

WESSEX WATER LIMITED

Annual Report and Financial Statements 30 June 2025

Registered in England & Wales No 02366633

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CONTENTS

STRATEGIC REPORT	2
DIRECTORS' REPORT	36
STATEMENT OF DIRECTORS' RESPONSIBILITIES	40
CONSOLIDATED INCOME STATEMENT	41
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	42
STATEMENTS OF FINANCIAL POSITION	43
STATEMENTS OF CHANGES IN EQUITY	45
STATEMENTS OF CASH FLOWS	47
NOTES TO THE FINANCIAL STATEMENTS	48
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESSEX WATER LTD	98

STRATEGIC REPORT

Principal Activities

The principal activity of the Group is the supply of clean water and treatment and disposal of waste water

The principal activity of the Company is that of a holding company

The principal subsidiary of the Company is Wessex Water Services Ltd (WWSL), a regulated company licenced for the supply of clean water and treatment and disposal of waste water. WWSL operates in a region of 10,000 square kilometres in the South West of England. In 2017 there was a change in the regulated activity of WWSL with the retail element of non-household companies being open to competition. To enter into this competitive market Wessex Water Limited (WWL) created with Bristol Water Holdings Ltd a new company, Water 2 Business Ltd

WWL owns 100% of the share capital of Wessex Water Enterprises Ltd, which undertakes unregulated water and waste water activities in the WWSL region

WWL also owns SC Technology GmbH, another 100% subsidiary company which is registered in Switzerland, which installs and operates sludge drying equipment with the principal contracts being in the Netherlands

WWL has an additional subsidiary, Turnbull Infrastructure & Utilities Ltd which undertakes end-to-end services for civil, mechanical and electrical engineering projects

All subsidiary companies are listed in note 14

Group Financial performance

Profit after tax improved by £28.7m from a loss of £0.4m last year to a profit of £28.3m in the current year, due to the factors discussed below

Revenues increased by £139.2m or 16.1% to £1.0bn. This mainly resulted from growth in the regulated revenues of Water 2 Business driven by national contracts won outside of the Wessex region combined with tariff price increases in WWSL

Total operating costs increased by £123.4m from £704.0m to £827.4m. In WWSL, new obligations, supporting improvements to leakage and pollution performance and other inflationary pressures combined with the additional wholesale costs associated with the new Water 2 Business contracts to increase the overall cost base

Net finance costs, including other finance charges, reduced by £28.0m from £172.6m to £144.6m. There was a reduction in the level of interest from index-linked debt reflecting inflation levels in the year offset by higher interest rates within the UK. The overall cost of debt reduced from 6.8% to 5.4%

There was a £19.3m increase in taxation from a credit last year of £7.8m to a charge this year of £11.5m

Net debt (see page 94 for breakdown), increased by £308.9m from £3,149.7m to £3,458.6m. The cash inflow from operating activities of £279.1m was reduced by outflows from net investment activities (before acquisitions of medium term fixed deposits) of £356.9m, interest payments of £125.3m, dividend payments of £62.6m, bond indexation of £42.0m and other outflows of £2.2m

Dividends declared in the year amounted to £52.8m compared to £78.0m last year

STRATEGIC REPORT (continued)

Under IAS 19 the pension scheme surplus of £5.9m at the start of the year has increased to a surplus of £11.7m at 30 June 2025, the reduction in asset values of £31.8m being lower than the £37.6m reduction in obligations.

Group operating profit as a percentage of revenue was 18.4% (2024: 19.0%), the reduction was due to higher operating costs outpacing the improvement in tariff prices. Interest cover (defined as net financing expense as a proportion of operating profit) improved from 1.0 times last year to 1.3 times in the current year. Management recognises interest cover as a good indicator of financial stability and a reflection of operating efficiency.

The following sections A to D provide an overview of the key subsidiaries within the group.

A. WESSEX WATER SERVICES LTD

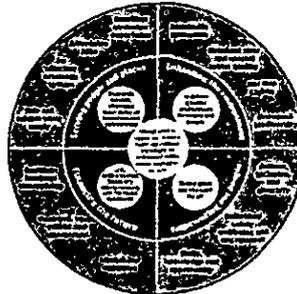
Wessex Water Services Ltd is a regional water and sewerage business serving 2.9 million customers across the South West of England. It is recognised by its regulators as one of the leading water and sewerage companies in England and Wales.

It is committed to playing a role that goes beyond providing an essential public service. It aims to support the communities it serves, help tackle the climate, environment and nature emergency, and contribute to the growth of the UK economy. These aims form the core of its long-term commitment to build a sustainable future with the support of its customers, communities, employees and stakeholders across its region.

Its long-term plan for delivery of its purpose is set out in its Strategic Direction Statement, published on its website [here](#). The statement sets out its vision and ambitions through to 2050, to give all its stakeholders trust and confidence that it intends to rise to unprecedented challenges, now and in the future.

At its heart are eight outcomes that its customers and stakeholders have told it are their priorities:

- safe and reliable water supply
- an effective sewerage system
- affordable bills
- excellent customer experience
- sustainable water abstraction
- excellent river and coastal water quality
- net zero carbon
- increased biodiversity



Its eight outcomes are underpinned by six enablers centred around strong financing and governance, and empowered people, that it needs to embed in its business over the long term. These are:

- Culture, inclusion, and diversity: it will have an inclusive workforce that reflects the cultures and diversity of the region it serves.
- Individual safety, wellbeing, and engagement: its colleagues will be safe at work, proud to work for it and fully engaged in their roles.
- Skills, knowledge, and opportunity: its colleagues will have all the skills and knowledge they need to confidently carry out their roles.
- Market-led outcomes: it will harness the power of markets to drive the most efficient solutions.
- Resilient financial stewardship: it will demonstrate long-term financial stability.
- being well managed, open, ethical and transparent: it will demonstrate that it is honest and ethical in the way it conducts its business.

STRATEGIC REPORT (continued)

The performance indicators that follow show the performance over the regulatory year ended 31 March 2025

Serving people and places

To provide reliable, affordable services for all its customers and communities

OUTCOMES	Target 2050	Actual 24/25	Previous year	Progress
Safe and reliable water supply				
Water supply interruptions expressed in hours:minutes:seconds	0:00	00:10:00	00:05:35	↓
Compliance risk index score	0.00	1.31	0.93	↓
An effective sewerage system				
Internal sewer flooding	0.71	1.56	1.56	↔
Affordable bills				
Percentage of customers spending more than 5% of their disposable income on their water bill	0%	5.7%	6.3%	↑
Excellent customer experience				
Position in the UK Customer Satisfaction Index	Top 10	217th	236th	↑
C-Mex Ofwat's measure of quality of service, based upon survey data	upper quartile	second overall	second overall	↔

Notes:
 1 See About us on page 3
 2 Based on the March 2023 CMA report Quantitative analysis of water poverty in England and Wales

The ambition

In WWSL’s Strategic Direction Statement, which sets out its aims for 2050, it is targeting

- zero water supply interruptions of longer than three hours
- 100% water quality compliance
- halving the impact of sewer flooding
- zero water poverty – no one will spend more than 5% of their disposable income on water
- being a top 10 customer service provider across all companies in the UK

Safe and reliable water supply

Reservoir and aquifer levels are below average after we come out of a prolonged dry spring and summer. While it is not currently planning to introduce restrictions, safeguarding long-term supply requires us all to play our part by actively reducing both per capita consumption and leakage from the supply network. Its performance on water supply interruptions in the year was marred by two major incidents which affected a significant number of customers. The Drinking Water Inspectorate awarded it one of the leading scores for the Water quality compliance risk index in the industry. Performance however fell short of the stretch target set for WWSL. The official number for the Compliance risk index score, and also for the Event risk index, will be released in the autumn.

An effective sewerage system

The rainfall over the year, which was again significantly above the long-term average, put pressure on its wastewater network, particularly during periods of high-intensity downpours. Its performance on sewer flooding across the various Performance Commitments was disappointing. In common with 2023-24, it missed targets and levels of sewer flooding remained too high. It is acutely aware of the impact that sewer flooding can have on customers affected. To mitigate sewer flooding, it implemented several schemes that have successfully reduced flooding in various areas. These efforts have helped it manage the impact of heavy rainfall more effectively in these places.

In 2024-25, it carried out several key schemes to alleviate the risk of sewer flooding

- enhanced drainage systems: upgraded drainage infrastructure in high-risk areas to improve capacity and reduce the likelihood of sewer overflows during heavy rainfall

STRATEGIC REPORT (continued)

- flood resilience projects completed flood resilience projects in urban areas, including the installation of new pumping stations and the reinforcement of existing sewer networks to handle increased water volumes
- community engagement initiatives launched community engagement programmes to educate residents on preventing sewer misuse, which can contribute to blockages and flooding
- green infrastructure integrated green infrastructure solutions, such as sustainable urban drainage systems (SUDS) to manage surface water run-off and reduce pressure on the sewer network

These efforts have significantly reduced the incidence of sewer flooding in several areas, demonstrating its commitment to protecting communities from the impacts of extreme weather events. However, more progress needs to be made. It will continue to deliver preventative maintenance and engage with communities to discourage sewer misuse.

Affordable bills

Bill rises have been high on the news agenda. Even with recent rises, bills in 2030 will be lower after inflation than they were in 2015. It supported more than 70,000 customers with their bills and debt, auto-enrolling them onto schemes where possible. Additionally, it assisted more than 150,000 households on Priority Services, marking a 34% increase from last year. Ofwat has recognised its Vulnerability strategy, 'Every Customer Matters', as a strong approach to supporting vulnerable customers. It was rated exemplary in four out of five categories.

Excellent customer service

It gained ground in the UK Customer Satisfaction Index. However, it has a significant journey ahead of it to reach the top 10 position by 2050 set out in its Strategic Direction Statement. In addition, Value for money at 72%, although higher than for 2023-24 (67%), remains lower than its 84% target. During 2024-25, it continued to demonstrate leading customer service performance, as evidenced by receiving one of the leading scores for C-MeX, Ofwat's metric for assessing the quality of service that water companies provide to household customers. In a world of declining trust in water companies, CCW, the independent voice for water consumers in England and Wales, also recognised that its customers see trust starting to return. Its water efficiency engagement programme, including household home checks and non-household visits, has also been successful.

Enhancing the environment

To deliver a better environment for nature and people

OUTCOMES	Target 2050	Actual 24/25	Previous year	Progress
Sustainable water abstraction				
Compliance with abstraction licences	100%	97.6%	97.6%	↔
Excellent river and coastal water quality				
Number of pollution incidents	0	217	126	↓
Total tonnes of phosphorus removed from rivers and coastal waters per day	*	5.13	5.02	↑
Total tonnes of nitrogen removed from rivers and coastal waters per day	*	13.14	12.91	↑
Net zero carbon				
Total tCO2e per year (operational) ¹	0	96	105	↑
Increased biodiversity				
Number of biodiversity units	Double our contribution	827	613	↑

Notes:
 1. See About us on page.
 2. Figure now including stream support, as per EA guidance (last year's figure excluded stream support).
 3. Our target is 2030 for operational net zero carbon.
 *Data will increase as we work on water efficiency in 2025/26.

The ambition

In its Strategic Direction Statement, which sets out its aims for 2050, it is targeting

- never harming the health of the water environment through its abstraction

STRATEGIC REPORT (continued)

- restoring the quality of its rivers and coastal waters
- being a net zero carbon business (by 2040)
- doubling its contribution to the region's biodiversity

2024-25 overview

It has actively engaged with the government's Water Commission, led by Sir Jon Cunliffe, not only to advocate for simplified but robust regulation but also to shape the future by championing the whole catchment-level solutions proposed in the Sustainable Solutions for Water and Nature (SSWAN) initiative, which it reported last year

Sustainable water abstraction

Coming out of a prolonged dry spring and summer, its reservoir and aquifer levels are below average. While it is not currently planning to introduce restrictions, safeguarding long-term supply requires us all to play our part by actively reducing both per capita consumption and leakage from the supply network.

It has successfully reduced leakage compared to 2023-24. However, given that this Performance Commitment makes use of a three-year average which currently includes significant break outs from 2022-23, the reduction is *not immediately evident*. Consumer demand, measured by per capita consumption, also using a three-year average, is now benefiting from stable data and has shown a reduction in comparison to 2023-24. These improvements will help decrease the volume of water it abstracts from rivers and boreholes, with environmental benefits.

Excellent river and coastal water quality

Despite having no serious pollution incidents, the above average rainfall during the year contributed to an increase in total pollution incidents. This is not where it wants its performance to be – every pollution incident, no matter how serious, is one too many, and it is determined to turn around this drop in performance. It is investing further in monitoring – going from just over 3,000 to 10,000 in-sewer monitors – to give it advanced warning of issues, as well as an enhanced maintenance programme, customer behavioural engagement, and a new 'solve at source' approach that will take a holistic attitude to managing wastewater catchments.

It has invested in schemes to support some of the most frequent storm overflow spillers, utilising a mix of concrete holding tanks and nature-based solutions such as the creation of wetlands.

Leading the industry in its AI-powered smart river monitoring to protect waterways and improve water quality, it conducted trials at 12 sites and installed real-time monitoring for recreational users at two coastal, two river, and one estuarine site.

Net zero carbon

It further decreased its annual gross greenhouse gas emissions in the year and remains on track to achieving carbon neutrality in its operations by 2030.

Increased biodiversity

Its focus on nature-based solutions (NbS) included submitting 36 evidence packs for groundwater-influenced storm overflow trials to Defra, pioneering a NbS Skills Bootcamp for its employees funded by the West of England Combined Authority, and submitting a £10m Ofwat Innovation Fund bid – NbS Connect. It exceeded its target to boost biodiversity on Sites of Special Scientific Interest (SSSI).

Empowering people

Overview

The success of WWSL depends above all on the people who work for it and their dedication and commitment to the public purposes of the company. They are also part of the communities it serves and share the public's concerns about the water sector. As it looks ahead, it wants to harness the power of the organisation to build on its successes and learn from the challenges so it can deliver on its 2025-30 business plan. Its performance depends upon its people and it will only achieve this through harnessing their talent, skills and experience.

STRATEGIC REPORT (continued)

In this last year, many colleagues have moved within WWSL, often taking up more responsible roles and developing their skills and knowledge. This has enabled it to retain dedicated people. It has provided many upskilling opportunities and helped people progress their careers with it. The diversity of its workforce has increased and its internal networking groups are active, raising awareness, providing insights and information and holding networking events for all. However, there is still more to do in a number of areas.

It continues to ensure everyone is aware of its achievements and challenges and how it is addressing them. Its monthly Executive Committee newsletter, Managers Brief and Source Digest, keep everyone informed about the opportunities in its region. All its schemes, its environmental initiatives and health and safety priorities are shared, and everyone is invited to share their own experience and suggestions with the senior team. Everyone is encouraged to 'have their say' and its Chief Executive, Ruth Jefferson, receives fresh ideas from its teams to which she personally responds.

Its Wellbeing team, led by its Health and Safety Management team, meets every month to discuss physical and mental wellbeing, with a calendar of initiatives on offer to all. Its learning and development team continued to offer a full blend of classroom training, a mentoring framework and e-learning solutions in the year, to complement compliance training requirements. A range of bespoke development solutions were also designed and delivered to respond to additional development needs.

The ambition

Empowering its people is an ongoing priority. It achieves this by

- keeping everyone informed of its achievements and top priorities through newsletter communications
- delivering a quarterly leadership forum to cascade messages from the top and work together on its challenges and priorities
- ensuring everyone receives regular 'check-ins', where it discusses wellbeing, communicate objectives and provide guidance and support for all
- developing everyone through a range of mandatory and optional training solutions, providing coaching and mentoring, and offering a range of apprenticeship opportunities and professional development

Financing the future

Overview

WWSL returned to profitability this year as the effects of elevated inflation subsided. YTL is fully supportive of the WWSL board's policy of paying dividends only within the limits set by a prudent ceiling on gearing. This solid financial foundation enables it to navigate challenges with confidence and invest strategically for the future. In December 2024 its economic regulator Ofwat announced its final determination on its 2025-30 business plan. It allowed for £4.2 billion of total expenditure – 17% short of the amount WWSL's own calculations had shown was required to meet its obligations and customers' expectations, and support growth in the region.

It has proposed to almost double its investment programme over the next five-year period, with more than a quarter of the investment being used to remove nutrients from treated wastewater discharges so housebuilding and growth can continue in the Wessex Water region, while protecting the water environment. In view of this it has asked the Competition and Markets Authority (CMA) to review how much it can invest in vital water and sewerage improvements over the next five years.

At the same time, it is actively exploring alternative strategies - an important step as it prepares to double its current investment levels and meet emerging obligations, including ambitious phosphorus reduction targets. These

efforts unfold against a backdrop of heightened risk, particularly in strategic areas. It remains vigilant and proactive in identifying, communicating and managing material business risks.

STRATEGIC REPORT (continued)

The ambition

Its aim has always been to exhibit the characteristics that contribute to its success and positive reputation, not least by showing strong governance, transparency, accountability, efficiency and financial resilience. YTL has now owned WWSL for 23 years, making it the longest single owner of a UK water and sewerage company. During this time, it has maintained a simple financial structure, avoiding any aggressive or artificial tax planning.

In its strategic direction statement to 2050 it has committed to

- being the most efficient water company in the industry – harnessing the power of markets and real competition and championing an outcomes-based approach to regulation where efficiency can be maximised through flexibility and choice
- maintaining a strong investment grade credit rating and being well-regarded by financial stakeholders
- delivering for wider society and the environment through sustainable financing, measured using environmental, social and governance (ESG) metrics

Resilient financial stewardship

After recording a loss last year, WWSL returned to profit in 2024-25 driven primarily by higher revenues allowed by Ofwat and lower index linked interest costs. Increases in operating costs continued to be felt, principally with business rates, new obligations and other inflationary pressures, including the annual pay deal for its colleagues. However, improved performance on energy markets and a reduction in credit loss charges offset increases to some extent.

It successfully placed £600m of long-term debt financing in March 2025.

WWSL Financial Highlights (July 2024 to June 2025)

- operating profit increased by £28.8m from £151.7m to £180.5m
- Revenues increased by £92.2m or 15.4%
- Operating cost increases of £65.3m or 14.5% related principally to new obligations, one off charges for disposal of intangible assets and other inflationary pressures
- the cost of debt reduced from 6.8% to 5.4%. We maintained a balanced mix of financial instruments and maturities
- Net interest payable reduced by £28.0m from £176.8m to £148.8m primarily reflecting the impact of inflation on index linked borrowings
- Investment expenditure on tangible, intangible and right of use assets delivered during the year was £427.8m, down £4.0m from £431.8m last year and in line with expectations
- profit before tax of £31.7m was an improvement of £56.8m from last year's loss of £25.1m
- interest cover, as measured by net interest payable excluding indexation to earnings before interest, tax and depreciation reduced from 3.0x to 2.9x

B. WESSEX WATER ENTERPRISES LTD

Wessex Water Enterprises Ltd continues to strengthen its position as one of the leading environmental infrastructure and resource management businesses. As a wholly owned subsidiary of Wessex Water Ltd, the company delivered satisfactory commercial performance while maintaining a clear focus on sustainability, regulatory alignment, and customer-led innovation.

There have been significant challenges during the year, mainly due to Wessex Water Enterprises operating on sites operated and owned by Wessex Water Services Limited. Many of these sites are undergoing major transformation with significant investment to upsize and enhance treatment processes. This in the short term is reducing volumes of biogas for Power Generation and leading to reductions on Liquid Waste treatment capacity across multiple sites.

STRATEGIC REPORT (continued)

Wessex Water Enterprises wholly owned subsidiary GENeco Ltd, produced no biogas from its Food Waste facility from August 2024. This also impacted the Power Generation activities at Wessex Water Enterprises most significant site in Bristol. The Wessex Water Enterprises Group generated external revenues of £26.3m (2024: £29.3m) from a number of activities in the Wessex Water Services Ltd region.

Key achievements and developments during the year included:

- **Infrastructure Optimisation and Resilience**

Significant progress was made in reinforcing operational capacity across key regional assets. The reopening of the Chard treatment centre to external liquid waste delivered immediate benefits in relieving system pressure and restoring processing flexibility across the local network. At the Taunton site, targeted operational interventions helped manage seasonal demand spikes and improve service continuity. These actions formed part of a broader resilience programme focused on safeguarding business-critical infrastructure under rising demand, climate volatility, and tightening regulatory conditions.

- **Strategic Contract Wins and Retention**

The business secured and retained multiple long-term, strategically significant contracts with local authorities and utility clients. These agreements not only reinforce recurring revenue streams but also enhance the company's visibility and influence within key regional markets. The contract wins reflect Wessex Water Enterprises' track record of trusted high-performance delivery, commercial competitiveness, and ability to align with evolving environmental priorities.

- **Customer Experience and Service Enhancement**

Continued focus on customer experience led to enhancements across reporting, communication, and responsiveness. This included the introduction of new digital tools, streamlined complaint resolution processes, and increased visibility of service performance data for commercial clients. Customer satisfaction scores and retention metrics improved year-on-year.

- **Innovation and R&D – Organic Waste Valorisation**

The company broadened its research and development programme to identify and evaluate high-value end uses for organic waste streams under its control. Investigations covered a range of applications including sustainable protein production, pyrolysis and gasification, low-carbon fuels, hydrogen production and nutrient recovery systems. These efforts form a cornerstone of the longer-term strategy to extract greater environmental and commercial value from existing operations and to establish new product-based revenue streams.

C. TURNBULL INFRASTRUCTURE & UTILITIES LTD

Incorporated in October 1998, Turnbull Infrastructure & Utilities Ltd is a leading provider in lifecycle construction and infrastructure operations and is committed to delivering cost-effective, low-waste, high-value solutions that contribute meaningfully to local communities and the broader economy.

Several significant achievements were realised during the year, strengthening its market position and enhancing the service offerings.

STRATEGIC REPORT (continued)

- Tier 1 Nuclear Contract Award, successfully secured a long-term Tier 1 contract within the nuclear sector, reinforcing its presence in this highly regulated and strategically important industry. This award positions the Company for further growth and stability within a sector that is central to the UK's future energy strategy.
- Regional Expansion in Suffolk and Somerset, made strategic investments in new regional offices located in Suffolk and Somerset. These hubs enhance its local operational oversight and provide a base for training and developing local talent.
- Enhanced Design Capabilities, successfully established a dedicated in-house design team, enhancing its ability to meet client-specific requirements and streamline project workflows from concept through to execution.
- Operator's License (O Licence) Accreditation, secured its own O Licence, enabling the Company to manage and operate logistics and transport requirements independently. This development enhances the service delivery capacity and broadens the offering to clients.

Looking forward, Turnbull Infrastructure & Utilities Limited is well positioned to capitalise on recent achievements and proactively respond to emerging market trends and sector challenges. Priorities for the future include,

- Securing Long-Term Framework Agreements, a key focus will be the acquisition of long-term framework contracts within the nuclear and other highly regulated sectors. These agreements offer sustainable revenue streams and the opportunity for long-term collaboration with clients aligned to our values and technical capabilities.
- Geographic Expansion, increasing the Company's presence within the Thames Valley corridor. Positioned strategically between its current operations in the South and East of England, this area offers significant opportunities for business growth, talent acquisition, and service delivery integration.

Revenue for the year was £31.9m, of which £31.8m was internal within the Group and therefore eliminated on consolidation (2024: £29.5m).

D WATER 2 BUSINESS LTD

The principal activities of the Company are retail services relating to the provision of water, sewerage and trade effluent services to non-household customers, together with advice on water efficiency services (i.e. leakage detection and repair, water audits and benchmarking).

Water 2 Business Limited continued its strong performance in the non-household water retail market, reporting revenue of £345.7m (2024: £292.8m) and a profit after tax of £2.7m (2024: £2.5m).

The Company has continued to focus on the combination of selective expansion where it considers an acceptable return is achievable, and retention of existing customers through provision of high-quality customer service. The company secured new contracts with organisations in the hospitality, real estate, textiles and food manufacturing industries during the year.

Customer satisfaction remains a key differentiator, with a Trustpilot rating of 5/5—the highest among UK water retailers.

Data quality and management continue to be a dominant theme in the market, with implications for all elements of customer interactions. The Company has continued to focus on improvements in processes and compliance with the market performance standards set out by the Market Operator Services Limited ("MOSL") and have seen positive progress in compliance to 97.7%, the highest of any large retailer (over 100k supply points) in the market.

Employee engagement remains high, with a 90% satisfaction score and continued strong retention of 86% (2024: 87%). The company continues to invest in staff wellbeing through its "People Promises" charter.

Future Prospects

The company is well-positioned for continued growth, supported by a commitment to customer-centric service. Strategic priorities include:

STRATEGIC REPORT (continued)

- Investment in technology and systems to enhance data quality and operational efficiency
- Ongoing regulatory compliance and proactive engagement with Ofwat, Water Industry Commission for Scotland, and MOSL
- Strengthening liquidity and credit controls to manage cash flow and mitigate risk in a competitive market
- Sustainability and ESG focus, including further rollout of Automatic Meter Reading to reduce leakage and support environmental goals

Group Tax strategy

Our attitude towards UK tax planning

Our approach to tax is fully aligned with our overall objectives. We seek to comply with the spirit and letter of UK tax legislation and claim all tax reliefs and allowances to which we are entitled. We will consider reasonable tax planning opportunities which are in line with our risk appetite. As a rule, we do not enter into complicated structures nor engage in any aggressive or artificial tax planning, because we do not believe it is the correct thing to do. Due to the size and complexity of the UK tax system, tax is a complicated area and uncertainties will arise. Consistent with other business areas, we will seek external advice when required.

Approach to risk management and governance arrangements in relation to UK tax

Our Board is ultimately responsible for our tax strategy and engages with relevant individuals within the Group to ensure the strategy is implemented, monitored, and reported. As UK regulated businesses with significant capital programmes, we believe obtaining tax relief on capital expenditure is a key factor affecting our tax liability. Other factors, such as changes in tax legislation or changes in interpretations, may also affect the amount of tax due, compared with what has been allowed as part of the regulatory final determination.

The level of risk in relation to UK tax the company is prepared to accept

As documented in our finance policies, we adopt a risk-averse and cautious approach to tax. In addition, tax is included as part of our risk assessment framework. We monitor the overall risk framework and provide regular updates to the Boards.

The group approach towards dealings with HMRC

We have an open, regular, and professional dialogue with HMRC and, as part of its business risk reviews, HMRC have always regarded our Group as low risk. We are committed to maintaining this low-risk status in the long term and believe that our approach to tax and early engagement with HMRC on any area of uncertainty are significant factors in maintaining this low-risk rating.

Our total tax contribution

We are committed to paying the right amount of tax at the right time. We pay a range of taxes, including business rates, employers' national insurance and environmental taxes such as the climate change levy as well as the corporation tax showing in our tax charge on the income statement.

STRATEGIC REPORT (continued)

Group Risk Management

The effective management of risk is central to how we can deliver effective and efficient services to all our customers and minimise the impact we have on the environment. It is critical that we have a robust risk management framework in which material risks to the business are proactively identified, evaluated, communicated and the appropriate response defined and implemented. The Group's processes are flexible to respond to changes in risk and ensure that the necessary controls and mitigation measures are put in place. Risks are defined as any event that can impede our ability to achieve our objectives. The most significant risks facing us are referred to as 'principal risks'.

WWL Group Risk management process

From the perspective of the WWL Group, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Wessex Water Services Ltd, the main subsidiary. The narrative below references the processes in place within WWSL, with further discussion available in the annual report and financial statements of that company.

WWSL's policy on risk assessment and management is subject to regular review by its board including the review and update of risk and tolerance levels. The board reviews strategic risks and other principal risks on a regular basis.

Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management, and Executive Directors. The board reviews and is ultimately responsible for risk. It delegates its authority to the Audit and Risk Committee for the review and oversight of the effectiveness of the risk management process. To aid it in doing this, the Audit and Risk Committee includes audits that review the status and mitigations of the principal risks when agreeing the annual Internal Audit programme.

Operational staff and senior management review and assess asset and operational risk monthly. Risks are scored based on likelihood and impact on a 'five-by-five' scoring mechanism. Risk mitigation plans are recorded and implemented where appropriate and pre-and post-mitigation scores are monitored.

Operational risks act as a foundation for separate tactical risk registers which feed into the corporate risk register. The Risk Management Group maintains and reviews all business risks, the corporate risk register reflects strategic, compliance, operational and financial risks, specifically including health and safety and climate change risks.

The Risk Management Group comprises senior managers from across the business. The risks are assessed by subject matter experts and subject to independent challenge from our risk experts. Risks above our tolerance levels will have additional measures to manage and mitigate the risk exposure.

As well as monthly updates on emergent risks, every six months the Risk Management Group submits a summary of the corporate risk register and a report on the Principal risks to the Executive Committee (previously Executive Leadership Team), comprising the Executive Directors.

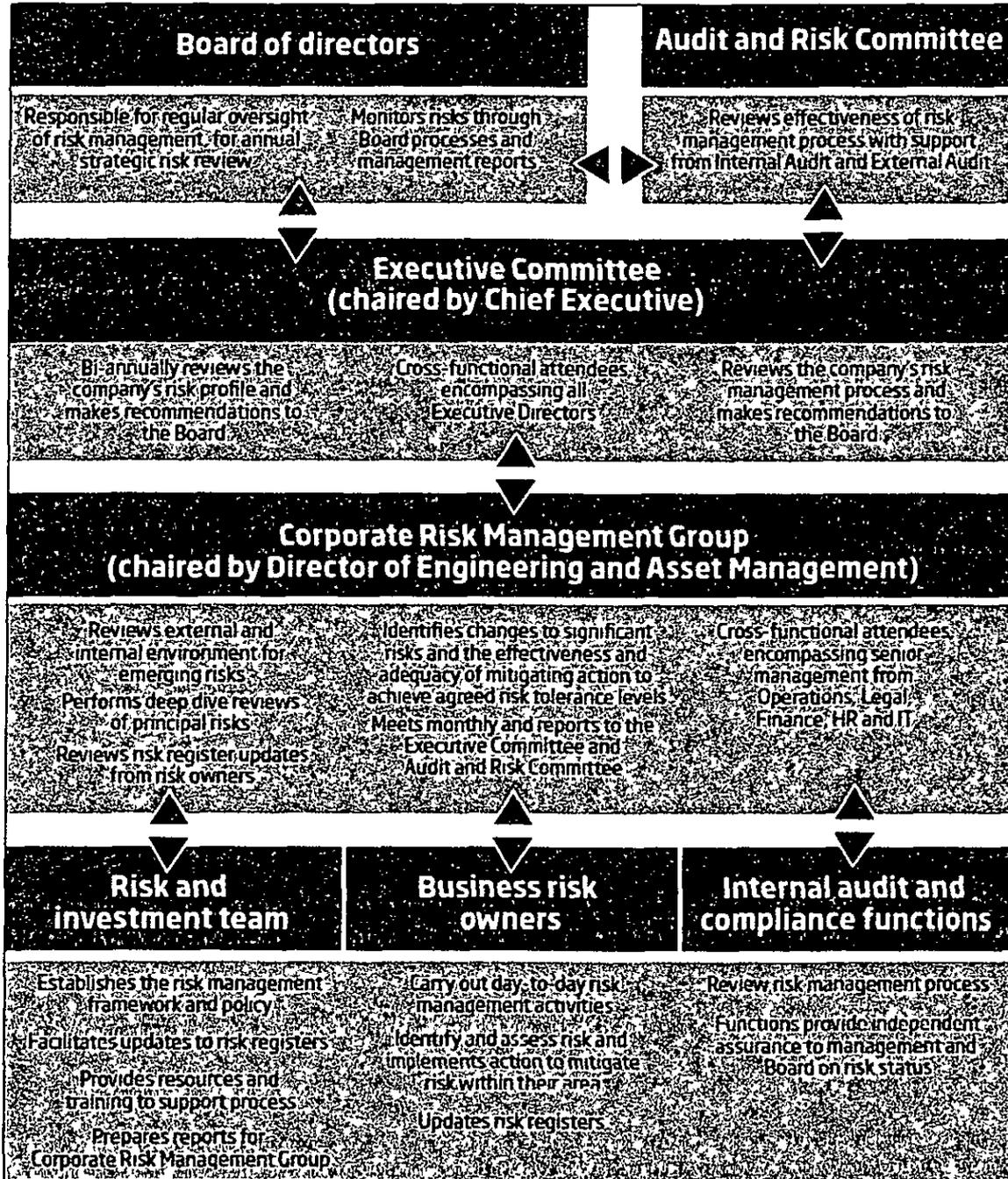
The Executive Committee scrutinises and challenges the risks, ensuring that we have comprehensively classified and assessed our risks and have appropriate mitigation methods. Any significant emergent risks or material changes in existing risks are reported to the Executive Committee and the board as they arise.

The CEO submits a bi-annual risk review paper to the board. This paper details the risk process, identifies the current principal risks (listed below) to the business and the mitigation measures. It also records the status of emerging risks that have been identified as well as any proposed changes to risk appetite and tolerance for discussion at the board.

STRATEGIC REPORT (continued)

WWSL Risk management governance example

The diagram below explains the governance structure for risk management across WWSL



STRATEGIC REPORT (continued)

WWSL Principal risks

While the corporate risk register holds over 50 risks at any time, the principal risks are those that the board consider could have a material impact on the capability of the business to perform its functions. All these risks are subject to active mitigation strategies and the board considers that the Group is taking appropriate action to mitigate the severity and likelihood of those risks to an acceptable level.

We have summarised our principal risks below.

WWSL Principal risks – strategic

Principal risk	Description	Risk exposure	Risk Level
Reputation & positioning	National or regional issues that impact the perception of the business and the trust the public have in us.	Increasing	High
Political action	Actions taken by government that fundamentally change our operating environment affecting the business and/or cash flows.	Unchanged	High
Regulatory action	Actions taken by regulators that fundamentally change our operating environment affecting the business and/or cash flows.	Unchanged	High
Environment & public value	The expectation on the business to create value beyond a focus on short term performance.	Increasing	High
Climate volatility	The need to adapt to changing climate and weather patterns.	Increasing	High

WWSL Principal risks – compliance, financial and operational

Principal risk	Description	Risk exposure	Risk Level
Environmental harm	Acute (e.g. major pollutions) or chronic harm to the natural environment as a result of activities conducted by or on behalf of the company.	Unchanged	High
Supply chain resilience	Resource scarcity or disruptions to supply chains which prevent the procurement of products or services at the expected cost, availability or quality.	Increasing	High
Secure sites systems and operations	An internal or external threat actor initiates a security incident that renders the business unable to deliver the supply of safe drinking water and the management of waste, results in breaches of data protection or other laws, or impacts critical activities such as regulatory and financial reporting.	Increasing	High
Health and safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public.	Unchanged	High
Uninformed action	Inadequate information (e.g. poor asset data) resulting in sub-optimal decision making, unsatisfactory day to day business operation/ performance and/or an increase in cost and risk.	Unchanged	High
Resources and skills	Failure to have the right resources with the right skills in the right place will have an impact on our ability to operate effectively and on our strategic objectives.	Increasing	Moderate
Governance and ethics	Non-compliance with our own values, behaviours, and standards, or with statutory and regulatory obligations, either unintentionally, intentionally or maliciously (e.g. insider threat).	Unchanged	Moderate
Supply of unfit or insufficient water	Inability to provide a reliable source of water to customers when they need it in line with quality standards.	Unchanged	Moderate
Financial viability	Inability to raise finance at appropriate levels and/or manage cash/gearing to maintain financial viability and provide a sufficient return on investment.	Unchanged	Moderate

STRATEGIC REPORT (continued)

Non-Financial and Sustainability Information Statement

Introduction

This report is aligned to the principles set out by the Task Force on Climate Related Financial Disclosures (TCFD) with the material focus of the report on the primary subsidiary (WWSL) for which Climate change has the greatest impact

At present, the other Group companies within WWL operate within the UK and predominantly in the same operating area (geographically) as WWSL. There are also sectoral similarities, given the common themes of utilities infrastructure, construction and environmental protection. Consequently, the analysis here of Wessex Water's physical climate risks, and transitional risks and opportunities, apply to a large extent for other WWL entities

The energy use and emissions data provided here include available data from the other group companies for energy consumption and scope 1 and 2 emissions, in addition to that of WWSL

Compliance Statement

The extent of consistency with the TCFD framework

Our climate-related financial disclosures are consistent with the four TCFD recommendations and the eleven recommended disclosures set out in Figure 4 of Section C of the TCFD's June 2017 report "Recommendations of the Task Force on Climate-related Financial Disclosures". This disclosure complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD'). We have also taken on board the findings and recommendations of the Financial Reporting Council's "Thematic Review of TCFD disclosures and climate in the financial statements", published in 2022, and the Financial Reporting Council's 2025 review of "Climate-related Financial Disclosures by AIM (Alternative Investment Market) and Large Private Companies"

1. Governance

Our Board is responsible for our risks and through two committees of the primary subsidiary (the Environment and Public Value Committee and the Audit and Risk Committee) who manage our principal risk of climate volatility. The Environment and Public Value committee advises the Board on the development and delivery of the Group's purpose, strategy, and values, which drive change and influence the group's environment and social purpose. The Audit and Risk Committee provides assurance and challenges the overall risk, control, and governance framework on behalf of the Board including for our principal risk of climate volatility. Our governance arrangements are outlined in WWSL's Governance Report and how we meet the Ofwat Better Leadership, Transparency and Governance objectives as well as the Wates Principles. The Board reviews and monitors the group's progress against numerous environmental performance commitments, including our greenhouse gas emissions.

Responsibility for responding to climate related risk and opportunities is shared across the Directorates and is part of our overall approach to risk and resilience. The WWSL Director of Engineering and Asset Management manages our resilience framework through two groups: the Risk Management Group, who manage the overall risk and resilience process, and the Risk Performance Cost Group, who review and approve capital-based mitigations to improve our resilience. Climate change and volatility is one of the stresses identified in our resilience action plan.

We have produced four climate change adaptation reports, meeting the Government's adaptation reporting duty. These cover the physical climate risks, identified, and graded, and the management measures being used (outlined in the strategy and risk management sections in more detail). Management review the progress being made toward our net zero carbon route map annually. WWSL reports its carbon footprint each year to Ofwat and within its report.

STRATEGIC REPORT (continued)

2 Strategy

We are a long-term business and aim to be a genuinely sustainable Group. As such, we are attuned to changes that will take place over several decades. Our management plans for water resources and, drainage and wastewater have a 25-year timescale, and we reflect UK climate projections running to the end of the 21st century. These long-term plans are translated into short- and medium-term delivery through the five-year investment plan cycles. We have identified impacts over the short (0-10 years), medium (10-30 years), and long term (30-100 years) horizons.

Policies and Strategies

Our services and operations are affected by weather patterns, so our climate change and resilience action plan are crucial to our business. Climate impacts have a bearing on many of the core services that we provide – it will affect water availability, water quality, and the efficacy of sewerage and surface water management, among other things. Heatwaves and drought have clear impacts on water supply and demand, while prolonged or intense rainfall affects the quality of water sources and the capacity of our wastewater network. Adapting to a changing climate is integral therefore to our long-term strategic direction, five-year business plans, and subject-specific exercises such as water resources planning. Our [climate change adaptation report](#) sets out overall strategy and our programme of work in the short and long term, in relation to our main physical climate risks. Alongside physical risks associated with climate, we will be affected by the necessary transition to a low carbon economy. Transition risks and opportunities are also evident for both functions, especially when we include embodied emissions in construction materials and consumables. Our wastewater emissions are larger and are also likely to be harder to abate, especially in relation to process emissions. Providing water and wastewater services involves significant amounts of energy use and emissions of methane and nitrous oxide as well as carbon dioxide. We are committed to reducing our carbon footprint, reflecting the expectations of our external stakeholders – including investors, NGOs and the public – as well as mitigating the physical risks of climate change. Our [net zero carbon route map](#) sets out how we plan to address our operational emissions during the 2020s and signal the need for tackled embodied carbon emissions.

Implications for the Group's strategy and finances

Climate change and decarbonisation considerations are among the many factors that influence our strategic and financial planning. Specifically, physical climate risks inform the functional plans (e.g. our 25-year water resources and drainage and wastewater management plans) that underpin our business plans that set out the investment we will undertake to maintain or enhance the services we provide. These investments are dominated by regulatory requirements. Costed plans for decarbonisation are part of our 2025 business plan submission. There will be market or fiscal drivers behind most investment, but where these are absent (e.g. nitrous oxide emissions) a particular case will need to be made to justify expenditure based on the extent of the environmental impact.

We are increasingly looking at whole life carbon impacts, with an additional focus on the embodied carbon of capital projects and consumables. This is already part of our annual reporting and will feature also in our 2025 business plan and future investment appraisal. It is clear, however, that a large investment programme to improve river quality will have a significant carbon footprint if it is dominated by conventional solutions such as storm tanks.

STRATEGIC REPORT (continued)

The most significant climate-related financial impacts are likely to result from disruption caused by extreme weather events. In the short term these can take various forms, for example

- heatwaves that increase water demand, necessary use of water sources with the highest unit costs of treatment, plus additional pumping costs
- extreme rainfall costs associated with responding to localised site flooding, additional water treatment at sources affected by runoff and leaching, and additional pumping in the sewerage network

We estimate the extreme rainfall in 2024-25 added circa £3-4m to our operating costs during the year. In the longer term we expect the financial impact to grow in real terms, as extreme weather events become more frequent, and pressure grows to maintain resilient services. We expect very large associated investment i.e. £400m during 2025-30 to reduce storm overflow discharge frequency and volume, and a range of supply and demand-side measures that will allow us to reduce abstraction by 20% by 2050, with most of the reductions happening by 2035. In both cases the long-term impacts of climate change are not the sole contributor, but are nonetheless part of our modelling.

We are currently appraising the financial effects of our planned decarbonisation work and across the full range of potential measures there will be a significant value to the marginal abatement cost to reduce greenhouse gas emissions. This reflects the maturity of the technologies involved, the makeup of the supply chain, and the changing economics of the default, traditional approach. Overall, our direction of travel is to internalise carbon costs, and we will prioritise options that are impactful, best value on a whole life cost basis, or preferably both.

Dependencies upon unproven technologies

Our transition plans are based on a range of technologies. Many are readily available and operating at scale – especially in relation to energy and transport. However, some options are still in development, or not yet readily available in the UK utilities sector. These include

- availability of low carbon versions of heavy goods vehicles required to carry/tow loads,
- robust cost-effective and scalable advanced thermal conversion of sewage sludge,
- ammonia recovery as way to reduce treatment energy while producing a hydrogen carrying substance, and
- low carbon concrete and steels, where 'grey' solutions are required

3 Risk management

Identifying and Assessing Risk

We prioritise investment or other action to address risk of any nature according to the likelihood and consequence of the hazard occurring. For climate-related risks, our thinking is also informed by the UK Climate Projections, the UK Climate Risk Assessment, the findings of the IPCC and the National Adaptation Plan. We also use an inventory of UK water sector-specific climate hazards for our wider climate risk assessments presented in our [climate change adaptation report](#).

The UK Climate Projections (UKCP18) provides the most up-to-date assessment of how the climate of the UK may change over the 21st century. It provides data based on

- different levels of probability,
- four emissions scenarios based on the representative concentration pathways (RCPs) used by the Intergovernmental Panel on Climate Change (IPCC), and
- several overlapping time periods to cover the 21st century

STRATEGIC REPORT (continued)

We use UKCP18 outcomes to inform the 25-year long-term delivery strategies (Water Resources Management Plan and the Drainage and Wastewater Management Plan) as part of WWSL’s 2025 price review and provide the context for the proposed investment during an initial period of 2025-30. The strategies refer to common reference scenarios for climate change, technology, demand, and abstraction reductions with a benign (RCP2.6) and adverse (RCP8.5) version of each, analogous to the atmospheric concentration of greenhouse gases that would result from low and high emissions globally.

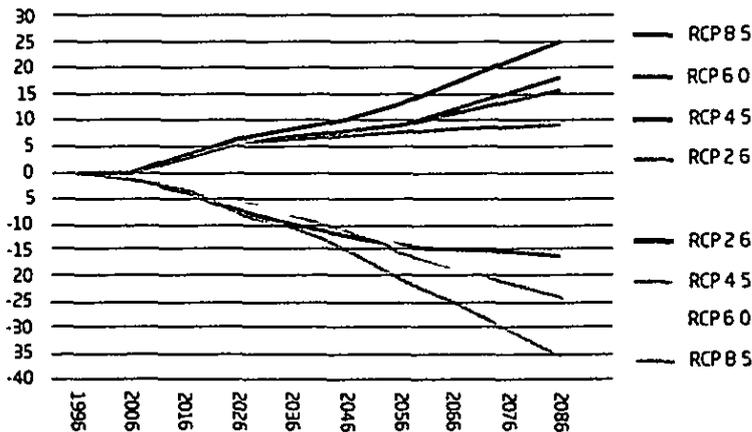
UKCP18 outputs

The table and chart below summarise UKCP18 projections (between the low emissions RCP2.6 pathway and the high emissions RCP8.5 pathway) for changes to average rainfall and summer temperature in our region, relative to a 1981-2010 reference period.

50th percentile for probability	2030-59	2050-79	2070-99
Summer (Jun-Aug) precipitation	-12% to -15%	-15% to -25%	-17% to -36%
Winter (Dec-Feb) precipitation	+7% to +10%	+9% to +17%	+9% to +26%
Summer average daily temperature	+1.7 to +2.3°C	+1.9 to +4.0°C	+2.1 to +6.0°C
Least likely, more extreme outcomes			
Summer precipitation	-28% to -34%	-31% to -48%	-34% to -62%
Winter precipitation	+19% to +25%	+21% to +38%	+24% to +54%
Summer average daily temperature	+2.8 to +3.8°C	+3.2 to +6.3°C	+3.5 to +9.3°C

It is clear that across all scenarios and timescales, summers will be drier and winters will be wetter. Overlaying these trends, during short term time horizons we expect a lot of variation from one year to the next. Moreover, the resilience of our services is affected more by extreme weather events - such as heatwaves, droughts, intense storm events and prolonged rainfall - than by changes to averages. As background warming takes place, weather events previously considered extreme or unusual are likely to occur more frequently. This is the most critical issue for our resilience and adaptability.

Winter and summer rainfall, projected % change



Projected % changes for winter (upper) and summer (lower) rainfall vs 1981-2010, average of Dorset, Somerset & Wiltshire, 50th percentile for probability (source UKCP18, probabilistic, via UK Climate Risk Indicators)

STRATEGIC REPORT (continued)

Our experience dealing with acute weather-related impacts helps us factor them into our planning activities and group risk assessments. Notable examples include:

- summer 1995 - the driest summer since 1911 and the driest three-month period since 1938. Efforts to reduce leakage were stepped up following this event,
- the prolonged rainfall of summer 2007 that required widespread emergency response and led to a fundamental national review of surface water management,
- the heavy rainfall of 2012, with the wettest summer since 1911, followed a year later by the wettest three-month period since 1911 from December 2013 to February 2014;
- the 2018 'Beast from the East' cold wave and the subsequent thaw which caused widespread outbreaks of leaks and pipe bursts, and
- Heatwaves in 2021 and 2022, the second of which coincided with the driest January to August period since 1976,
- October 2023 to September 2024 was the wettest 12 month period since our records began in 1871 with 1376mm of rainfall.

Further details can be found in pages 5-7 of WWSL's [climate change adaptation report](#)

Climate-related risks will affect the reliability and quality of the services we provide to customers and communities, and place greater stress on water environment. This in turn will likely lead to greater pressure on our activities.

Principal Climate-related Risks

Water resources - quantity

Acute heatwaves lead to peaks in water demand which can challenge the throughput and capacity of water treatment and distribution. Droughts reduce yields from groundwater and reservoirs, while we have not had to impose restrictions since 1976 to maintain public water supplies, droughts lead to pressure to reduce abstraction to protect the freshwater environment and alleviate low river flows.

Detailed climate risk assessments are carried out for our Water Resources Management Plans, for which climate change scenarios are an integral part. We estimate the impact of changing rainfall, evaporation and temperature patterns and the impact that these may have on river flows, reservoirs, groundwater recharge and ultimately on deployable output, and impacts on water demand. Our most recent water supply vulnerability assessment included the following conclusions:

- the impact of the median impact climate change scenario on deployable output was low for both the dry year annual average and dry year critical period scenarios,
- the baseline impact of climate change in the 2080's is estimated at -3.69 MI/d on average (1% of base year deployable output) and +1.07 MI/d for the peak scenario (0.2% of base year deployable output), and
- by 2045, the increase in overall consumption resulting from climate change amounts to 1.7 MI/d representing a small proportion of overall distribution input (c. 0.5%).

We are supporting research projects to improve our modelling of the relationship between weather and demand. Such models may be driven with climate forecast changes to weather conditions in the future, leading to revised predictions of climate change impacts on demand.

Water resources - quality

Extreme wet conditions can increase turbidity in water sources, while warm or dry conditions can lead to reductions in quality due to biological activity. Our experience also shows that heavy rainfall – both in prolonged episodes or short, sharp spells – can result in contaminants being washed into reservoirs or groundwater sources. Past episodes have given rise to high levels of nitrates in relation to extremely wet autumn and winter conditions.

STRATEGIC REPORT (continued)

Sewerage, sewage treatment and sludge

The highest risks for our wastewater activities relate to inundation of sewers during intense or prolonged rainfall, with adverse impacts on customers and receiving watercourses. Others include odour during warm weather, reduced dilution in receiving waters during drought leading to tighter end-of-pipe standards at water recycling centres, and sedimentation in sewers, also due to drought. Because of these risks, climate change impact assessments are increasingly used in wastewater investment planning, such as the drainage and wastewater management plans. Overall, with a changing climate and an increase in impermeable areas connected to the sewer system, we need to make sure that our pipes have sufficient capacity to cope.

Climate change projections and assessments of risk involve recognised uncertainties, including

- the future return period of unpredictable extreme weather events such as multi-season droughts,
- future emissions, atmospheric greenhouse gases concentration, and the pace of climate change,
- the specific influence of climate change for issues such as flooding and water demand where there are many factors involved,
- the costs and benefits of adaptation options and the suitability of the measures we choose, and
- the potential for new issues

Further details can be found in appendix 5 of WWSL's [climate change adaptation report](#)

Transition Risks

While the UK transition to a low carbon economy presents several opportunities, there are some evident risks in relation to energy use and our greenhouse gas emissions. Most of these risks are expressing themselves in the short to medium term (i.e. under five years), shaped by current policy and economic factors, although we expect them to persist and intensify in the longer term.

Energy use

Since the late 1990s our electricity use increased by 40% due to higher effluent quality standards (which often require energy intensive treatment such as mechanical aeration and ultraviolet disinfection), and the need for a more resilient water supply network. Concerted energy efficiency work has been necessary to prevent even higher energy use. Our electricity consumption is also extremely sensitive to the weather. High rainfall increases the volume of sewage moving through our sewerage network, and heatwaves increase public water demand and the energy required for treating and pumping water. With the backdrop of this and higher energy prices, the economic and financial rationale for self-generation is more compelling. Renewable energy generation from our appointed business in 2024-25 amounted to 20 gigawatt hours of electricity and 140 gigawatt hours of biomethane, providing financial benefits in terms of sold energy and reduced energy purchase, as well as the subsidies that are offered.

Regulatory

Through a performance commitment agreed with Ofwat, we pay customers £19,500 for every kilotonne of carbon dioxide equivalent emissions if we exceed our annual target. Carbon footprint reporting is also required for our Annual Report to Ofwat, for Streamlined Energy and Carbon Reporting and as part of the UK Emissions Trading Scheme. Our annual reporting to Ofwat extended to embodied carbon emissions from 2022-23 onwards. From 2025 there will be a common greenhouse gas emissions performance commitment for water companies in England and Wales, with an expanded list of items being included (affecting scope 3 in particular) and a fixed emission factor for scope 2.

Market/investor pressures

We are seeing more interest in our carbon footprint, than has been the case historically, from institutional investors, fund managers and ratings agencies. In response we provide disclosures via the Carbon Disclosure Project, and information to our parent company, YTL Power, to meet the listing requirements of Bursa Malaysia.

STRATEGIC REPORT (continued)

Customers and other stakeholders

The DESNZ public attitudes tracker shows that concern about climate change has risen steadily over the last ten years. In the most recent survey (winter 2024-25), 80% of people said they are concerned about climate change, with 37% saying they are “very concerned”. The same survey shows that support for renewable energy is at 82% - lower than three years ago but higher than the average during 2012-2018. We believe that there will be growing expectation that we reduce our carbon footprint and increase our resilience to climate risks, alongside other areas of environmental delivery.

Quantification of emissions

We are confident in the level of emissions related to energy and transport. However, emissions of methane and nitrous oxide (within scope 1) are much less certain, as they are estimated by water companies in the absence of direct measurement methods. Work is underway nationally to better quantify methane and nitrous oxide, and initial findings suggest that historically they have been under-estimated. Looking ahead, it is probable that the emission factor for nitrous oxide emitted from every kilogramme of nitrogen in the sewage that we receive, will be revised upwards. A literature review carried out in 2020 for UK Water Industry Research, and the base assumptions used by the Intergovernmental Panel on Climate Change, suggest that a more accurate estimate of nitrous oxide emissions overall could be four times higher than currently reported. Monitoring work underway by UK water and sewerage companies will provide more accurate estimates of nitrous oxide emissions at water recycling centres, a revised national emissions factors will result in the need to revise our own historical and forecast carbon footprint.

Emissions associated with construction materials and products and services that we consume via our supply chain are uncertain. We are working to gain a better high-level understanding of these scope 3 emissions, acknowledging that the calculations involved often carry many assumptions and estimates. For example, the carbon footprint of one tonne of steel or cement can vary substantially depending on the types of energy used at the point of manufacture, and the distances involved in the supply chain.

Managing physical climate-related risks

Typically, the climate-related risks that we have identified are convergent with our core services and activities and their associated KPIs. Also, climate change acts as a threat multiplier, rather than an entirely free-standing set of risks.

The table below provides detail of our control measures and actions in relation to the climate-related physical risks profiled in the third UK Climate Change Risk Assessment (2022) that we consider have the most bearing on our activities, and the responses set out in the third National Adaptation Programme (2023). In the context of TCFD reporting, the controls and actions noted can be considered as our main climate change adaptation opportunities.

STRATEGIC REPORT (continued)

UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3	WW controls and actions
<p>Water supply</p> <p>B18 Risks to public water supplies from reduced water availability</p> <p>B3 Risks to businesses from water scarcity</p>	<p>2050s 2/4°C High</p> <p>2080s 2°C High</p> <p>2080s 4°C High</p>	<ul style="list-style-type: none"> • Production of water resources management plans, work with other sectors to produce collaborative regional water resources management plans • Managing supply and demand to a nil deficit, taking account of climate change • Review of water companies Drought Plans every five years • Large-scale water supply water infrastructure projects via RAPID • Reduce leakage rates by 37% by 2038 and 50% by 2050 • Reducing water demand, with a target to reduce the use of public water supply by 20% by 2038 • Investment (via 18 schemes) in new infrastructure during 2025-30 to improve water resilience by increasing water capacity and driving water efficiency 	<ul style="list-style-type: none"> • Drought planning • Water resource planning to address long term change • Dialogue with regulators on abstraction • Abstraction reduction at sensitive sites • Integrated supply grid to allow transfers within the region • Networks management to maintain resilience • Publication of plans, following detailed analysis of risk and stakeholder engagement • Promotion of water efficiency
<p>B10 Risks to water quality and household water supplies</p>	<p>2050s 2/4°C High</p> <p>2080s 2°C High</p> <p>2080s 4°C High</p>	<ul style="list-style-type: none"> • Defra support for the Drinking Water Inspectorate (DWI), the Water Supply (Water Quality) Regulations 2016 • Review of water companies Drought Plans every five years • Defra implementation of actions in the Plan for Water in order to achieve the statutory water demand target 	<ul style="list-style-type: none"> • Continuous monitoring of water supplies • Source to tap risk assessments, water safety plans • Investment in infrastructure and systems to limit the number of customers reliant on a single source • Rezoning in the event of failing samples • Catchment management to protect drinking water sources • Blending water supplies when required • Additional treatment where necessary to keep risk to a satisfactory level • Network monitoring, leakage detection • Intra-regional water movements via the integrated supply grid during extreme weather event • Water resource planning to address long term change • Replacement of older water mains • Completion of integrated supply grid
<p>B10 Risks to aquifers and agricultural land from sea level rise, saltwater intrusion</p>	<p>2050s 2/4°C not known</p> <p>2080s 2°C not known</p> <p>2080s 4°C not known</p>	<ul style="list-style-type: none"> • Mitigating the risk to water supply from sea level rise and saltwater intrusion • Modifying abstraction licences where there are environmental concerns 	<ul style="list-style-type: none"> • Assessed as a low risk item

STRATEGIC REPORT (continued)

UK CCR3 risks	National Adaptation Programme 3		WW controls and actions
Wastewater	UK CCR3 risk levels at different timescales		
<p>H10 Risks to water quality and household water supplies</p>	<p>2050s 2/4°C High 2080s 2°C High 2080s 4°C High</p>	<p>• Deliver the targets set out in the government's Storm Overflow Reduction Plan. Integrate their storm overflow commitments into their Drainage and Wastewater Management Plans and water resource management planning • Bathing waters - to take necessary action if there are any health risks identified</p>	<ul style="list-style-type: none"> • Drainage and wastewater management plans • Infiltration reduction plans • Modelling sewer catchments, topographic mapping rainfall modelling • Monitoring networks and overflows • Work with local flood authorities on surface water management • Promoting sustainable drainage methods • Property level protection • Sewer sealing to reduce groundwater infiltration • Sewer maintenance e.g. jetting • Improvements at individual storm overflows • Sewer separation where possible and effective • Behavioural engagement to reduce sewer blockages • Monitoring recreational water quality and impacts, providing public information
<p>Flooding</p>			
<p>I2 Risks to infrastructure services from river, surface water and groundwater flooding</p>	<p>2050s 2/4°C High to very high 2080s 2°C High to very high 2080s 4°C High to very high</p>	<ul style="list-style-type: none"> • Publication of drainage and wastewater management plans • Development of plans (between now and 2030) for infrastructure to be resilient to flooding and coastal change 	<ul style="list-style-type: none"> • Adapting maintenance plans • Water supplies ability to rezone, blend water sources, move water via our integrated grid • Response and recovery plans • Site flood risk assessments, designation of sites needing defences / alterations, monitoring of vulnerability of sites and assets • Water supplies rezoning blending transfers via our integrated grid • Investments in bunding, flap valves, alarms and drainage improvements at high-risk sites moving electrical equipment above flood levels • Coastal - assessed as low risk
<p>I3 Risks to infrastructure services from coastal flooding and erosion</p>	<p>2050s 2/4°C Medium 2080s 2°C Medium 2080s 4°C Medium</p>		

STRATEGIC REPORT (continued)

UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3	Ww controls and actions
<p>Cross-cutting</p> <p>11 Risks to infrastructure networks (water, energy transport, ICT) from cascading failures</p>	<p>2050s 2/4°C Very high 2080s 2°C Very high 2080s 4°C Very high</p>	<p>Defra guidance to improve sector-level reporting on climate risks, including on infrastructure sector interdependencies and cascading failures</p>	<ul style="list-style-type: none"> Following Cabinet Office good practice guidance for integrated emergency management Emergency Tactical Planning Group Incident management procedures Involvement in Local resilience forums Back-up generators Continual review of business continuity arrangements Emergency planning, emergency simulation exercises
<p>17 Risks to subterranean and surface infrastructure from subsidence</p>	<p>2050s 2/4°C Medium 2080s 2°C Medium 2080s 4°C Medium</p>	<ul style="list-style-type: none"> Water companies will address leakage and drought and invest in infrastructure where necessary to reduce the risk that subsidence poses to their operations Ofwat to consider climate change as part of the 2024 Price Review Water companies to reduce leakage rates by 37% by 2038 and 50% by 2050, which will reduce the risk of subsidence Water companies to produce water resources management plans assessment of risk to infrastructure Water companies to produce drought plans including supply and demand mitigation actions, this will reduce the risk of subsidence posed by dry soils 	<ul style="list-style-type: none"> Proactive network monitoring inspections Reactive responses, e.g. maintenance in the event of sewer collapses Drought planning Water resource planning to address long term change Networks management to maintain resilience

STRATEGIC REPORT (continued)

Managing our greenhouse gas emissions

We use various methods for managing our greenhouse gas emissions, summarised below but detailed on p7-8 of WWSL's [net zero carbon route map](#)

- Avoiding emissions – our preferred option to reduce our emissions by looking at catchment based and natural-based solutions and reducing volumes of water and sewage
- Optimisation – through transport and energy efficiency and through process emission savings
- Renewable energy - by generating energy from waste and using other renewable solutions including partnerships with third parties for energy generation

Looking ahead, decarbonisation of the UK electric grid and of road vehicles by 2030 will reduce our emissions but these would be insufficient for reaching net zero emissions. We will need to pursue a wide range of opportunities for cutting carbon that will require additional effort and investment (especially during 2025-30). These will include some readily available options, using established methods and known technologies, which have a favourable balance of costs and carbon reduction benefits. Beyond these are more innovative options involving emerging science and technology, it is likely that these will need to play a part if we are to achieve a net zero carbon position. The tables below shows some of the work and opportunities identified

Avoiding emissions	2020-2025	2025-2030
Reducing volumes of water and sewage	<ul style="list-style-type: none"> • Reducing the amount of water that has to be pumped and treated by reducing leakage by 15% and reducing our customers' water consumption through demand management measures. 	<ul style="list-style-type: none"> • Promoting sustainable drainage, primarily to reduce flooding risk but also to reduce pumped volumes
Avoiding transport emissions	<ul style="list-style-type: none"> • Investing in infrastructure to enable the transition to electric and other non-fossil fuel vehicles. • Starting to use electric cars and vehicles on a regular basis. • Trialling HGVs powered by compressed natural gas and biogas. • Wide use of homeworking and teleconferencing technologies 	<ul style="list-style-type: none"> • Programmed roll out of appropriate electric cars and vans and associated infrastructure • Integration of lower carbon HGVs
Avoiding fossil fuel use	<ul style="list-style-type: none"> • Investigating alternatives to diesel for backup electricity generation, and avoiding like-for-like replacement • Looking at lower carbon methods for keeping anaerobic sludge digesters at a warm temperature 	<ul style="list-style-type: none"> • Investment in non-diesel backup generation, including renewable energy with battery storage • Investment in alternative, low carbon heating of anaerobic digesters.
Nature and land-based solutions	<ul style="list-style-type: none"> • Ongoing catchment delivery work focused on water quality with side-benefits of avoiding more energy intensive treatment methods, and delivering multiple environmental benefits. • Investigation of the carbon footprint of more novel treatment methods eg constructed wetlands 	<ul style="list-style-type: none"> • Extending the scope and sophistication of catchment management in rural areas to prevent diffuse pollution and help retain soil carbon. • Targets and systems within our capital programme for minimising the whole-life carbon footprint of water and wastewater investment.
Asset maintenance	<ul style="list-style-type: none"> • Ongoing use of lower carbon methods eg. trenchless pipe repairs and rehabilitation. • Appraising methane leakage at sewage sludge treatment centres 	<ul style="list-style-type: none"> • Ongoing methane monitoring at sludge treatment centres, with corrective maintenance work
Optimisation	2020-2025	2025-2030
Energy efficiency	<ul style="list-style-type: none"> • Continuation and expansion of energy efficiency initiatives • Ongoing development of advanced monitoring and targeting focusing principally on wastewater treatment and pump efficiency 	
Process emissions from sewage and sludge	<ul style="list-style-type: none"> • Initial testing of nitrous oxide monitoring and control systems. • Improving quantification of methane emissions from sewage treatment of both existing assets and those in design. 	<ul style="list-style-type: none"> • Roll-out of nitrous oxide monitoring and control measures, starting at the largest water recycling centres with aeration processes
Transport efficiency	<ul style="list-style-type: none"> • Further use of technology to optimise vehicle movements and reduce mileage • Increasing focus on vehicle fuel/ electrical efficiency 	
Lower carbon construction materials and methods	<ul style="list-style-type: none"> • Investigation and delivery of lower carbon construction materials and methods eg. low carbon cement / concrete, offsite and modular build • Developing systems for comparing the whole-life carbon footprint of competing options 	<ul style="list-style-type: none"> • Putting whole-life carbon benchmarks and targets into place for capital schemes. • Working with our supply chain to understand their carbon footprint and putting in place plans to reduce this

STRATEGIC REPORT (continued)

Renewables	2020-2025	2025-2030
Energy from waste	<ul style="list-style-type: none"> Optimising existing digesters, in part to maximise gas production Ongoing export of biomethane at Bristol and Trowbridge Trials of heat recovery from sewage pumping stations 	<ul style="list-style-type: none"> Ongoing work to increase biogas production Retaining green gas certificates relating to exported biomethane Increased digestion of other organic waste streams Implementing sewer heat recovery at sites with the greatest potential.
Other renewable generation	<ul style="list-style-type: none"> Investigating suitable sites for further renewable generation. Exploring partnership opportunities with commercial and community energy developers Reviewing the potential for energy crops and other types of biomass for heat generation. 	<ul style="list-style-type: none"> Implementing new installations (eg wind, solar) on or adjacent to our own land By 2030, increasing renewable electricity generation to double the current quantity
Renewable grid electricity purchase	<ul style="list-style-type: none"> Exploring potential power purchase agreements with off site renewable generators Monitoring green energy tariff markets Ensuring future energy contracts offer transparent and verifiable green energy 	<ul style="list-style-type: none"> Any agreed power purchase agreements to commence 100% of residual electricity and gas requirement from verified renewable sources
Insetting	2020-2025	2025-2030
Land based measures	<ul style="list-style-type: none"> Quantifying carbon capture on our landholding, beyond current high level estimates Ensuring that our mitigation and landscaping measure maximise carbon capture as part of scheme designs and planning Developing guidance for improving carbon uptake and soil carbon levels on our land 	<ul style="list-style-type: none"> Working with farmers on retention of soil carbon, eg. restoration of grassland.

Integration of climate-related risks into the Group’s resilience

Our resilience action plan (approved by the WWSL Audit and Risk Committee) aligns with Ofwat’s concept of ‘Resilience in the Round’ and considers the resilience of our operational, corporate, and financial systems. Our resilience approach will allow us to focus our effort on the areas where improvement is needed to maintain or strengthen our resilience.

We conduct horizon scanning to identify emerging shocks and stresses, climate change is one of the ten stresses identified in our resilience action plan and is linked to some of the shocks such as power failure, extreme weather, and flooding. We manage risk at strategic, tactical, and operational levels, each of which involves resilience assessments. Climate change scenarios and extreme weather events contribute to these, such as the analyses underlying our Water Resource Management Plan and Drainage and Wastewater Management Plan.

We use a hierarchy of interventions to systematically encourage the development of mitigations which are appraised using a capitals-based service measures framework. We have developed this framework to capture and understand the risk to service and value of investing to our customers, environment, and operations. In this way we aim to ensure that our investment decisions can deliver against our Performance Commitments and resilience metrics.

4. Metrics and targets

Climate related metrics

Our climate related performance commitments and key performance indicators relate to our strategic objectives as set out in our strategic direction, which in turn are related to customers’ priorities, and statutory objectives for the environment and social provision as transposed into regulation.

WWSL published its net zero carbon route map in Summer 2021 setting out options for achieving net zero operational emissions, monitored by our operational carbon reporting. Our emission trajectory has been downwards in that last ten years, however, much of this has been due to decarbonisation of UK grid electricity, as well as our own efforts. Consequently, we are looking closely at other solutions and techniques, e.g. nitrous oxide from sewage treatment. Further decarbonisation of our activities will need to align with other environmental priorities to promote sustainable land use, protect biodiversity and the water environment, improve resource efficiency, and reduce air pollution. This in turn will benefit our customers and the communities we serve.

Performance commitments are agreed with our regulators and reported against annually in WWSL’s annual performance review. The main climate-related metrics include the following:

STRATEGIC REPORT (continued)

<p>Water supply</p> <ul style="list-style-type: none"> • Compliance with abstraction licences • Water supply restrictions • Water supply interruptions • Avoided water use from water efficiency measures • Water quality compliance, Events Risk Index, water quality customer contacts • Leaks repaired within 24 hours 	<p>Wastewater</p> <ul style="list-style-type: none"> • Properties at risk of sewer flooding • Sewer flood risk score • Internal flooding per 10,000 connected properties • External flooding per 10,000 connected properties • Sewer collapses per 1,000km
<p>Cross cutting</p> <ul style="list-style-type: none"> • Operational greenhouse gas emissions 	

Targeted improvement for most of these is mainly driven by other environmental and social factors e.g customer experience, river ecology – but our assumption is that success in managing each contributes to our resilience in the face of climate change

Performance against these and other performance commitments are focused on environmental and social delivery and do contribute to performance related pay and bonus arrangements, monitored by the Remuneration Committee

Greenhouse gas (GHG) emissions

We use a well-established process for reporting greenhouse gas emissions, being the UK water sector’s carbon accounting workbook commissioned by UK Water Industry Research (UKWIR) The workbook is updated annually with emission factors issued by the government and periodic updates of sector-specific emission factors from other sources such as research and industry databases It is aligned with the Greenhouse Gas Protocol and with substantive updates has included more scope 3 items

Reporting our performance commitment

A customised methodology was agreed with Ofwat in 2019 for calculating WWSL’s performance in relation to its bespoke performance commitment during 2020-25 This includes a fixed set of items within scopes 1-3, a predetermined profile for grid electricity emission factors, and the use of the 2019 edition of UKWIR carbon accounting workbook throughout the period The financial year 2024-25 will be the final year that it reports using this method

STRATEGIC REPORT (continued)

Reporting other disclosures

The disclosures that follow show the performance over the regulatory year ended 31 March 2025 to align with the reporting of WWSL, the principal subsidiary

Emissions for 2024-25 are shown on page 28, conforming with Ofwat's Annual Performance Report framework that applies to all the companies that they regulate. This account also integrates disclosures that fulfil the requirements of the Streamlined Energy and Carbon Reporting framework. This produces a different figure to that of our bespoke performance commitment, as a greater number of scope 3 categories are included.

All the emissions shown use location-based reporting and represent an April to March year as this is consistent with WWSL's regulatory performance reporting.

The Group does not yet purchase certified renewable electricity from grid suppliers, and therefore we are not yet providing market-based data in this report. We will continue to review this option at future buying rounds.

Our emissions during 2024-25 increased by 776 tonnes compared with 2023-24. While multiple factors have to be taken into account, certain aspects had a notable influence. In particular:

- Electricity consumption fell with the return to drier conditions than in 2023-24, but still higher than the long term average. The carbon intensity of grid electricity was virtually unchanged,
- natural gas consumption fell by 2 GWh,
- less sludge processed through conventional anaerobic digesters, with more treated by liming.

Renewable energy generated by the Group in 2024-25 amounted to 20 gigawatt hours of electricity and 77 gigawatt hours of biomethane.

Assurance

Assurance of WWSL's reported data is provided by its technical auditor, Mott MacDonald, as part of the assurance process for its annual performance review and regulated performance commitments.

STRATEGIC REPORT (continued)

Targets

In 2019 we announced our aim to achieve net zero operational emissions by 2030 and net zero total emissions by 2040. This applies to Wessex Water Services Limited and the emissions associated with its appointed activities. The 2030 aim is based on the items within scope in 2019:

- Scope 1: burning of fossil fuels, process emissions, group vehicles
- Scope 2: purchased electricity (generation)
- Scope 3: purchased electricity (transmission & distribution), business travel, outsourced activities

Our 2030 aim is not a science-based target, but we consider it to be aligned with the principles of the Paris Agreement and the United Nations Convention on Climate Change 1.5°C pathway. It also would involve a sharper reduction than the typical profile of Science Based Targets, which involve a 50% reduction of scope 1 and 2 emissions, commonly between 2020 and 2030. Our targets and planning are also contextualised by the UK's 2050 net zero aims and successive national carbon budgets.

We have not undertaken any carbon offsetting to date and buying carbon offsets would be a last resort, although we cannot entirely discount this approach. Even with full pursuit of the options available to us, we are likely to have residual emissions in 2030 – especially related to nitrous oxide and methane emitted from sewage and sludge treatment. This is true under all forms of carbon accounting, whether corporate carbon accounting with items being added to scope 3 reporting, or a fixed-in-time reporting as per the initial commitment made in 2019 as part of the Public Interest Commitment. If offsetting were unavoidable, we would favour schemes that offer benefits for biodiversity and local communities as well as carbon reduction, such as nature-based projects in our region, or more innovative approaches such as coastal wetland creation or restoration, or storage in marine vegetation such as sea grass. We will engage with our customers and other stakeholders on the topic of carbon offsetting to understand their viewpoints. The table below presents future targets for other climate-related metrics, as set out in Ofwat's final determination for 2025-30.

Climate-related metrics 2025-2030

	Baseline	2025-26	2026-27	2027-28	2028-29	2029-30
Leakage (% reduction from 2019-20)	5.5%	8.6%	12.1%	15.3%	17.9%	19.8%
Unplanned outage	4.8%	4.3%	3.7%	3.2%	2.7%	2.1%
Water supply interruptions (minutes / customer / year)	00:05:00	00:05:00	00:05:00	00:05:00	00:05:00	00:05:00
Per capita consumption (% reduction from 2019-20)	0.8%	0.6%	0.1%	0.9%	1.9%	3.2%
Business demand (% reduction from 2019-20)	2.9%	2.7%	3.2%	4.2%	5.8%	7.2%
Water quality Compliance Risk Index	0.00	0.00	0.00	0.00	0.00	0.00
Internal sewer flooding (incidents / 10,000 connections)	1.62	1.54	1.46	1.39	1.31	1.23
External sewer flooding	16.93	16.55	16.17	15.79	15.41	15.03
Pollution incidents - total (incidents / 10,000 km of sewer)	26.61	25.02	23.42	21.82	20.23	18.63
Pollution incidents - serious (incidents)	0	0	0	0	0	0
Storm overflows (spills / overflow)		21.89	21.64	20.66	19.65	18.24
Discharge permit compliance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
River water quality (% reduction phosphorus emissions)		56.35%	56.35%	57.03%	60.07%	61.44%
Bathing water quality (%)	77.9%	80.6%	80.6%	80.6%	80.6%	80.6%
Greenhouse gas emissions, water (% reduction)	0.00%	0.19%	0.88%	1.43%	2.05%	3.68%
Greenhouse gas emissions, wastewater (% reduction)	0.00%	-5.46%	5.01%	2.90%	0.05%	6.01%

STRATEGIC REPORT (continued)

The energy use and emissions data provided below is not exactly the same as the Wessex Water Services Ltd account, as we have included available data from the other group companies for energy consumption and scope 1 and 2 emissions

Energy consumption (as per SECR requirements)

	Year To March 25		Year To March 24		unit
	UK& offshore	Global (excl UK & offshore)	UK& offshore	Global (excl UK & offshore)	kWh
Energy consumption used to calculate emissions	483,843,007	20,532,546	466,043,412	32,681,970	

Greenhouse gas emissions (tonnes CO₂ equivalent)

	Year to March 25	Year to March 24
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OPERATIONAL EMISSIONS

Scope one¹	64,666	61,798
Burning of fossil fuels (location-based)	21,407	15,233
Process and fugitive emissions	31,370	34,755
Group vehicles	11,888	11,810
Scope two		
Purchased electricity (location-based)	48,005	50,696
Scope three²	46,383	47,079
Business travel	882	1,067
Outsourced activities	1,682	8,561
Purchased electricity extraction, production, transmission & distribution	15,825	12,094
Purchased fuels extraction, production, transmission and distribution	4,588	5,621
Treatment chemicals ³	13,784	10,578
Reuse of biosolids on third party land	9,622	9,158
Gross operational emissions	159,054	159,573
Subtractions exported renewable electricity	-	-
Net operational emissions	159,054	159,573

¹The items included in our operational emissions reported below were expanded in 2022-23. This is a result of Ofwat increasing the number of scope 1 items to be included in regulatory reporting within the annual performance report, with the following being added well-to-tank factors for electricity generation, electricity transmission and distribution, and purchased fuels, treatment chemicals, and re-use of biosolids on third party land

²A scope 3 capital carbon figure was included for whole life carbon estimates for our PR24 business plan submission

³The 2022-23 figure for treatment chemicals and capital projects have been corrected. The former correction has resulted in a correction of the 2022-23 gross and net operational emissions figures also

STRATEGIC REPORT (continued)

Acting to promote the success of the company (s 172 (1) statement)

Section 172 of the Companies Act 2006 requires a director of a company to act in good faith, as he or she considers will most likely promote the long-term success of the company for the benefit of all stakeholders as a whole

This section sets out how the Board has had regard to the matters set out in s 172(1) (a) to (f) in particular

- the likely consequence of any decision in the long term,
- the interests of the group's employees,
- the need to foster the group's business relationships with suppliers, customers and others,
- the impact of the group's operations on the community and the environment,
- the desirability of the group in maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the group

In discharging our section 172 duty, our directors, individually and collectively as the Board, act as they consider will best promote the success of the Group, for the benefit of all our stakeholders. As part of this duty, our directors have regard for likely long-term consequences of decisions and the reputation of the business demonstrated through high standards of business conduct

Our s172 duties have regard to our employees and to all our external stakeholders

- **Employees** – The Board regards the group employees as critical to deliver the vision, values and outcomes needed to meet our wider stakeholder expectations. It has established a number of channels to allow employees to be heard whether to raise concerns, make improvement suggestions or simply to appreciate how we work with them. The People's Council is a forum attended by representatives across the whole business and allows any employee to raise agenda items for discussion through their representative. The Council is attended by Board Executive Directors and meets twice a year. In addition, the Group undertakes an annual anonymous employee survey, the actions and progress towards meeting them debated within the Board. The Group also has Employee roadshows, lunch and learn sessions and an 'Ask the CEO' on a regular basis to improve learning, appreciation of other departments and to share the messages from the Board
- **External Stakeholders** – Our directors also have regard for our business relationships with our wider stakeholders, our social purpose, the impact of our operations on the environment and the communities we serve, as well as the need to act fairly to balance all stakeholder needs. Consideration of these factors and other relevant matters is embedded into all Board decision-making, strategy development and risk assessment throughout the year

Our key stakeholders and how we engage with them are set out in the table on the next page

STRATEGIC REPORT (continued)

Our key stakeholders and how we engage with them are set out in the table below,

Stakeholder group	What matters to our stakeholders?	Who?	Group engagement	Board level engagement and Impact
<p>Customers Our aim is to be a world-leading group and we can only do this through providing customers with excellent service and value for money</p>	<p>Our customers want an excellent service from us delivered efficiently at excellent value. They want bills to be affordable, and have the peace of mind that they are supported in times of need. They want excellent drinking water quality and waste removed without pollution. They want us to provide our services into the long-term, ensuring we have resilience through sustainable and responsible investment.</p>	<p>Residential Non-residential Those more vulnerable or facing difficult circumstances Minority/Under-represented groups Developers Retailers and bulk supply customers Future customers and generations, including children and students</p>	<p>Customer Challenge Group Customer feedback surveys Customer contacts Market research Feedback routes through customer magazine Website, including livechat Developer consultations Young People's Panel Working with schools and students Money Matters Projects NHS Key Worker Subsidy</p>	<p>Every Customer Matters Strategy Performance metrics Operational Resilience Young People's Panel Catchment Panel Environment and Public Value Committee and our Social Purpose Feedback from our customers and their representatives Informs our strategy, values, priorities including (but not limited to) our business planning priorities, charges, and pricing strategy</p>
<p>Customer representatives We value the opinions of all our customers and their representatives</p>	<p>Our customer representatives want to ensure that we value all customers and engage fully with them to understand their requirements, needs and concerns. Our customer representatives want to provide unrestricted challenge to us for the betterment of all customers.</p>	<p>Organisations representing customers in general such as Citizens Advice, Consumer Council for Water (CCW) or particular representatives such as Bristol Age UK.</p>	<p>Customer Challenge Group Tailored Assistance Programme Online partner hub and roadshows CCW public meetings</p>	<p>Customer Challenge Group CCW public meetings Feedback from our customers and their representatives Informs our strategy, values, priorities including (but not limited to) our business planning priorities, charges, and pricing strategy</p>
<p>Our people Our people are the embodiment of our culture and allow us to provide excellent service to our customers. Our people are also our customers.</p>	<p>Our people strive for excellence in their work and want to be developed to their full potential, working in a fully inclusive workplace, be given opportunities to shine and be rewarded fairly for the work they do. They want to be valued and their health and wellbeing kept safe from harm.</p>	<p>Current employees and their families Retired employees and their families, Pension scheme members and trustee board Future employees Unions</p>	<p>People's council Employee survey 'Ask the CEO' Employee roadshows Lunch and Learn talks Apprenticeship Provision</p>	<p>People's council Ask the 'CEO' Pension Trustee Board Employee committee Health, safety and welfare committee We listen and act on our employees' opinions to provide our people with satisfying careers.</p>
<p>Our supply chain Excellent relationships with our suppliers are key to delivering excellent services to our customer and nurturing business and innovation within our communities.</p>	<p>Our suppliers want us to provide them with fair, open and competitive opportunities regardless of their size so that both ourselves and they can grow and excel. Our suppliers want fair payment terms and assistance during times of economic hardship so that they can support us in delivering critical services to our customers.</p>	<p>External suppliers Other group companies</p>	<p>Wessex Water marketplace Membership of British Water Pipeline Industries Guild CBI</p>	<p>Our suppliers have provided us with innovative and new ways of working to deliver more services for less. We listen and nurture our supply base ensuring they are during times of hardship.</p>
<p>Our investors Our investors provide the financial support to enable us to deliver our strategy and live our values.</p>	<p>Our investors want to support a group that provides reputational and financial benefits to them. They want long-term performance that is supported by sound strategy, planning, governance, risk management and sustainability.</p>	<p>Banks and financial institutions Bond holders Shareholder</p>	<p>Ratings agencies Annual Report</p>	<p>Ratings agencies Annual Report Dividends Our investors provide our financial resilience.</p>

STRATEGIC REPORT (continued)

Stakeholder group	What matters to our stakeholders?	Who?	Group engagement	Board level engagement and Impact
<p>Government and Regulators Our Regulators provide the oversight to allow us to contribute to the UK as a nation, to support our environment, our public health standards and our economic infrastructure</p>	<p>Our regulators and government want the best outcomes for our customers, the environment and resilience. They want us and the water industry to be responsible, trustworthy and transparent in all our activities</p>	<p>Government departments MPs Local councillors Ofwat Environment Agency Natural England DWI Health & Safety Executive Pensions regulator Market Operator Services Ltd (MOSL)</p>	<p>Performance and risk reporting Strategic Policy Statement Price review methodology Charging Annual Review, Annual Performance Report and Interim accounts Health liaison panel</p>	<p>Board meetings and Committees Pre-appointment interviews Business planning and target setting Health and Safety strategy Environment and Public Value Committee Our regulators inform our strategy, our business plans, our processes. They provide valuable input into everything we do</p>
<p>Environmental NGOs We take our role as a custodian of our local environment seriously and with that the opinions of our environmental colleagues</p>	<p>Our environmental colleagues want us to value, protect, preserve and enhance our local environment, and contribute to wider environmental improvement</p>	<p>Wildlife interests Bathing water and river amenity interests Catchment and Land Management Waste minimisation</p>	<p>Catchment Panel Wessex Water Foundation Liaison groups</p>	<p>Environment and Public Value Committee We embed the opinions of our environmental colleagues into our aspirational direction and priorities</p>

The following case studies for WWL Group, provide some examples of how stakeholder interests have been taken into account in Board discussions and principal decisions taken during the reporting year. Principal decisions are central to the formation and delivery of our strategy and are those critical to our long-term performance and success. In any decision we consider the needs and requirements of all of our stakeholder groups, cognisant that we may not be able to meet everyone’s requirements as positively as we would like and take careful consideration of competing priorities.

Principal decision 1 – WWSL Response to the draft determination in respect of the PR24 Business Plan

Throughout the 2024-5 reporting year the WWSL board was closely involved in ongoing decision-making around the PR24 business plan process. Briefings and discussions on PR24 continued throughout the year prior to publication of Ofwat’s draft determination in July 2024.

The WWSL board then undertook extensive deliberation as to an appropriate response. Careful consideration was given to Ofwat’s critique of the original business plan in the context of the plan’s ambition and its content – particularly the unprecedented level of capital investment it contained - assessing this against overall deliverability and financial resilience of WWSL. The WWSL board took account of issues raised by Ofwat in respect of cost figures and targets set out in the business plan and discussed and gave due account to areas of legitimate challenge. Through its numerous discussions and questioning of WWSL leadership, the WWSL board had regard throughout to the longer-term interests of WWSL, the environment, and its stakeholders – particularly in identifying opportunities for compromise that did not materially prejudice deliverability, financial resilience or performance while minimising the risk of material impact to customers.

Principal decision 2 – WWSL Referral of PR24 Business Plan to the CMA

The WWSL board also needed to give due consideration to the of the final determination published by Ofwat in December 2024. In approaching this matter the WWSL board had to again have close regard to the interests of WWSL and its various stakeholders and to make a decision as to whether the content of the final determination was sufficient to meet the requirements of AMP8.

STRATEGIC REPORT (continued)

The WWSL board, after extensive consideration of the amounts required for delivery of WWSL's AMP8 investment programme and for supporting customers, employees and the environment, reached the conclusion that the allowances provided for in the final determination were not sufficient to maintain the long-term financial viability of WWSL. The WWSL board recognised that an appeal to the CMA represented a significant step, and had careful regard to the risks involved, particularly the risk of the CMA reaching a decision that was less beneficial than the position in the final determination. Ultimately the WWSL board reached the decision that referral of this matter to the CMA was in the best interests of WWSL and its stakeholders.

Principal decision 3 – WWSL Approving contractual relationship regarding support for AMP Delivery Programme

The WWSL board considered proposed arrangements between WWSL and YTL Infrastructure (UK) Limited (YTLI) – a YTL Group Company – in relation to delivery of the AMP8 capital programme. The WWSL board recognised the need for compliance with licence conditions and wider regulatory requirements, and for WWSL to maintain control over delivery of the programme, and that the commercial relationship should reflect this, including through robust reporting and auditing processes and contractual arrangements. The WWSL board also noted the important role that the expertise held in YTLI would play in supporting delivery of this ambitious programme but also allow YTLI to enhance the capabilities of the YTL Land and Property group. The Board emphasised the key principle that the customer should suffer no detriment but should be in the same or better position as they would be if these works were carried out by WWSL. Having established this position clearly, the WWSL board approved these arrangements.

The WWSL board agreed with the proposed level of interim expenditure having determined the scheme to be in the best interests of its customers, WWSL and regulators.

Principal decision 4 – Appointment of new WWSL Chief Executive

In 2024, Colin Skellett stood down as Chief Executive of WWSL after 36 years in the role. The appointment of a suitable replacement involved extensive deliberation by the WWSL board. The WWSL board had regard to the various challenges faced by WWSL both in the immediate term and also those likely to crystallise over the coming years. Due consideration was given to the leadership required to navigate these challenges while ensuring that the interests of WWSL and its various stakeholders was properly represented. After careful scrutiny of the various candidates for the role the WWSL board determined that Ruth Jefferson, the incumbent Chief Compliance Officer of WWSL, would be appointed Chief Executive and this was formally confirmed at a meeting of the WWSL board in September 2024.

The strategic report was approved by the Board of Directors on 19 September 2025 and signed on its behalf by



Colin Skellett
Director

DIRECTORS' REPORT

The Directors present their Directors' Report and the financial statements for the year to 30 June 2025

DIRECTORS

The Directors of the Company during the year and subsequently were

- Colin Skellett
- Mark Watts
- David Barclay
- Francis Sock Ping Yeoh *
- Seok Kah Dato Yeoh *
- Seok Hong Yeoh *
- Seok Kian Yeoh *

*Share interests of these Directors are disclosed in the accounts of YTL Power International Berhad and YTL Corporation Berhad

Directors' Interests

During the year no Director was materially interested in any contract with the Company or with any of its subsidiaries

Directors' Emoluments

	Salary £000	Bonus £000	Benefits £000	Total 2025 £000	Total 2024 £000
Colin Skellett	73	-	5	78	313
David Barclay	140	-	-	140	122
Total	213	-	5	218	435

In addition, Directors' emoluments and share interests in respect of services to group companies for Francis Sock Ping Yeoh, Seok Kah Dato Yeoh, Seok Hong Yeoh and Seok Kian Yeoh are shown in the accounts of YTL Power International Berhad and YTL Corporation Berhad, the pre-penultimate holding company. There were no material services to the company.

No directors are accruing benefits under Group pension schemes. Colin Skellett and Mark Watts received emoluments of £615k and 397k respectively for their services to the other group companies.

Directors' Share Interests

Shares held

The ordinary shares of YTL Power International Berhad of Malaysian Ringgit (MYR) 0.50 were held by

	At 30 June 2024	Movements	At 30 June 2025
Mark Watts	330,306	-	330,306

There were no other interests in shares of group companies that are disclosable in these accounts. There is no requirement for directors to hold shares in the company.

Dividends

The dividend policy is to declare dividends consistent with the Company's performance and prudent management of the economic risk of the business. The dividend is shown in note 10.

DIRECTORS' REPORT *(continued)*

Going concern

An overview of the business activities of the group is given in the Strategic Report on pages 2 to 35. A review of the principal risks that the group faces is given in the risk management section on pages 13 to 15. The debt facilities available at the year-end date, amounts outstanding and the maturity profile of this debt are shown in note 19.

The Group meets its day-to-day working capital requirements and medium and long term funding requirements through the cash and short term deposits described in note 18 and the facilities described in note 19. During the year the Group issued £600m of corporate bonds under its £5bn Euro medium-term note programme reflecting the Group's ability to secure finance. Under some of the facilities the Group is required to comply with an interest cover and gearing covenant tested quarterly and the covenants remain the same in the new facilities.

The Directors have considered the financial position of the Group and cash flow forecasts for the period from the date of approval of these Financial Statements through 31 December 2026 (the going concern review period) and have concluded they will be able to meet their liabilities as they fall due and comply with the covenants for the going concern review period. In coming to this conclusion, the directors have evaluated the impact of current macroeconomic and geopolitics on revenues and debt, the repayment of loans maturing in the going concern review period, the required future financing requirements of the Group and for WWSL, Ofwat's announcement of the PR24 final determination and the subsequent referral of this determination to the Competition and Markets Authority (CMA). [Find out more about the appeal to the CMA](#)

The Directors have noted there is debt falling due for repayment within the going concern period, in particular £120m KfW IPEX Bank loan due in January 2026. The Directors have considered the consistently strong operating performance, market experience for the Group and other water companies, the current leverage and credit rating of the bonds and a successful history of issuing bonds and raising debt over the past 20 years, most recently the bond issued in March 2025. Based on this consideration, as well as the time period available to raise the required funding, the Directors are satisfied that the issuance of debt included within the forecasts for the going concern period to repay the loan and finance the capital programme over the period is achievable.

In order to facilitate the future issuance of bonds the Group established a £5bn Euro medium-term note programme on 6 September 2023. The first issuance under the new programme having taken place in November 2023 with the latest issuance in March 2025. The programme has since been renewed on 6 September 2024.

On the assumption that any required funding described above will be successfully raised by the Group for the reasons noted above, the Directors have considered a severe but plausible downside scenario, to assess the impact on covenant compliance through the going concern review period. This includes considering the impact of adverse macroeconomic factors including higher inflation and interest rates combined with lower consumption and operational events such as asset and customer service failures leading to regulatory enforcement. In situations requiring mitigations to be deployed, the Group could reduce discretionary expenditure, defer capital expenditure and/or cancel non-essential capital expenditure.

Accordingly, after considering the forecasts, appropriate sensitivities, available facilities and the ability to raise additional debt, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and to comply with its financial covenants for the going concern review period through to 31 December 2026, therefore, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Streamlined Energy and Carbon Reporting

Our greenhouse gas reporting uses a very well-established process, being the UK water sector's carbon accounting workbook commissioned by UK Water Industry Research (UKWIR). The workbook is updated annually with emission factors issued by the government and has had periodic updates of sector-specific emission factors from other sources such as research and industry databases.

Emissions for 2024-25 are shown on page 31. All the emissions shown use location-based reporting and represent an April to March year to align with the regulatory timeframe published by the main subsidiary.

DIRECTORS' REPORT *(continued)*

Sustainability

The Group has a sustainability vision that guides its progress towards being a sustainable water group. The sustainability vision is reviewed bi-annually.

We are honest in the way we conduct our business. We treat one another, our customers and the environment with respect.

Ethical policy

We are determined to maintain our reputation as a Company that observes the highest standards of personal and corporate integrity by adhering to a strict code of business ethics. We aim to be the best and value everyone's contribution in our pursuit of excellence.

Our People

It takes great people and great teamwork to provide our services. That's why we encourage and reward our employees for their contribution to achieving our aims. We seek their ideas and put them into practice, celebrate success and encourage them to go the extra mile. This year we launched our People Programme, a dedicated programme of initiatives to address current and future strategic people priorities in areas including resourcing, talent management, reward and recognition, future working, diversity and employee wellbeing.

Our apprenticeship strategy is proving successful for both the Company and the local community, offering secure employment opportunities across our region.

Employment

The Group is an equal opportunities employer. No person or group of persons applying for a job with the group is treated less favourably than any other person or groups of persons because of their gender, race, class, colour, nationality, ethnic origin, marital status, sexual orientation, age, trade union membership or activity, religious belief or physical or mental disability. Selection procedures and criteria ensure that individuals are selected and promoted on the basis of their relevant merits and abilities. These procedures are monitored and regularly reviewed. Where necessary, the Group provides staff with special training facilities to enable them to compete or qualify for positions, or to progress, within the Group.

Modern Slavery Act

The Group is committed to meeting the aims of the Modern Slavery Act 2015. We strongly oppose slavery and human trafficking in our supply chains and in any part of our business. To be trusted to do the right thing is one of our core values. We would never knowingly engage with suppliers or contractors involved in slavery or human trafficking. In accordance with the requirements of the Act we have published on our website a Slavery and human trafficking statement 2018.

Environment Policy

The Group protects, conserves and improves the environment and operates in a socially responsible manner. Working practices are continually revised as improved techniques and technologies become available. The environment policy is reviewed annually.

Research and Development

The Group carried out research and development in support of existing activities to improve the reliability and effectiveness of water and waste water services.

DIRECTORS' REPORT *(continued)*

Charitable and political donations

We aspire to be responsible members of our community as it reflects our aim of doing the right thing. It is also important to colleagues, customers and our shareholder.

During the year £939,941 was donated to UK charities (2024: £726,584). There were no political donations in either year.

Supplier Payment Policy

We need to maintain relationships with suppliers who meet our high standards and demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.

The policy in respect of its suppliers is to agree the payment terms for transactions in advance and to make payments in accordance with those terms. At 30 June 2025, trade creditors represented approximately 11 days trade purchases (2024: 18 days). The Group does not follow any specific external code or standard on payment policy.

Corporate Governance

WWSL is required to meet the objectives and supporting principles on Board leadership, transparency and governance as published by Ofwat in January 2019. Details of compliance are shown in the Regulatory Accounts and Annual Report and accounts of WWSL whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

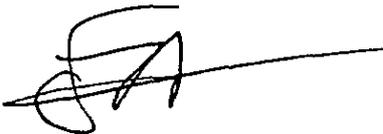
Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 to 35. Information on the use of financial instruments by the Company are shown in note 26 to the financial statements.

Re-appointment of Auditor

Following a resolution of the Board, Ernst & Young LLP were re-appointed as the auditor of the Company for the current financial year.

By order of the Board,



Colin Skellett
Director
19 September 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK adopted international accounting standards. 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 group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance,
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements,
- in respect of the parent company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006, 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 appropriate to presume that the company and/ or the group will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' responsibility statement

The directors confirm, to the best of their knowledge

- that the consolidated financial statements, prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole,
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the group and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy.

Consolidated Income Statement

For the year ended 30 June 2025

	Note	2025 £m	2024 £m
Revenue	3,4	<u>1,003.1</u>	<u>863.9</u>
Expected credit loss charge		(27.0)	(23.3)
Other expenses		<u>(800.4)</u>	<u>(680.7)</u>
Total operating costs	5	<u>(827.4)</u>	<u>(704.0)</u>
Other operating income	5	9.1	4.5
Net valuation losses	15	<u>(0.4)</u>	-
Operating profit	3	<u>184.4</u>	<u>164.4</u>
Finance income	8	9.8	13.2
Finance costs	8	<u>(154.4)</u>	<u>(185.8)</u>
Net financing expense		<u>(144.6)</u>	<u>(172.6)</u>
Profit/(loss) before tax		39.8	(8.2)
Taxation	9	<u>(11.5)</u>	<u>7.8</u>
Profit/(loss) for the year		<u>28.3</u>	<u>(0.4)</u>
Attributable to:			
Equity holders of the parent		27.5	(1.1)
Non-controlling interest		<u>0.8</u>	<u>0.7</u>
Profit/(loss) attributable		<u>28.3</u>	<u>(0.4)</u>

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2025

	Note	2025 £m	2024 £m
Profit/(loss) for the year		28.3	(0.4)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit asset	21	5.6	(6.4)
Income tax on items that will not be reclassified to profit or loss	9	(1.4)	1.6
		4.2	(4.8)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		(0.2)	(0.3)
		(0.2)	(0.3)
Other comprehensive income/(loss) for the year, net of income tax		4.0	(5.1)
Total comprehensive income/(loss) for the year		32.3	(5.5)
Total comprehensive income/(loss) attributable to			
Equity holders of the parent		31.5	(6.2)
Non-controlling interest		0.8	0.7
Total comprehensive income/(loss) for the year		32.3	(5.5)

Consolidated Statement of Financial Position
At 30 June 2025

	Note	Group 2025 £m	Group 2024 £m
Non-current assets			
Property, plant and equipment	12	4,798.4	4,511.1
Right of use assets	11	6.2	4.0
Intangible assets	13	37.1	48.5
Non-current financial assets	15	101.6	98.2
Retirement benefit surplus	21	11.7	5.9
		<u>4,955.0</u>	<u>4,667.7</u>
Current assets			
Inventories	16	8.1	8.4
Trade and other receivables	17	299.3	297.0
Other financial assets	18	50.0	1.0
Cash and cash equivalents	18	55.1	5.6
		<u>412.5</u>	<u>312.0</u>
Total assets		<u><u>5,367.5</u></u>	<u><u>4,979.7</u></u>
Current liabilities			
Bank overdraft	18	(1.5)	(10.4)
Other interest-bearing loans and borrowings	19	(149.5)	(119.3)
Corporation tax payable		(1.7)	-
Trade and other payables	20	(283.8)	(309.9)
Provisions	23	(2.0)	(1.7)
		<u>(438.5)</u>	<u>(441.3)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(3,412.7)	(3,025.6)
Contract liabilities	20	(5.8)	(5.7)
Retirement benefit deficit	21	(0.6)	(0.7)
Deferred income	22	(336.5)	(324.0)
Deferred tax liabilities	24	(592.8)	(581.3)
		<u>(4,348.4)</u>	<u>(3,937.3)</u>
Total liabilities		<u><u>(4,786.9)</u></u>	<u><u>(4,378.6)</u></u>
Net assets	3	<u><u>580.6</u></u>	<u><u>601.1</u></u>
Equity			
Share capital	25	131.8	131.8
Retained earnings		446.7	468.0
Non-controlling interest	25	2.1	1.3
Total equity		<u><u>580.6</u></u>	<u><u>601.1</u></u>

These financial statements were approved by the Board of Directors on 19 September 2025 and were signed on its behalf by



Colin Skellett, Director

Statement of Financial Position
At 30 June 2025

	<i>Note</i>	Company 2025 £m	Company 2024 £m
Non-current assets			
Property, plant and equipment		-	0.1
Intangible assets		-	0.2
Investments in subsidiaries	14	83.9	81.4
Non-current financial assets	15	131.9	128.5
Deferred tax asset		0.1	0.1
		<u>215.9</u>	<u>210.3</u>
Current assets			
Trade and other receivables	17	5.1	29.1
Other financial assets	18	-	1.0
Cash and cash equivalents	18	-	0.2
		<u>5.1</u>	<u>30.3</u>
Total assets		<u><u>221.0</u></u>	<u><u>240.6</u></u>
Current liabilities			
Bank overdraft	18	(1.4)	-
Other interest-bearing loans and borrowings	19	(12.5)	(43.6)
Trade and other payables	20	(22.6)	(39.4)
		<u>(36.5)</u>	<u>(83.0)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(36.2)	(7.2)
		<u>(36.2)</u>	<u>(7.2)</u>
Total liabilities		<u><u>(72.7)</u></u>	<u><u>(90.2)</u></u>
Net assets		<u><u>148.3</u></u>	<u><u>150.4</u></u>
Equity			
Share capital	25	131.8	131.8
Retained earnings		16.5	18.6
Total equity		<u><u>148.3</u></u>	<u><u>150.4</u></u>

During the year Wessex Water Ltd (the Company) made a profit after tax of £50.7m (2024: £79.9m)

These financial statements were approved by the Board of Directors on 19 September 2025 and were signed on its behalf by



Colin Skelllett, Director

Consolidated Statement of Changes in Equity
For the year ended 30 June 2025

Group

	<i>Note</i>	Share capital £m	Retained earnings £m	Non- controll- ing interests £m	Total equity £m
Balance at 1 July 2023		131.8	552.2	0.6	684.6
Total comprehensive loss for the year					
Loss for the year		-	(1.1)	0.7	(0.4)
Other comprehensive loss		-	(5.1)	-	(5.1)
Total comprehensive loss for the year		-	(6.2)	0.7	(5.5)
Transactions with owners, recorded directly in equity					
Dividends	10	-	(78.0)	-	(78.0)
Total contributions by and distributions to owners		-	(78.0)	-	(78.0)
Balance at 30 June 2024		131.8	468.0	1.3	601.1
Balance at 1 July 2024		131.8	468.0	1.3	601.1
Total comprehensive income for the year					
Profit for the year		-	27.5	0.8	28.3
Other comprehensive income		-	4.0	-	4.0
Total comprehensive income for the year		-	31.5	0.8	32.3
Transactions with owners, recorded directly in equity					
Dividends	10	-	(52.8)	-	(52.8)
Total contributions by and distributions to owners		-	(52.8)	-	(52.8)
Balance at 30 June 2025		131.8	446.7	2.1	580.6

Statement of Changes in Equity
For the year ended 30 June 2025

Company

	<i>Note</i>	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 July 2023		<u>131.8</u>	<u>16.7</u>	<u>148.5</u>
Total comprehensive income for the year				
Profit for the year		-	79.9	79.9
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	79.9	79.9
Transactions with owners, recorded directly in equity				
Dividends	10	-	(78.0)	(78.0)
Total contributions by and distributions to owners		-	(78.0)	(78.0)
Balance at 30 June 2024		<u>131.8</u>	<u>18.6</u>	<u>150.4</u>
Balance at 1 July 2024		<u>131.8</u>	<u>18.6</u>	<u>150.4</u>
Total comprehensive income for the year				
Profit for the year		-	50.7	50.7
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	50.7	50.7
Transactions with owners, recorded directly in equity				
Dividends	10	-	(52.8)	(52.8)
Total contributions by and distributions to owners		-	(52.8)	(52.8)
Balance at 30 June 2025		<u>131.8</u>	<u>16.5</u>	<u>148.3</u>

Statements of Cash Flows
For year ended 30 June 2025

	Note	Group 2025 £m	Group 2024 £m	Company 2025 £m	Company 2024 £m
Cash flows from operating activities					
Profit/(loss) for the year		28.3	(0.4)	50.7	79.9
<i>Adjustments for</i>					
Depreciation and amortisation	5	138.0	126.1	0.2	0.1
(Gain) on disposal of property, plant and equipment	5	(4.6)	(1.4)	-	-
Property, plant and equipment written off	5	1.4	1.9	-	-
Net loss on derecognition of intangible assets	5	14.3	-	-	-
Impairment of investment/loans in subsidiary		-	-	-	(0.4)
Net foreign exchange differences		0.2	-	-	-
Decrease in Fair Value of investments	15	0.4	-	0.4	-
Financial income	8	(9.8)	(13.2)	(59.5)	(86.4)
Financial expense	8	154.4	185.8	2.9	3.0
Taxation	9	11.5	(7.8)	-	(0.3)
		<u>334.1</u>	<u>295.2</u>	<u>(5.3)</u>	<u>(4.1)</u>
Decrease/(increase) in trade and other receivables		(6.6)	(41.8)	0.5	-
Decrease in inventories		0.3	0.2	-	-
(Decrease)/increase in trade and other payables		(49.0)	51.7	0.3	0.2
Increase/(decrease) in provisions and employee benefits		0.3	(0.1)	-	-
		<u>(55.0)</u>	<u>10.0</u>	<u>0.8</u>	<u>0.2</u>
Tax received		-	7.7	-	0.2
Net cash generated from/(used in) operating activities		<u>279.1</u>	<u>312.9</u>	<u>(4.5)</u>	<u>(3.7)</u>
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		9.1	2.1	-	-
Proceeds from infrastructure charges and capital contributions		11.1	5.7	-	-
Acquisition of property, plant and equipment		(365.6)	(423.0)	-	-
Acquisition of intangible assets		(15.0)	(7.3)	-	-
Additional equity contribution in subsidiaries		-	-	(1.5)	-
Interest received		3.5	7.0	-	-
Dividends received		-	-	68.3	77.5
Acquisition of financial instruments		(50.0)	(90.0)	-	-
Proceeds from sale of financial instruments		1.0	137.3	1.0	1.0
Net cash (used in)/generated from investing activities		<u>(405.9)</u>	<u>(368.2)</u>	<u>67.8</u>	<u>78.5</u>
Cash flows from financing activities					
Proceeds from borrowings	19	855.9	409.0	2.0	14.0
Interest paid	19	(125.3)	(105.0)	(0.2)	(2.3)
Repayment of borrowings	19	(482.0)	(314.9)	(4.1)	(13.9)
Payment of principal portion of lease liabilities	19	(0.8)	(0.6)	-	-
Dividends paid		(62.6)	(71.5)	(62.6)	(71.5)
Net cash generated from/(used in) financing activities		<u>185.2</u>	<u>(83.0)</u>	<u>(64.9)</u>	<u>(73.7)</u>
Increase/(decrease) in cash and cash equivalents		58.4	(138.3)	(1.6)	1.1
Cash and cash equivalents at 1 July		(4.8)	133.5	0.2	(0.9)
Cash and cash equivalents at 30 June	18	<u>53.6</u>	<u>(4.8)</u>	<u>(1.4)</u>	<u>0.2</u>

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

Wessex Water Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02366633 and the registered address is Wessex Water Operations Centre, Claverton Down Road, Bath, BA2 7WW.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and joint ventures. The parent company financial statements present information about the Company as a separate entity and not about its group. Both the parent company financial statements and the group financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards in accordance with the provisions of the Companies Act 2006. On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

In preparing these financial statements the Directors have considered the impact of climate change including but not limited to the impairment of assets and compliance with regulations and are satisfied there is currently no material impact on the group's financial performance and position. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. 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 33.

1.2 Measurement convention

The consolidated financial statements have been prepared on a historical cost basis, except for joint venture investments that have been measured at fair value. The consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency, and is also the Company's functional currency.

1.3 Going concern

An overview of the business activities of the group is given in the Strategic Report on pages 2 to 35. A review of the principal risks that the group faces is given in the risk management section on pages 13 to 15. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 19.

The Group meets its day-to-day working capital requirements and medium and long term funding requirements through the cash and short term deposits described in note 18 and the facilities described in note 19. During the year the Group issued £600m of corporate bonds under its £5bn Euro medium-term note programme reflecting the Group's ability to secure finance. Under some of the facilities the Group is required to comply with an interest cover and gearing covenant tested quarterly and the covenants remain the same in the new facilities.

The Directors have considered the financial position of the Group and cash flow forecasts for the period from the date of approval of these Financial Statements through 31 December 2026 (the going concern review period) and have concluded they will be able to meet their liabilities as they fall due and comply with the covenants for the going concern review period. In coming to this conclusion, the directors have evaluated the impact of current macroeconomic and geopolitics on revenues and debt, the repayment of loans maturing in the going concern review period, the required future financing requirements of the Group and for WWSL, Ofwat's announcement of the PR24 final determination and the subsequent referral of this determination to the Competition and Markets Authority (CMA). [Find out more about the appeal to the CMA](#)

The Directors have noted there is further debt falling due for repayment within the going concern period, in particular £120m of KFW IPEX Bank loan due in January 2026. The Directors have considered the consistently strong operating performance, market experience for the Group and other water companies, the current leverage and credit rating of the bonds and a successful history of issuing bonds and raising debt over the past 20 years, most recently the bond issued in March 2025. Based on this consideration, as well as the time period available to raise the required funding, the Directors are satisfied that the issuance of debt included within the forecasts for the going concern period to repay the loan and finance the capital programme over the period is achievable.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.3 Going concern (continued)

In order to facilitate the future issuance of bonds the Group established a £5bn Euro medium-term note programme on 6 September 2023. The first issuance under the new programme having taken place in November 2023 with the latest issuance in March 2025. The programme has since been renewed on 6 September 2024.

On the assumption that any required funding described above will be successfully raised by the Group for the reasons noted above, the Directors have considered a severe but plausible downside scenario, to assess the impact on covenant compliance through the going concern review period. This includes considering the impact of adverse macroeconomic factors including higher inflation and interest rates combined with lower consumption and operational events such as asset and customer service failures leading to regulatory enforcement. In situations requiring mitigations to be deployed, the Group could reduce discretionary expenditure, defer capital expenditure and/or cancel non-essential capital expenditure.

Accordingly, after considering the forecasts, appropriate sensitivities, available facilities and the ability to raise additional debt, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and to comply with its financial covenants for the going concern review period through to 31 December 2026, therefore, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

1.4 Foreign currency

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The financial statements of foreign operations are translated into the Group's presentation currency in accordance with applicable accounting standards. Assets and liabilities are translated at the closing exchange rate at the reporting date, while income and expenses are translated at exchange rates at the dates of the transactions or an average rate if it approximates actual rates. Equity items are translated at historical rates. Exchange differences arising from translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, and are only recycled to profit or loss upon disposal of the foreign operation.

1.5 Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.5 Financial instruments (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes intercompany loans repayable in more than 12 months.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings. Accrued interest arising from financial liabilities is recognised within "Trade and Other Payables" in the statement of financial position.

Subsequent measurement - Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.5 Financial instruments (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Under IAS 16 sewers adopted at nil cost to the Company are included in property, plant and equipment at a fair value, which is the estimated cost of constructing the sewer at the time of adoption and depreciated at the same rate as infrastructure assets.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Land and buildings 10 to 80 years
- Infrastructure assets 60 to 200 years
- Plant, equipment and vehicles 2 to 30 years
- Office & IT equipment 3 to 10 years

Infrastructure assets comprise 8 components:

Impounding reservoirs 150 years, raw water mains 100 years, treated water mains 100 years, communication pipes 100 years, sewers 200 years, sewage pumping stations 60 years, combined sewer overflows 80 years and sea outfalls 60 years. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.7 Intangible assets and goodwill (continued)

- External customer lists 10 years
- Specialised computer software 10 years
- In-house computer software development 5 years
- Other computer software development 3 years

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of those assets. The value in use calculation requires the Group to estimate the future cash flows expected to arise from those assets and apply a suitable discount rate in order to calculate the present value.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets that are expected to have a maturity of one year or less, the group has applied the practical expedient and followed the simplified approach in calculating expected credit losses (ECL). Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

The Group assesses ECL on trade receivables using a model which reflects long-term historical cash collection trends and assumes a consistent level of credit risk over time. The group estimates ECL based on observed collection rates, adjusted for known changes in customer behaviour and macroeconomic conditions where relevant. The model does not rely on days past due but instead incorporates a forward-looking assessment of collectability based on historical recovery patterns and current expectations. The methodology is reviewed periodically to ensure it remains appropriate in light of emerging trends and economic developments.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables and contract assets is disclosed in Note 27. The group considers a financial asset in default when contractual payments are 80 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.9 *Impairment excluding inventories and deferred tax assets (continued)*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.10 *Employee benefits*

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Group determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets. The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The assets of the scheme are held separately from those of the Group. The scheme has been closed to new members since 2009.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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 statement of profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.11 *Provisions*

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.12 Revenue

Supply of water and sewerage services

The nature of the water industry in the UK is such that revenue recognition is subject to a degree of estimation. The assessment of water sales to customers is based on internal data where final settlement data is not yet available. At the end of each period, amounts of water delivered to customers are estimated and the corresponding billed and unbilled revenue is assessed and recorded in Revenue. For the purpose of the judgement various factors are considered such as seasonality, historic billing profiles, leakage data and general economic conditions.

The company, under the license granted by the Government, has the right to supply water and sewerage services to customers, together with an obligation to maintain and develop the network and ensure its continued availability. Revenue from contracts with customers is recognised when control of these goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

For metered customers this amount is determined by the meter reading. For unmetered customers, the amount to which the Company has a right to receive is determined by the passage of time during which the customer occupies a property within the Company's licensed region. Revenue represents income receivable in the ordinary course of business, excluding VAT, for services provided. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company.

Other Revenues

Developer Services

These are services related to the obligation under statute to allow property developers to establish an authorised connection to the water and/or sewerage network. In obtaining the connection the developer may contribute to the Company's capital costs through the following:

- (i) Requisition fees for water and waste water mains
- (ii) Other capital contributions in relation to connecting the development to the water and waste water mains
- (iii) Adoptions by the company of infrastructure built by the developer
- (iv) Infrastructure charges, being a contribution to network reinforcement

Period over which income is recognised

From the perspective of the Group these activities are not separable nor distinct and instead form a bundle of activities necessary to establish an authorised connection from which the network access can be obtained. Also, the Company has an additional obligation under statute to keep the connection in place for all current and future occupiers and facilitate ongoing access to the network for as long as the property requires service provision. Consequently, revenue from Developer Services will be deferred over the shorter of expected period of service provision or the period to the end of the assets expected useful life (typically in the range 60 to 200 years).

Financing Component

The proceeds do not need to be adjusted for the difference in timing of payments and recognition of income as the timing difference does not arise as a result of the provision of finance, but rather comes as a consequence of the nature of the regulatory environment.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.12 Revenue (continued)

Renewable Obligation Certificates (ROC) and Renewable Heat Incentives (RHI)

A subsidiary of the group generates green electricity and gas from combined heat and power plants along with the Biomethane plants which are accredited with government incentive schemes. The schemes run for twenty years from application and are based on fixed tariffs plus inflation each year. ROCs are issued monthly relating to the supply of green electricity to the grid with meter readings and submissions subsequently checked by OFGEM. Revenue is therefore recognised in the period to which it relates.

Liquid Waste Treatment

Customer's waste is categorised as domestic or controlled. The agreements for treatment of controlled waste are short term and acceptance of all waste is determined by available treatment capacity at Wessex Water Services Ltd sewage treatment works.

Domestic waste has an annual fixed tariff which has three tiers for strength of waste based on suspended solids and chemical oxygen demand. Waste is either measured using sludge loggers or from samples taken from the tanker sent to Wessex Water laboratory for analysis. Controlled waste is organic waste coming from industrial processes such as food processing and landfill leachate. Each individual waste stream is sampled with the suspended solids and chemical oxygen demand determining a treatment charge which is agreed with the customer.

Revenue is recognised in the period the waste was treated, the acceptance of waste from the customer being the fulfilment of the performance obligation.

Property Searches

The group trades under the brand 'Wessex Searches' delivering the CON29DW product, a drainage and water search. Solicitors, search agencies and individuals are supplied with mapping information of water supply and sewage pipes relating to an individual residential or commercial property. Associated products are also procured from third parties such as local councils, mining authority and environmental search providers and sold as a package within the CON29DW product.

The fee charged for these services covers a specific product supplied at a particular point with the revenue being recognised at this point.

Other General Revenues

General other revenue which includes income from related parties is recognised by reference to each distinct performance obligation promised in the contract with customer. Depending on the substances of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

1.13 Contract Balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.14 *Deferred Grants and Contributions*

Grants and contributions in respect of specific expenditure on non-infrastructure fixed assets are treated as a contract liability and recognised in the profit and loss account over the expected useful economic lives of the related assets

Grants and contributions relating to infrastructure assets are amortised over the appropriate useful economic life (see 1.6)

Sewers adopted at nil cost to the group are shown in deferred income at a fair value, which is the estimated cost of constructing the sewer at the time of adoption, and amortised at the same rate as infrastructure assets are depreciated

1.15 *Expenses*

Lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable lease payments that do not depend on an index or a rate are recognised as expenses. In addition, depreciation is charged on a straight-line basis on a right-of-use asset recognised at the inception of the lease.

Financing income and expenses

Financing expenses comprise interest payable and lease interest. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.16 *Taxation*

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and at the time of the transaction does not give rise to equal taxable and deductible temporary differences and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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.

1.17 *Dividends*

Dividends are proposed by the Board and immediately afterwards are authorised by the shareholder and are therefore recognised as a liability in the accounts until paid.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.18 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. In assessing control, the Group takes into consideration

- Power over the investee (i.e. existing rights that give it the current ability to direct relevant activities of investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The consolidated financial statements account for joint ventures using the equity method, initially recognising the investment at cost. Subsequently the carrying amount is adjusted to recognise changes in the Group's share of net assets, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

1.19 Fair value measurement

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either

- In the principal market for the asset or,
- In the absence of a principal market, in the most advantageous market for the asset

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

A fair value measurement of investment properties takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.19 Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows.

• Land and property	3 to 99 years
• Plant and machinery	3 to 15 years
• Motor vehicles and other equipment	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (1.9) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 19).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.20 Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Where the lease terms require, we maintain adequate insurance to cover all risks retained by the Group as a lessor.

As a lessor, the Group does not have any items of property, plant or equipment that are subject to operating leases.

1.21 Software-as-a-Service (SaaS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

1.22 IFRS Standards issued but not effective

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to IAS 7, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

At the balance sheet date, no other Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Group's financial position.

2 Changes in accounting policies and disclosures

In the prior year, the Company adopted the amendments to IAS12 "Income Taxes" relating to "International Tax Reform - Pillar Two Rules" issued by the International Standards Boards (IASB) in May 2023. The amendments provide a temporary mandatory exception from recognising and disclosing information about deferred tax assets and liabilities arising from the implementation of Pillar Two model rules.

Notes to the financial statements (continued)

3. Business unit performance

	2025 £m	2024 £m
<i>Revenue</i>		
Regulated	940.2	794.8
Unregulated	<u>62.9</u>	<u>69.1</u>
	<u><u>1,003.1</u></u>	<u><u>863.9</u></u>
 <i>Operating profit</i>		
Regulated	182.8	156.9
Unregulated	<u>1.6</u>	<u>7.5</u>
	<u><u>184.4</u></u>	<u><u>164.4</u></u>
 <i>Net assets</i>		
Regulated	429.9	446.4
Unregulated	<u>150.7</u>	<u>154.7</u>
	<u><u>580.6</u></u>	<u><u>601.1</u></u>

For management purposes, the group is organised into units based on the business environment it operates in and has two reportable segments, Regulated and Unregulated

The board monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Business unit performance is evaluated based on a combination of Revenues, Operating profit and Net asset value and is measured consistently with the consolidated financial statements

Notes to the financial statements (continued)

4. Revenue from contracts with customers

Current year	House- hold £m	Non- house- hold £m	Total £m
Wholesale revenue - Water Supply			
Unmeasured	58.7	9.7	68.4
Measured	<u>120.3</u>	<u>182.1</u>	<u>302.4</u>
	179.0	191.8	370.8
Wholesale revenue - Waste Water			
Unmeasured	116.1	53.1	169.2
Measured	<u>238.6</u>	<u>147.5</u>	<u>386.1</u>
	354.7	200.6	555.3
Other revenue			
Regulated			14.1
Unregulated			62.9
Total revenue			<u><u>1,003.1</u></u>
Prior year	House- hold £m	Non- house- hold £m	Total £m
Wholesale revenue - Water Supply			
Unmeasured	54.4	9.0	63.4
Measured	<u>98.6</u>	<u>155.4</u>	<u>254.0</u>
	153.0	164.4	317.4
Wholesale revenue - Waste Water			
Unmeasured	105.7	43.0	148.7
Measured	<u>196.1</u>	<u>122.7</u>	<u>318.8</u>
	301.8	165.7	467.5
Other revenue			
Regulated			9.9
Unregulated			69.1
Total revenue			<u><u>863.9</u></u>

Notes to the financial statements (continued)

4. Revenue from contracts with customers (continued)

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removing and treating of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, though following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time. Residential retail revenues relate solely to the margin applied to the wholesale amounts charged to residential customers. The wholesale charges and retail margin are combined in arriving at the total revenues relating to water and wastewater services provided to household customers.

Other revenues comprise a number of regulated and non-regulated income streams including those described in note 1.12.

Contract balances

Contract assets of £6.5m (2024: £5.8m, see Note 17) are included in the statement of financial position under trade and other receivables. At the year-end there were liabilities for contract liabilities for receipts in advance relating to contracts of £91.1m (2024: £89.4m, see Note 20).

5. Operating costs and auditor's remuneration

Included in the income statement are the following

	2025	2024
	£m	£m
Employee costs (note 6)	187.1	183.4
Power	55.9	58.5
Raw Materials and consumables	276.3	232.3
Rates	26.1	22.4
Expected credit loss charge	27.0	23.3
Service charges	10.7	6.5
Depreciation of property, plant and equipment (note 12)	127.7	118.5
Depreciation of right of use assets (note 11)	1.4	0.9
Amortisation of intangible assets (note 13)	12.0	9.8
Net loss on derecognition of intangible assets (note 13)	14.3	4.2
Property, plant and equipment written off – disposals	1.4	1.9
Short-term lease expense (note 11)	16.3	17.2
Infrastructure maintenance expenditure	21.9	19.4
Ofwat licence fee	2.0	2.0
Other operating costs	173.8	125.1
	<u>953.9</u>	<u>831.2</u>
Own work capitalised	(126.5)	(127.2)
	<u>827.4</u>	<u>704.0</u>
Other income		
(Gain) on disposal of property, plant and equipment	(4.6)	(1.4)
Amortisation of deferred income (note 22)	(3.1)	(3.1)
Property damage compensation	(1.4)	-
	<u>(9.1)</u>	<u>(4.5)</u>

Notes to the financial statements (continued)

5. Operating costs and auditor's remuneration (continued)

Other operating costs consist of costs not falling into any of the above categories, such as, transport, insurance, IT, rent or hired staff. Own work capitalised relates to costs transferred to assets under construction.

	2025	2024
	£000	£000
<i>Fees payable to the Company's auditor for</i>		
Audit of these parent and consolidated financial statements	57	55
Audit of the Company's subsidiaries	452	472
Audit related assurance services	181	140
Other non-audit services	109	189
	<u>799</u>	<u>856</u>

Audit-related assurance services are in connection with the Group's regulatory reporting requirements for Ofwat. The non-audit services include £109,200 relating to bond issuances.

6 Staff numbers and costs

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

	Number of employees	
	2025	2024
Water and sewerage services	2,908	2,936
Water retail services	75	374
Operations and maintenance contracts	175	153
Other	36	130
	<u>3,194</u>	<u>3,593</u>

The aggregate payroll costs (including directors remuneration) were as follows:

	2025	2024
	£m	£m
Wages and salaries	151.4	149.3
Social security costs	17.0	16.1
Pension costs - defined contribution	13.1	12.1
Pension costs - defined benefit	5.6	5.9
	<u>187.1</u>	<u>183.4</u>

7. Directors' remuneration

	2025	2024
	£'000	£'000
Total Directors' remuneration including benefits in kind	<u>218</u>	<u>435</u>
Remuneration of highest paid Director	<u>140</u>	<u>313</u>

Notes to the financial statements (continued)

7 Directors' remuneration (continued)

Details of Directors' remuneration can be found in the Directors' Report. Directors' remuneration is in respect of three Executive Directors and five YTL appointed Directors (2024: three Executive Directors and five YTL appointed Directors).

8 Finance income and expense

Recognised in the income statement

	2025	2024
	£m	£m
<i>Finance income</i>		
Interest receivable on deposits	3.8	5.1
Interest receivable on amounts owed by immediate holding company	5.7	6.1
Gain on short term financial instrument	-	1.3
Net interest on net defined benefit pension plan surplus	0.3	0.7
	<u>9.8</u>	<u>13.2</u>
<i>Finance expense</i>		
Interest on bonds	(136.3)	(165.5)
Interest on bank loans	(39.6)	(36.5)
Interest expense on leases	(0.2)	-
Interest payable before capitalisation	(176.1)	(202.0)
Interest capitalised	21.7	16.2
Net interest payable	<u>(154.4)</u>	<u>(185.8)</u>

In accordance with IAS 23 borrowing costs of £21.7m (2024: £16.2m) associated with the funding of eligible capital projects have been capitalised at an interest rate of 5.4% (2024: 6.8%).

9. Taxation

Recognised in the income statement

	2025	2024
	£m	£m
<i>Current taxation</i>		
UK Corporation tax	1.2	0.6
UK Corporation tax adjustments to prior periods	0.2	(0.5)
	<u>1.4</u>	<u>0.1</u>
<i>Deferred taxation</i>		
Arising from origination and reversal of temporary differences	10.0	(4.1)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	0.1	(3.8)
	<u>10.1</u>	<u>(7.9)</u>
Tax expense/(credit) in the income statement	<u>11.5</u>	<u>(7.8)</u>

Taxation recognised in other comprehensive income

	2025	2024
	£m	£m
Remeasurements of defined benefit surplus	(1.4)	1.6
Tax expense	<u>(1.4)</u>	<u>1.6</u>

Notes to the financial statements (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2025	2024
	<i>£m</i>	<i>£m</i>
Profit/(loss) for the year	28.3	(0.4)
Total tax expense/(credit)	<u>11.5</u>	<u>(7.8)</u>
Profit/(loss) excluding taxation	39.8	(8.2)
Corporation tax at standard rate	10.0	(2.0)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	2.4	1.7
Adjustment in respect of prior periods	0.3	(4.3)
Other tax effects for reconciliation between accounting profit and tax income	(0.1)	(0.1)
Group relief for nil consideration	<u>(1.1)</u>	<u>(3.1)</u>
Tax expense/(credit) in the income statement	<u>11.5</u>	<u>(7.8)</u>

The statutory rate of corporation tax was 25% for both the current and prior period

As a result of the Full Expensing regime, the Group has generated current year tax losses which have been recognised as a deferred tax asset and offset against the existing deferred tax liabilities

The BEPS Pillar Two Minimum Tax legislation was enacted in July 2023 in the UK with effect from financial years commencing on or after 1 January 2024. The Group has applied the temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules. The June 2025 tax charge does not include a current charge relating to Pillar 2 income taxes.

Notes to the financial statements (continued)

10. Dividends

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

	2025 £m	2024 £m
Interim dividends for the current year	50.5	59.7
Final dividend for the current year	<u>2.3</u>	<u>18.3</u>
	<u>52.8</u>	<u>78.0</u>

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

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

The group will maintain a solid investment grade credit rating at all times

During the year the company received dividends of £51.8m (2024 £78.0m) from subsidiary companies within the Group

11. Leases

Group as a lessee

The Group has lease contracts for various items of property, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Notes to the financial statements (continued)

11. Leases (continued)

	Land & buildings £m	Plant & equipment £m	Motor vehicles £m	Total £m
Cost or valuation				
Balance at 1 July 2023	2 0	0 2	1 1	3 3
Additions	0 5	-	1 6	2 1
Balance at 30 June 2024	2 5	0 2	2 7	5 4
Balance at 1 July 2024	2 5	0 2	2 7	5 4
Additions	-	0 7	3 0	3 7
Terminations	-	-	(0 4)	(0 4)
Balance at 30 June 2025	2 5	0 9	5 3	8 7
Depreciation				
Balance at 1 July 2023	(0 1)	(0 1)	(0 3)	(0 5)
Charge for the year	(0 3)	(0 1)	(0 5)	(0 9)
Balance at 30 June 2024	(0 4)	(0 2)	(0 8)	(1 4)
Balance at 1 July 2024	(0 4)	(0 2)	(0 8)	(1 4)
Charge for the year	(0 2)	(0 1)	(1 1)	(1 4)
Eliminated on termination	-	-	0 3	0 3
Balance at 30 June 2025	(0 6)	(0 3)	(1 6)	(2 5)
Net Book Value				
At 1 July 2023	1 9	0 1	0 8	2 8
At 30 June 2024	2 1	-	1 9	4 0
At 30 June 2025	1.9	0 6	3.7	6 2

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year

		2025 £m	2024 £m
As at 1 July		3.9	2 9
Additions		4.0	1 8
Accretion of interest		0.2	-
Terminated		(1 3)	(0 2)
Payments		(0.8)	(0 6)
As at 30 June		6 0	3 9
Current	Note 19	1 6	0 8
Non-current	Note 19	4 4	3 1

Notes to the financial statements (continued)

11. Leases (continued)

The maturity analysis of lease liabilities is also disclosed in Note 19

The following are the amounts recognised in profit or loss

	2025	2024
	£m	£m
Depreciation expense of right-of use assets	1.4	0.9
Interest expense on lease liabilities	0.2	-
Expenses relating to short-term leases	<u>16.3</u>	<u>17.2</u>
	<u><u>17.9</u></u>	<u><u>18.1</u></u>

The Group had total cash outflows for long-term leases of £0.8m in 2025 (2024: £0.6m). Cash outflows for short-term and low-value leases were £16.3m (2024: £17.2m). The Group also had non-cash additions to right-of-use assets and lease liabilities of £4.0m in 2025 (2024: £1.8m).

Group as a lessor

The Group has entered into operating leases consisting of certain land and buildings. Rental income recognised by the Group during the year is £0.7m (2024: £0.7m).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2025 are as follows:

	2025	2024
	£m	£m
Within one year	0.3	0.4
After one year but not more than five years	0.9	1.0
More than five years	<u>0.7</u>	<u>0.9</u>
	<u><u>1.9</u></u>	<u><u>2.3</u></u>

Notes to the financial statements (continued)

12. Property, plant and equipment – Group

	Land & buildings £m	Infra-structure assets £m	Plant & equipment £m	Motor vehicles £m	Office & IT equipment £m	Assets under construction £m	Total £m
Cost							
Balance at 1 July 2023	1,068.6	2,508.3	2,093.8	48.0	49.2	229.2	5,997.1
Additions	0.1	20.9	0.1	-	-	407.5	428.6
Disposals	(3.2)	(0.2)	(22.1)	(3.7)	-	-	(29.2)
Transfers on commissioning	27.0	53.6	86.5	7.7	6.5	(181.3)	-
Balance at 30 June 2024	1,092.5	2,582.6	2,158.3	52.0	55.7	455.4	6,396.5
Balance at 1 July 2024	1,092.5	2,582.6	2,158.3	52.0	55.7	455.4	6,396.5
Additions	-	-	-	-	-	420.9	420.9
Disposals	(9.0)	(0.2)	(18.1)	(6.9)	-	-	(34.2)
Transfers on commissioning	67.6	85.4	192.1	6.3	7.8	(359.2)	-
Balance at 30 June 2025	1,151.1	2,667.8	2,332.3	51.4	63.5	517.1	6,783.2
Depreciation							
Balance at 1 July 2023	(370.5)	(192.2)	(1,168.5)	(29.4)	(33.6)	-	(1,794.2)
Charge for the year	(17.6)	(19.3)	(70.1)	(5.7)	(5.8)	-	(118.5)
Disposals	1.6	-	22.7	3.0	-	-	27.3
Balance at 30 June 2024	(386.5)	(211.5)	(1,215.9)	(32.1)	(39.4)	-	(1,885.4)
Balance at 1 July 2024	(386.5)	(211.5)	(1,215.9)	(32.1)	(39.4)	-	(1,885.4)
Charge for the year	(18.3)	(19.1)	(77.8)	(6.5)	(6.0)	-	(127.7)
Disposals	5.9	-	16.9	5.5	-	-	28.3
Balance at 30 June 2025	(398.9)	(230.6)	(1,276.8)	(33.1)	(45.4)	-	(1,984.8)
Net Book Value							
At 1 July 2023	698.1	2,316.1	925.3	18.6	15.6	229.2	4,202.9
At 30 June 2024	706.0	2,371.1	942.4	19.9	16.3	455.4	4,511.1
At 30 June 2025	752.2	2,437.2	1,055.5	18.3	18.1	517.1	4,798.4

Infrastructure assets comprise a network of systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines, sea outfalls and infrastructure investigations and studies

There are no impairment losses recognised in these financial statements

Cumulative borrowing costs capitalised and included above were £71.0m (2024 £49.3m)

Included in freehold land and buildings above is an amount of £16.0m (2024 £15.7m) in respect of land which is not depreciated

Notes to the financial statements (continued)

13. Intangible assets - Group

	Goodwill £m	External Customer Lists £m	Contractual Trading Rights £m	Other Intangible assets £m	Software £m	Software development £m	Total £m
Cost or valuation							
Balance at 1 July 2023	0.4	2.1	4.4	2.2	73.2	22.6	104.9
Additions	-	-	-	-	-	7.3	7.3
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	(4.2)	(4.2)
Transfer on Commissioning	-	-	-	-	10.7	(10.7)	-
Balance at 30 June 2024	0.4	2.1	4.4	2.2	83.9	15.0	108.0
Balance at 1 July 2024	0.4	2.1	4.4	2.2	83.9	15.0	108.0
Transfer between categories	-	-	-	(2.2)	2.2	-	-
Additions	-	-	-	-	-	14.9	14.9
Disposals	-	-	-	-	(1.7)	(14.0)	(15.7)
Transfer on commissioning	-	-	-	-	10.0	(10.0)	-
Balance at 30 June 2025	0.4	2.1	4.4	-	94.4	5.9	107.2
Amortisation							
Balance at 1 July 2023	(0.4)	(0.8)	(2.7)	(1.3)	(44.5)	-	(49.7)
Charge for the year	-	(0.2)	(0.3)	(0.2)	(9.1)	-	(9.8)
Eliminated on disposal	-	-	-	-	-	-	-
Balance at 30 June 2024	(0.4)	(1.0)	(3.0)	(1.5)	(53.6)	-	(59.5)
Balance at 1 July 2024	(0.4)	(1.0)	(3.0)	(1.5)	(53.6)	-	(59.5)
Transfer between categories	-	-	-	1.5	(1.5)	-	-
Amortisation charge for the year	-	(0.2)	(0.3)	-	(11.5)	-	(12.0)
Eliminated on disposal	-	-	-	-	1.4	-	1.4
Balance at 30 June 2025	(0.4)	(1.2)	(3.3)	0.0	(65.2)	-	(70.1)
Net Book Value							
At 1 July 2023	-	1.3	1.7	0.9	28.7	22.6	55.2
At 30 June 2024	-	1.1	1.4	0.7	30.3	15.0	48.5
At 30 June 2025	-	0.9	1.1	0.0	29.2	5.9	37.1

In 2024, an impairment loss of £4.2m was recognised due to delays in the completion of internally developing a new Billing and Customer service platform. In assessing impairment, management estimated the recoverable amount based on expected future cash flows and used an appropriate discount rate of 4.45% based on the Group's cost of capital.

After assessing the most effective way to complete the project, the Group has made the decision to transition to a Software as a Service (SaaS) solution. Therefore, in the current year the asset was derecognised resulting in a net loss of £14.0m, as future economic benefits are no longer expected from the use of the asset.

Notes to the financial statements (continued)**14. Investments in subsidiaries and joint ventures**

The Group and Company have the following investments in subsidiaries and joint ventures

	Country	Number	Principal activity	Shares held	2025 %	2024 %
Company - subsidiary						
Wessex Water Services Ltd	United Kingdom	02366648	Water supply and waste water services	£1 ordinary	100	100
Water 2 Business Ltd	United Kingdom	08518831	Billing services	£1 ordinary	70	70
Wessex Water Enterprises Ltd	United Kingdom	02279151	Power generation and waste treatment	£1 ordinary	100	100
Turnbull Infrastructure & Utilities Ltd	United Kingdom	03652435	Engineering services	£1 ordinary	100	100
SC Technology GmbH	Switzerland	-	investment holding	CHF ordinary	100	100
Entrade Ltd	United Kingdom	13829768	Environmental consulting	£1 ordinary	80	100
Wessex Water Pension Scheme Trustee Ltd	United Kingdom	03913589	Dormant	£1 ordinary	100	100
Wessex Water Trustee Company Ltd	United Kingdom	02278257	Dormant	£1 ordinary	100	100
YTL Services Ltd	United Kingdom	02277608	Dormant	£1 ordinary	100	100
Company – joint venture						
Bristol Wessex Billing Services Ltd	United Kingdom	04143955	Billing services	£1 A ordinary	50	50
Group - subsidiary						
Wessex Water Services Finance PLC	United Kingdom	03704265	Issue of bonds	£1 ordinary	100	100
GENeco Ltd	United Kingdom	06842738	Food waste treatment	£1 ordinary	100	100
GENeco South West Ltd	United Kingdom	09326393	Food waste treatment	£1 ordinary	100	100
Wessex Utility Solutions Ltd	United Kingdom	06718997	Engineering services	£1 ordinary	100	100
SC Technology Nederlands BV	Netherlands	-	Waste treatment	Euro ordinary	100	100
SC Technology Deutschland GmbH	Germany	-	Waste treatment	Euro ordinary	100	100
Group – joint venture						
Searchlight Collections Ltd	United Kingdom	07940022	Billing services	£1 ordinary	50	50

On 12 February 2025 the Group disposed of 20% of its shareholding in EnTrade Ltd at its nominal value

The registered address of the England & Wales subsidiary companies is Wessex Water Operations Centre, Claverton Down Road, Bath, BA2 7WW apart from Water 2 Business Ltd which is 21e Somerset Square, Nailsea, Bristol BS48 1RQ SCT Technology GmbH registered office is Schwabestrasse 2, CH-5604 Hendschiken, Switzerland SCT Technology Nederlands BV registered office is Postbus 7564, 8903JN Leeuwarden, Netherlands and SCT Technology Deutschland GmbH registered office is Breite Str 10, 40670 Meerbusch, Germany

Bristol Wessex Billing Services Ltd is considered a Joint Venture because Wessex Water Ltd and Bristol Water Holdings Ltd each hold 50% of the equity share capital and voting rights of the company and as a result, it has no single controlling party The registered address is 1 Clevedon Walk, Nailsea, Bristol BS48 1WA

Searchlight Collections Ltd is considered a Joint Venture because it is a 100% owned subsidiary of Bristol Wessex Billing Services Ltd The registered address is PO Box 930, Galmington Trading Estate, Cornishway West, Taunton, Somerset TA1 9LQ

Notes to the financial statements (continued)

14. Investments in subsidiaries and joint ventures (continued)

Under section 479C of the Companies Act 2006, Wessex Water Limited gives a parent company guarantee in respect of all outstanding liabilities as at 30 June 2025, until the liabilities are satisfied in full, for the following subsidiary companies. Under section 479A of the Companies Act 2006, the following subsidiaries are therefore exempt from the requirements relating to the audit of individual accounts

GENeco Limited	06842738
GENeco (South West) Limited	09326393
Wessex Utility Solutions Limited	06718997
Entrade Limited	13829768

Summary aggregated financial information on joint venture

	2025	2024
	£m	£m
<i>Bristol Wessex Billing Services Ltd</i>		
Assets	1.4	1.7
Liabilities	(1.3)	(1.7)
	<u>0.1</u>	<u>-</u>
Profit/(loss)	<u>0.1</u>	<u>-</u>

Investment in Subsidiaries – Company

	2025	2024
	£m	£m
Carrying value at 1 July	81.4	81.4
Additional equity investment	2.5	-
Carrying value at 30 June	<u>83.9</u>	<u>81.4</u>

15. Non-Current Financial Assets

Financial assets at fair value through profit and loss	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
<i>Non-listed equity investments</i>				
Industrial Phycology Ltd	-	0.1	-	-
Inheriting Earth Ltd	0.1	0.4	-	-
	<u>0.1</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
Debt instruments at amortised cost				
Owed by immediate holding company	97.4	97.7	97.4	97.7
Owed by subsidiary companies	-	-	30.7	30.8
Owed by other group companies	4.1	-	3.8	-
	<u>101.5</u>	<u>97.7</u>	<u>131.9</u>	<u>128.5</u>

Notes to the financial statements (continued)

15 Non-Current Financial Assets (continued)

Financial assets at fair value through profit or loss include equity shares of non-listed companies. The Group holds non-controlling interests (between 4% and 8%) in these companies. The Group considers these investments to be strategic in nature.

During the year, a revaluation loss of £0.4m on the investments was reported (2024: no gain/loss).

16. Inventories

	Group	
	2025	2024
	£m	£m
Raw materials and consumables	8.1	7.4
Work in progress	-	1.0
	<u>8.1</u>	<u>8.4</u>

Raw materials, consumables and work in progress recognised as cost of sales in the year amounted to £8.9m (2024: £9.1m). There was no write-down of inventories to net realisable value in either year.

17. Trade and other receivables

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Amounts receivable from customers	248.0	229.7	2.6	3.1
Owed by subsidiary companies	-	-	2.5	18.8
Owed by other group companies	-	4.0	-	3.7
Owed by joint ventures	0.9	0.8	-	-
Prepayments	27.3	28.7	-	-
VAT debtors	7.7	12.1	-	-
Contract assets	6.5	5.8	-	-
Other debtors	8.9	15.9	-	3.5
	<u>299.3</u>	<u>297.0</u>	<u>5.1</u>	<u>29.1</u>

Contract assets relate to recoverable amounts from other revenues comprising a number of smaller non-core income streams.

Amounts receivable from customers are expected to be recovered in no more than 12 months (see note 26b).

All outstanding related party receivable balances are owed on commercial terms and arise through normal business operations. The Group has considered the present value of the contractual cash flows and compared this to a prudent assessment of the present value of the cash flows that are expected to be received. Having performed this assessment, the Group has determined that no material expected credit loss allowance is required as at year-end for related party balances owed.

Notes to the financial statements (continued)

17. Trade and other receivables (continued)

Contract assets - Group

	2025	2024
	£m	£m
Balance at 1 July	5.8	6.3
Additions	8.0	5.3
Utilisations	(7.3)	(5.8)
Balance at 30 June	6.5	5.8

18. Cash, overdrafts and other financial assets

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Cash and cash equivalents				
Short-term bank deposits	30.0	-	-	-
Cash at bank	25.1	5.6	-	0.2
<i>Cash and cash equivalents in current assets</i>	55.1	5.6	-	0.2
Bank overdraft	(1.5)	(10.4)	(1.4)	-
<i>Cash and cash equivalents in cash flow statement</i>	53.6	(4.8)	(1.4)	0.2
 <i>Other financial assets</i>				
Deferred consideration on disposal of subsidiary	-	1.0	-	1.0
Medium-term bank deposits	50.0	-	-	-
	50.0	1.0	-	1.0

The Group and the Company seek to invest cash and cash equivalents safely and profitably with creditworthy local and offshore licensed banks. The local and offshore licensed banks used have credit ratings of A1/P1 as rated by Moody's Investors Service, Inc. Medium term bank deposits are those with a maturity of between 90 and 365 days.

19. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 26e.

Notes to the financial statements (continued)

19. Other interest-bearing loans and borrowings (continued)

	Group 2025 £m	2024 £m	Company 2025 £m	2024 £m
Current liabilities				
Bank loans and facilities	142.3	106.4	9.2	40.3
Other loans	-	8.8	-	-
Current portion of long-term lease liabilities	1.6	0.8	-	-
Financing overdraft	2.3	-	-	-
Loan from parent company	3.3	3.3	3.3	3.3
	<u>149.5</u>	<u>119.3</u>	<u>12.5</u>	<u>43.6</u>
Non-current liabilities				
Bank loans	255.1	508.6	36.2	7.2
Other loans	7.8	-	-	-
Lease liabilities	4.4	3.1	-	-
Bonds	3,145.4	2,513.9	-	-
	<u>3,412.7</u>	<u>3,025.6</u>	<u>36.2</u>	<u>7.2</u>

Notes to the financial statements (continued)

19. Other interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Issue Value 2025 £m	Carrying amount 2025 £m	Issue Value 2024 £m	Carrying amount 2024 £m
<i>Short-term borrowing</i>							
Loan from parent	Sterling	0.00%	2026	3.2	3.3	3.3	3.3
EIB Loans	Sterling	6.45%	2025	-	-	200.0	50.0
KfW Bank Loan £200m	Sterling	5.49%	2026	200.0	127.8	160.0	143.5
Financing overdraft	Sterling	5.31%	2025	2.3	2.3	-	-
Revolving credit facilities	Sterling	5.36%	2025	9.2	9.2	27.8	27.8
<i>Long-term borrowing</i>							
KfW Bank loan £75m	Sterling	5.46%	2029	75.0	74.6	75.0	74.3
Natwest Bank loan £150m	Sterling	5.42%	2032	150.0	149.6	150.0	149.7
Natwest Bank loan £12.5m	Sterling	5.62%	2027	12.5	12.5	12.5	12.5
Other loans	Sterling	4.97%	2028	7.8	7.8	8.8	8.8
Revolving credit facilities	Sterling	4.85%	2027	23.7	23.7	157.2	157.2
<i>Listed bonds</i>							
Fixed	Sterling	5.38%	2028	200.0	199.7	200.0	199.6
Fixed	Sterling	5.75%	2033	350.0	347.1	350.0	346.9
Fixed	Sterling	1.50%	2029	250.0	248.9	250.0	248.6
Fixed	Sterling	1.25%	2036	300.0	296.3	300.0	295.9
Fixed	Sterling	5.13%	2032	300.0	297.4	300.0	297.1
Fixed	Sterling	6.50%	2033	35.0	34.8	35.0	34.8
Fixed	Sterling	6.50%	2035	35.0	34.7	35.0	34.7
Fixed	Sterling	6.50%	2038	65.0	64.2	65.0	64.2
Fixed	Sterling	6.50%	2043	65.0	64.6	65.0	64.6
Fixed	Sterling	6.13%	2034	350.0	344.2	-	-
Fixed	Sterling	6.50%	2040	250.0	245.7	-	-
Index Linked Bond	Sterling	2.19%	2039	50.0	92.5	50.0	89.6
Index Linked Bond	Sterling	1.75%	2046	75.0	148.4	75.0	141.9
Index Linked Bond	Sterling	1.75%	2051	75.0	148.4	75.0	141.9
Index Linked Bond	Sterling	1.37%	2057	75.0	148.4	75.0	141.9
Index Linked Bond	Sterling	1.37%	2057	75.0	148.4	75.0	141.9
Index Linked Bond	Sterling	1.49%	2058	50.0	93.9	50.0	90.1
Index Linked Bond	Sterling	1.50%	2058	50.0	93.9	50.0	90.1
Index Linked Bond	Sterling	1.50%	2058	50.0	93.9	50.0	90.1
				3,183.7	3,556.2	2,894.6	3,141.0

The principal borrowing facilities are subject to covenants that are measured quarterly, being an interest cover (excluding indexation) of no less than 2.75x and net debt to regulatory capital value of no more than 75%, based on measures as defined in the facilities agreements.

All bonds are listed on the London Stock Exchange and are wholly guaranteed by Wessex Water Services Ltd. Interest is payable based on the nominal interest rate as disclosed. Index-linked bonds increase in value annually in line with the Retail Prices Index.

Non-financing bank overdrafts and leases are excluded from this schedule.

Notes to the financial statements (continued)

19. Other interest-bearing loans and borrowings (continued)

Lease liabilities

Lease liabilities are payable as follows

	Minimum lease payments 2025 £m	Interest 2025 £m	Principal 2025 £m	Minimum lease payments 2024 £m	Interest 2024 £m	Principal 2024 £m
Less than one year	1.8	(0.2)	1.6	0.8	-	0.8
Between 1 and 5 years	3.8	(0.6)	3.2	2.1	(0.1)	2.0
More than 5 years	1.6	(0.4)	1.2	1.7	(0.6)	1.1
	7.2	(1.2)	6.0	4.6	(0.7)	3.9

Changes in liabilities arising from financing activities

Group	1 July 2024 £m	Cash flows £m	New leases £m	Other £m	30 June 2025 £m
Current interest bearing loans and borrowings (excluding items listed below)	118.5	(68.8)	-	98.2	147.9
Current obligations under leases and hire purchase contracts	0.8	(0.8)	0.9	0.7	1.6
Non-current interest bearing loans and borrowings (excluding items listed below)	3,022.5	442.7	-	(56.9)	3,408.3
Non-current obligations under leases and hire purchase contracts	3.1	-	3.1	(1.8)	4.4
	3,144.9	373.1	4.0	40.2	3,562.2
Interest Accrued under Trade and other payables	53.9	(125.3)	-	134.1	62.7
Total liabilities from financing activities	3,198.8	247.8	4.0	174.3	3,624.9

Group	1 July 2023 £m	Cash flows £m	New leases £m	Other £m	30 June 2024 £m
Current interest bearing loans and borrowings (excluding items listed below)	259.7	(314.9)	-	173.7	118.5
Current obligations under leases and hire purchase contracts	0.6	(0.6)	0.4	0.4	0.8
Non-current interest bearing loans and borrowings (excluding items listed below)	2,703.5	409.0	-	(90.0)	3,022.5
Non-current obligations under leases and hire purchase contracts	2.3	-	1.4	(0.6)	3.1
	2,966.1	93.5	1.8	83.5	3,144.9
Interest Accrued under Trade and other payables	41.2	(105.0)	-	117.7	53.9
Total liabilities from financing activities	3,007.3	(11.5)	1.8	201.2	3,198.8

Notes to the financial statements (continued)

19. Other interest-bearing loans and borrowings (continued)

The 'Other' column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings, including obligations under leases and hire purchase contracts to current due to the passage of time and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The group classifies interest paid as cash flows from financing activities.

Company	1 July 2024	Cash flows	New leases	Other	30 June 2025
	£m	£m	£m	£m	£m
Current interest bearing loans and borrowings	43.6	(4.1)	-	(27.0)	12.5
Non-current interest bearing loans and borrowings	7.2	2.0	-	27.0	36.2
	50.8	(2.1)	-	-	48.7
Interest Accrued under Trade and other payables	0.2	(0.2)	-	0.2	0.2
Total liabilities from financing activities	51.0	(2.3)	-	0.2	48.9

Company	1 July 2023	Cash flows	New leases	Other	30 June 2024
	£m	£m	£m	£m	£m
Current interest bearing loans and borrowings	11.0	-	-	32.6	43.6
Non-current interest bearing loans and borrowings	39.9	0.1	-	(32.8)	7.2
	50.9	0.1	-	(0.2)	50.8
Interest Accrued under Trade and other payables	0.3	(2.3)	-	2.2	0.2
Total liabilities from financing activities	51.2	(2.2)	-	2.0	51.0

Notes to the financial statements (continued)**20. Trade and other payables**

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Current				
Owed to subsidiary companies	-	-	18.1	19.1
Owed to other group companies	16.3	-	-	-
Trade payables	31.1	45.5	0.3	0.3
Dividend	2.3	18.3	2.3	18.3
Other creditors	10.8	10.5	-	0.6
Taxation and social security	4.7	3.9	0.5	0.5
Accrued expenses	133.3	148.0	0.4	0.6
Contract liabilities	85.3	83.7	1.0	-
	<u>283.8</u>	<u>309.9</u>	<u>22.6</u>	<u>39.4</u>
Non-current				
Contract liabilities	5.8	5.7	-	-
	<u>289.6</u>	<u>315.6</u>	<u>22.6</u>	<u>39.4</u>

Accrued expenses includes capital accruals of £21.0m (2024: £50.2m) and interest accruals of £62.7m (2024: £53.9m). The remainder of the balance mainly consists of accruals for other operating costs.

Our standard payment terms for trade payables is end of month plus 30 days. Corporation tax is paid quarterly, other taxation is normally payable within one month.

Analysis of contract liabilities

	2025	2024
	£m	£m
At 1 July	89.4	83.8
Deferred during the year	89.7	89.2
Recognised as revenue during the year	(88.0)	(83.5)
At 30 June	<u>91.1</u>	<u>89.4</u>

The contract liabilities within current payables all relate to performance obligations due to be settled within the following 12 months. Non-current contract liabilities relate to performance obligations due to be settled over a 15 year period from June 2016.

Notes to the financial statements (continued)

21. Retirement benefits

Pension Plans

Defined Benefit Plans

	2025	2024
	£m	£m
Fair value of scheme assets	542.8	574.6
Present value of defined benefit obligations	<u>(531.1)</u>	<u>(568.7)</u>
Net surplus for defined benefit obligations	<u>11.7</u>	<u>5.9</u>
Unfunded and compensatory added years pension	<u>(0.6)</u>	<u>(0.7)</u>
Total retirement benefits	<u><u>11.1</u></u>	<u><u>5.2</u></u>

The Group sponsors a funded defined benefit pension plan for qualifying UK employees. The plan is administered by a separate board of Trustees which is legally separate from the Group. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the plan, employees are entitled to annual pensions on retirement using an accrual rate, final pensionable salary and service. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these employees.

Liabilities for an unfunded arrangement and a compensatory payment for added years' service are held outside the defined benefit scheme. The Group also operates a defined contribution section within the main pension scheme.

a Profile of the Scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees, and current pensioners. Broadly, about 23% of the DBO is attributable to current employees, 13% to deferred pensioners and 64% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 12-13 years, reflecting the appropriate split of defined benefit obligation between current employees (duration of c18-19 years), deferred members (duration of c17-18 years) and current pensioners (duration of c10-11 years).

b Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 30 September 2022 and showed a deficit of £35.3m. The company was not required to pay any deficit contributions during the year due to improvements in the scheme's funding position which have put it into a surplus position. No company deficit contributions are due during the period 1 July 2025 to 30 June 2026. The next funding valuation is due no later than 30 September 2025.

The company also pays contributions of 15.5% of pensionable salaries in respect of current accrual and non-investment related expenses.

Notes to the financial statements (continued)

21. Retirement benefits (continued)

c Risks associated with the Scheme

Asset volatility - The liabilities are calculated using a discount rate set with reference to corporate bond yields, if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities including a diversified growth fund and a global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk - The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy - The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The Trustees insure certain benefits payable on death before retirement.

d Reporting at 30 June 2025

The results of the latest funding valuation at 30 September 2022 have been adjusted to the balance sheet date taking account of experience over the period since 30 September 2022, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Cost Method.

The principal assumptions used to calculate the liabilities under IAS 19 are set out below. The major assumptions used by the actuary were:

	30.06 25	30 06 24
Rate of increase in salaries – long term	1.70%	1.90%
Rate of increase in pensions		
- WWPS and 1/80ths members	2.70%	2.90%
- MIS members	2.30%	2.60%
- Reduced level members	1.90%	2.00%
- Post 88 GMP	1.90%	2.10%
Discount rate	5.60%	5.10%
Inflation assumption – RPI	2.80%	3.10%
Inflation assumption – CPI	2.30%	2.60%

Notes to the financial statements (continued)

21. Retirement benefits (continued)

Mortality assumptions

The mortality assumptions are based upon the recent actual mortality experience of Scheme members and allow for expected future improvements in mortality rates

	2025	2025	2024	2024
	Male	Female	Male	Female
	years	years	years	years
Life expectancy - current age 60	25.3	28.2	25.4	28.2
Life expectancy - current age 40	46.6	49.4	46.6	49.4

The mortality table adopted is based upon 105% of standard tables S3P(M/F)A adjusted to allow for individual years of birth. Future improvements are assumed to be in line with the CMI 2023 projection, with a long-term improvement rate of 1.0% p.a. for all members.

Sensitivity analysis

The key assumptions used for IAS 19 are discount rate, inflation and mortality. If different assumptions are used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions are set out below. For the purposes of these sensitivities it has been assumed that the change in the discount rate and inflation has no impact on the value of Scheme assets.

- A reduction in the discount rate of 0.1% would increase the scheme liabilities by £6.7m from £531.1m to £537.8m, reducing the scheme surplus to £5.0m.
- An increase in the inflation assumption of 0.1% would increase the scheme liabilities by £6.7m from £531.1m to £537.8m, reducing the scheme surplus to £5.0m.
- An increase in life expectancy of 1 year would increase the scheme liabilities by £15.7m from £531.1m to £546.8m, resulting in a net deficit of £4.0m.

e The value of the assets as follows

	2025	2024
	£m	£m
Equities	151.8	159.0
Property	36.2	34.1
Government Bonds	33.2	45.0
Corporate Bonds	309.7	329.4
Other	11.9	7.1
	<u>542.8</u>	<u>574.6</u>

All assets are quoted in an active market except those classed as "Other"

Notes to the financial statements (continued)

21. Retirement benefits (continued)

f The amounts recognised in comprehensive income

	2025	2024
	£m	£m
Operating cost – service cost		
Current service cost	4.7	4.9
Administrative expenses paid	1.0	1.2
Past service cost	-	(0.2)
Financing cost		
Net interest expense	<u>(0.3)</u>	<u>(0.7)</u>
Pension expense recognised in Income Statement	5.4	5.2
Re-measurements in OCI		
Return on plan assets, excluding amounts included in interest income	35.0	(1.6)
Actuarial (gains)/losses arising from changes in financial assumptions	(50.0)	1.6
Actuarial (gains) arising from changes in demographic assumptions	(1.0)	(2.6)
Actuarial losses due to liability experience	<u>10.4</u>	<u>9.0</u>
(Gains)/losses recognised in OCI	<u>(5.6)</u>	<u>6.4</u>
(Gains)/losses recognised in Income Statement and OCI	<u><u>(0.2)</u></u>	<u><u>11.6</u></u>

g Changes to the present value of the defined benefit obligations during the year

	2025	2024
	£m	£m
Present value at start of year	568.7	556.4
Current service cost	4.7	4.9
Interest expense on defined benefit obligation	28.4	28.3
Actuarial (gains)/losses arising from changes in financial assumptions	(50.0)	1.6
Actuarial (gains) arising from changes in demographic assumptions	(1.0)	(2.6)
Actuarial losses due to liability experience	10.4	9.0
Net benefits paid out	(30.1)	(28.7)
Past service cost (including curtailments)	-	(0.2)
Present value at end of year	<u><u>531.1</u></u>	<u><u>568.7</u></u>

Notes to the financial statements (continued)

21. Retirement benefits (continued)

h Changes to the fair value of scheme assets during the year

	2025	2024
	£m	£m
Fair value at start of year	574.6	568.0
Interest income on scheme assets	28.7	29.0
Return on plan assets, excluding amounts included in interest income	(35.0)	1.6
Contributions by employer	5.6	5.9
Net benefits paid out	(30.1)	(28.7)
Administration costs incurred	(1.0)	(1.2)
	<u>542.8</u>	<u>574.6</u>
	<u>542.8</u>	<u>574.6</u>
Additional analysis	2025	2024
	£m	£m
Actual return on scheme assets		
Interest income on scheme assets	28.7	29.0
Return on plan assets, excluding amounts included in interest income	(35.0)	1.6
	<u>(6.3)</u>	<u>30.6</u>
Actual return on scheme assets	<u>(6.3)</u>	<u>30.6</u>

Defined contribution plans

The Group also operates a defined contribution section within the main pension scheme. During the year the Group paid £13.1m (2024: £12.1m) to the defined contribution section and at 30 June 2025 owed £0.9m (2024: £1.4m).

Virgin Media vs NTL Case

In June 2023, the UK High Court in *Virgin Media Limited v NTL Pension Trustees II Limited* ruled that specific historical amendments to contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 were invalid if they lacked a confirmation under section 37 of the Pension Schemes Act 1993 from the scheme's actuary. This decision was upheld on appeal in July 2024.

A high-level review of relevant deeds relating to the defined benefit pension scheme sponsored by the Group has been undertaken in collaboration with the pension scheme Trustee. At the date of the approval of these financial statements, this review had not given rise to any areas of concern.

The DWP statement published on 5 June 2025, gives clarity for the Trustee and Group as scheme sponsor, that legislation will be introduced to give schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

Notes to the financial statements (continued)

22. Deferred Grants and Contributions

	Requisi- tions £m	Other contri- butions £m	Sewer adoptions £m	Infra- structure charges £m	Total £m
Balance at 1 July 2023	38.3	33.3	112.3	132.4	316.3
Received during the year	2.5	0.9	5.1	2.3	10.8
Amortisation	(0.4)	(0.5)	(0.8)	(1.4)	(3.1)
Balance at 30 June 2024	40.4	33.7	116.6	133.3	324.0
Balance at 1 July 2024	40.4	33.7	116.6	133.3	324.0
Received during the year	4.1	4.6	4.4	2.5	15.6
Amortisation	(0.3)	(0.6)	(0.8)	(1.4)	(3.1)
Balance at 30 June 2025	44.2	37.7	120.2	134.4	336.5

23. Provisions

Group

	Decomm- issioning	Claim costs	Restructuring costs £m	Total £m
Balance at 1 July 2024	0.3	1.3	0.1	1.7
Provisions made during the year	0.1	-	0.8	0.9
Provisions used during the year	-	(0.2)	(0.4)	(0.6)
Balance at 30 June 2025	0.4	1.1	0.5	2.0
Current	0.4	1.1	0.5	2.0
Balance at 30 June 2025	0.4	1.1	0.5	2.0

In the ordinary course of business, the Group is sometimes subject to claims and potential litigation, whether from regulatory bodies, individuals or particular groups, related to one off matters. The Directors consider that, where it is possible to be estimated reliably, a reasonable and appropriate position has been taken in reflecting such items in these Financial Statements in the note above. The provisions disclosed will be utilised within 12 months of 30 June 2025.

It is not currently possible to estimate the financial effect and likely timing of any associated outflow of some matters, given that some are in early stages of discussion, the limited likelihood of the claims against the company being successful, or the potential range of possible outcomes, and accordingly no provision has been made in the Financial Statements. No reasonably possible financial outcome that would be significant to the Financial Statements has been identified in relation to these remaining matters at the date of the issue of these Financial Statements.

Notes to the financial statements (continued)

24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Liabilities		Assets		Net	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Property, plant and equipment	738.1	701.0	(51.9)	(48.6)	686.2	652.4
Losses	-	-	(96.3)	(72.6)	(96.3)	(72.6)
Employee benefits	2.9	1.5	-	-	2.9	1.5
Provisions	-	-	-	-	-	-
Tax (assets) / liabilities	741.0	702.5	(148.2)	(121.2)	592.8	581.3
Net of tax liabilities/(assets)	(148.2)	(121.2)	148.2	121.2	-	-
Net tax (assets) / liabilities	592.8	581.3	-	-	592.8	581.3

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered

Movement in deferred tax during the year

	1 July 2024 £m	Recognised in income £m	Recognised in OCI £m	30 June 2025 £m
Property, plant and equipment	652.4	33.8	-	686.2
Losses	(72.6)	(23.7)	-	(96.3)
Employee benefits	1.5	-	1.4	2.9
Provisions	-	-	-	-
	581.3	10.1	1.4	592.8

Movement in deferred tax during the prior year

	1 July 2023 £m	Recognised in income £m	Recognised in OCI £m	30 June 2024 £m
Property, plant and equipment	601.4	51.0	-	652.4
Losses	(13.1)	(59.5)	-	(72.6)
Employee benefits	2.9	0.2	(1.6)	1.5
Provisions	(0.4)	0.4	-	-
	590.8	(7.9)	(1.6)	581.3

Notes to the financial statements (continued)

25. Capital and reserves

Share capital – Group and Company

Ordinary shares - Authorised

	2025	2024
	£m	£m
346,666,670 ordinary shares at £0.60 each	208.0	208.0
	<u>208.0</u>	<u>208.0</u>
<i>Allotted, called up and fully paid</i>		
219,585,986 ordinary shares of £0.60 each	131.8	131.8
	<u>131.8</u>	<u>131.8</u>
Shares classified in shareholders' funds	<u>131.8</u>	<u>131.8</u>

The holders of 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

Non-controlling interests

The non-controlling interests in the equity of subsidiary companies are as follows

Company	Share of gains or (losses)	
	2025	2024
	£m	£m
Balance at 1 July	1.3	0.6
Water 2 Business Ltd	0.9	0.7
EnTrade Ltd	(0.1)	-
	<u>2.1</u>	<u>1.3</u>
Balance at 30 June	<u>2.1</u>	<u>1.3</u>

Notes to the financial statements (continued)

26. Financial instruments

(a) Fair values of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than a forced or liquidation sale. The fair value of short term and floating rate borrowings approximate to book value. The fair value of long-term fixed rate borrowings has been calculated using market values or discounted cash flow techniques.

The IFRS 13 fair value hierarchy is a categorisation relating to the extent that the fair value can be determined by reference to comparable market values. The hierarchy ranges from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to derive fair value do not have comparable market data.

The fair value of long-term bonds is classified as level 1 in the IFRS 13 fair value hierarchy and have a carrying value of £3,145.4m (2024 £2,513.9m) and a fair value of £3,002.3m (2024 £2,378.9m). Bank loans are classified as level 2 and have a carrying value of £401.2m (2024 £629.3m) and fair value of £401.2m (2024 £629.3m). Loans from the parent company are classified as level 2 and have a carrying and fair value for £3.3m (2024 £3.3m). All other loans and leases are classified as level 2 and have a carrying and fair value of £13.8m (2024 £8.8m).

It is the Group's policy to recognise all the transfers into the levels and transfers out of the levels at the date of the event or change in circumstances that caused the transfer. No liabilities are classified as level 3.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying amount 2025 £m	Fair value 2025 £m	Level 1 2025 £m	Level 2 2025 £m	Carrying amount 2024 £m	Fair value 2024 £m	Level 1 2024 £m	Level 2 2024 £m
Financial liabilities								
<i>Interest-bearing loans and borrowings</i>								
Fixed rate borrowings	2,180.9	2,051.8	2,048.5	3.3	1,590.3	1,448.0	1,444.1	3.9
Floating rate borrowings	415.0	415.0	-	415.0	637.5	637.5	-	637.5
Indexed-linked borrowings	967.8	953.8	953.8	-	927.5	934.8	934.8	-
Total financial liabilities	3,563.7	3,420.6	3,002.3	418.3	3,155.3	3,020.3	2,378.9	641.4

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Notes to the financial statements (continued)

26 Financial instruments (continued)

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities

Other financial assets are short term deposits with terms of more than three months. The counterparties have a credit rating of A1+/P1 or A1/P1, and hence there is no material exposure to credit risk for these values

Cash and cash equivalents are short term deposits with counterparties that have a credit rating of A1+/P1 or A1/P1, and hence there is minimal exposure to credit risk for these values

	2025	2024
	<i>£m</i>	<i>£m</i>
Other financial assets	50.0	-
Cash and cash equivalents	55.1	5.6
	<u>105.1</u>	<u>5.6</u>

The concentration of credit risk for amounts receivable from customers (see Note 17) at the balance sheet date by geographic region was

	2025	2024
	<i>£m</i>	<i>£m</i>
United Kingdom	247.9	228.9
Netherlands	0.1	0.8
	<u>248.0</u>	<u>229.7</u>

Notes to the financial statements (continued)

26. Financial instruments (continued)

Billed and unbilled receivables are from domestic and business customers. No individual customer or industrial sector has a material balance outstanding at either year-end.

Set out below is the information about the credit risk exposure on the Group's receivables from customers using a provision matrix.

Amounts receivable from customers

	2025 £m	2024 £m
Billed receivables	173.8	168.5
Unbilled receivables	157.4	128.4
Expected credit losses	<u>(83.2)</u>	<u>(67.2)</u>
	<u>248.0</u>	<u>229.7</u>

Ageing of receivables

	Gross 2025 £m	ECL rate 2025 %	ECL 2025 £m
Less than 1 year	252.4	12.5%	(31.7)
1 to 2 years	25.5	49.7%	(12.7)
2 to 3 years	19.8	54.7%	(10.8)
3 to 4 years	15.8	65.5%	(10.3)
More than 4 years	<u>17.7</u>	<u>100.0%</u>	<u>(17.7)</u>
	<u>331.2</u>	<u>25.1%</u>	<u>(83.2)</u>

	Gross 2024 £m	ECL rate 2024 %	ECL 2024 £m
Less than 1 year	218.8	10.1%	(22.2)
1 to 2 years	22.3	30.9%	(6.9)
2 to 3 years	19.0	41.1%	(7.8)
3 to 4 years	15.9	59.1%	(9.4)
More than 4 years	<u>20.9</u>	<u>100.0%</u>	<u>(20.9)</u>
	<u>296.9</u>	<u>22.4%</u>	<u>(67.2)</u>

Notes to the financial statements (continued)**26. Financial instruments (continued)**

The movement in the expected credit loss allowance in respect of amounts receivable from customers during the year was as follows

	2025	2024
	£m	£m
Balance at 1 July	(67.2)	(53.2)
Written off	11.1	9.6
Adjustment for non-paying customers	0.8	0.8
Non-payers subsequently becoming payers	(0.9)	(1.1)
Charge to profit and loss	(27.0)	(23.3)
	<u>(83.2)</u>	<u>(67.2)</u>
Balance at 30 June	<u>(83.2)</u>	<u>(67.2)</u>

The expected credit loss policy is shown in the accounting policies (note 1)

(c) Cash flow hedges

The Group does not have any cash flow hedges (2024 none)

(d) Liquidity risk**Financial risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's principal subsidiary is a regulated utility with a five-year settlement with the industry regulator, which allows it to plan to a certain degree of accuracy the financial obligations in the medium term. The Company has also secured long-term funding through bonds issued by a subsidiary company. This means that the need to obtain additional finance has been spread over future years and is not considered onerous in any one regulatory period.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	Carrying amount	Contractual cash flows	Year 1	Years 2 to 5	Over 5 years
	2025	2025	2025	2025	2025
	£m	£m	£m	£m	£m
Non-derivative financial instruments					
Bank overdraft	3.8	3.8	3.8	-	-
Lease liabilities	6.0	7.2	1.8	3.8	1.6
Bank loans	397.4	470.6	151.5	149.5	169.6
Other loans	7.8	9.3	0.6	8.7	-
Parent company loans	3.3	3.3	3.3	-	-
Listed Bonds	3,145.4	5,711.1	139.9	915.1	4,656.1
Total financial instruments	<u>3,563.7</u>	<u>6,205.3</u>	<u>300.9</u>	<u>1,077.1</u>	<u>4,827.3</u>

Notes to the financial statements (continued)

26. Financial instruments (continued)

	Carrying amount	Contractual cash flows	Year 1	Years 2 to 5	Over 5 years
	2024	2024	2024	2024	2024
	£m	£m	£m	£m	£m
Non-derivative financial instruments					
Bank overdraft	10.4	10.4	10.4	-	-
Lease liabilities	3.9	4.6	0.8	2.1	1.7
Bank loans	615.0	761.9	150.4	428.6	182.9
Other loans	8.8	9.4	9.4	-	-
Parent company loans	3.3	3.3	3.3	-	-
Listed Bonds	2,513.9	4,623.3	82.5	524.1	4,016.7
Total financial instruments	3,155.3	5,412.8	256.8	954.8	4,201.3

(e) Market risk

There is minimal exposure to equity or foreign currency risk, the interest rate risk is shown below

Interest rate risk

At the year end the interest rate profile of the Group's interest-bearing financial instruments was

	2025	2024
	£m	£m
Fixed rate instruments	2,180.9	1,593.6
Floating rate instruments	415.0	634.2
Index linked instruments	967.8	927.5
	3,563.7	3,155.3

The Group policy is to keep a significant proportion of total financial instruments in each of the three categories

Sensitivity

Interest rate sensitivity

The floating rate instruments are sensitive to interest rate movements. If there was a 1% increase in interest rates on those floating rate instruments at the balance sheet date, there would be an additional interest charge to the income statement of £4.2m

Inflation sensitivity

Index linked bonds are sensitive to movements in the inflation rate. A 1% increase in the inflation rate at the balance sheet date would result in an additional interest charge to the income statement of £9.7m

Notes to the financial statements (continued)

27 Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio for the principal subsidiary Wessex Water Services Ltd (WWSL), which is net debt divided by Regulatory Capital Value (RCV). The Group includes within net debt, interest bearing loans and borrowings, less cash and short-term deposits, excluding discontinued operations.

	2025	2024	2025	2024
	£m	£m	£m	£m
	Group	Group	WWSL	WWSL
Cash at bank	(25.1)	(5.6)	(14.1)	-
Short term deposits (less than 3 months)	(30.0)	-	(30.0)	-
Medium term deposits (3-6 months)	(50.0)	-	(50.0)	-
Bank overdraft	1.5	10.4	-	4.3
Bank Loans	410.8	627.1	352.0	567.5
Leases	6.0	3.9	5.3	3.3
Bonds	3,145.4	2,513.9	3,145.4	2,513.9
Total Net Debt	3,458.6	3,149.7	3,408.6	3,089.0
RCV at 30 June			4,733.2	4,331.6
Gearing			72.0%	71.3%

The RCV at March for each regulated water and sewerage company is published by Ofwat and is available on their website.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2025 and 2024.

Notes to the financial statements (continued)

28. Commitments

Capital commitments

Group

Capital expenditure contracted but not provided at 30 June 2025 was £148.9m (2024 £218.6m)

The Group has guaranteed Bonds of £3,145.5m (2024 £2,513.9m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc

The Group has provided performance guarantees of £1.0m (2024 £1.4m)

Made by	Beneficiary	Amount (£m)	Expiry date
GENeco (SW) Ltd	Bristol City Council	0.5	N/A
Wessex Water Enterprises Ltd	Somerset County Council	0.1	N/A
Wessex Water Services Ltd	Dorset Council	0.4	N/A

29. Contingencies

Incident at Avonmouth Water Recycling Centre

Investigations into the incident at Avonmouth in December 2020 are ongoing. We continue to co-operate with the investigating authorities. It is not possible to assess financial penalties or related costs that could be incurred as a result of such investigations.

Flow to full treatment investigation

In November 2021, Ofwat and the Environment Agency announced separate industry-wide investigations into Flow to Full Treatment at waste water recycling centres. Ofwat has since opened enforcement cases into all sewerage undertakers in England and Wales, including the Company. Ofwat has yet to publish its findings in respect of its investigation of the Company, though during the year Ofwat published proposed enforcement action in respect of five other companies, including proposed fines. Three of these five companies have since reached a negotiated settlement with Ofwat by way of an agreed undertaking in 2025. The EA continue to issue written requests for information and have conducted a number of visits of Water Recycling Centres. The Company continues to cooperate with both organisations on their investigations.

Notes to the financial statements (continued)

30. Significant transactions with related parties

There were no transactions with key management personnel other than the directors' emoluments outlined in the Directors' report on page 34

There have been no transactions with pre-penultimate, penultimate and ultimate holding companies described in note 31. All other transactions with related parties and balances at the year-end are summarised in the following table

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Sales of goods and services.				
Immediate holding company	0.6	0.3	0.6	0.3
Subsidiaries	-	-	2.0	2.0
Fellow subsidiaries	3.2	0.8	-	-
Other group companies	0.2	0.2	-	-
Joint ventures	1.3	1.4	-	-
Dividend income				
Subsidiaries	-	-	51.8	78.0
Interest income				
Immediate holding company	5.7	6.1	5.7	6.1
Subsidiaries	-	-	1.8	2.1
Purchase of goods and services				
Subsidiaries	-	-	33.6	30.4
Fellow subsidiaries	0.6	-	-	-
Other group companies	0.7	0.7	-	-
Joint ventures	14.9	14.7	-	-
Year-end balances owing by				
Immediate holding company	97.4	97.7	97.4	97.7
Subsidiaries	-	-	33.2	49.6
Other group companies	4.1	4.0	3.8	3.7
Joint ventures	0.9	0.8	-	-
Year-end balances owing to.				
Immediate holding company	2.3	18.3	5.6	18.3
Subsidiaries	-	-	18.1	19.1
Other group companies	16.3	-	-	-

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions

Notes to the financial statements (continued)

31. Ultimate parent company and parent company of larger group

The company is 100% owned by YTL Utilities (UK) Limited, a company incorporated in the United Kingdom whose registered address is Wessex Water Operations Centre, Claverton Down Road, Bath, BA2 7WW

The pre-penultimate, penultimate and ultimate holding companies are YTL Corporation Berhad, Yeoh Tiong Lay & Sons Holdings Sdn Bhd (both registered in Malaysia) and Yeoh Tiong Lay & Sons Family Holdings Ltd registered in Jersey

The largest group in which the results of the Company are consolidated is that headed by YTL Corporation Berhad incorporated in Malaysia. The consolidated financial statements of these groups are available to the public and can be obtained from Menara YTL, 205 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

32. Subsequent events

There were no subsequent events requiring disclosure in these financial statements

33. Accounting estimates and judgements

In preparing the financial statements and applying the accounting policies, the Group is required to make reasonable estimates and judgements based on the available information, the most significant of which are,

Significant estimates

a) Defined benefit pension scheme surplus

In recognising the surplus on the balance sheet there are a number of assumptions concerning inflation, rate of increase of salaries and pensions, mortality rates and interest rates that can have a significant effect on the surplus recorded. These assumptions are discussed with independent qualified actuaries and disclosed in note 20 to the financial statements. The sensitivities around these assumptions are also reflected in the note

b) Expected credit loss allowance

The expected credit loss on outstanding receivables is a key estimate under IFRS 9. We base our estimate of recoverability by grouping customers into similar economic profiles and applying a percentage loss rate based on forward looking judgements on the future collection rates that are likely to be achieved. In particular for the year ended 30 June 2025 this has included additional considerations of the possible impact of the ongoing economic uncertainty on the expected collection rates of outstanding receivables at the balance sheet date. These assumptions are discussed in note 25. A 1% reduction in collection rates would increase the expected credit loss allowance by £6.5m

c) Revenue recognition

The unbilled income accrual from metered water services requires an estimation of the amount of unbilled charges at the period end. This is calculated based on average customer volume usage adjusted for seasonality and regulatory price changes. A 2% movement in average consumption equates to a £3m movement in the unbilled income accrual

d) Asset lives

Assets recorded in the Group's fixed asset register are depreciated systematically using asset lives assigned to the classification of the asset into a number of standard asset types. These asset lives are subject to review based on historical performance, new technologies or new areas of capital investment. A reduction in the average asset life for property, plant and equipment of 1 year would increase the depreciation charge by £10m

Notes to the financial statements (continued)

33. Accounting estimates and judgements (continued)

Significant judgements

e) Classification of capital expenditure

Due to the high value of capital expenditure the judgements made on the classification of expenses as operating or capital, and within capital between maintenance and enhancement, are key to the preparation of the accounts. These judgements are based on engineering experience of differentiating between treatment as a 'repair' or a 'replacement' of an infrastructure asset. The Group follows both accounting standards and guidelines issued by Ofwat in making these judgements.

f) Climate-related matters

The Group has considered the impact of the climate change related risks to which the Group is exposed in the preparation of these financial statements, including the consideration of the impact of climate change related risks on management's judgements and estimates, the carrying value of assets and their useful economic lives. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets, require significant capital expenditures or change anticipated design horizons. The risks are long term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements, nor do they lead to any additional key sources of estimation or judgement.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESSEX WATER LIMITED

Opinion

We have audited the financial statements of Wessex Water Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2025 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statements of Cash Flows and the related notes 1 to 33, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 June 2025 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards,
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included completing the following procedures:

- Gained an understanding of the process undertaken by management to perform the going concern assessment, including discussion with management to ensure all key factors were taken into account
- Obtained management's forecast cash flows and covenant calculations covering the period from the date of signing to 31 December 2026 and agreed these to the Board approved budgets and forecasts
- Inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern
- Tested the mathematical accuracy of the cash flow forecasts, as well as the calculation of the forecast covenants
- Compared forecast future cashflows to historical data, ensuring variations are in line with our expectations, such as historical performance, and understanding of the business and considered the reliability of past forecasts

- Challenged the Group's ability to obtain additional liquidity, with the support of our debt advisory specialists and agreed available facilities to underlying agreements and the extent of drawings thereunder to external confirmations
- Evaluated the timing of the additional funding during the going concern period against management's treasury plan
- Performed forecast covenant testing and considered any indicator of breach in the assessment period
- Considered the challenging but plausible downside scenario modelled by management in respect of the assumptions used in the going concern assessment and included sensitivity analysis on management's forecast cashflows to understand how more severe the conditions would have to be to breach liquidity and/or covenants
- We considered the regulatory impacts on management's assessment such as the Ofwat's announcement of the PR24 final determination and the Group's subsequent referral of this determination to the Competition and Markets Authority (CMA) PR24 covers the period from April 2025 to March 2030
- Understood and challenged the Board's controllable mitigation plans and the forecast impact on the ability of the business to operate within its financial covenants We obtained supporting documentation to evaluate the plausibility and achievability of management's mitigation plans considering actions delivered to date
- Considered the results of other audit procedures and other knowledge obtained in the audit and whether it was consistent with or contradicted management's assumptions
- Assessed the appropriateness of disclosures within the Annual Report and Accounts

Our key observations

- In March 2025, the Group issued a £600 million bond
- The undrawn amount of the revolving credit facility for the Group's main trading subsidiary i.e., Wessex Water Services Limited, as at 31 August 2025 is £300 million
- The Group has £125 million of debt maturity payments falling due within the going concern assessment period
- Management's going concern model is based on the PR24 final determination published by Ofwat in December 2024, with no upside assumed from any favourable outcome following the completion of CMA review A scenario with multiple operational, macro-economic and regulatory downsides has been appropriately considered by management
- The Group will need to raise further funding in the going concern assessment period to be able to meet its liquidity requirements and finance the capital programme over the period
- The Directors are satisfied that the issuance of debt included within the forecasts prepared for the going concern period is achievable

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2026

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are
 - UK adopted international accounting standards
 - Financial Reporting Council (FRC)
 - Tax Legislation (Governed by HM Revenue and Customs)
 - General Data Protection Regulation
 - The UK Bribery Act
 - Anti-Money Laundering Legislation
 - Health & Safety Legislation
 - Ofwat Regulations
 - The Water Act (2003, 2014)
 - Environment Act (1995; 2021)
 - Companies Act 2006
- We understood how Wessex Water Limited is complying with those frameworks by enquiring with management to understand how the company maintain and communicate its policies and procedures in relation to these areas. We evaluated the entity level control environment through discussion with management and in-house legal counsel and inspecting and observing the control environment.
- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they are considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Group and the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management and in-house legal counsel, reviewing key policies, inspecting legal registers and correspondence of non-compliance from the relevant authorities and reports from any external legal teams, and reading board meeting minutes. We performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year that haven't been disclosed and to ensure that the management is in compliance with the applicable framework. For any non-compliance noted, we assessed the accounting implications and read the financial statements to evaluate the appropriateness of the disclosures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Lien James (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

19 September 2025