

Albion Water

Small Company Return

2022-23

Albion Water Limited

Registered in England No. 3102176 Registered Office: 3 Filers Way, Weston-Super-Mare England, BS24 7JP www.albionwater.co.uk

Albion Water

Albion Water was the first competitive water and wastewater company when it was set up in 1999 to compete against the regulated Water Companies and bring growth and innovation to the water market. The company serves customers across four owner/operator wastewater treatment inset appointments and two drinking water bulk supply inset appointments. Albion Water currently serves around 3000 customers.

In March 2022, Albion Water was purchased by the Sustainable Drainage Systems Group which designs and delivers market-leading water management solutions which capture and treat water before controlling its return to the natural water cycle or retaining it for reuse or recycling.

With the acquisition of Albion Water, allied to the water infrastructure technologies of Sustainable Drainage Systems we are in a unique position to deliver a truly integrated approach to the management of water resource – the importance of which is ever increasing with the realities of climate change and the corresponding flood and water scarcity issues.

Dual Supply Networks

Forward thinking, Albion Water supported the installation of dual water supply infrastructure within the developments in Upper Rissington, Gloucester and Oaklands Hamlet, Chigwell.

Dual supply networks allow drinking water to be supplied to customers for cooking and bathing whilst toilets and garden taps are supplied from a source of non-potable water such as harvested rainwater. Such water doesn't need to be abstracted from the environment, treated to drinking water standards, conveyed great distances to be flushed away or used for irrigation of gardens.

However, whilst dual-use infrastructure is in place these schemes remain unfunded and subject to engineering, commissioning and regulatory challenges; despite such schemes being largely supported by the majority of regulators and the stressed nature of water resources, particularly across our drinking water supply area.

Evidence shows per capita consumption (PCC) can be reduced by approximately twenty five percent which could make a significant difference to the environment, government targets for efficient use of drinking water and carbon emissions – helping enhance the environment and reducing the risks of drought for the benefit of our customers too.

NAV's are much better placed to develop, install, manage and operate such systems as we inherently have a greater focus on our smaller developments. Whilst we strive to implement market-leading innovative solutions, we also need regulators to work together to provide an enabling legislative framework and financial incentives to allow such schemes to be operated by a responsible and competent regulated water companies.

Small Company Return

Our Small Company Return for 2022-23 is presented below and given the change in ownership in March 2022 there are some significant changes worthy of mention.

Compared with the tenure of ownership by Wessex Water, net debt has substantially reduced and our profit and loss performance has stabilised, which helps us now focus on growth.

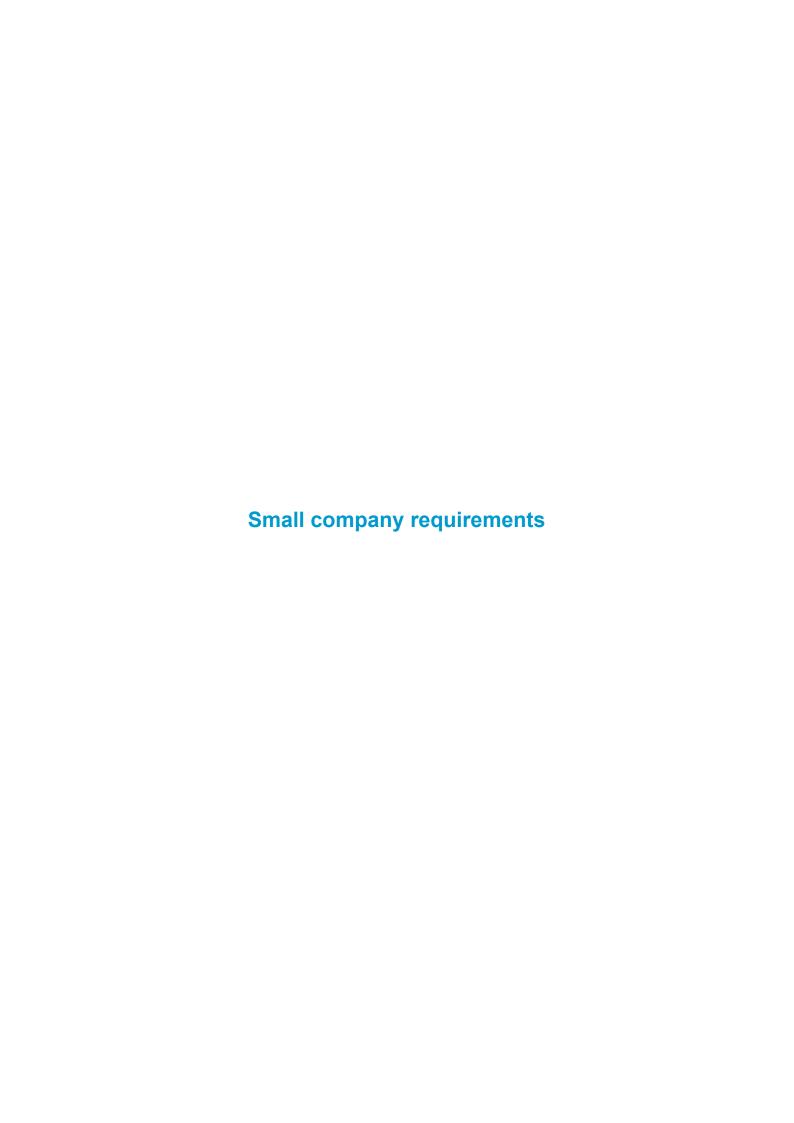
In the last 12 months, we have won two new bulk NAV projects which are currently being onboarded (Abbey Lane, Burscough, Lancashire and Harrier Place, Whitby, North Yorkshire). In addition to this, we are in the process of finalising commercial arrangements for two significant nutrient neutrality schemes.

Furthermore, we have secured a wastewater permit for a development of domestic properties on land subject to stringent nutrient neutrality requirements, that would otherwise need substantial offsetting.

All of the new business will be accomplished without increasing business overhead and as such we expect to be in a profitable position within the next 12 months.

This provides an opportunity for investment to improve customer service and upgrade capital equipment at our operational sites, as well as new business development.

In summary, Albion Water is financially secure and resilient compared with other NAVs and has demonstrable growth together with substantial prospects. That is both good for it's future and the supply experience of our customers.



Statement on executive pay and performance

As the business is currently in a trading loss position there have been no executive bonuses paid in the period, matching the policy in place.

Statement of dividend policy

The dividend policy is to declare dividends consistent with the Company's performance and prudent management of the economic risk of the business.

Dividend payments are reviewed and approved on a quarterly basis by the Board after taking into account both current and projected business performance.

In particular the Board takes into account:

- the company's current and projected performance in delivering the level of service customers expect from an efficient water and sewerage company and that where that level of service has not been delivered, that customers have been adequately compensated
- that the company is delivering the required quality and environmental outputs and making sufficient investment in its infrastructure to maintain and, where necessary, increase resilience
- that the correct amount of tax has been paid
- that the Company has met any unexpected additional expenditure needs that may have arisen during the year to date, as new operational risks emerge
- the level of gearing and its comparison with Ofwat's expectations pertaining at the time
- the sufficiency of distributable reserves

The Company declared no dividends to its immediate parent company during the year.

In reaching this decision, the Board took account of the Company's projected financial position at 31 March 2024 and its medium term plan projections, sufficiency of distributable reserves.

The Board also took into account the principal risks facing the business; good performance against most performance criteria; positive ongoing employee engagement and the long term business growth plan.

Statement confirming that the company maintains sufficient financial security.

The Company continues to benefit from a ring-fenced deposit of £600,000 agreed with Ofwat, and the associated undertaking from it's immediate parent Albion Water Holdings Limited to make that amount available to the company in circumstances where its financial resilience is under threat, or to deal with breaches of the company's statutory responsibilities.

Certificate of adequacy of financial resources.

In accordance with the requirements, this is to certify that on 15 July 2023, the Board of Albion Water Limited resolved as follows:

- 1. That, in the opinion of the Board, the Appointee will:
 - (a) have available to it sufficient financial resources and facilities to enable it to carry out, at least until 31 March 2024, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
 - (b) at least until 31 March 2024 have available to it management resources and methods of planning and internal control which are sufficient to enable it to carry out those functions as required by paragraph I13.
- 2. That, in the opinion of the Board, all contracts entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities.

The Board has considered a wide range of factors in consideration of this certificate of adequacy to satisfy themselves that the evidence detailed here is sufficient for them to draw the conclusions they have. The main factors the Board has considered in compliance with the licence requirements are:

- (a) financial resources and facilities and consideration of:
 - i. the Company's detailed budget for the year to July 2024;
 - ii. the Company's credit arrangements including its existing borrowing facilities;
 - iii. the Company's cash position and financing strategy;
 - iv. the Company's credit ratings and covenants;
- (b) management resources and consideration of:
 - i. the management skills, experience and relevant qualifications of key directors and managers, including succession planning for key management and staff;
 - ii. the Company's recruitment processes and staff engagement;
 - iii. the quality of management and staff induction, including training and development;
 - iv. Board reports, including the regular business performance updates; and
 - v. the independence and functionality of the Board
- (c) systems of planning and control and consideration of:
 - i. the governance framework, delegated authority processes and procedures;

- ii. the internal and external audit policies, processes, activities and reports;
- iii. the systems for maintaining supply, security and business continuity, including relevant action plans;
- iv. the business values / ethics and raising a concern policy;
- v. supply chain reviews for compliance with the Utilities Contracts Regulations,
- vi. Modern Slavery Act and Bribery Act; and
- vii. risk, compliance and other assurance statements.
- (d) rights and resources other than financial resources and consideration of:
 - i. the resources available from the Company's engineering department and contractors who deliver the capital programme;
 - ii. technology and other systems for ensuring appropriate information security and access control, reconciliation, other checks and verifications (including procurement);
 - iii. Planning and asset maintenance systems; and
 - iv. the billing and revenue collecting capability of the Company's Billing and Customer services department.
- (e) contracting and consideration of:
 - i. the legal ownership of the Company's assets;
 - ii. the status of key contracts in place;
 - iii. compliance with licence provisions on cross-subsidies between the Company and any Associated Company; and
 - iv. compliance with licence provisions on Guarantees and Cross-Default Obligations requiring Ofwat's written consent.
- (f) material issues or circumstances and consideration of:

the Company's response to and the financial impact of Covid-19.

Adam Shore

Managing Director

14 July 2023



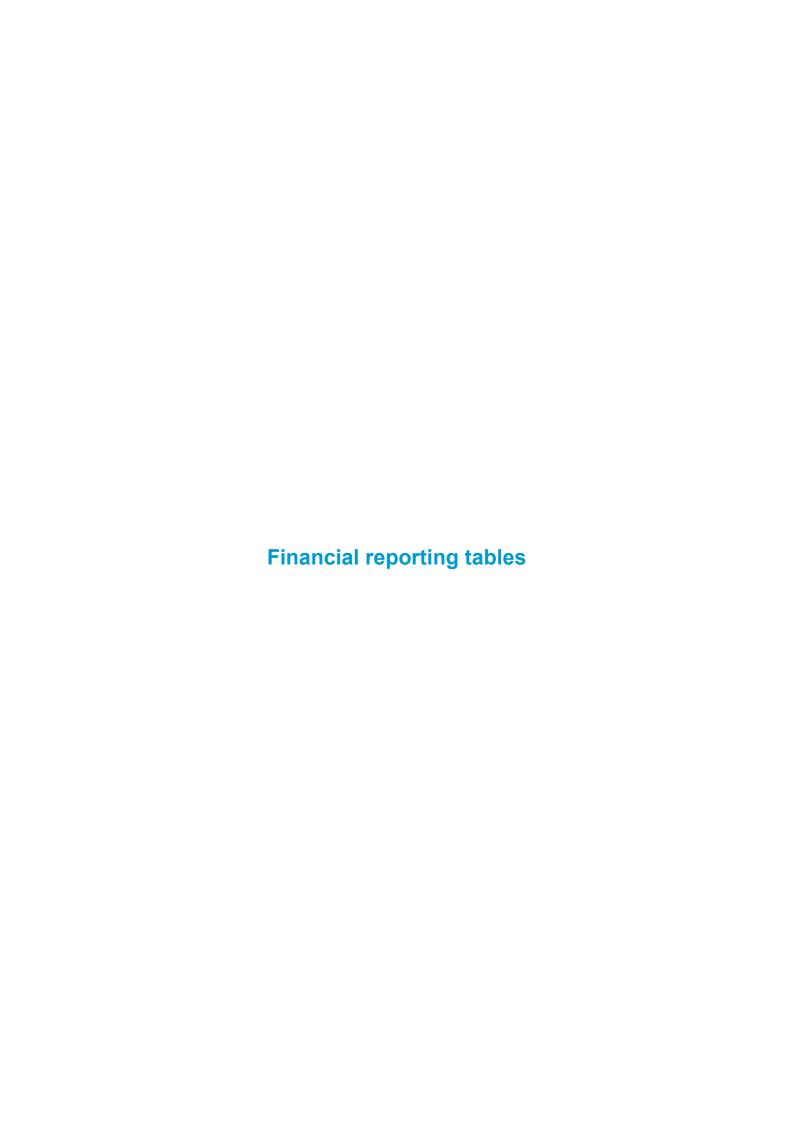
Our Customers, Communities and People

Albion Water Ltd continually strives to ensure that our customers receive exceptional customer service. In line with the principles of being "no worse off" we ensure that our tariffs and code of practice meet, at the very least, those set or provided by the incumbent wherever practicably possible.

In the current cost of living crisis we have taken steps over and above those of the incumbent by reading meters more frequently to proactively support usage and cost reduction. We also have added a very personal and warm voice approach to the way we work with customers in financial difficulty.

Furthermore, Albion Water closes monitors and records its performance against our Guaranteed Standards of Services (GSS) promise. For the year ended March 2023 we have experienced very few service failures:

Guaranteed Standards of Services (GSS)	Award per event	Customers	Total Paid
Replying to Correspondence	£30.00	2	£60.00
Written account queries and requests to change payment arrangements not actioned on time	£50.00	1	£50.00
	Total	3	£110.00



F1: Analysis of revenue and operating costs

Analysis of revenue and operating co	sts						Albio	n Water
			1	2	3	4	5	6
line describitor	United	Decimal		2022-23			2021-22	
Line description	Units	places (DPs)	Water	Wastewater	Total	Water	Wastewater	Total
Revenue								
Unmeasured - household	£m	3	0.065	0.130	0.195	0.062	0.203	0.265
Unmeasured - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Measured - household	£m	3	0.234	0.469	0.703	0.014	0.535	0.549
Measured - non-household	£m	3	0.010	0.020	0.030	0.166	0.112	0.278
Other	£m	3	0.487	0.974	1.461	0.046	0.007	0.053
Total revenue	£m	3	0.796	1.593	2.389	0.288	0.857	1.145
Retail operating costs								
Customer services - household	£m	3	0.038	0.114	0.152	0.049	0.147	0.196
Debt management - household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Doubtful debts - household	£m	3	0.000	0.000	0.000	0.039	0.117	0.156
Meter reading - household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Other operating costs - household	£m	3	0.037	0.048	0.084	0.027	0.035	0.062
Local authority and cumulo rates - household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Total household operating costs	£m	3	0.075	0.161	0.236	0.115	0.299	0.414
Customer services - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Debt management - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Doubtful debts - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Meter reading - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Services to developers - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Other operating costs - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Local authority and cumulo rates - non-household	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Total non-household operating costs	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
reserved to the second to the			0.000	0.000	5.555		3,333	
Wholesale operating costs								
Power	£m	3	0.066	0.134	0.200	0.021	0.043	0.064
Service charges/ discharge consents	£m	3	0.012	0.018	0.030	0.01	0.014	0.024
Bulk Supply/Bulk discharge	£m	3	0.114	0.061	0.175	0.177	0.096	0.273
Other operating costs - wholesale	£m	3	0.788	1.003	1.791	0.275	0.35	0.625
Local authority rates	£m	3	0.000	0.003	0.003	0.000	0.001	0.001
Escar dudiontly rules	Liii	3	0.000	0.003	0.003	0.000	0.001	0.001
Total operating costs								
Total operating costs - retail and wholesale	£m	3	1.054	1.381	2.435	0.598	0.803	1.401
							3,000	
Depreciation								
Depreciation - retail	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation - wholesale	£m	3	0.013	0.017	0.030	0.024	0.031	0.055
Total depreciation	£m	3	0.013	0.017	0.030	0.024	0.031	0.055
Operating profit								
Total operating profit	£m	3	-0.271	0.196	-0.075	-0.334	0.023	-0.311
Other income	_	_						
Other income	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Interest								
Interest income	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Interest mone	£m	3	0.000	0.000	0.000	0.092	-0.007	0.085
Profit before tax	£m	3	-0.271	0.195	-0.075	-0.426	0.030	-0.396
	LIII	1 3	-0.271	0.133	0.073	-0.420	0.030	-0.330
Tax								
UK Corporation tax	£m	3	0.000	0.000	0.000	-0.094	0.007	-0.087
Deferred tax	£m	3	0.000	0.000	0.000	0.000	0.000	0.000
Profit for the year	£m	3	-0.271	0.195	-0.075	-0.332	0.023	-0.309
	_							
Dividends								
Dividends	£m	3	0.000	0.000	0.000	0.00	0.00	0.000

F2: Reconciliation of Regulatory to Statutory reporting

Reconciliation of Regulatory to Statutory reporting Albion Water Adjustments Differences Decimal Total appointed Line description Units Statutory between Total places (DPs) activities Non-appointed statutory and adjustments RAG definitions Revenue Total revenue £m 3 2.389 0.000 0.000 0.000 2.389 £m -0.075 0.000 0.000 0.000 -0.075 Total operating profit 3 3 -0.075 0.000 0.000 0.000 -0.075 £m Profit for the year

F3: Statement of financial position

Statement of financial position			Albio	n Wateı
·				
			1	2
Line description	Units	Decimal	2022-23	2021-22
		places (DPs)		
Non-current assets				
Fixed assets	£m	3	12.992	16.36
Tined disself			12.552	10.50
Intangible assets	£m	3	0.000	0.02
Investments - Ioans to group companies	£m	3	0.000	0.00
Investments - other	£m	3	0.000	0.00
Financial instruments	£m	3	0.000	0.00
Retirement benefit assets	£m	3	0.000	0.00
Total non-current assets	£m	3	12.992	16.38
Total Holl current usses	2	J	12.552	10.50
Current assets				
Inventories	£m	3	0.000	0.00
Trade & other receivables	£m	3	0.950	0.56
Financial instruments	£m	3	0.000	0.00
Cash & cash equivalents	£m	3	0.045	0.07
Total current assets	£m	3	0.995	0.64
Current liabilities				
Trade & other payables	£m	3	-1.106	-0.31
Capex creditor	£m	3	0.000	0.00
Borrowings	£m	3	0.000	0.00
Financial instruments	£m	3	0.000	0.00
Current tax liabilities	£m	3	0.108	0.00
Provisions	£m	3	-0.333	-0.29
Total current liabilities	£m	3	-1.331	-0.61
Net Current assets/(liabilities)	£m	3	-0.336	0.02
Non-current liabilities				
Trade & other payables	£m	3	0.000	-0.31
Borrowings	£m	3	0.000	0.00
Financial instruments	£m	3	0.000	0.00
Retirement benefit obligations	£m	3	0.000	0.00
Provisions	£m	3	0.000	-0.19
Deferred income – grants & contributions	£m	3	0.000	0.00
Deferred income – adopted assets	£m	3	-12.148	-13.45
Preference share capital	£m	3	0.000	0.00
Deferred tax	£m	3	0.000	0.00
Total non-current liabilities	£m	3	-12.148	-13.96
Not a control	6	2	0.500	2.44
Net assets	£m	3	0.508	2.44
Equity				
Called up share capital	£m	3	0.000	0.00
Retained earnings & other reserves	£m	3	0.508	2.44
Total Equity	£m	3	0.508	2.44
.om. equity	LIII	,	0.508	2.44

F4: Statement of cashflows

Statement of cashflows

Albion Water

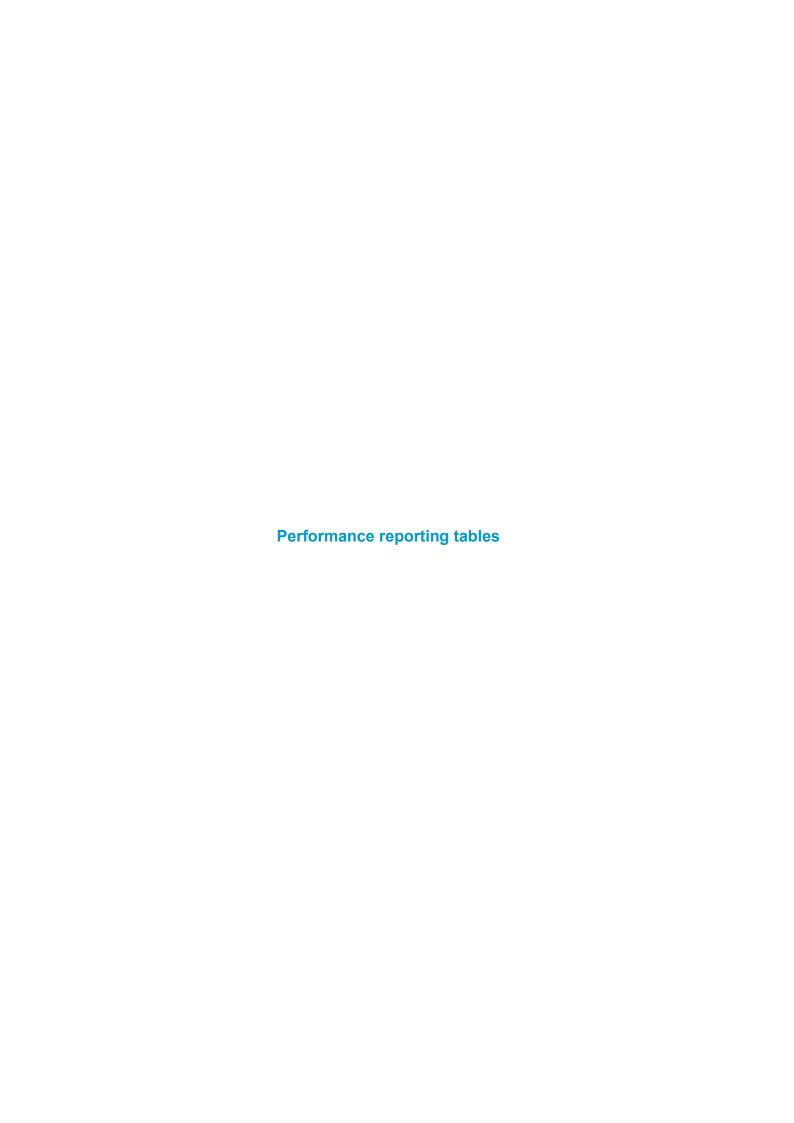
			1	2
Line description	Units	Decimal places (DPs)	2022-23	2021-22
	_			
Operating activities				
Operating profit	£m	3	-0.075	-0.311
Other income	£m	3	0.000	0.000
Depreciation	£m	3	0.030	0.055
Amortisation – Grants and contributions	£m	3	0.000	0.000
Changes in working capital	£m	3	0.295	6.642
Pension contributions	£m	3	0.024	0.009
Movement in provisions	£m	3	-0.036	0.000
Profit on sale of fixed assets	£m	3	0.000	0.000
Cash generated from operations	£m	3	0.238	6.395
Net interest paid	£m	3	0.000	0.085
Tax paid	£m	3	0.000	-0.087
Net cash generated from operating activities	£m	3	0.238	6.393
Investing activities	1			
Capital expenditure	£m	3	0.000	-1.949
Grants and contributions	£m	3	0.000	0.000
Disposal of fixed assets	£m	3	0.000	0.000
Other	£m	3	0.000	0.000
Net cash used in investing activities	£m	3	0.000	-1.949
Net cash used in investing activities	LIII	3	0.000	-1.949
Net cash generated before financing activities	£m	3	0.238	4.444
Cool flows from Francisco activities	7			
Cashflows from financing activities	0	2	0.000	0.000
Equity dividends paid	£m	3	0.000	0.000
Net loans received	£m	3	0.000	-4.221
Cash inflow from equity financing	£m	3	0.000	0.000
Net cash generated from financing activities	£m	3	0.000	-4.221
	_			
Increase (decrease) in net cash	£m	3	0.238	0.223

F5: Net debt analysis (appointed activities)

Net debt analysis (appointed activities)					Albic	n Water
1			2	3	4	5	6
Line description	Units	Decimal	Fixed rate	Floating rate	Index	linked	Total
Life description	UIIILS	places (DPs)	rixeurate	rioating rate	RPI	CPI/CPIH	Total
Interest rate risk profile							
Borrowings (excluding preference shares)	£m	3	0.000	0.000	0.000	0.000	0.000
Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000
Total borrowings	£m	3	0.000	0.000	0.000	0.000	0.000
Cash	£m	3	0.000	0.045	0.000	0.000	0.045
Short term deposits	£m	3	0.000	0.000	0.000	0.000	0.000
Net debt	£m	3	0.000	0.045	0.000	0.000	0.045
Line description			Total facility available	Amount drawn	Amount undrawn	Interest rate	Maturity date
Units			£m	£m	£m	%	d/m/y
Decimal places (DPs)			3	3	3	2	0
Financing available							
			0.000	0.000	0.000	0.00%	00/01/1900
			0.000	0.000	0.000	0.00%	00/01/1900
			0.000	0.000	0.000	0.00%	00/01/1900
			0.000	0.000	0.000	0.00%	00/01/1900
			0.000	0.000	0.000	0.00%	00/01/1900
Total			0.000	0.000	0.000		

Transactions with associates

A working capital facility of £0.5m has been provided to AWL by Sustainable Drainage Systems Ltd. These two companies have a common ultimate owner. As of 14 July 2023 £232k of this £0.5m facility has been utilised.



P1: Performance - non-financial information

Thames Water

Perf	ormai	nce - non-financial i	nformation																								Albion \	Water
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
													Properties									Annual sit	e volumes			penetration		
	Line description							Water only				Wa	ter and waster	water			٧	Vastewater on	ly		Hous	eholds	Non-ho	useholds	(househ	olds only)	Length of	Length of
	Line description				Household properties	Non- household properties	Void household properties	Void non- household properties	Total properties	Household properties	Non- household properties	Void household properties	Void non- household properties	Total properties	Household properties	Non- household properties	Void household properties	Void non- household properties	Total properties	Water	Wastewater	Water	Wastewater		Unmetered household properties	mains	-	
			Units			000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	000s	Ml/yr	Ml/yr	Ml/yr	Ml/yr	Nr	Nr	km	km
			Decimal places (DPs)			3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	2	0	0	1	1
Haias	10	Cita acomo	(mana)		Destando																							

P2: Performance - retail

Performance - retail										Alb	ion Water
1	2	3	4	5	6	7	8	9	10	11	12
					Complaints (non-	Customers on	Customers on	Customers on other	Customers on the Priority		d Standards eme
	Line description						WaterSure tariffs	reduced charges	Services Register	Total number of failures	Total compensation paid
		Units		Nr	Nr	Nr	Nr	Nr	Nr	Nr	£
		Decimal places (DPs)		0	0	0	0	0	0	0	0
Unique ID			Incumbent region (wastewater)								
1	Gakiands*	Thames Water	Thames Water	8	0	5	2	0	24	1	30
2	Eboshteet,	Northumbrian Water			0	4	2	0	6	0	0
3	Knowie,	Thames Water	Thames Water	2	0	1	4	0	18	0	0
4	Hamachica	Portsmouth Water	Southern Water	8	0	9	11	0	18	2	80

P3: Performance - water

Perforn	nance - water													Albi	on Water		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
						per capita con	sumption (excl		ipe leakage)								
			Line description		Annual		Unmeasured			Measured		Overall	Water supply interruptions			Mains (Compliance
	and description			Consumption	Population	Per capita consumption per day	Consumption	Population	Per capita consumption per day	Per capita consumption per day			uppry interruptions		risk index		
	Units	MI/yr	MI/yr	Nr	I/h/d	MI/yr	Nr	I/h/d	I/h/d	Total minutes lost (>3hrs)	Number of properties affected	Average number of minutes lost per water customer	Nr	%			
	Decimal plac	es (DPs)	2	2	0	2	2	0	2	2	0	0	4	0	2		
Unique ID	nique ID Site name Incumbent region (water)																
1	Rissington, Gloucester	Thames Water	43.982.1	15.4906	422	100.50	59.49135	1327	122.83	117.44	0	0	0.00	0			
	Oaklands Hamlet, Chigwell	Northumbrian Water	19.384	0	0	0.00	35.582	1019	95.67	95.67	0	0	0.00	0			
3	Ebbsfleet, Kent	Thames Water	0	0	0	0.00	0	0	0.00	0.00	0	0	0.00	0			
4	Knowle, Hampshire	Portsmouth Water	0	0	0	0.00	0	0	0.00	0.00	0	0	0.00	0			

P4: Performance - wastewater

D (A.II. *	
Perform	nance - wastewater							Albi	on Water
1	2	3	4	5	6	7	8	9	10
			Internal	External			Trea	tment works compl	iance
	Line descr	iption	sewer flooding	sewer flooding	Sewer collapses	Pollution incidents	Number of failed discharges	Site has numeric discharge permits?	Compliance
	Units		Nr	Nr	Nr	Nr	Nr	TRUE/FALSE	%
	Decimal place	es (DPs)	0	0	0	0	0	0	2
Unique ID	Site name	Incumbent region (wastewater)							
1	Rissington, Gloucester	Thames Water	0	0	0	0	0	TRUE	
2	Oaklands Hamlet, Chigwell	Thames Water	0	0	0	1	0	TRUE	
3	Ebbsfleet, Kent	Thames Water	0	0	0	0	6	TRUE	
4	Knowle Hampshire	Couthorn Water	0	0	0	0	0	TRUE	I