43.0)	-	-	**(104.4)**
Loans receivable	52.2	2.0	-	-	**54.2**
Short term cash deposits	2.0	-	-	-	**2.0**
Financial investments	11.5	-	-	-	**11.5**
Loans (principal of £3,429.5m, 2021: £3,293.4m)	(3,273.0)	(85.7)	-	(50.0)	**(3,408.7)**
Leases (principal of £61.5m, 2021: £63.8m)	(63.6)	2.9	1.3	(2.1)	**(61.5)**
	(3,268.5)	(78.4)	1.3	(52.1)	**(3,397.7)**

The difference between the principal value of £3,491.0m (2021: £3,357.2m) and the carrying value of £3,470.2m (2021: £3,336.6m) is unamortised issue costs of £23.7m (2021: £26.4m) and a credit of £2.9m (2021: £5.8m) in excess of the original loan proceeds to reflect the fair value of loans owed by subsidiaries acquired in 2003.

24. ADDITIONAL CASH FLOW INFORMATION (continued)

Analysis of net debt as at 31 March 2021

	As at 1 April 2020 £m	Cash flow £m	Capitalised interest	Conversion to equity	Other non-cash movements £m	As at 31 March 2021 £m
Cash and cash equivalents	97.6	(33.8)	-	-	-	63.8
Overdrafts	(38.2)	(23.2)	-	-	-	(61.4)
Loans receivable	50.5	6.7	-	(5.0)	-	52.2
Short term cash deposits	1.3	0.7	-	-	-	2.0
Financial investments	11.5	-	-	-	-	11.5
Loans (principal of £3,293.4m, 2020: £4,294.7m)	(4,275.3)	39.3	(180.2)	1,156.6	(13.4)	(3,273.0)
Leases (principal of £63.8m, 2020: £64.7m)	(64.5)	2.8	-	-	(1.9)	(63.6)
	(4,217.1)	(7.5)	(180.2)	1,151.6	(15.3)	(3,268.5)

The difference between the principal value of £3,357.2m (2021: £4,359.4m) and the carrying value of £3,336.6m (2021: £4,339.8m) is unamortised issue costs of £26.4m (2021: £28.2m) and a credit of £5.8m (2021: £8.6m) in excess of the original loan proceeds to reflect the fair value of loans owed by subsidiaries acquired in 2003.

25. FINANCIAL COMMITMENTS

	31 March 2022 £m	31 March 2021 £m
(a) Acquisition of property, plant and equipment	**61.0**	74.1

(b) In addition to these commitments, the Group has longer term expenditure plans, which include investment to meet shortfalls in performance and condition, and to provide for new demand and growth within the water and sewerage business.

(c) The Group has entered into performance bonds and guarantees in the normal course of business. No liability is expected to arise (2021: £nil).

(d) In 2018/19, NWL signed a power purchase agreement (PPA) with Ørsted, to purchase renewable energy from an offshore wind farm which will meet around 25% of its energy demand. The agreement is for a 10 year term at a fixed commodity price, increasing annually by CPI. The Group has concluded that the 'own use exception' applies, meaning that the PPA contract is not within the scope of IFRS 9 and therefore no further disclosures are necessary.

26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates two defined benefit pension schemes. Northumbrian Water Pension Scheme (NWPS or the Scheme), providing benefits based on final pensionable remuneration to 31 December 2015 and on a career average revalued earnings (CARE) basis from 1 January 2016, to 949 active members at 31 March 2022 (2021: 1,052) and AquaGib Limited Pension Plan (AGPP), providing benefits based on final pensionable remuneration to 45 active members at 31 March 2022 (2021: 54). After the balance sheet date, following a consultation process with members, the Scheme was closed to future accrual of benefits with effect from 31 May 2022.

The assets of the NWPS and the AGPP are held separately from those of the Group in independently administered funds.

The most recent actuarial valuation of the NWPS was at 31 December 2019. At that date, the value of assets amounted to £1,066.7m and the liabilities were £1,291.9m, resulting in a deficit of £225.2m and a funding level of 82.6%. The most recent actuarial valuation of the AGPP was at 1 July 2018. At that date, the value of assets amounted to £24.4m and the liabilities were £25.5m, resulting in a deficit of £1.1m and a funding level of 95.7%.

The following text and disclosures below refers to the NWPS, unless otherwise stated.

Under the schedule of contributions, the employers' contribution was set at £13m per annum, increasing annually by RPI. Employee contribution rates remained at between 6% and 8% of pensionable salary, dependent upon which section of the Scheme the employee is a member of.

In addition, the employers will make deficit reduction payments of £23.8m with effect from 1 April 2022 and increasing annually by RPI thereafter. The deficit reduction payments have been set with the objective of removing the deficit by 31 August 2027.

26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

Employers' contributions (including associated company contributions) of £36.3m were paid in the year to 31 March 2022, of which £20.0m related to deficit reduction. For the year to 31 March 2023, reflecting the closure of the scheme to future accrual from 31 May 2022, employers' contributions are projected to be £28.8m, including £23.8m in respect of deficit reduction.

Since 1 June 2019, the Group has participated in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. Prior to 1 June 2019, the Group contributed to the defined contribution section of the NWPS. Defined contribution members and assets were transferred from the NWPS to LifeSight during 2019. There were 2,143 active members in defined contribution pension arrangements at 31 March 2022 (2021: 2,046). Members can choose to contribute either 3%, 4% or 5% of salary, with employers contributing at either 6%, 7% or 8% depending on the member contribution rate. The contributions paid to defined contribution pension arrangements by the Group in the year totalled £7.6m (2021: £7.2m).

Following the closure of the Scheme, the defined contribution scheme has been revised with the employee contribution rates of 3%, 4% or 5% being matched by employer contribution rates of 6%, 8% or 10% respectively. In addition, as a transitional arrangement until 31 March 2025, former members of the NWPS who contribute 5% will receive an employer contribution of 12%. With effect from 1 April 2025, the highest rate of employer contribution will be 11%.

The Group has not disclosed the actuarial assumptions for the AGPP on grounds of materiality. The additional disclosures regarding the NWPS defined benefit scheme as required under IAS 19 Employee benefits and the relevant impact on the financial statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of IAS 19, has updated the actuarial valuations described above as at 31 March 2022. Investments have been valued, for this purpose, at fair value.

	31 March 2022	31 March 2021
Pay increases[1]	**2.50%**	2.50%
RPI inflation	**3.45%**	3.20%
CPI inflation	**3.05%**	2.70%
Pension increases linked to RPI	**3.45%**	3.20%
Pension increases linked to CPI	**3.05%**	2.70%
Discount rate	**2.80%**	2.15%
Mortality assumptions[2]	**VitaCurves**	VitaCurves
- Life expectancy for a member aged 65 – female (years)	**24.1**	24.4
- Life expectancy for a member aged 65 – male (years)	**21.6**	22.0

Notes:

1. Including promotional salary scale.
2. Bespoke "VitaCurves" reflecting scheme characteristics. CMI 2021 (2020: CMI 2020) series of longevity improvement factors with a long-term rate of improvement of 1.25% pa.

The fair value of the assets, in the NWPS and the AGPP, and the present value of the liabilities in the schemes at the balance sheet date were:

	31 March 2022 **£m**	31 March 2021 £m
Equities	**303.5**	278.4
Corporate bonds	**71.2**	76.8
Government bonds	**454.5**	437.8
Property	**47.9**	45.4
Cash	**11.9**	12.3
Insurance contract (with profits)	**24.9**	24.4
Other (includes listed infrastructure)	**273.2**	257.5
Total fair value of assets	**1,187.1**	1,132.6
Present value of liabilities	**(1,164.4)**	(1,258.6)
Surplus/(deficit)	**22.7**	(126.0)

26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

The discount rate at 31 March 2022 has been set by reference to the yield on AA corporate bonds at that date, extrapolated forward on a yield curve approach to a duration of 18 years which reflects the duration of the expected benefit payments.

The amounts recognised in the income statement and in the statement of comprehensive income, in respect of the NWPS and the AGPP, are analysed as follows:

	31 March 2022 £m	31 March 2021 £m
Recognised in the income statement:		
Current service cost	**15.6**	16.6
Administration costs	**1.4**	1.6
Past service cost	**0.2**	0.9
Scheme amendments	**-**	0.3
Recognised in operating costs in arriving at profit before interest	**17.2**	19.4
Net interest cost on plan obligations	**2.4**	1.6
Recognised in finance costs payable	**2.4**	1.6
Recognised in the statement of comprehensive income:		
Changes in demographic assumptions	**(0.1)**	11.8
Changes in financial assumptions	**96.3**	(165.8)
Return on assets (excluding amounts included in finance costs)	**42.9**	87.4
Other actuarial gains and losses	**(7.9)**	13.4
Net actuarial gains/(losses)	**131.2**	(53.2)

Changes in the present value of the defined benefit pension obligations for the NWPS and the AGPP are analysed as follows:

	31 March 2022 £m	31 March 2021 £m
At 1 April	**1,258.6**	1,126.6
Current service cost	**15.6**	16.6
Administration costs	**1.4**	1.6
Past service cost/scheme amendments	**0.2**	1.2
Interest cost on plan obligations	**26.6**	25.9
Contributions by plan participants	**0.1**	0.1
Benefits paid	**(49.8)**	(54.0)
Remeasurement:		
Changes in demographic assumptions	**0.1**	(11.8)
Changes in financial assumptions	**(96.3)**	165.8
Other actuarial gains and losses	**7.9**	(13.4)
At 31 March	**1,164.4**	1,258.6
Present value of funded defined benefit obligations	**1,164.4**	1,258.6

Changes in the fair value of plan assets for the NWPS and the AGPP are analysed as follows:

	31 March 2022 £m	31 March 2021 £m
At 1 April	**1,132.6**	1,042.9
Interest income on Scheme assets	**24.2**	24.3
Contributions by employer	**37.1**	31.9
Contributions by plan participants	**0.1**	0.1
Benefits paid	**(49.8)**	(54.0)
Remeasurement:		
Return on assets (excluding amounts included in finance costs)	**42.9**	87.4
At 31 March	**1,187.1**	1,132.6

26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

Nature of benefits, regulatory framework and other entity's responsibilities for governance of the Scheme
The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustee has the power to set the contributions that are paid to the Scheme.

Risks to which the Scheme exposes the Group
The nature of the Scheme exposes NWL, as the principal employer, to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation and salary increase experience,
- lower than expected investment returns, and
- the risk that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets.

The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the Scheme's liabilities of the risks highlighted. Approximate adjustments are made to the defined benefit obligation, reflecting the mean term of the liability. There has been no change in methodology in the year.

Policy for recognising gains and losses
The Group recognises actuarial gains and losses immediately, through the re-measurement of the net defined benefit liability.

Asset-liability matching strategies used by the Scheme or the Company
The Trustee's current investment strategy having consulted with NWL is to invest the majority of the Scheme's assets in a mix of equities and bonds, in order to strike a balance between:

- maximising the returns on the Scheme's assets, and
- minimising the risks associated with the lower than expected returns on the Scheme's assets.

The Trustee is required to regularly review their investment strategy in light of the term and nature of the Scheme's liabilities.

Description of funding arrangements and funding policy that affect future contributions
The main risk to the Group is that additional contributions are required if the investment returns are not sufficient to pay for the benefits (which will be mainly influenced by inflation and the longevity of members). The level of corporate bond and equity returns will be a key factor in the overall investment return. The investment portfolio is also subject to a range of other risks typical of the assets held, in particular credit risk on bonds and exposure to the property market.

Methods and assumptions used in preparing the sensitivity analyses
The sensitivities disclosed were calculated using methods taking into account the duration of the Scheme's liabilities. Assumptions were provided by the Group.

26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS (continued)

Sensitivity to key assumptions
IAS 1 Presentation of Financial Statements requires disclosure of the sensitivity of the results to the methods and assumptions used.

The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for IAS 19 reporting are the responsibility of the Directors of the Company. These assumptions reflect market conditions at the balance sheet date. Changes in market conditions which result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increases of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.

Change in assumptions compared with actuarial assumptions for the NWPS:

	Increase in liabilities on 31 March 2022 £m	Increase in liabilities on 31 March 2021 £m
0.25% decrease in discount rate	**51.6**	57.3
1 year increase in life expectancy	**46.1**	54.3
0.25% increase in inflation	**31.8**	39.9

Maturity profile of the NWPS defined benefit obligation

Year ended 31 March 2022

	Number of members	Liability split %	Duration years
Active members	949	37	25
Deferred members	1,072	15	22
Pensioners	3,158	48	12
Total/weighted average duration	**5,179**	**100**	**18**

Year ended 31 March 2021

	Number of members	Liability split %	Duration years
Active members	1,052	36	25
Deferred members	1,074	15	22
Pensioners	3,165	49	12
Total/weighted average duration	**5,291**	**100**	**18**

27. SPECIAL PURPOSE ENTITIES

As noted under accounting policy 1(b), in accordance with IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the financial statements of two companies are consolidated as special purpose entities. The principal special purpose entity is Bakethin Holdings Limited, the shares in which are owned by Bakethin Charitable Trust. The other special purpose entity is Bakethin Finance Plc, which is a wholly-owned subsidiary of Bakethin Holdings Limited.

Bakethin Finance Plc was established for the purpose of issuing guaranteed secured Eurobonds. On 12 May 2004, Bakethin Finance Plc issued £248m of guaranteed secured bonds maturing January 2034. Bakethin Finance Plc used the proceeds of the bond issue to make a loan to Reiver Finance Limited (a wholly owned subsidiary of NWL) to fund the consideration given by that company to NWL for the securitisation of the cash flows receivable from the EA under the Water Resources Operating Agreement relating to the Kielder Water transfer scheme. The assignment is for a period of 30 years.

The summarised combined financial statements of the special purpose entities are as follows:

	Unaudited 31 March 2022 £m	Audited 31 March 2021 £m
Income statement:		
Finance costs receivable	**38.7**	19.8
Finance costs payable	**(38.7)**	(19.8)
Profit for the year	**-**	-
Balance sheet:		
Investments	**231.8**	235.3
Non-current assets	**57.2**	32.6
Current assets	**2.3**	2.3
Non-current liabilities	**(285.9)**	(264.5)
Current liabilities	**(3.0)**	(3.3)
Net assets	**2.4**	2.4

28. RELATED PARTIES

During the year, the Group 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 Group and its associates, joint ventures and companies within the CKHH group, are as follows:

Trading transactions

	Recharges to related party £m	Recharges from related party £m	Interest £m	Amounts owed by related party £m	Amounts owed to related party £m
Related party:					
Year ended 31 March 2022					
Northern Gas Networks Limited	**0.1**	**-**	**-**	**-**	**-**
UK Power Networks (Operations) Limited	**-**	**(0.2)**	**-**	**-**	**-**
CK Infrastructure Holdings Limited	**-**	**-**	**0.1**	**-**	**-**
Cheung Kong (Holdings) Limited	**-**	**-**	**0.1**	**-**	**-**
Year ended 31 March 2021					
UK Power Networks (Operations) Limited	-	(0.1)	-	-	-
CK Infrastructure Holdings Limited	-	-	36.7	-	1.1
Cheung Kong (Holdings) Limited	-	-	36.7	-	1.1
Li Ka Shing Foundation Limited	-	-	18.4	-	0.5
Jointly controlled entities					
Year ended 31 March 2022	**118.7**	**13.8**	**-**	**48.5**	**13.4**
Year ended 31 March 2021	113.9	14.1	-	51.0	13.3

28. RELATED PARTIES (continued)

Sales to jointly controlled entities include £117.0m (2021: £112.1m) in respect of non-household wholesale charges, £0.1m (2021: £0.1m) in respect of rent receivables and £1.6m (2021: £1.7m) in respect of the provision of guarantees and interest.

Purchases from jointly controlled entities include £4.0m (2021: £4.5m) in respect of capital purchases under leases, £7.9m (2021: £7.7m) in respect of costs payable under leases and £1.9m (2021: £1.9m) in respect of other purchases.

Outstanding balances due to related parties in respect of interest is payable semi-annually in arrears.

For jointly controlled entities, outstanding balances due from related parties are expected to be settled within 60 days and amounts due to related parties are in respect of leasing and loan arrangements, wholesale charges and the provision of guarantees, where the amounts owed will relate specifically to the terms of the respective agreements. Payments for tax losses are based on the tax rate in force for the period.

Remuneration of key management personnel
Key management personnel comprise all Directors of the Group and the Executive Directors of NWL. The remuneration of the key management personnel is included within the amounts disclosed below.

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Short term employee benefits	**0.8**	1.1
Post employment benefits	**0.1**	0.1
Other long-term employee benefits	**0.1**	0.1
	1.0	1.3

29. CONTINGENT LIABILITY

Five connected claims have been issued against water and sewerage companies, including NWL, by personal search companies (PSCs) in connection with fees paid for water and drainage reports obtained in relation to property purchases. The PSCs claim that the information should have been provided free of charge, pursuant to the Environmental Information Regulations 2004. The combined value of claims against the companies in the sector is stated to exceed £100m but, in common with the other defendants, NWL denies all liability and is defending the proceedings.

In November 2021, the Company was contacted by the EA and Ofwat in relation to measures to ensure permitted ‘Flow to Full Treatment’ (FFT) requirements are being achieved at our wastewater treatment works. In March 2022, Ofwat issued a Section 203 notice requires further information to be provided. These investigations are ongoing and it is uncertain as to whether or not any formal action will be taken which could result in a financial liability.

30. DISPOSAL OF SUBSIDIARY

The Group, through its indirect subsidiary, Northumbrian Water Projects Limited (NWP), disposed of NWG Bioenergy Limited on 31 January 2022 for a consideration of £11.4m.

The net assets of NWG Bioenergy Limited at the date of disposal were as follows:

	31 January 2022 **£m**
Property, plant and equipment	**13.8**
Stock	**0.5**
Prepayments and accrued income	**1.1**
Internal borrowings	**(12.2)**
Internal interest	**(2.3)**
Trade payables	**(0.1)**
Leasing	**(1.3)**
Accruals and deferred income	**(0.5)**
Deferred tax	**0.2**
Provisions	**(0.5)**
	(1.3)
Loss on disposal	**(1.8)**
Total consideration	**(3.1)**
Satisfied by:	
Cash consideration	**11.4**
Write-off internal borrowings and interest	**(14.5)**
	(3.1)

31. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At the balance sheet date, the Company had no ultimate controlling party.

On 21 May 2021, CK Asset Holdings Limited, a company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, acquired Li Ka Shing Foundation Limited's indirect interest in the Company. The Company continues to have no ultimate controlling party.

On 14 July 2022, Nimbus UK Bidco Limited (a company incorporated in England and Wales and indirectly owned by Kohlberg Kravis Roberts & Co. L.P.) entered into an agreement to purchase 25 per cent of the entire issued share capital of each of Northumbrian Water Group Limited and Northumbrian Services Limited (a sister group of Northumbrian Water Group Limited), on a pro rata basis from the current shareholders, subject to the receipt of certain anti-trust and regulatory approvals.

COMPANY BALANCE SHEET
As at 31 March 2022

	Notes	**31 March 2022 £m**	31 March 2021 £m
Non-current assets			
Investments in subsidiary undertakings	3	**2,481.0**	2,481.0
Investments in joint ventures	4	**2.9**	4.9
Loan receivables	5	**43.9**	52.5
		2,527.8	2,538.4
Current assets			
Trade and other receivables	6	**77.5**	20.2
Loan receivables	5	**8.6**	-
		86.1	20.2
Total assets		**2,613.9**	2,558.6
Current liabilities			
Trade and other payables	7	**(40.2)**	(136.8)
Total assets less current liabilities		**2,573.7**	2,421.8
Non-current liabilities			
Borrowings	8	**(124.9)**	(215.8)
Total liabilities		**(165.1)**	(352.6)
Net assets		**2,448.8**	2,206.0
Equity			
Called up share capital		**-**	-
Other reserve		**51.9**	51.9
Share premium account		**1,603.1**	1,603.1
Retained earnings		**793.8**	551.0
Equity attributable to owners of the Company		**2,448.8**	2,206.0

The profit dealt with in the financial statements of the parent Company is £334.5m (2021: loss of £112.9m).

Approved by the Board on 15 July 2022 and signed on its behalf by:

Heidi Mottram

H Mottram
Chief Executive Officer
Registered number 04760441

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Called up share capital £m	Other reserve £m	Share premium account £m	Retained earnings £m	Total £m
At 1 April 2020	-	51.9	446.5	663.9	1,162.3
Loss for the year and total comprehensive expense	-	-	-	(112.9)	(112.9)
Shareholder loan note conversion	-	-	1,156.6	-	1,156.6
At 31 March 2021	-	51.9	1,603.1	551.0	2,206.0
Profit for the year and total comprehensive expense	-	-	-	334.5	334.5
Dividends paid (see note 2)	-	-	-	(91.7)	(91.7)
At 31 March 2022	**-**	**51.9**	**1,603.1**	**793.8**	**2,448.8**

The ‘other reserve’ represents the Company’s reorganisation of its ordinary share capital on 8 March 2013, which the Directors consider to be distributable.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. ACCOUNTING POLICIES

(a) Basis of accounting
The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 100 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 100, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, standards not yet effective and remuneration of key management personnel. As permitted by section 408 of the Companies Act 2006, no profit and loss account has been presented for the parent Company.

Where relevant, equivalent disclosures have been given in the group accounts of NWG.

The financial statements have been prepared under the historical cost convention for the parent Company only. The Company is a private company, limited by shares and is registered, incorporated and domiciled in England and Wales.

The principal accounting policies adopted are set out below.

The financial statements have been prepared on a going concern basis which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2022, the Company had net current assets of £45.9m (2021: net current liabilities of £116.6m). On 14 April 2021, the Company raised £125m with one of its existing US Private Placement counterparties for a tenor of 15 years. The Company used the majority of the proceeds to repay its existing £100m US Private Placement. The Directors have also reviewed the Company's cash flow requirements and available resources and believe it is appropriate to prepare the financial statements on a going concern basis.

Adoption of new and revised Standards
Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year
In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(b) Fixed asset investments
Fixed asset investments are stated at their purchase cost, less any provision for impairment.

(c) Loan receivables
Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through the income statement or available for sale. Gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

(d) Interest bearing loans and borrowings
All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing. Finance costs (including issue costs) are taken to the income statement over the term of the debt at a constant rate on the balance sheet carrying amount. The carrying amount is increased by the finance charges amortised and reduced by payments made in respect of the accounting period.

(e) Employees
Excluding the Directors, there are no employees of the Company (2021: nil).

1. ACCOUNTING POLICIES (continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

(g) Significant accounting judgements and key sources of estimation uncertainty
There are no significant accounting judgements or estimates.

2. DIVIDENDS PAID AND PROPOSED

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
Equity dividends declared and paid on ordinary shares during the year:		
A Ordinary shares:		
Final proposed dividend for the year ended 31 March 2021: £91,661 per share (2020: £nil)	**35.5**	-
Interim dividend for the year ended 31 March 2022: £37,750 per share (2021: £nil per share)	**53.3**	-
B Ordinary shares:		
Final proposed dividend for the year ended 31 March 2021: £775 per share (2020: £nil)	**1.2**	-
Interim dividend for the year ended 31 March 2022: £1,162 per share (2021: £nil per share)	**1.7**	-
Dividends paid	**91.7**	-
Final proposed dividend for the year ended 31 March 2022: £131,250 per share (2021: £91,661 per A share; £775 per B share)	**52.5**	36.7

3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£m
At 31 March 2021 and 31 March 2022	**2,481.0**

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group (%)	Business activity
NWG Commercial Solutions Limited[1]	England and Wales	Ordinary shares of £1	100	Holding of investments and loans
Northumbrian Water Limited[1]	England and Wales	Ordinary shares of £1	100	Water and sewerage services
Northumbrian Water Finance plc[1]	England and Wales	Ordinary shares of £1	100	Holding of finance instruments
Caledonian Environmental Levenmouth Treatment Services Limited[1]	England and Wales	Ordinary shares of £1	100	Wastewater services
Ayr Environmental Services Operations Limited[2]	Scotland	Ordinary shares of £1	100	Wastewater services
AquaGib Limited[3]	Gibraltar	Ordinary shares of £1	67	Water and sewerage services
Northumbrian Water Projects Limited[1]	England and Wales	Ordinary shares of £1	100	Wastewater services
Analytical & Environmental Services Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Essex and Suffolk Water Limited[1]	England and Wales	Ordinary shares of £1	99.6	Holder of loan note
Northumbrian Holdings Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Mexico Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Pension Trustees Limited[1]	England and Wales	Ordinary shares of £1	100	Pension trustee company
Northumbrian Water Share Scheme Trustees Limited[1, 5]	England and Wales	Ordinary shares of £1	100	Dormant
Reiver Finance Limited[1]	England and Wales	Ordinary shares of £1	100	Finance
Reiver Holdings Limited[1]	England and Wales	Ordinary shares of £1	100	Holding company
Three Rivers Insurance Company Limited[4]	Isle of Man	Ordinary shares of £1	100	Insurance
Europa Environments Limited[6, 7]	Gibraltar	Ordinary shares of £1	100	Dormant

1. Registered office: Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ, UK.
2. Registered office: Meadowhead Wastewater Treatment Works and Sludge Treatment Centre, Meadowhead Road, Irvine, Ayrshire, KA11 5AY, UK.
3. Registered office: 10B Leanse Place, 50 Town Range, Gibraltar.
4. 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, Isle of Man, IM1 1EB.
5. The company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.
6. Registered office: Suite 23, 10 Portland House, Glacis Road, Gibraltar.
7. The company is entitled to exemption from audit under section 259 of the Gibraltar Companies Act, 2014 relating to the reporting requirements for a small company.

NWG Commercial Solutions Limited and Northumbrian Water Limited are directly held. All other subsidiaries listed above are indirectly held.

4. INVESTMENTS IN JOINT VENTURES

	£m
At 1 April 2021	4.9
Share of loss after tax	(2.0)
At 31 March 2022	**2.9**

5. LOAN RECEIVABLES

	31 March 2022 £m	31 March 2021 £m
Amounts owed by subsidiary undertakings	**29.2**	29.2
Amounts owed by joint venture	**23.3**	23.3
	52.5	52.5

Amounts owed by subsidiary undertakings includes a non-current balance of £20.6m in respect of the transfer of certain subsidiaries as part of an internal restructuring in 2016. There is no current expectation that this will be settled. A further £8.6m represents an inter-company loan to Northumbrian Water Projects Limited which was settled following 31 March 2022.

6. TRADE AND OTHER RECEIVABLES

	31 March 2022 £m	31 March 2021 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**61.1**	5.8
Amounts owed by joint venture	**15.0**	13.0
Prepayments and accrued income	**0.1**	0.1
Other	**1.3**	1.3
	77.5	20.2

Amounts owed by subsidiary undertakings include amounts receivable for the provisional surrender of tax losses amounting to £0.5m (2021: £3.0m), cash borrowings of £58.1m (2021: £0.2m), trading balances £1.9m (2021: £2.0m) and interest of £0.6m (2021: £0.6m). These balances are expected to be settled within the next 12 months.

7. TRADE AND OTHER PAYABLES

	31 March 2022 £m	31 March 2021 £m
Trade creditors	**0.1**	-
Loans	**-**	100.0
Amounts owed to subsidiary undertakings	**2.3**	2.4
Interest payable	**1.5**	5.4
Overdrafts	**35.9**	28.8
Accruals and deferred income	**0.4**	0.2
	40.2	136.8

In April 2011, the Company issued £100m USPP notes, maturing April 2021, with an annual coupon of 5.82%. On 12 April 2021, the Company raised £125m at a semi-annual coupon of 2.59% with a maturity of 15 April 2036 and used the proceeds, in part, to repay the USPP notes.

Amounts owed to subsidiary undertakings reflects cross-charging trading and amounts due under the cross-guarantee arrangement with other Group companies in respect of bank facilities. Trading amounts are expected to be settled within 30 days of the invoice date and cross-guarantee arrangements will fluctuate on a daily basis depending on the overall cash position.

8. BORROWINGS

	31 March 2022	31 March 2021
	£m	£m
Shareholder loan notes	**-**	56.8
Loans	**124.9**	-
Amounts owed to subsidiary undertakings	**-**	159.0
	124.9	215.8

	31 March 2022	31 March 2021
	£m	£m
Shareholder loan notes, loans and amounts owed to subsidiary undertakings are repayable as follows:		
Repayable after more than five years	**124.9**	215.8

Amounts owed to subsidiary undertakings bear rates of interest linked to SONIA. The Company received a special dividend of £159m (2021: £nil) from the non-appointed business of NWL during the year. The purpose of the special dividend was to enable the Company to use the dividend proceeds to settle a legacy £159m intercompany loan arrangement, following discussions with Ofwat. The outcome of the special dividend and loan settlement transactions was cash neutral to the Company.

The remaining balance of the shareholder loan notes of £56.8m, along with any interest falling due, were redeemed on 12 April 2021.

9. AUTHORISED AND ISSUED SHARE CAPITAL

	Number of ordinary shares of 10p each	£
Allotted, called up and fully paid:		
At 31 March 2021	1,808	181
Buyback of shares	(1,420)	(142)
Issue of shares	12	1
At 31 March 2022	**400**	**40**

NWG completed a restructuring of its share capital on 29 March 2022. Following a buyback of all of its B ordinary shares of £0.10 each and an issue of 12 A ordinary shares of £0.10 each, all 400 A ordinary shares of £0.10 each were re-designated as ordinary shares with a nominal value of £0.10 each.

10. COMMITMENTS

(a) The Company has issued letters of continuing support to subsidiary companies with net liabilities amounting to £5.2m (2021: £9.1m). These subsidiary companies are expected to meet their working capital requirements from operating cash flows.

(b) The Company is guarantor to the European Investment Bank in respect of borrowings by NWL. The loan principal outstanding at 31 March 2022 amounted to £492.7m (2021: £506.6m).

(c) The Company is party to a cross-guarantee arrangement with other Group companies in respect of bank facilities. Overdrafts outstanding at 31 March 2022 in respect of the arrangement amounted to £5.6m (2021: £7.3m). The Directors do not expect any loss to arise as a result of this arrangement.

11. 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 CKHH group, are as follows:

Trading transactions

	Interest £m
Related party:	
Year ended 31 March 2022	
CK Infrastructure Holdings Limited	**0.1**
Cheung Kong (Holdings) Limited	**0.1**

12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At the balance sheet date, the Company had no ultimate controlling party.

On 21 May 2021, CK Asset Holdings Limited, a company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, acquired Li Ka Shing Foundation Limited’s indirect interest in the Company. The Company continues to have no ultimate controlling party.

On 14 July 2022, Nimbus UK Bidco Limited (a company incorporated in England and Wales and indirectly owned by Kohlberg Kravis Roberts & Co. L.P.) entered into an agreement to purchase 25 per cent of the entire issued share capital of each of Northumbrian Water Group Limited and Northumbrian Services Limited (a sister group of Northumbrian Water Group Limited), on a pro rata basis from the current shareholders, subject to the receipt of certain anti-trust and regulatory approvals.