# Loop Customer Management Limited

Annual Report and Financial Statements
Registered number 03816217
Year ended 31 March 2022

# Contents

# Directors and advisers

**Directors**

L N Shaw
C I Johns
Z A Burns-Shore
J Harding

**Company secretary**

K O H Smith

**Independent auditor**

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

**Registered office**

Western House
Halifax Road
Bradford
West Yorkshire
BD6 2SZ

**Bankers**

National Westminster Bank PLC
Leeds, City Office
8 Park Row
Leeds
LS1 5HD

# Strategic report

The directors present their strategic report on Loop Customer Management Limited (the company or Loop) for the year ended 31 March 2022.

**Principal activities and business review**

The company's principal activity continues to be the provision of customer management services.

Loop was established in 2000 and primarily provides complete customer management services for Yorkshire Water Services Limited (Yorkshire Water), a fellow subsidiary within the Kelda Holdings Limited group (Kelda group). Over 20 years of operation have seen Loop develop in both size and commercial experience. We are maintaining a highly focused approach within our core competence, primarily delivering outstanding customer service.

Customers are at the heart of everything we do, and we recognise that to deliver great service, it is important that we value our people. We are passionate about our employees and are committed to our core competence of customer service provision. Our ethos remains one of providing 'great customer experiences through great people'.

We work in partnership with our customers, allowing us to understand their operations and intelligently develop the best solution for their needs. Loop employees are recruited, developed, and supported to embrace the culture of our clients so they can provide an integral service on their behalf.

We manage inbound and outbound customer contacts across a full multi-media platform including; telephony, paper based correspondence, e-Correspondence, Short Messaging Services (SMS), web chat and Twitter.

We also house a dedicated billing and fulfilment service tailored to client specifications with an excellent track record in collections. We excel at all forms of customer management, from high volume transaction processing to highly personalised services. Our highly trained workforce provides us with a service offering that is hard to match.

**Financial performance and outlook**

The profit after taxation for the financial year was £2,369,000 (2021: profit £1,602,000). The increase in profit was primarily due to increased revenue as a result of project work performed for Yorkshire Water.

The year to 31 March 2022 saw the company continuing to focus on maximising customer service performance for Yorkshire Water. It does this by contributing to the delivery of Yorkshire Water's customer experience strategy and delivering a number of billing related performance commitments using our “Best for You” approach to customer support. The Yorkshire Water Annual Report has more information on performance commitments, which can be found at https://www.yorkshirewater.com/about-us/reports.

From 1st April 2020, Ofwat introduced a comparative measure of customer service for water companies called CMEX. This measure surveys both customers who have contacted Yorkshire Water as well as the general perception of the organisation from people who live in the region. Loop will continue to focus on providing high levels of satisfaction with Yorkshire Water's billing services to support their ambition to be in the upper quartile of this measure by the end of the current business planning period (Asset Management Period 7 or AMP7).

# Strategic report *(continued)*

**Financial performance and outlook** *(continued)*

The Performance Commitment for the number of vulnerable customers helped to pay their bill increased over the previous year and exceeded the target of 69,000 (2021: 58,000), with financial support being given to 80,778 (2021: 61,406) customers to the value in excess of £22.0m (2021: £15.0m). The increased number of customers receiving financial support is due to our planned focus and commitment to helping more customers with their bills. We have been more proactive with our customer engagement, provided more visibility of the support we have available, and ensured a wider number of schemes available which are tailored to those customers that find their water charges unaffordable. More information on Performance Commitments is provided in the Yorkshire Water Annual Performance Report, which can also be found at https://www.yorkshirewater.com/about-us/reports/.

The Performance Commitment on bad debts as a ratio of average bill was also exceeded at 3.28% compared to a target of 3.37%. This means Loop is effectively keeping the cost of collection low.

Loop has continued to provide payment processing, bill production and document management services for Yorkshire Water Business Services under a shared service contract with Three Sixty Water Limited (ThreeSixty) for non-household customers in the retail market, although this contract has now ended on 31 March 2022.

Engaging colleagues has been a key initiative and will remain a focus in the coming year. Health, safety, and wellbeing performance has continued to improve. Loop has embraced the new ambition "To put people at the heart of everything we do" and associated behaviours. Several wellbeing projects have been implemented over the year, ensuring that health, safety, and wellbeing is at the heart of the company culture.

Loop has significantly improved its ranking in *Great Place to Work* accreditation from Best Companies, which was based on colleague feedback. We have been recognised as an “outstanding place to work” for 2021, an accreditation which covers two consecutive years, which included a "Michelin style" two-star rating.

**Key performance indicators**

In addition to operating profit (page 14), the company uses key performance indicators of business performance across customer and colleague metrics.

| | **2022** | 2021 |
|---|---|---|
| **Cost of bad debt to customers -** Percentage of the average customer’s bill | **3.28%** | 3.00% |
| **Vulnerable Customer Support -** Number of customers given financial support | **80,778** | 61,406 |
| **Void properties** – Average percentage of unbilled properties | **3.78%** | 4.73% |
| **Customer Satisfaction Score (CMEX) -** Customer survey score out of 100 | **80.41** | 82.78 |
| **Employee Engagement Score -** Engagement score out of 10 through a colleague workplace survey | **8.1** | 7.9 |

# **Strategic report** *(continued)*

**Principal risks and uncertainties**

Strategic, financial, commercial, operational, social, environmental, and ethical risks are all considered as part of the company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. These controls can only provide reasonable, not absolute, assurance against material misstatement of losses.

At present there are no immediate risks considered likely to have a significant impact on the short or long-term value of the company, the principal risk is the loss of its key contract with Yorkshire Water which would have a significant impact on the company.

The principal risks and uncertainties for the Kelda group, including climate change and macro-economic factors, and how these are mitigated, are discussed in the Kelda Holdings Limited Annual Report and Financial Statements (which do not form part of this report). There are not considered to be any specifically relating to this company, apart from those mentioned above.

**Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

*Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually. There is increased uncertainty within the economy, due to pressures on household disposable income, as a consequence of which, the directors are closely monitoring cash collections and any subsequent impact as the situation develops.

*Liquidity risk*

The company actively maintains a mixture of long-term and short-term intercompany finance that is designed to ensure the company has sufficient available fund for operations and planned expansions.

*Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances. The company has a policy of maintaining debt at a floating rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company did not use derivative financial instruments to manage interest rate costs during the year and as such, no hedge accounting is applied.

# Strategic report *(continued)*

**Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) of s172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2022. The company's principal activity is the provision of customer management services for Yorkshire Water, a fellow subsidiary of Kelda Holdings Limited. Through their actions, the directors operate the company in a manner consistent with Yorkshire Water's high standards of business conduct. The company's largest United Kingdom (UK) holding company is Kelda Eurobond Co Limited, a copy of whose s172(1) Statement can be found in its 2021/22 Annual Report and Financial Statements. This statement sets out how the group's decisions and policies affect employees, customers and other stakeholders, suppliers, and the impact of the group's operations on the community and the environment.

Approved by the Board and signed on its behalf by:

**Z A Burns-Shore**
*Director*

28 July 2022

# Directors' report

The directors present their Annual Report and audited Financial Statements of the company for the year ended 31 March 2022.

**Proposed dividend**

The directors paid a final dividend of £1,300,000 (2021: £1,300,000). There were no interim dividends paid (2021: £nil). No dividends were paid post year end.

**Future developments**

The directors' view on the company's future outlook is discussed in the Strategic Report on pages 2-3.

**Financial risk management**

The company's approach to financial risk management is discussed in the Strategic Report on page 4.

**Directors**

The directors listed below have served the company throughout the year and up to the date of approval of the Financial Statements, unless otherwise stated:

E M Barber (resigned 6 May 2022)
L N Shaw (appointed 9 May 2022)
C I Johns
Z A Burns-Shore
J Harding

**Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

**Disclosure of information to independent auditor**

As at the date of this report, as far as the directors are aware, there is no relevant audit information of which the company’s auditor is unaware and the directors have taken all the steps that they ought to have as directors, in order to make themselves aware of any relevant audit information and to establish that the company’s auditor is aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Independent auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

# Directors' report *(continued)*

**Going concern**

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the Financial Statements on the going concern basis is appropriate. Loop provides the customer management services for Yorkshire Water, a fellow subsidiary of the Kelda group, and to other prospective clients. As the activity of the company is dependent on the provision of customer management services to Yorkshire Water, with a significant amount of the debtors for the company being from group undertakings (£8.6m), the directors believe that the going concern for the company is inherently linked to the going concern of the Kelda group. On consideration of the current net assets of the company, including these group receivables, the directors believe the going concern basis of preparation for the company is appropriate. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

The Kelda group's available combination of cash and committed undrawn facilities totalling £745.0m at 31 March 2022 (2021: £726.8m), comprising £693.0m (2021: £490.8m) undrawn committed facilities and £52.0m (2021: £236.0m) of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of Yorkshire Water, as the main subsidiary of the group, and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. In addition, Yorkshire Water has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

The directors believe that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have thus adopted the going concern basis of accounting in preparing the Financial Statements.

# Directors' report *(continued)*

**Employees and employment policies**

The company continues to place an importance on ensuring a positive working environment for all colleagues and a culture of open, honest internal communications and feedback. The Company Values provide the framework for the consistent behaviours expected from colleagues.

Colleague engagement takes place using a range of channels including regular operational ‘hubs’, the intranet, ‘Team Buzz’ and ‘Leading Loop’ sessions with line managers and directors, annual business plan cascades, ‘people leader’ events to cascade key business performance messages and quarterly ‘Post Your Views’ surveys. All line managers are encouraged to develop and implement action plans with their teams, taking accountability for developing colleague morale, engagement, and trusted relationships.

To further promote successful employee relations, collective bargaining arrangements are in place with the company’s recognised trade union, UNISON. In addition, Communication and Consultation forums take place across the company, comprising elected union and non-union employees meeting regularly with directors and senior managers to share performance information and discuss health and safety issues. These meetings also provide an opportunity to seek employee views which can then be considered in decision making.

The company is committed to providing a diverse and inclusive working environment which reflects its customer base and is committed to equality of opportunity for all. Loop contributes to a Kelda group, director-sponsored, Diversity and Inclusion Working Group which actively drives progress in this area; ensuring the policy is reviewed regularly, setting targets, monitoring progress, and ensuring that the aspirations of the company are being met. The group has three prioritised areas of focus, gender, ability, and ethnicity, these have been identified as key areas of focus to help us become a more diverse and inclusive employer and better reflect our customer base.

Key to achieving operational excellence is ensuring that every individual understands their role and how they can make a difference while feeling valued for their contribution. The company is committed to rewarding the right performance and provide salary and benefits packages which are designed to be competitive. Performance related pay gives colleagues at all levels the opportunity to share in the success of the business, through quarterly or annual bonus payments linked to the achievement of individual and business plan targets.

**Disabled Persons**

The policy of the company with regard to the employment of disabled persons is to provide equal opportunities with other employees to train for, and attain, any position in the company having regard to the maintenance of a safe working environment and the constraints of their disabilities. Close attention is given to welfare of employees with regard to the requirements of health and safety.

**Employee Involvement**

It is company policy to keep employees informed of matters affecting their interests through normal management channels and due consideration is given to their interests in making management decisions. An employee forum is in place where colleagues elected by their peers have an opportunity to influence how the company is operated.

# Directors' report *(continued)*

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

**Z A Burns-Shore**
*Director*

28 July 2022

# Independent auditor's report to the members of Loop Customer Management Limited

**Report on the audit of the Financial Statements**

**Opinion**

In our opinion the Financial Statements of Loop Customer Management Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the Financial Statements are authorised for issue.

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

# Independent auditor's report to the members of Loop Customer Management Limited *(continued)*

**Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

# Independent auditor's report to the members of Loop Customer Management Limited *(continued)*

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the group Audit Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Financial Statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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, internal audit and 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 and reviewing internal audit reports.

# Independent auditor's report to the members of Loop Customer Management Limited *(continued)*

**Report on other legal and regulatory requirements**

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

Sarah Miller

Sarah Miller ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

28 July 2022

# Profit and loss account
## for the year ended 31 March 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Revenue** | *3* | **30,016** | 29,495 |
| Operating costs | | **(27,450)** | (27,807) |
| **Operating profit** | *4* | **2,566** | 1,688 |
| Interest receivable and similar income | *7* | **15** | 14 |
| Interest payable and similar expenses | *8* | **(51)** | (66) |
| **Profit before taxation** | | **2,530** | 1,636 |
| **Taxation** | *9* | **(161)** | (34) |
| **Profit for the financial year** | | **2,369** | 1,602 |

There are no other items of comprehensive income or expense in the current or prior year, therefore no separate statement of other comprehensive income has been presented.

# Balance sheet
## as at 31 March 2022

| | *Note* | **2022** | 2021 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Tangible assets | *11* | **446** | 451 |
| Right of use assets | *12* | **2,122** | 2,838 |
| Non-current debtors | *13* | **4,478** | 7,481 |
| | | **7,046** | 10,770 |
| **Current assets** | | | |
| Current debtors | *13* | **4,578** | 2,838 |
| | | **4,578** | 2,838 |
| **Creditors:** amounts falling due within one year | *14* | **(3,588)** | (5,421) |
| **Net current assets/(liabilities)** | | **990** | (2,583) |
| **Total assets less current liabilities** | | **8,036** | 8,187 |
| **Creditors:** amounts falling due after more than one year | *15* | **(16)** | (43) |
| Lease liabilities | *16* | **(1,509)** | (2,702) |
| **Net assets** | | **6,511** | 5,442 |
| **Capital and reserves** | | | |
| Called up share capital | *18* | **-** | - |
| Profit and loss account | *18* | **6,511** | 5,442 |
| **Total Shareholders' funds** | | **6,511** | 5,442 |

These Financial Statements on pages 14 to 31 were approved by the Board of directors and authorised for issue on 28 July 2022 and were signed on its behalf by:

**Z A Burns-Shore**
*Director*

Company registered number: 03816217

# Statement of changes in equity
## for the year ended 31 March 2022

| | **Called up share capital £'000** | **Profit and loss account £'000** | **Total shareholders' funds £'000** |
|---|---|---|---|
| Balance at 1 April 2021 | - | 5,442 | 5,442 |
| Profit for the financial year | - | 2,369 | 2,369 |
| Total comprehensive income for the year | - | 2,369 | 2,369 |
| Dividends paid (*note 10*) | - | (1,300) | (1,300) |
| **Balance at 31 March 2022** | **-** | **6,511** | **6,511** |

| | Called up share capital £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|---|---|---|---|
| Balance at 1 April 2020 | - | 5,140 | 5,140 |
| Profit for the financial year | - | 1,602 | 1,602 |
| Total comprehensive income for the year | - | 1,602 | 1,602 |
| Dividends paid (*note 10*) | - | (1,300) | (1,300) |
| Balance at 31 March 2021 | - | 5,442 | 5,442 |

# Notes to the Financial Statements

**1 Accounting policies**

The company is a private company limited by shares, incorporated in the UK under the Companies Act 2006, registered in England and Wales, and resident for tax in the UK.

These Financial Statements were prepared on a going concern basis and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101. The presentation currency of these Financial Statements is £ sterling.

In preparing these Financial Statements, the company applies the recognition, measurement, and disclosure requirements of International Financial Reporting Standards (IFRS) as issued by the IASB but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. taken.

Kelda Eurobond Co Limited, a parent company incorporated in England and Wales, includes the company in its consolidated Financial Statements. The consolidated Financial Statements of Kelda Eurobond Co Limited are prepared in accordance with IFRS and are available to the public and may be obtained from Western House, Halifax Road, Bradford, BD6 2SZ.

In these Financial Statements, the company, as a qualifying entity, has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Comparative period reconciliations for tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries and the company's parent;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of key management personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements. No new accounting standards that are effective for the year ended 31 March 2022 have had a material impact on the company.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

***Measurement convention***

The Financial Statements are prepared on the historical cost basis of accounting.

# Notes to the Financial Statements *(continued)*

## 1 Accounting policies *(continued)*

***Going concern***

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the Financial Statements on the going concern basis is appropriate. Loop provides the customer management services for Yorkshire Water, a fellow subsidiary of the Kelda group, and to other prospective clients. As the activity of the company is dependent on the provision of customer management services to Yorkshire Water, with a significant amount of the debtors for the company being from group undertakings (£8.6m), the directors believe that the going concern for the company is inherently linked to the going concern of the Kelda group. On consideration of the current net assets of the company, including these group receivables, the directors believe the going concern basis of preparation for the company is appropriate. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of the Kelda group to continue as a going concern including a review of severe but reasonably possible scenarios.

The Kelda group's available combination of cash and committed undrawn facilities totalling £745.0m at 31 March 2022 (2021: £726.8m), comprising £693.0m (2021: £490.8m) undrawn committed facilities and £52.0m (2021: £236.0m) of cash and cash equivalents. In addition, the directors have considered the business plan and the cash position of Yorkshire Water, as the main subsidiary of the group, and concluded that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. In addition, Yorkshire Water has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

The directors believe that there are no material uncertainties that could cast significant doubt over the ability of the Kelda group to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have thus adopted the going concern basis of accounting in preparing the Financial Statements.

***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

*Other debtors*

Other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

# Notes to the Financial Statements *(continued)*

## 1 Accounting policies *(continued)*

***Non-derivative financial instruments*** *(continued)*

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances.

*Interest bearing borrowings*

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Buildings 15 years
- Fixtures and fittings 5 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

***Leases***

IFRS 16 determines a control model to distinguish between lease agreements and service contracts on the basis of whether the use of an identified asset is controlled by the company for a period of time. If the company is deemed to have control of an identified asset, then a lease is recognised on the balance sheet. A right-of-use asset and a corresponding lease liability are recognised.

The right-of-use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate that is implicit in the lease. If this discount rate cannot be determined from the agreement, the liability is discounted using an incremental borrowing rate. The borrowing rate is derived from a series of inputs including benchmark government bond rates and adjustments for credit risk based on publicly traded bonds.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

# Notes to the Financial Statements *(continued)*

## 1 Accounting policies *(continued)*

***Impairment excluding deferred tax assets***

*Financial assets (including trade, intercompany and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Employee benefits***

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Group plans*

The company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is Kelda Group Limited. The company then recognises a cost equal to its contribution payable for the period.

# Notes to the Financial Statements *(continued)*

## 1 Accounting policies *(continued)*

***Revenue***

Revenue comprises charges for customer management services excluding value added tax and relates to the company's continuing principal activities within the UK together with commission earned on third party home emergency cover policies.

Revenue relating to customer management services is recognised when the performance obligations have been discharged to the customer with respect to these services, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance.

Commission is recognised once a customer is successfully signed up to a service and commission receivable is confirmed by the service provider.

***Interest receivable and Interest payable***

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

***Dividends***

Dividends payable are recognised on approval by the Board. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income or expense, in which case it is recognised directly in equity or other comprehensive income or expense.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## 2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements under FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no such areas of judgement or estimation uncertainty deemed significant in these Financial Statements.

# Notes to the Financial Statements *(continued)*

## 3 Revenue

All the company's revenue is derived in the UK.

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Customer management services | **27,691** | 27,316 |
| Commission | **2,325** | 2,179 |
| Total revenue | **30,016** | 29,495 |

## 4 Operating profit

*Operating profit is stated after charging*:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Depreciation (*note 11*) | **115** | 102 |
| Depreciation - right of use assets (*note 12*) | **716** | 718 |

*Auditor's remuneration*:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Audit of these Financial Statements | **6** | 6 |

# Notes to the Financial Statements *(continued)*

## 5 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, were as follows:

| | Number of employees | |
|---|---|---|
| | **2022** | 2021 |
| Administration | **21** | 20 |
| Operations | **519** | 547 |
| | **540** | 567 |

The aggregate payroll costs of these persons were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **12,602** | 12,800 |
| Social security costs | **1,093** | 1,096 |
| Other pension costs | **983** | 1,016 |
| | **14,678** | 14,912 |

## 6 Directors' remuneration

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Directors' emoluments | **367** | 454 |
| Amounts receivable under long-term incentive schemes | **112** | 108 |
| Company contributions to money purchase schemes | **37** | 37 |
| | **516** | 599 |

| | Number of directors | |
|---|---|---|
| | **2022** | 2021 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Defined benefit schemes | **1** | 1 |
| Money purchase schemes | **1** | 1 |

# Notes to the Financial Statements *(continued)*

## 6 Directors' remuneration *(continued)*

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Remuneration of the highest paid director: | | |
| Emoluments | **321** | 380 |
| Company contributions to money purchase schemes | **37** | 37 |

All directors' emoluments have been included in the Financial Statements of the company with the exception of E M Barber and C I Johns who were remunerated by other group companies and whose emoluments are shown in the Financial Statements of those companies. No amounts were received for their services to the company (2021: £nil).

## 7 Interest receivable and similar income

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts receivable from group undertakings | **15** | 14 |

## 8 Interest payable and similar expenses

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Interest expense on lease liabilities | **51** | 66 |

# Notes to the Financial Statements *(continued)*

## 9 Taxation

**Total tax charge recognised in the profit and loss account**

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| *Current tax* | | |
| Total current tax on profits for the year | **193** | 28 |
| Adjustment in respect of previous periods | **(1)** | 22 |
| Total current tax charge | **192** | 50 |
| *Deferred tax (note 17)* | | |
| Origination and reversal of timing differences | **(10)** | (15) |
| Effect of changes in tax rate | **(20)** | - |
| Adjustments in respect of prior periods | **(1)** | (1) |
| Total deferred tax credit | **(31)** | (16) |
| Tax on profit | **161** | 34 |

The tax for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

**Reconciliation of effective tax rate**

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Profit before taxation | **2,530** | 1,636 |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | **480** | 311 |
| Effects of: | | |
| Non-deductible expenses | **2** | 3 |
| Group relief | **(11)** | - |
| Adjustments in respect of prior periods | **(2)** | 21 |
| Tax rate changes | **(20)** | - |
| Transfer pricing adjustments | **(288)** | (301) |
| Total tax charge included in the profit and loss account | **161** | 34 |

# Notes to the Financial Statements *(continued)*

## 9 Taxation *(continued)*

The Provisional Collection of Taxes Act, enacted on 17 March 2020, set the corporation tax rate at 19% from 1 April 2020, the rate which has been used in preparing these Financial Statements.

The Finance Bill 2021 introduced an increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021. As a result, deferred tax balances expected to reverse after April 2023 and calculated at the previous 19% rate have been re-measured using the increased 25% rate.

## 10 Dividends

The following dividends were recognised during the year:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| £1,300,000 (2021: *£1,300,000*) per qualifying ordinary share | **1,300** | 1,300 |

## 11 Tangible assets

| | **Land and buildings £'000** | **Fixtures & fittings £'000** | **Total £'000** |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 April 2021 | 52 | 6,636 | 6,688 |
| Additions | - | 110 | 110 |
| Balance at 31 March 2022 | 52 | 6,746 | 6,798 |
| **Accumulated Depreciation** | | | |
| Balance at 1 April 2021 | 7 | 6,230 | 6,237 |
| Depreciation charge for the year | 4 | 111 | 115 |
| Balance at 31 March 2022 | 11 | 6,341 | 6,352 |
| **Net book value** | | | |
| **At 31 March 2022** | **41** | **405** | **446** |
| At 31 March 2021 | 45 | 406 | 451 |

# Notes to the Financial Statements *(continued)*

## 12 Right of use assets

| | Land and buildings £'000 | Fixtures & fittings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 April 2021 and 31 March 2022 | 4,237 | 35 | 4,272 |
| **Depreciation and impairment** | | | |
| Balance at 1 April 2021 | 1,419 | 15 | 1,434 |
| Charge for the year | 709 | 7 | 716 |
| Balance at 31 March 2022 | 2,128 | 22 | 2,150 |
| **Net book value** | | | |
| **At 31 March 2022** | **2,109** | **13** | **2,122** |
| At 31 March 2021 | 2,818 | 20 | 2,838 |

## 13 Debtors

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Amounts owed by group undertakings | **4,086** | 2,444 |
| Other debtors | **1** | 43 |
| Prepayments | **202** | 299 |
| Accrued income | **206** | - |
| Deferred tax assets *(note 17)* | **83** | 52 |
| Current debtors | **4,578** | 2,838 |
| Non-current debtors: amounts owed by group undertakings | **4,478** | 7,481 |

Non-current debtors include a loan of £4,478,000 (2021: £7,481,000) that was novated from Kelda Non-Reg Holdco Limited to Kelda Group Limited on 28 February 2022. The loan has no contractual repayment date and is repayable on demand. However, the loan is not expected to be repaid within the next 12 months. With effect from 4 January 2022 the loan transitioned from bearing interest at three-month London Inter-Bank Offered Rate (LIBOR) to an economically equivalent Sterling Overnight Index Average (SONIA) based rate.

Amounts owed by group undertakings within current debtors relates to intercompany trading, which are unsecured, interest free and repayable on demand. The deferred tax asset is recoverable within 12 months.

# Notes to the Financial Statements *(continued)*

## 14 Creditors: amounts falling due within one year

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Bank loans and overdrafts | **156** | 119 |
| Trade creditors | **437** | 424 |
| Amounts owed to group undertakings | **86** | 1,772 |
| Taxation and social security | **654** | 1,014 |
| Lease liabilities (note 16) | **717** | 570 |
| Accruals and deferred income | **1,538** | 1,522 |
| | **3,588** | 5,421 |

Amounts owed to group undertakings includes £55,000 (2021: £50,000) owed to Kelda group companies for group relief; £nil (2021: £1,696,000) is owed to Yorkshire Water for monthly charges and contract charge reimbursement; £nil (2021: £4,000) is owed to Three Sixty Water Limited, £22,000 (2021: £nil) is owed to Three Sixty Water (Yorkshire) Limited and £9,000 (2021: £22,000) is owed to Kelda Group Limited, these amounts relating to intercompany trading. All amounts owed to group companies are unsecured, interest free and repayable on demand.

## 15 Creditors: amounts falling due after more than one year

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| Other creditors | **16** | 43 |

Other creditors include amounts payable under the Long-Term Incentive Plan. There are no amounts falling due after more than five years that should be separately disclosed (2021: £nil).

# Notes to the Financial Statements *(continued)*

## 16 Lease liabilities

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Lease liability by maturity date: | | |
| Less than 1 year | **717** | 570 |
| Between 1-2 years | **746** | 876 |
| Between 2-3 years | **763** | 905 |
| Between 3-4 years | **-** | 921 |
| | **2,226** | 3,272 |
| Analysed as: | | |
| Current | **717** | 570 |
| Non-current | **1,509** | 2,702 |
| | **2,226** | 3,272 |

## 17 Deferred tax assets

*Recognised deferred tax assets*

Deferred tax assets are attributable to the following and are recoverable after more than 12 months:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Accelerated capital allowances | **(42)** | (16) |
| Short-term timing differences | **(41)** | (36) |
| Tax (assets) | **(83)** | (52) |

The company has no deferred tax assets not recognised (at the closing rate) (2021: £nil).

# Notes to the Financial Statements *(continued)*

## 17 Deferred tax assets *(continued)*

*Movement in deferred tax during the year*

| | **1 April 2021** | **Recognised in profit and loss account** | **31 March 2022** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Accelerated capital allowances | **(16)** | **(26)** | **(42)** |
| Short-term timing differences | **(36)** | **(5)** | **(41)** |
| | **(52)** | **(31)** | **(83)** |

*Movement in deferred tax during the prior year*

| | 1 April 2020 | Recognised in profit and loss account | 31 March 2021 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Accelerated capital allowances | (4) | (12) | (16) |
| Short-term timing differences | (32) | (4) | (36) |
| | (36) | (16) | (52) |

## 18 Capital and reserves

| **Called up share capital** | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| ***Allotted, called up and fully paid*** | | |
| 1 (2021: 1) ordinary share of £1 (2021: £1) | **-** | - |

The holders of qualifying ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The profit and loss account represents cumulative profits or losses, net of dividends paid.

# Notes to the Financial Statements *(continued)*

**19 Ultimate parent company and ultimate controlling party**

The company's immediate parent undertaking is Kelda Group Limited, incorporated in England and Wales. The ultimate parent company is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors, there is no ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Kelda Holdings Limited, the registered office of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. The smallest group in which they are consolidated is that headed by Kelda Eurobond Co Limited, the registered office of which is the same as that of the company. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.