

Water Plus Limited
(formerly United Utilities Water Sales Limited)
Annual Performance Report
For the 10 months to 31 March 2017

Annual Performance Report

For the 10 months to 31 March 2017

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¹ Due to Water Plus Limited being only a non-household water retailer only tables from this section relating to non-household retail have been completed.

Introduction

Water Plus is a joint venture between United Utilities Plc and Severn Trent Plc, which was established on 1 June 2016 to provide retail services to non-household customers throughout England and Scotland.

From 1 June 2016 until 31 March 2017, Water Plus Limited (formerly United Utilities Water Sales Limited) (the Company), carried out the non-household retail activity for those customers served under the Instrument of Appointment of United Utilities Water Limited (UUW) as its agent. The Company has therefore prepared annual performance information in accordance with Licence Condition F of UUW's Instrument of Appointment for these customers for this period. Information relating to the period 1 April 2016 to 31 May 2016 for these customers, along with information relating to the other price control units for the year (household retail, wholesale water and wholesale waste-water) can be found in the United Utilities Water Annual Performance Review 2017, published on their website, www.unitedutilities.co.uk.

For more information about the Water Plus joint venture see the Strategic Report located on pages 2-4 of the Water Plus Group Limited financial statements, available from our head office¹.

¹ Water Plus Group Limited, Two Smithfield, Hanley, Stoke-On-Trent, Staffordshire, ST1 4FD.

Reporting our performance

To provide our customers with transparency on our financial and operational performance we present this annual performance report ('APR') which provides specific information on the income raised and costs incurred on the customers we served during the period (being 1 June 2016 to 31 March 2017) as agent of UUW under its Instrument of Appointment. This is a supplemental statement to the UUW APR (published on their website - www.unitedutilities.co.uk) and should be read as such. Consequently, we do not present the statements required of the directors of the appointee relating to long-term viability, directors' remuneration or tax strategy as these are made by the directors of UUW.

In addition, Water Plus Limited has published its Financial Statements for the year ended 31 March 2017, which are available from our head office (see footnote on page 2 for the address). Where disclosures in the Financial Statements fulfil requirements for the APR we have provided a cross reference in this document rather than duplicating the information.

A full APR would consist of four sections. We have only prepared sections pertaining to the non-household retail price control as we are solely a water retailer to non-household customers. These are:

1 Regulatory financial reporting

Our primary statements as reported on a statutory basis reconciled to the performance and financial position of those items we carried out as an agent of UUW.

2 Price review and additional segmental reporting

Further disaggregation of revenue and costs, to allow stakeholders to review the Company's performance against the appointee's final determination.

The remaining sections relate solely to the activities still carried out by UUW. All reporting on these areas is contained in their APR published on their website www.unitedutilities.co.uk.

Disclosure required by RAG 3

In addition to the disclosures that are set out in the tables in Sections 1 and 2, RAG 3 sets out requirements for narrative disclosures in the Annual Performance Report. The statements set out below address those requirements in so far as they are relevant to Water Plus Limited. These disclosures should be read in conjunction with those of UUW.

Dividend policy

The Company's dividend policy is to declare dividends at a level deemed appropriate taking into consideration future investment requirements of the Company per its business plan. Since acquisition by Water Plus Group, the Company has neither declared nor paid any dividends.

Disclosure of information to auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved so far as each of the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities

The directors are responsible for the preparation of the Annual Performance Report and for their fair presentation in accordance with the basis of preparation and accounting policies.

As agent of UUW, the Company has prepared financial statements which comply with the requirements of Condition F of the Instrument of Appointment of UUW and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the directors to:

- a) Confirm that, in their opinion, the Company has sufficient financial and management resources for the next twelve months;
- b) Confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company;
- c) Report to the Water Services Regulation Authority changes in the Company's activities which may be material in relation to the Company's ability to finance its regulated activities;
- d) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length; and
- e) Keep proper accounting records which comply with Condition F.

Approved by the board and signed on its behalf by:



Stuart Howell
Chief Financial Officer
3 July 2017

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Water Plus Limited

Opinion on Annual Performance Report

In our opinion, Water Plus Limited's Regulatory Accounting Statements within the Annual Performance Report:

- have been properly prepared in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.07, RAG 2.06, RAG 3.09, RAG 4.06 and RAG 5.06) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.09, appendix 3), set out on page 14-17.

Emphasis of matter - basis of preparation

Without modifying our opinion on the Regulatory Accounting Statements within the Annual Performance Report, we draw attention to the fact that the Annual Performance Report has been prepared in accordance with Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.09, appendix 3) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounts statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment.

The Annual Performance Report is separate from the statutory financial statements of the Company and has not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 8 to 13 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

What we have audited

The tables within Water Plus Limited's Annual Performance Report that we have audited ("the Regulatory Accounting Statements") comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D) and the net debt analysis (table 1E) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H) and the revenue analysis by customer type (table 2I) and the related notes.

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Water Plus Limited (continued)

The financial reporting framework that has been applied in their preparation comprises Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.09, appendix 3) set out in the notes to the Annual Performance Report.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to United Utilities Water Limited as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, 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 WSRA, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the WSRA, the Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.09, appendix 3).

Our responsibility is to audit and express an opinion on the Regulatory Accounting Statements within the Annual Performance Report in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"), except as stated in the section on 'What an audit of the Annual Performance report involves' below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

What an audit of the Annual Performance Report involves

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounting Statements sufficient to give reasonable assurance that the Regulatory Accounting Statements within the Annual Performance Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Annual Performance Report. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited tables within the Annual Performance Report and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Water Plus Limited (continued)

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Annual Performance Report are consistent with those used in the preparation of the statutory financial statements of the Company. Furthermore, as the nature, form and content of Annual Performance Report is determined by the WSRA, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK & Ireland).

The Company has presented the allocation of operating costs and assets in accordance with the accounting policy for price control segments set out in note 1 and its accounting methodology statement(s) published on the Company's website on 15 July 2017. We are not required to assess whether the methods of cost allocation set out in the Methodology Statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK & Ireland).

Opinion on other matters prescribed by Condition F

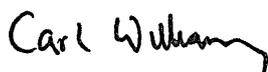
Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

Other matters

Our opinion on the Regulatory Accounting Statements within the Annual Performance Report is separate from our opinion on the statutory financial statements of the Company for the period ended 31 March 2017 on which we reported on 14 June 2017, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.

Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Carl Williams
For and on behalf of Grant Thornton UK LLP, Manchester, United Kingdom
3 July 2017

Section 1 - Regulatory financial reporting

1A - Income statement

For the 10 months to 31 March 2017

	Statutory	Differences between statutory and RAG definitions ¹	Non- appointed	Total adjustments	Total
	£m	£m	£m	£m	£m
Revenue	448.736	(2.780)	20.449	17.669	431.067
Operating costs	(447.560)	2.780	(20.725)	(17.945)	(429.615)
Other operating income	-	-	-	-	-
Operating profit	1.176	-	(0.276)	(0.276)	1.452
Other income	-	-	-	-	-
Interest income	0.004	-	-	-	0.004
Interest expense	(1.906)	-	(0.240)	(0.240)	(1.666)
Other interest expense	-	-	-	-	-
Loss before tax and fair value movements	(0.726)	-	(0.516)	(0.516)	(0.210)
Fair value gains on financial instruments	-	-	-	-	-
Loss before tax	(0.726)	-	(0.516)	(0.516)	(0.210)
UK corporation tax	0.110	-	0.103	0.103	0.007
Deferred tax	(0.179)	-	-	-	(0.179)
Loss for the period	(0.795)	-	(0.413)	(0.413)	(0.382)

Differences between statutory and RAG definitions

The difference between the statutory and RAG definition relates to income that meets the recognition criteria of RAG 3, but not that of IAS 18. For the purposes of these regulatory accounts the RAGs override the equivalent IFRS.

Reconciliation of 12 month published statutory accounts to 10 month statutory numbers in the APR

	Published statutory accounts	Trading activity 1 April to 31 May 2016	Statutory results for the 10 month APR period
	£m	£m	£m
Revenue	453.415	4.679	448.736
Operating costs	(451.161)	(3.601)	(447.560)
Operating profit	2.254	1.078	1.176
Interest income	0.004	-	0.004
Interest expense	(1.926)	(0.020)	(1.906)
Profit/(Loss) before tax	(0.332)	1.058	(0.726)
UK corporation tax	0.110	-	0.110
Deferred tax	(0.179)	-	(0.179)
Profit/(Loss) for the period	0.263	1.058	(0.795)

For the 2 months prior to acquiring the UUW appointed customers Water Plus Limited carried out other, non-regulated trade. There were no items of comprehensive income in this period other than profit or loss.

Section 1 - Regulatory financial reporting

1B - Statement of comprehensive income

For the 10 months to 31 March 2017

	Statutory	Differences between statutory and RAG definitions	Non- appointed	Total adjustments	Total
	£m	£m	£m	£m	£m
Loss for the period	(0.795)	-	(0.413)	(0.413)	(0.382)
Actuarial gains/(losses) on post-employment plans	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the period	(0.795)	-	(0.413)	(0.413)	(0.382)

Section 1 - Regulatory financial reporting**1C - Statement of financial position**

As at 31 March 2017

	Statutory £m	Differences between statutory and RAG definitions £m	Non- appointed £m	Total adjustments £m	Total £m
Non-current assets					
Fixed assets	0.652	-	-	-	0.652
Intangible assets	33.502	-	-	-	33.502
Financial instruments	-	-	-	-	-
Total non-current assets	34.154	-	-	-	34.154
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	187.308	-	9.121	9.121	178.187
Cash and cash equivalents	8.503	-	-	-	8.503
Total current assets	195.811	-	9.121	9.121	186.690
Current liabilities					
Trade and other payables	(79.596)	-	(9.535)	(9.535)	(70.061)
Capex creditor	-	-	-	-	-
Borrowings	(154.486)	-	-	-	(154.486)
Financial instruments	-	-	-	-	-
Current tax liabilities	-	-	-	-	-
Provisions	-	-	-	-	-
Total current liabilities	(234.082)	-	(9.535)	(9.535)	(224.547)
Net current assets liabilities	(38.271)	-	(0.414)	(0.414)	(37.857)
Non-current liabilities					
Trade and other payables	-	-	-	-	-
Borrowings	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred income - grants and contributions	-	-	-	-	-
Deferred tax	(0.179)	-	-	-	(0.179)
Total non-current liabilities	(0.179)	-	-	-	(0.179)
Net liabilities	(4.296)	-	(0.414)	(0.414)	(3.882)
Equity					
Called up share capital	-	-	-	-	-
Retained earnings and other reserves	(4.296)	-	(0.414)	0.414	(3.882)
Total equity	(4.296)	-	(0.414)	(0.414)	(3.882)

Section 1 - Regulatory financial reporting

1D - Statement of cash flows

For the 10 months to 31 March 2017

	Statutory £m	Differences between statutory and RAG definitions £m	Non- appointed £m	Total adjustments £m	Total £m
Statement of cash flows					
Operating profit	1.176	-	(0.276)	(0.276)	1.452
Other income	-	-	-	-	-
Depreciation	1.615	-	-	-	1.615
Amortisation - grants and contributions	-	-	-	-	-
Changes in working capital	(109.278)	-	0.414	0.414	(109.692)
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	-	-
Cash used in operations	(106.487)	-	0.138	0.138	(106.625)
Net interest paid	(0.248)	-	(0.138)	(0.138)	(0.110)
Tax paid	-	-	-	-	-
Net cash used in operating activities	(106.735)	-	-	-	(106.735)
Investing activities					
Capital expenditure	(16.169)	-	-	-	(16.169)
Grants and contributions	-	-	-	-	-
Disposal of fixed assets	-	-	-	-	-
Net cash used in investing activities	(16.169)	-	-	-	(16.169)
Net cash used before financing activities	(122.904)	-	-	-	(122.904)
Cash flows from financing activities					
Equity dividends paid	-	-	-	-	-
Net loans received	131.386	-	-	-	131.386
Cash outflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	131.386	-	-	-	131.386
Increase in net cash	8.482	-	-	-	8.482

Section 1 - Regulatory financial reporting

1E - Net debt analysis

As at 31 March 2017

	Interest rate risk profile			Total £m / %
	Fixed rate £m	Floating rate £m	Index linked £m	
Total borrowings	-	(154.486)	-	(154.486)
Cash				8.503
Net debt				(145.983)
Gearing				n/a
Full year equivalent nominal interest cost	-	(4.043)	-	(4.043)
Full year equivalent cash interest payment	-	(4.043)	-	(4.043)
Indicative interest rates				
Indicative weighted average nominal interest rate	-	2.62%	-	2.62%
Indicative weighted average cash interest rate	-	2.62%	-	2.62%

Section 1 - Regulatory financial reporting

Current tax reconciliation

For the 10 months to 31 March 2017

The Finance Act 2016 was enacted in the current year which implemented a reduction in the corporation tax rate from 20% to 17% with effect from 1 April 2020.

The tax credit for the period ended 31 March 2017 is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	£m
Loss on ordinary activities before tax	(0.210)
Tax at the standard rate of corporation tax in the UK 20%	(0.042)
Tax effect of non-qualifying depreciation	0.002
Tax effect of expenditure not deductible in determining taxable loss	0.050
Group relief	(0.017)
Total tax credit	(0.007)

The current tax charge allowed in price limits is reconciled to the appointed current tax charge as follows:

	£m
Total current tax charge allowed in price limits	2.740
Differences in profit before tax	(2.782)
Tax effect of non-qualifying depreciation	0.002
Tax effect of expenditure not deductible in determining taxable loss	0.050
Group relief	(0.017)
Appointed current tax credit	(0.007)

Section 1 - Regulatory financial reporting

Notes to the Annual Performance Report

For the 10 months to 31 March 2017

1 Regulatory reporting

Differences in recognition and measurement between statutory and regulatory financial accounts

Revenue recognition

In accordance with IAS18.14(a), where it is not deemed probable that the economic benefits associated with the transaction will flow to the entity, revenue is not recognised in the statutory financial statements of Water Plus Limited. In accordance with RAG3.09 all transactions billed are shown as revenue.

Price control segments

The regulatory accounts have been prepared in accordance with RAG 2.06 'Guideline for classification of costs across the price controls'. Water Plus only operate in the non-household retail price control but have adhered to the principles of the guidance for allocation of costs between appointed and other activities.

The tables presented in section 2 of the Annual Performance Report have been prepared in accordance with our Accounting Separation Methodology Statement which can be found at www.water-plus.co.uk. The methodology statement explains the bases for allocation of operating and capital expenditure. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology.

2 Accounting policies

Basis of preparation

The regulatory financial statements are separate from the statutory financial statements of the Company. They have been prepared on a going concern basis as set out in the Water Plus Limited Financial Statements 2017 on page 12.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

Revenue recognition

Revenue represents the fair value of consideration receivable, excluding value added tax and trade discounts in the ordinary course of business for goods and services provided.

Revenue is recognised at the time of service delivery and when collection of the resulting receivable is reasonably assured. When the Company considers that the criteria for revenue recognition are not met by a transaction, revenue recognised is delayed until such time as collectability is reasonably assured. Payments received in advance of the revenue recognition criteria being met are recorded as deferred income.

Revenue includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information.

There is one difference between statutory and RAG revenue recognition policy, which is described above.

Notes to the Annual Performance Report (continued)

Revenue recognition (continued)

Charging policy

Water and sewerage charges fall into the following three categories:

- Charges which are payable in full;
- Charges which are payable in part; and
- Not chargeable (void properties).

The circumstances in which each of the above applies are set out below.

Charges payable in full

Charges are payable in full in the following circumstances:

Occupied and furnished

Water (and sewerage) charges are payable in full when premises are occupied and furnished from either the date of connection or the date of occupation.

Unoccupied and furnished

Water (and sewerage) charges are payable in full on unoccupied furnished premises. Exceptions to this, where water (and sewerage) charges are not payable, include where the occupier is:

- A sole occupier in a care home;
- A sole occupier in long-term hospitalisation;
- A sole occupier in prison;
- Overseas long term; or
- In the event of the death of a sole occupier.

Unoccupied and unfurnished where there is evidence of consumption

Water (and sewerage) charges are payable in full on unoccupied, unfurnished premises where there is evidence of consumption. This includes:

- Premises where renovation, redecoration or building work is being undertaken;
- Premises being used as storage; and
- Premises not normally regarded as being occupied such as cattle troughs and car parks.

Charges payable in part

The following charges only are payable in certain circumstances:

Metered standing charges

Payable on unoccupied, metered properties which remain connected.

Sewerage unmeasured tariff

- Payable on unmeasured, occupied properties where the water supply is disconnected but the sewerage service is still provided.

Notes to the Annual Performance Report (continued)

Revenue recognition (continued)

Surface water drainage and highway drainage charges

Payable where premises are not occupied but are furnished or there is evidence of consumption or the water supply has been temporarily disconnected.

Not chargeable

Properties which are unoccupied, unfurnished and disconnected are not chargeable for water (and sewerage) and therefore no billing is raised and no revenue recognised in respect of these properties.

Definition and treatment of properties

Occupied properties

The occupier is any person in actual occupation or who own premises or who has agreed with us to pay water and sewerage services in respect of the premises. No bills are raised in the name of “the occupier”.

The property management process is followed to identify whether the property is occupied or not and, if occupied, to identify the chargeable person and raise a bill.

The property management process may comprise some or all of the following:

- Physical inspection;
- Mailings;
- Customer contacts;
- Meter readings for metered properties;
- Land registry checks.

When a new customer is identified, they may be required to provide documentary evidence to establish the date that they became responsible for water (and sewerage) charges at the property. This is normally the date at which they moved into the property. The new customer will be charged from the date at which they became responsible for water (and sewerage) charges of the premises.

Unoccupied properties

A property is deemed to be unoccupied when the Company has completed the property management process and not identified the property as occupied. To be classified as unoccupied a property must meet at least one of the following criteria:

- A new property has been connected but is empty and unfurnished;
- The company has been informed that the customer has left the property; it is unfurnished and not expected to be reoccupied immediately;
- It has been disconnected following a customer request;
- The identity of the customer is unknown; or
- The company has been informed that the customer is in a care home, in long term hospitalisation, in prison or overseas long term.

If the property management process confirms that the property is unoccupied, the property will be declared void and the supply may be turned off.

Notes to the Annual Performance Report (continued)

Revenue recognition (continued)

New properties

All new properties are metered. Until the new occupier has been identified, the property is treated as unoccupied and is not billed.

Bad debts

Provisions are charged to operating costs to reflect the Company's assessment of the risk of non-recoverability of debtors. Provisions are calculated based on the Company's previous collection experience. The bad debt provisioning rates are updated annually to reflect the latest collection performance data from the Company's billing system.

The Company's bad debt write off policy has remained unchanged and has been consistently applied in the current and the prior years.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt or has gone into liquidation and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the Company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue. Uneconomic circumstances are those where, following the application of debt recovery procedures:
 - the customer could not be traced without incurring an unreasonable degree of expenditure; or
 - the Company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or
 - the likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write-off rules apply primarily to customers to whom the Company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write-off.

Other accounting policies

All other accounting policies applied to the regulatory financial reporting accounts are set out in pages 12 to 14 of the Financial Statements of Water Plus Limited, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note. The Company applies a £100 de-minimis limit on capital expenditure for orders in aggregate of less than £100. Any such items are expensed as operating costs.

Section 2 - Price review & other segmental reporting

2A - Segmental income statement

For the 10 months to 31 March 2017

	Retail ¹		Wholesale		Total £m
	Household £m	Non-Household £m	Water £m	Wastewater £m	
Revenue - price control	n/a	431.067	n/a	n/a	431.067
Revenue - non-price control	n/a	-	n/a	n/a	-
Operating costs	n/a	(428.000)	n/a	n/a	(428.000)
Depreciation - Tangible fixed assets	n/a	(0.108)	n/a	n/a	(0.108)
Amortisation - Intangible fixed assets	n/a	(1.507)	n/a	n/a	(1.507)
Other operating income	n/a	-	n/a	n/a	-
Operating profit before recharges	n/a	1.452	n/a	n/a	1.452
Recharges from other segments	n/a	-	n/a	n/a	-
Recharges to other segments	n/a	-	n/a	n/a	-
Operating profit	n/a	1.452	n/a	n/a	1.452
Surface water drainage rebates					-

¹ Water Plus Limited recognises revenue per the amount billed to customers, which includes both retail and wholesale charges aggregated into one bill. Subsequently the Company is billed by UUV for the wholesale element of the bill, which they in turn show as wholesale revenue in their wholesale price control. These charges for wholesale services are shown in cost of sales in the Financial Statements of the Company. The retail element of revenue in the 10 months to 31 March 2017 was £29.108m. UUV will show the wholesale charges as wholesale revenue. To perform a 12-month consolidation, the wholesale charge of £401.959m should be removed from our revenue and operating costs.

Section 2 - Price review & other segmental reporting

2C - Operating costs analysis (retail)

For the 10 months to 31 March 2017

	Household £m	Non-household £m	Total £m
Operating expenditure			
Customer services	n/a	5.020	5.020
Debt management	n/a	2.522	2.522
Doubtful debts	n/a	5.855	5.855
Meter reading	n/a	2.105	2.105
Services to developers	n/a	-	-
Other operating expenditure	n/a	10.539	10.539
Total operating expenditure excluding third party services	n/a	26.041	26.041
Third party services operating expenditure	n/a	-	-
Total operating expenditure	n/a	26.041	26.041
Depreciation – tangible fixed assets	n/a	0.108	0.108
Amortisation – intangible fixed assets	n/a	1.507	1.507
Total operating costs¹	n/a	27.656	27.656
Debt written off	n/a	0.195	0.195

Total operating costs of £27.656m are £8.696m or 45.9% higher than the £18.960m allocation in PR14 (Total costs of £22.752m pro-rated for 10 months). This is due to the formation of the new joint venture; Additional direct costs were incurred in the setup of the business during the period, which is a brand new, arms-length entity operating in a new building with its own staff. Certain additional costs were incurred in this period as new staff were recruited and trained and new systems and processes were implemented for the separation.

¹ Total operating costs disclosed in note 1A include wholesale charges of £401.959m (per table 2I) that are passed through the entity as we are solely a retailer. These must be added to total operating costs above to reconcile to table 1A.

Section 2 - Price review & other segmental reporting

2D - Historic cost analysis of fixed assets

As at 31 March 2017

	Wholesale		Retail		Total £m
	Water £m	Wastewater £m	Household £m	Non-household £m	
Cost					
At 1 June 2016	n/a	n/a	n/a	–	–
Disposals	n/a	n/a	n/a	–	–
Additions	n/a	n/a	n/a	0.760	0.760
At 31 March 2017	n/a	n/a	n/a	0.760	0.760
Depreciation					
At 1 June 2016	n/a	n/a	n/a	–	–
Disposals	n/a	n/a	n/a	–	–
Charge for the period	n/a	n/a	n/a	0.108	0.108
At 31 March 2017	n/a	n/a	n/a	0.108	0.108
Net book amount at 31 March 2017	n/a	n/a	n/a	0.652	0.652
Net book amount at 1 June 2016	n/a	n/a	n/a	–	–

Section 2 - Price review & other segmental reporting

2G - Non-household water revenues by customer type

For the 10 months to 31 March 2017

	Wholesale charges revenue	Retail revenue	Total revenue	Number of customers	Average non- household retail revenue per customer
	£m	£m	£m	(thousand)	£
Non-default tariffs					
Non-default tariffs	0.170	0.237	0.407	1.711	138.52
Total non-default tariffs	0.170	0.237	0.407	1.711	138.52
Default tariffs					
1 Up to 50MI Water Unmetered	2.061	0.474	2.535	14.593	32.48
2 Up to 50MI Water Metered	112.851	8.509	121.360	151.334	56.23
3 > 50MI water metered	35.380	1.594	36.974	0.188	8,496.80
4 Up to 50MI Non-potable Water Metered	0.009	0.001	0.010	0.046	21.60
5 > 50MI Non-potable Water Metered	2.005	0.173	2.178	0.011	15,727.27
15 Water Special Agreements	1.819	0.021	1.840	0.006	3,500.00
Total default tariffs	154.125	10.772	164.897	166.178	64.82
Total	154.295	11.009	165.304	167.889	65.57

Section 2 - Price review & other segmental reporting

2H - Non-household wastewater revenues by customer type

For the 10 months to 31 March 2017

	Wholesale charges revenue	Retail revenue	Total revenue	Number of customers	Average non- household retail revenue per customer
	£m	£m	£m	(thousand)	£
Non-default tariffs					
Non-default tariffs	–	–	–	–	–
Total non-default tariffs	–	–	–	–	–
Default tariffs					
6 Up to 50MI Sewerage Unmetered	2.661	0.378	3.039	14.237	26.55
7 Up to 50MI Sewerage Foul Metered	47.768	2.477	51.272	160.572	21.83
8 > 50MI Sewerage Foul Metered	6.665	0.580	7.246	0.449	1,291.76
9 SWHD Metered Bands 1 - 7	102.631	10.853	113.484	134.854	80.48
10 SWHD Metered Bands 8 - 15	51.789	1.563	53.352	2.225	702.47
11 Up to 50MI Sewerage TE Metered	10.766	0.678	10.794	2.895	234.20
12 > 50MI Sewerage TE Metered	24.368	1.527	25.517	0.140	10,907.14
13 Foul / SWD Special Agreements	0.492	0.019	0.511	0.004	4,750.00
14 Trade Effluent Special Agreements	0.524	0.024	0.548	0.003	8,000.00
Total default tariffs	247.664	18.099	265.763	315.379	57.39
Total	247.664	18.099	265.763	315.379	57.39

Section 2 - Price review & other segmental reporting

2I - Revenue analysis and wholesale control reconciliation

For the 10 months to 31 March 2017

	Household £m	Non-household £m	Total £m
Wholesale charge - water			
Unmeasured	n/a	2.231	2.231
Measured	n/a	150.050	150.050
Third party revenue	n/a	2.014	2.014
Total	n/a	154.295	154.295
Wholesale charge - wastewater			
Unmeasured	n/a	2.661	2.661
Measured	n/a	245.003	245.003
Third party revenue	n/a	-	-
Total	n/a	247.664	247.664
Wholesale total	n/a	401.959	401.959
Retail revenue			
Unmeasured	n/a	1.089	1.089
Measured	n/a	27.844	27.844
Retail third party revenue	n/a	0.175	0.175
Retail total	n/a	29.108	29.108
Third party revenue - non-price control			
Bulk Supplies	n/a	-	-
Other third party revenue	n/a	-	-
Other appointed revenue	n/a	-	-
Third party revenue total	n/a	-	-
Total appointed revenue	n/a	431.067	431.067

Note that Water Plus Limited collects revenue from bills issued to customers containing both retail and wholesale elements. The wholesale element is subsequently paid to the wholesaler. See the APR for United Utilities Water Limited for information on wholesale revenue.

Total retail revenue of £29.108m is £0.512m or 1.7% higher than the allowed revenue per the PR14 determination of £28.596m (annual total of £34.316m pro-rated over 10 months).

Supplementary disclosures

For the 10 months to 31 March 2017

Information in respect of transactions during the period with any other business or activity of the Company (when acting as agent of the appointee) or any associated company

a) Borrowings and intercompany lending

Sums borrowed and repaid by the Company during the period from associated companies in cash were as disclosed in the table below:

	Borrowed/repaid during period		Interest rates		£m
		£m			
Water Plus Group Limited	Borrowed	144.786	2.66%	Payable	144.786
United Utilities Plc	Borrowed	19.600	LIBOR + 1.6%	Payable	9.700
United Utilities Plc	Repaid	9.900	LIBOR + 1.6%		

b) Transfer of assets/liabilities, omissions, waivers, guarantees

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies. There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the Company and no waivers of any consideration, remuneration, or any other payment receivable by the Company.

c) Supply of services

Services supplied by the Company to associated companies are outlined in the table below.

Service	Company	Turnover of the associate in the period £m	Terms of supply	Value £m
Management recharges	Water Plus Select Limited	335.340	Cost recharge	7.657
				7.657

Services supplied to the Company by associated companies are outlined in the table below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Wholesale water and wastewater charges	United Utilities Water Limited	1,680.310	Contract price	401.959
Employment costs and travel costs	United Utilities Water Limited	1,680.310	Cost recharge	4.040
Programme and Transitional service arrangement costs	United Utilities Water Limited	1,680.310	Cost recharge	15.019
				421.018