

**NORTHUMBRIAN WATER GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

Registered number 04760441

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# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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## STRATEGIC REPORT

The Directors of Northumbrian Water Group Limited (NWG or the Company) are pleased to present their Strategic Report on the affairs of the Group and Company, along with their Directors' Report, the Independent auditor's report and the audited financial statements for the year ended 31 March 2024.

### Principal activities

#### Northumbrian Water Group Limited

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

#### Northumbrian Water Limited

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

#### Water and wastewater contracts

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

#### Cautionary statement

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

#### Business overview

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

NWL is one of the ten regulated Water and Sewerage Companies (WASCs) in England and Wales, operating in the north east of England, trading as Northumbrian Water, and in the south east of England, trading as Essex & Suffolk Water. In the north east, the business comprises the supply of both potable and raw water and the collection, treatment and disposal of sewage and sewage sludge, serving approximately 2.7 million people. In the south, NWL supplies water services to approximately 2.0 million people in Essex and approximately 0.4 million in Suffolk.

#### Future developments

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

The board of directors of the Company (the Board) continues to keep abreast of the ongoing investigations by the EA and Ofwat into 'Flow to Full Treatment' (FFT). The Board noted the formal Section 203 notice requesting information in relation to a potential enforcement case around FFT, which was issued by Ofwat in March 2022. These investigations are ongoing, and we continue to cooperate with them and have provided further data to both Ofwat and the EA. In December 2023, Ofwat notified NWL, along with two other companies, of its provisional findings. NWL responded to these findings and provided further relevant evidence for consideration. We have disclosed this as a contingent liability and further information is provided in note 29 on page 76.

The NWL board was closely involved in developing the PR24 Business Plan, including leading the development of strategy, customer and stakeholder engagement arrangements, and assurance processes. This meant providing support to management as they deliberated the many detailed matters to be addressed as part of the plan.

We will soon receive Ofwat's Draft Determination (DD) which will set out the increased scale of the investment programme for the 2025-30 period. Ofwat has already indicated that this is likely to involve the largest investment programme ever undertaken, more than double the programme in the current 2020-25 period. While this scale of investment will bring its challenges, it also provides a great opportunity to make a step change in performance for our customers and positive impact on the environment, in particular reducing storm overflows. NWL has already started bringing forward this investment and established strong supply chain partnerships to ensure it is in the best possible place to deliver such a significant programme of work.

## STRATEGIC REPORT (continued)

### Business objectives

NWL represents c.95% of NWG and the Board has chosen to invest in this type of asset group. The strategy of NWG is therefore consistent and materially influenced by NWL, which the NWG board wants to ensure is a 'national leader in the provision of water and wastewater services in line with its own vision' including ensuring that ongoing financial viability of NWL is in line with its Instrument of Appointment (Licence) obligations. NWG holds other investments and undertakes activities where those are complimentary to NWL and reflect a similar risk profile.

### Performance measures

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

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

Scorecard measure	Performance 2022/23	Target 2023/24	Performance 2023/24	Achieved	% of total awarded	% of total STIP potential
<b>Customer</b>						
C-MeX customer experience	3 <sup>rd</sup> (1 <sup>st</sup> overall)	top 2 company	4 <sup>th</sup> (3 <sup>rd</sup> overall)	no	-	2.5
C-MeX customer satisfaction	3 <sup>rd</sup> (1 <sup>st</sup> overall)	top 2 company	4 <sup>th</sup> (3 <sup>rd</sup> overall)	no	-	2.5
D-MeX experience	6 <sup>th</sup>	top 2 company	2 <sup>nd</sup>	yes	5	5
Unplanned interruptions >3 hours (mm:ss per property)	8:17	<=4:53	5:32	no	-	5
Compliance risk index (number)	7.62	<=3	3.45	no	-	5
Repeat sewer flooding (number)	23	<=27	24	yes	2.5	2.5
Internal sewer flooding (number)	158	<=162	159	yes	2.5	2.5
<b>Environment</b>						
Leakage – NW (Mld)	118.8	<=118.0	120.0	no	-	2.5
Leakage – ESW (Mld)	55.6	<=59.0	50.8	yes	2.5	2.5
Discharge permit compliance (EPA)	98.86	100%	98.54	no	-	5
Pollution incidents category 1 & 2	0	<=0	0	yes	5	5
Greenhouse gas emissions (ktCO <sub>2</sub> e)	23.44	<=22.18	19.32	yes	5	5
<b>Competitiveness</b>						
Group EBIT	-	Budget	-	yes	20	20
Group distributions	-	Budget	-	yes	20	20
<b>People</b>						
Employee engagement score (Trust Index) (%)	70	>=70	77	yes	5	5
Lost time accidents (number)	14	<=14	15	no	-	5
<b>Communities</b>						
BITC Platinum Plus/Ethisphere/CCW 'Most Trusted Water Company'	awarded	award	awarded	yes	5	5
<b>Total</b>					<b>72.5</b>	<b>100</b>

## STRATEGIC REPORT (continued)

### Performance measures (continued)

The NWL Remuneration Committee will review the structure annually and may choose to revise the individual measures within the STIP to reflect appropriate performance objectives but the 60% weighting for customer-focused measures will not be reduced. A new gateway assessment was introduced for the STIP in 2023, requiring NWL to achieve a minimum of 3 star Environmental Performance Assessment (EPA) rating for the environmental measures to be awarded. Publication of the EA's EPA for 2023 has been delayed because of the UK General Election. However, having assessed the individual performance metrics which contribute to the EPA and considered the methodology for calculating an overall score which has been used in previous years, we anticipate receiving 3 star rating when the assessment is published, therefore this gateway assessment has been assumed to have been satisfied and the environment measures have been included in the STIP award.

The balanced scorecard targets for 2024/25 are shown in the table below, in accordance with the revised policy. These are internal measures and continue to be set at stretching levels so as to drive year on year performance.

### Performance measures (continued)

Scorecard measure	Target	% of total STIP potential
<b>Customer</b>		
C-MeX customer experience	top 2 company	2.5
C-MeX customer satisfaction	top 2 company	2.5
D-MeX experience	top 2 WASC	5
Unplanned interruptions >3 hours (mm:ss per property) <sup>1</sup>	<=4:53	5
Compliance risk index (number) <sup>1</sup>	<=3	5
Repeat sewer flooding (number) <sup>1</sup>	<=27	2.5
Internal sewer flooding (number) <sup>1</sup>	<=161	2.5
<b>Environment</b>		
Leakage – NW (Mld) <sup>1</sup>	<=115.0	2.5
Leakage – ESW (Mld) <sup>1</sup>	<=54.0	2.5
Discharge permit compliance (EPA) <sup>1</sup>	100%	5
Pollution incidents category 1 & 2 <sup>1</sup>	<=1	5
Greenhouse gas emissions (ktCO <sub>2</sub> e) <sup>1</sup>	<=20.17	5
<b>Competitiveness</b>		
Group EBIT	Budget	20
Group distributions	Budget	20
<b>People</b>		
Employee engagement score (Trust Index) (%)	>=72	5
Lost time accidents (number)	<=14	5
<b>Communities</b>		
BITC Platinum Plus/Ethisphere/CCW 'Most Trusted Water Company'	awarded	5
<b>Total</b>		<b>100</b>

To achieve the 'national leader' vision, NWL's targets are often more stretching than the regulatory performance commitments. NWL have continued to achieve a high proportion of the targets reported in their balanced scorecard.

NWL, yet again, has achieved a significant portion of the targets outlined in the balanced scorecard, especially as the ambitious goals for 2020-25 were carefully crafted based on invaluable input from our customers. However, NWL continue to challenge the position and improve further, investing heavily and working hard to further demonstrate its track record for protecting and enhancing the environment, with some of the highest standards for bathing water quality, the cleanest rivers, and the lowest levels of pollution.

## STRATEGIC REPORT (continued)

### Performance measures (continued)

NWL remains committed to delivering an unwavering commitment to delivering unparalleled customer experiences and to being the national leader in the provision of sustainable water and wastewater services. C-MeX is the industry-wide measure that provides a holistic comparison of companies' customer satisfaction and experience performance. NWL's ambition is to be in the top two companies for C-MeX and were disappointed to finish in third place this year, after achieving the ambition in the previous two years, but remain committed to providing unrivalled experiences for our customers and to being industry-leading. NWL continue to score highly in this area in CCWater's 'Water Matters' report, with NWL being placed first for overall experience and overall satisfaction.

Developer Measure of Experience (D-MeX) measures the service that NWL provides to developer services customers, including property developers, self-lay providers and those with new appointments and variations. NWL's target is to be in the top two companies for D-MeX. This year, NWL achieved this, finishing in 2<sup>nd</sup> place. NWL has implemented a new approach to delivering new service connections and now have a dedicated field resource. This has ensured planned jobs are not moved or cancelled due to other work priorities with connections being completed within service level agreements resulting in higher satisfaction scores. NWL continue to invest in corporate systems and this year has introduced a jeopardy management tool which provides visibility of the end to end customer journeys, ensuring that service levels are achieved. Customers can now apply and receive their quotation online and further system developments are planned for 2024/25.

NWL has an ambitious target to eradicate water poverty in the regions it serves by 2030 and this continues to drive the design and implementation of policies and services which are inclusive and affordable for all. As the cost of living crisis has continued to push more people into water poverty, NWL has been able to increase the number of customers receiving support with their bills by 25% and the number of customers on the NWL priority services register has increased by 35,000 households, meaning more customers will get the help they need.

The water NWL supplies must meet the stringent quality standards set by the DWI, to ensure that it is safe to drink and free of colour and particles, poor tastes and smells. This is measured by the Compliance Risk Index (CRI), using information from the whole source to tap journey, through water treatment works, networks and customer taps, to make a more exacting assessment of water quality. NWL's CRI in 2023 of 3.45 represented a significant improvement compared to the previous year (7.62), but this was still higher than our target. NWL were disappointed to not hit the high standards in this area and are committed to achieving industry-leading performance and are delivering long-term plans to achieve this. Funding in the base capital programme has also been accelerated as part of a transformation plan with the DWI to deliver future improvements.

Efforts continued to be to prioritised around water treatment, where CRI risk is highest, and areas of focus include filter media refurbishment, carbon regeneration, and improving on-line monitoring capability. In the networks, NWL are continuing with an enhanced service reservoir inspection and repair programme, using technologies such as Remote Operating Vehicles (ROVs) to support the inspection process. Smart network innovation is also ongoing, allowing real time operational decisions to be made on the quality of water being supplied through the networks and so improve the customer experience.

The quality of the water supplied is of paramount importance, but NWL's customers also care about the appearance, taste and smell of the water they receive. NWL have continued to improve performance on appearance of water and delivered their best results yet in 2023. NWL continues to progress with its programmes of work to avoid discolouration from trunk mains and adopted a focused zonal approach to flushing which improved performance.

NWL's customers expect that water will flow when they turn on the tap and that they should not be affected by shortages of water. Interruptions to the water supply can cause customers real inconvenience, especially when they are unexpected and the appropriate warnings cannot be made in advance. Although NWL improved its performance on interruptions to supply compared to the previous two years, it was disappointed to miss the stretching target in the year. This was significantly influenced by a failure in a strategic main in Suffolk in January 2024 which impacted c.8,000 properties adding over a minute to the overall performance. Prior to this incident, performance on interruptions was well ahead of the target.

NWL puts its customers at the centre of the response to a supply interruption and have been one of the industry leaders over several years. NWL's focus is to restore supplies to customers before undertaking any permanent repair, while always taking a balanced approach to other considerations such as environmental protection and the health and safety of the team and the public. Supplies are restored by rezoning the network or deploying temporary equipment, and are pleased to report that the mobile storage units (MOWBIs) is going well and making a real difference to customers.

## STRATEGIC REPORT (continued)

### Performance measures (continued)

Longer term, NWL's performance against this metric remains susceptible to external factors in particular weather events such as storms or flooding which are expected to increase in frequency due to climate change and which can disrupt the operation of assets, particularly if they affect power supplies. NWL's PR24 Business Plan will set out robust proposals to address this, however delivery of these proposals will be dependent on the provision of associated funding.

Sewer flooding is one of the worst service failures NWL's customers can experience and the goal is to eradicate sewer flooding in the home as a result of NWL's assets and operations. For the first time, NWL has achieved its PC on all three measures of sewer flooding, internal, external and repeat, and achieved its stretching internal targets. This level of performance has been delivered despite this year being much wetter than previous years, with annual rainfall up by c.50% compared to the previous year. There have been significantly more named storms impacting the region when compared to other years and as a result, significantly more heavy periods of severe rainfall compared to last year. NWL has reduced the number of internal sewer flooding incidents we report by more than 65% since 2019/20.

This success has resulted from the continuing maturity of NWL's sewer flooding tactical plan initiated in 2019. Key areas which are driving this performance include the Bin the Wipe campaign which has directly reached over 235,000 households in the operational activities and contacted a further 600,000 with targeted letters in hotspot locations. Furthermore, resources in the dedicated Fats, Oils and Grease team have been boosted, here they work closely with both commercial and domestic customers to advise best practice for managing this.

Looking ahead, the modelling work NWL used to support its Drainage Wastewater Management Plan (DWMP) has helped significantly reduce the percentage of properties identified as being at risk of flooding. Further plans exist for significant investment to improve the capacity of the network and will see wider benefits from the Storm Overflow Reduction Plan, which will improve the resilience of the network and further reduce flood risk. The long term delivery strategy outlines the commitment to further reduce flood risk by 60% by 2050.

Publication of the EA's annual Environmental Performance Assessment (EPA) for 2023 has been delayed because of the UK General Election. However, having assessed the individual performance metrics which contribute to the EPA and considered the methodology for calculating an overall score which has been used in previous years, NWL anticipate receiving 3 star rating when the assessment is published.

NWL's care and respect for its natural environment goes far beyond the regulatory requirements. NWL works constantly to protect and bring about improvements for the coasts, rivers, and watercourses in all areas of its operations.

NWL fully recognises the level of public concern with regards to the environmental impact of the sector as a whole, and the operation of storm overflows in particular. NWL remains committed to its ambition to have the best rivers and beaches in the country and have updated its Vision for Coasts and Rivers with the latest progress against the ambitious pledges made in 2022 to care for the water environment.

The exceptionally high rainfall experienced in 2023 resulted in a greater number of storm overflow spills being reported across the industry than in the previous year. NWL remains committed to our pledge to reduce average spills to 20 per year by 2025 and have now installed spill monitors at 100% of its overflows. NWL's business plan for 2025-30 proposes almost £1bn of investment to reduce spills further.

There are 344 waterbodies in the North East, across which the EA has identified 1,800 at 'Reasons Not at Good' status (RNAGs). Of these RNAG's, 16.8% are linked to the water sector, with the remainder attributed to other causes. This confirms that, whilst NWL has an important role to play, it is equally important for other sectors to also take credible actions to reduce their impact.

NWL's treatment works compliance target for 2023/24, which includes both wastewater and water treatment works discharges, is 100% compliance. NWL were disappointed to have three failing works, all wastewater, out of a total of 205 eligible treatment works, though in each case the impact was relatively minor and transient.

## STRATEGIC REPORT (continued)

### Performance measures (continued)

To improve performance, NWL has implemented a tactical plan specifically for discharge compliance. This covers both water and wastewater treatment works and includes new root cause analysis, data interpretation as well as identifying any additional training or governance required. Targeted investments to support improvement in this measure are already included in its plan. We are making sure we carry out work at any sites with a history of any level of sample failures, to prevent a reoccurrence.

Future permits will tighten as legislation changes, alongside the pressures of increasing population, new housing, industrial development, and climate change. This will introduce new challenges to performance, where new treatment technologies will be adopted and an increase in the emphasis on very efficient operational control. NWL remains committed to delivering against challenging new standards.

In respect of causing any pollution from operations, NWL always aims to avoid this. However, occasionally problems arise in the water and wastewater systems that have an environmental impact on watercourses and the sea. NWL continues to focus on reducing the risk of this happening and were pleased that there were no serious category 1 and 2 pollution incidents for the second successive year from its water or wastewater assets.

NWL has fully deployed an innovative smart network management technology across its wastewater service. This uses advanced machine language learning, together with hyperlocal rainfall forecasting, to accurately predict the normal performance of assets and provide alerts of issues occurring. NWL are also working with a leading company to deliver the UK's first real-time decision support system for its largest wastewater system on Tyneside, involving installation of new devices and development of a digital twin. This increases the capability to detect issues, manage flows effectively and respond to prevent pollutions from happening.

Reducing leakage remains a key focus, and NWL's goal is to have the lowest levels of leakage in the country in its water-stressed ESW operating area. It was delighted that leakage was reduced year on year by 8.6% in ESW. This means that the regulatory PC for ESW was met, but missed by the narrowest margin in NW, as calculated on a three year average basis. During the year, NWL achieved some of the lowest levels of leakage ever recorded in each region.

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

There has been a slight increase in the number of incidents reported in 2023 compared to 2022, including Lost Time Accidents (LTAs) and incidents falling within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), however there was a significant reduction in actual days lost compared to the previous year. The performance is comparable with the long term target of reducing lost time accidents and reportable incidents by 20% compared to historical performance. Any actions identified from the incidents are tracked by the ELT on a monthly basis. Health and safety is the first item on the agenda at each Board meeting.

The Group is fully committed to developing and maintaining a working environment in which everyone is treated fairly, with dignity and respect and this is set out in our Equal Treatment Policy. We seek to ensure that people are recruited, selected, employed, trained and promoted on the basis of their ability for the job. It is our intention that all job applicants and employees are treated equally, regardless of their age, ability, marital or partnership status, race, religion or belief, gender or sexual orientation.

We put great effort into creating an environment where our people are encouraged to engage and perform to the best of their ability. Creating multiple channels for feedback and ideas is key to a positive working relationship. We share information and opportunities through a range of communication channels including our weekly H2info e-bulletin, intranet (The Source) and Viva Engage and in 2023 NWL has introduced Your Voice Forums to provide an additional channel for two way communication. During 2023, 60 interactive Employee Roadshows were hosted by our CEO, Heidi Mottram, and our Executive Leadership team to give colleagues the opportunity to hear key messages, celebrate success and milestones and, importantly, share their ideas, ask questions and raise any concerns directly. Quarterly Team Talks engage all colleagues in key business topics, bringing teams together to discuss performance and key areas of focus with the support of a pack of resources including videos and interactive activities to bring the messages to life.

## STRATEGIC REPORT (continued)

### Performance measures (continued)

NWL developed their TIDE (Together for Inclusion, Diversity and Equity) strategy in 2021. Since inception, the strategy has driven behaviours that enable a more diverse workforce and has led to increases in the numbers of colleagues in all under-represented groups (female, non-white or with a reported disability).

The Group is fully committed to developing and maintaining a working environment in which everyone is treated fairly, with dignity and respect and this is set out in our Equal Treatment Policy. We seek to ensure that people are recruited, selected, employed, trained and promoted on the basis of their ability for the job. It is our intention that all job applicants and employees are treated equally, regardless of their age, ability, marital or partnership status, race, religion or belief, gender or sexual orientation.

The Group remains dedicated to building strong relationships with the communities we serve and we ensure that corporate responsibility is embedded in the business. NWL's Community Investment Strategy focuses on three areas, namely delivering community investment activity in areas through financial contributions, volunteering (including NWL's Just an Hour scheme through which 35% of our employees supported 226 good causes), education impact, and playing a leadership role.

NWL's Innovation Festival returned for its seventh year, presented as a hybrid event combining in-person and virtual participation. The theme was Citizens and marked the most successful event yet, achieving our highest engagement levels across the water sector and beyond, while delivering high quality outputs. The Festival is a vital component of our innovation program, playing a key role in generating ideas, accelerating projects and establishing partners for external funding bids.

### SECTION 172 STATEMENT

The Board of Directors believes that considering our stakeholders in key business decisions is not only the right thing to do but is fundamental to our ability to drive results over the longer term.

The Directors of the Company are bound by their duties under the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole. In doing so, however, the Directors must have regard to the interests of our stakeholders to ensure the long-term success of the Company. The Board is therefore responsible for ensuring that it fulfils its obligations to those impacted by our business, in its stakeholder consideration. This Section 172(1) statement sets out how the Directors have had regard to the matters stated in section 172(1)(a) to (f) of the Companies Act when performing their duties over the course of this year and provides some examples of how each of our key stakeholders have been considered and engaged.

#### *The likely consequences of any decision in the long-term – s172(a)*

The nature of the business of the Group's main trading subsidiary, NWL, with its pricing and activities regulated by Ofwat, the Environment Agency and the Drinking Water Inspectorate, requires that the Board always considers the longer-term consequences of our decisions, and this is enshrined in the Purpose Statement for NWL.

This long-term perspective underpinned the NWL Board's strategy for the PR24 Business Plan, which set out ambitious goals in respect of achieving net zero carbon and delivering reliable and resilient services for future generations.

The Board sets the Group's high level vision, values and strategy and ensures compliance with Group policies and legal and regulatory obligations. Within this framework, NWL operates as a standalone company and its strategy is determined by the NWL Board. During the year, decisions referred up to the NWG Board or its Standing Committee included a number of contract approvals, consideration and approval of the Group's financial approval rules, board reserved matters and terms of reference of board committees and sub-committees, the annual approval of the Group's Modern Slavery and Human Trafficking Statement, and approvals for the annual update and further issues of guaranteed notes under a European Medium Term Note programme established in 2022.

## STRATEGIC REPORT (continued)

### SECTION 172 STATEMENT (continued)

The Board closely monitors the financial position of the business through a rolling five year plan.

The Board, through its Audit, Risk & Assurance Committee (ARAC), monitors the principal risks and uncertainties facing the business including longer-term strategic risks. A detailed review of the Strategic Risk Register is carried out each year, most recently in November 2023, which considers horizon scanning reports from external sources. The principal risks and uncertainties are reported on page 16.

The Board considered and satisfied themselves that there was appropriate clarity, transparency and structure in relation to the risks, given their potentially far-reaching impact on the future success of the Company in the long-term.

#### *The interest of the company's employees – s172(b)*

The Group's employees are essential to everything it does and achieves and their commitment to the Group's purpose and values is critical to the Group's long-term success. The vast majority of the Group's employees are employed by NWL, but certain other subsidiaries of the Company also have employees.

The health, safety, and wellbeing of employees is a fundamental area of focus and is a primary matter considered by directors of relevant Group companies at board meetings and board discussions centre around any lost time accidents or high-risk incidents and the learning points taken from them as well as performance against leading and lagging indicators.

Confidential, truthful employee feedback on what it is like to work for NWL through its annual colleague engagement survey is always encouraged each year. Employee feedback has provided the Board with insight and challenge and has allowed employee interests to remain a priority when considering key concerns. To further support our colleagues to share their reviews and report any concerns, NWL has instigated the 'Safe to Say' project during the year to ensure that it has robust processes and channels so that colleague voices can be heard and acted upon, and to help strengthen a transparent and inclusive culture.

Regular updates are provided to the NWL Board, Remuneration and Audit Committees on culture, engagement, diversity and inclusion, gender pay gap and employee pay.

The Board recognises the importance of a diverse workforce, thriving in an inclusive culture. The NWL Board supported the launch of a Diversity and Inclusion Strategy in October 2022, which explains why NWL needs to be more representative of its customers and the value of ensuring that all colleagues are included in inclusion objectives. Clear milestones have been set in the Strategy, which are to be measured by the end of 2025. In a clear indication of positive progress towards these milestones, NWL is proud to have been recognised during the year as 'Best Company' in the 'Northern Power Women Awards' for its work to support career progression for female colleagues in its business and supply chain.

NWL has been ranked among 250 organisations on the UK's best workplaces for wellbeing 2023 list in the super large category by 'Great Places to Work'. This is in recognition of its colleague health and wellbeing offering, which includes the award-winning 'Living Well' hub – a digital one-stop shop for wellbeing, sports and social clubs, wellbeing webinars, flu vaccinations, digital GP service and colleague-led support networks which champion and support employees from under-represented backgrounds. The NWL Board encourages NWL's ambition to support the diverse needs of employees and ensure that everyone goes home safe every day, no matter who they are, or what their role is.

During the year, the Board approved the Company to enter an Asset Backed Funding (ABF) arrangement in respect of its defined benefit pension scheme, the Northumbrian Water Pension Scheme (NWPS). This arrangement provides greater security to the pension scheme to the benefit of its members, both past and present employees. It also allows the pension actuarial deficit to be repaid over a longer time period of 15 years which is beneficial to both the pension scheme and NWL's customers, as it spreads the pension deficit recovery payments over a longer period, improving short term cash flows and financial resilience.

#### *The need to foster the company's business relationship with suppliers, customers and others – s172(c)*

Engagement with customers and other stakeholders is fundamental to the development of our strategy and plans.

## STRATEGIC REPORT (continued)

### SECTION 172 STATEMENT (continued)

The NWL board appreciates the opportunity to understand the different perspectives of key stakeholders in relation to the challenges facing its sector. One example of this approach by the NWL Board, was the publication of its Draft Water Resources Management Plan 2024 consultation which sets out how it can ensure that it can continue to deliver clean, clear drinking water in the future, even in the most severe drought. In sharing these plans in draft form, NWL hopes to get as many views from its customers as possible to help develop its final plan which will be approved by the NWL board.

The Board encourages the Group to work collaboratively and ethically with suppliers. NWL's everyday business relationships are managed by the NWL Executive Leadership Team under the supervision of the NWL board and other relationships relevant to the businesses of other Group companies are managed by the relevant management teams with oversight by the boards of directors of those companies.

The Board is cognisant of the impact its decisions have on suppliers to its Group's businesses. Under matters reserved for the Board and terms of reference of its Committees, the Board or its appropriate committee must approve contracts with suppliers above a certain value, which ensures that there is the appropriate level of oversight of these key contracts.

Each year the Board also approves its Slavery and Human Trafficking Statement for the Group, which details the steps that have been undertaken to ensure that slavery and human trafficking is not taking place in any part of the Group's business or supply chain.

#### *The impact of the company's operations on the community and the environment – s172(d)*

The Group's interaction with and impact on the communities its businesses serve and the environment are of particular interest to the Board.

The NWL's Risk & Compliance Sub-Committee (R&CSC) leads on mitigation of environmental considerations.

As a water and wastewater operator, the environment is at the heart of everything NWL says and does as a business. However, care and respect for the natural environment goes far beyond any regulatory requirements. The NWL board receives regular updates on how it works constantly to protect and enhance coasts, rivers and watercourses in all areas of its operations, specifically in relation to its Water Resource Management Plan and Pollution Incident Reduction Plan. In NWL's business plan for 2020-2025, ambitious goals have been set for NWL's operating area to have the best rivers and beaches in the country, and to have zero pollutions as a result of its assets and operations. In October 2023, NWL published its Environment Strategy which sets out a long-term ambition for the environment.

NWL's Purpose, Vision and Values are clearly defined and understood. Together they drive a strong positive culture, which is evidenced with NWL's appearance over the last 13 years as the only water company of the Ethisphere Institute's 'World's Most Ethical Businesses' list, being the first water company to achieve the Good Business Charter in 2020 and an employee trust score of 77% in the 2023 Great Place to Work survey. In CCW's 2023 research into customer centric company culture NWL is frequently cited as the example of "what good looks like".

These successes illustrate that ESG matters have always been central to how NWL operates and, as such, Board and management believe that it is appropriate to formalise its commitment to ESG matters at board level by establishing an ESG Committee of the NWL board, which will assume responsibility for oversight for and reporting to the NWL board on ESG issues.

The Board supports the nine ambitious pledges that NWL is committed to achieve in its 'Vision for Coast and Rivers' and which it believes will be effective for its unique water environment and make a real difference to its communities. The Board is proud of the level of environmental investment NWL committed to in the current five-year investment period, but understands that times and expectations have changed. NWL's challenge now is to demonstrate how it can do even more to invest to restore and regenerate our natural environment, and NWL's Environment Strategy sets its long-term environmental ambition for this. Further information can be found on our website at <https://www.nwg.co.uk/responsibility/environment/environment-strategy>.

The Directors have also had in-depth discussions regarding the significant increase in investment required in AMP8 and beyond. NWL is investing substantial amounts in the current regulatory price period towards reducing its use of storm overflows and upgrading its wastewater network, and is already planning an extensive environmental programme of £1.7bn over the next few years to stop storm overflow spills in the environment.

## STRATEGIC REPORT (continued)

### SECTION 172 STATEMENT (continued)

The Group, through its subsidiaries, also plays an active role in our communities, supporting them through charitable endeavours and generating a positive impact on our communities worldwide. The Group's businesses rely on resilient communities and has extensive experience of making a difference in the communities they serve, both locally and internationally. The success of NWL's 'Bin the Wipe' campaign and the support it has generated from customers, regulators, and stakeholders (including members of parliament) has led to a national campaign, which was adopted by the UK water and wastewater industry, as well as the industry body, WaterUK. The campaign was endorsed by Parliament in October 2022, and most recently, this campaign has led to the Government announcement on banning plastics in wipes.

#### *The desirability of the company maintaining a reputation for high standards of business conduct – s172(e)*

Through both the Audit Committee and the R&CSC, the Board continued to monitor and satisfy itself that required behaviours were understood and that business conduct and ethics guidance was observed.

Additionally, the Board also considered lessons that could be learnt from public criticism of other utilities arising from their failings in relation to incidents in which they were involved (both safety and climate related) so as to inform future thinking and strategy impacting customers, communities, and the environment.

The Directors recognise the requirement for members of its Group, and, in particular, for NWL as a leading company operating in a tightly regulated sector and running a critical public service, to maintain the highest standard of business conduct.

NWL adheres to Ofwat's Board leadership, transparency and governance principles, subject to the exceptions the NWL board has noted. NWL also operate in accordance with the Wates Corporate Governance Principles for Large Private Companies and compliance with the principles is explained in NWL's annual report and financial statements.

The Company has robust risk management and internal control processes, which are reviewed by the Board or the ARAC. The ARAC is responsible for controlling oversight of the Company's systems for managing compliance, fraud, anti-bribery, whistleblowing and of the internal audit function, and making appropriate recommendations on policy and actions to the Board.

Having regard to the desirability of the Group maintaining a reputation for high standards of business conduct, the Board has spent time during the year considering and ensuring that the governance framework in place between the Board and company management remained appropriate, including reviewing the authority and permissions delegated pursuant to its internal governance framework.

The Company was proud that NWL was named the world's 'most ethical' water company for the thirteenth consecutive year in the 'World's Most Ethical Company' list, judged by Ethisphere. As one of only two UK companies, and the only water and sewerage company in to be named in the list, this is a fantastic achievement and reflects the hard work and dedication of colleagues who are committed to delivering the highest ethical standards.

Through the ARAC and NWL's R&CSC, the Board continued to monitor and satisfy itself that required behaviours were understood and that business conduct and ethics guidance was observed.

#### *The need to act fairly as between the members of the company – s172(f)*

The composition of the Board is detailed on page 18.

The relationship between the Company's shareholders, and their respective rights, are governed by private agreement. The Board does not afford any one shareholder or group of shareholders any special rights or privileges and seeks to always act fairly between them and treat them equally, including ensuring that there are procedures in place to address any conflicts of interests that could arise and ensuring equal access to information.

All Directors receive a monthly report from the CEO detailing the performance of the business covering a range of management information that includes but not limited to, customer experience, financial updates, capital investment, operations, health and safety, regulation, commercial activity and corporate affairs.

### **S172 Duty**

The Directors of NWG consider, both individually and together, that they have acted in a way they consider, in good faith, would most likely be to promote the long-term success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2024.

## STRATEGIC REPORT (continued)

### Financial performance and structure

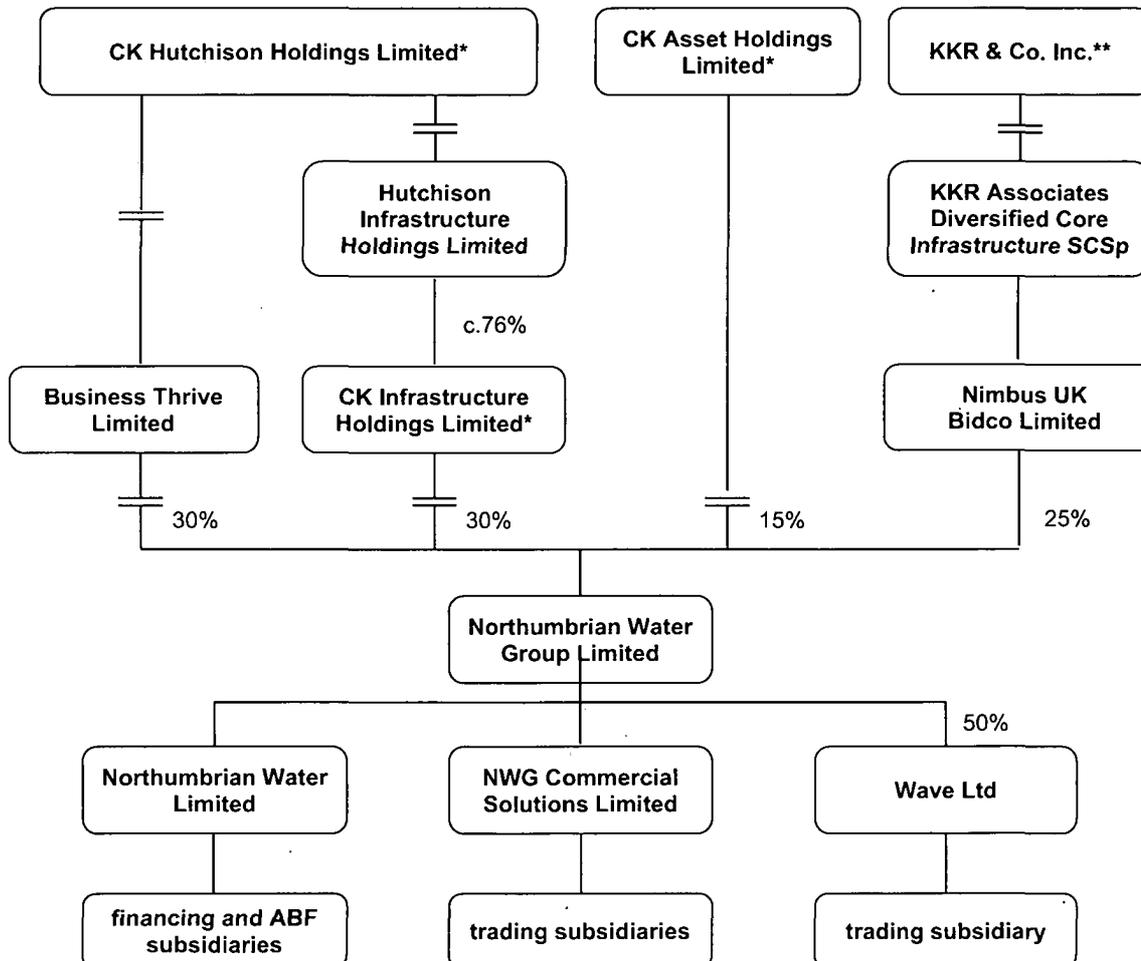
#### Group structure

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

The chart below shows the summarised corporate structure of the Group. The chart shows the principal intermediate holding companies, which are wholly owned unless otherwise shown.

During the year, NWL entered an Asset Backed Funding (ABF) arrangement in respect of its defined benefit pension scheme. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. This is beneficial to both the pension scheme and NWL's customers, as it spreads the pension deficit recovery payments over a longer period, improves short term cash flows and improves financial resilience.

The ABF has introduced additional subsidiaries to NWL, shown as 'ABF subsidiaries' on the chart below, and additional accounting transactions between NWL and these subsidiaries. These consolidated accounts eliminate these additional accounting transactions.



\* Companies listed on the Stock Exchange of Hong Kong Limited

\*\* Company listed on the New York Stock Exchange

## STRATEGIC REPORT (continued)

### Financial performance

In addition to the balanced scorecard, the Group uses a range of financial indicators to monitor performance, which focus on the financial covenants underpinning the Group's private placement and committed bank facilities at NWL, which are reported to each Board meeting. The targets for NWG represent an Event of Default and for NWL a Lock-Up Test for distributions. For the Group, these financial KPIs, shown below, remained better than the target for the year. The NWL interest cover ratio reduced from 3.2x to 2.9x.

KPI	Performance				Target	
	2022/23		2023/24		2023/24 & 2024/25	
	NWG	NWL	NWG	NWL	NWG	NWL
Gearing: net debt to RCV (%)	72.7	68.3	74.8	70.0	≤80.0	≤77.5
Interest cover (times)	3.0	3.2	2.7	2.9	≥2.2	≥2.4

NWL's Regulatory Capital Value (RCV), on which our allowed regulatory revenue is based, increased to £5,442.7m at 31 March 2024, from £5,097.4m at 31 March 2023, reflecting high levels of CPIH and RPI indexation.

### Review of consolidated performance

#### NWG

Revenue for the year ended 31 March 2024 was £952.4m (2023: £899.9m), an increase of £52.5m, of which £57.0m was at NWL and is detailed below. Income from the Group's water and wastewater contracts reduced by £4.5m, in line with the provisions of the relevant contracts and has been impacted by lower than normal gas prices in the market, which have an impact on the tariffs for one of the contracts in Scotland.

Operating costs increased by £43.5m for the year ended 31 March 2024 at £717.8m (2023: £674.3m), which principally reflected movements at NWL (£47.3m), which are detailed below. Operating costs for the Group's water and wastewater contracts were marginally lower than the prior year with a small reduction of £2.1m. This principally reflects the additional costs borne in Gibraltar in the prior year which were due to an incident where a fire impacted the provision of water services. The resultant profit before interest for the year ended 31 March 2024 was £234.6m (2023: £225.6m).

Share of profit in respect of jointly controlled entities for the year ended 31 March 2024 was £3.4m (2023: £0.2m). The improved position principally reflects better cash collection and the underlying trading performance at Wave.

Net interest payable was £231.9m for the year ended 31 March 2024 (2023: £275.5m). The decrease of £43.6m was principally as a result of lower accretion on index-linked bonds due to lower inflation during the year (£42.6m), coupled with a decrease of £12.2m in the mark to market movements on the fair value of financial instruments compared to the prior year and a partial offset due to increased levels of debt.

The Group's profit before tax for the year ended 31 March 2024 was £6.1m (2023: loss before tax £49.7m). The current tax charge for the year ended 31 March 2024 was £12.6m (2023: £3.6m). The increase of £9.0m reflects increases of £7.5m in the current year charge and an increase of £1.5m in the prior year tax charge. The current year increase in the current tax charge arises mainly as a result of a tax credit on pension contributions being reflected through other comprehensive income in the current year. The deferred tax credit for the year ended 31 March 2024 was £12.3m (2023: £25.8m). The decrease is £13.5m, of which £11.5m arises across the deferred tax on accelerated capital allowances and tax losses carried forward. The main change is as a result of disclaiming capital allowances following the announcement at the recent Autumn Statement that the full expensing regime would be made permanent and the effect this has on carried forward losses. In the prior year, the super deduction was claimed in full along with all other capital allowances. This resulted in tax losses arising which were being carried forward to be set off against future taxable profits once the super deduction and, at the time temporary, full expensing regime ended. Due to our significant and recurring capital programme, it is no longer deemed necessary to claim all of the capital allowances available to us to generate tax losses to carry forward following the announcement that the full expensing regime would become permanent. Further details of the net tax charge are provided in note 8 to the financial statements. The Group's loss after tax for the year ended 31 March 2024 was £5.8m (2023: £27.5m).

Total intangible asset additions for the Group for the year ended 31 March 2024 were £9.3m (2023: £9.7m) and total fixed asset additions for the year ended 31 March 2024 were £459.1m (2023: £320.0m), representing capital investment to maintain and enhance the Group's asset base.

#### NWL

Revenue was £909.8m for the year ended 31 March 2024 (2023: £852.1m). The increase of £57.0m principally reflects an increase of £54.2m in combined household and non-household revenue, which included the impact of the redetermination of the FD by the CMA and 9.4% CPIH inflation on wholesale revenue.

## STRATEGIC REPORT (continued)

### Financial performance (continued)

#### *NWL (continued)*

Operating costs, including capital maintenance costs for the year ended 31 March 2024 were £676.6m (2023: £629.3m), an increase of £47.3m. The most significant area of increase related to employee costs, reflecting growth in employee numbers and inflationary salary increases, as well as a one-off credit in the prior year not recurring. In addition to other inflationary cost increases, depreciation charges have increased reflecting the ongoing level of capital investment.

During the year, NWL invested £0.9m (2023: £0.5m) in research and development.

Profit before interest for the year ended 31 March 2024 was £233.2m (2023: £222.8m). Capital investment for the year ended 31 March 2024 was £456.7m (2023: £319.5m), with around £279.0m (2023: £213.0m) of this investment relating to maintaining the health of assets to ensure the continued provision of sustainable water and wastewater services, as well as supporting growth from developers.

#### *Water and wastewater contracts*

The Group's water and wastewater contracts in Scotland, the Republic of Ireland and Gibraltar are all performing well and are broadly in line with expectations. Revenue for these contracts was £42.8m for the year ended 31 March 2024 (2023: £47.3m). Profit before interest was £3.3m (2023: £5.7m).

We remain compliant with all environmental and effluent compliance requirements at the two Scottish PFI contracts at Meadowhead and Levenmouth. The Irish contract at Carrigrenan, remains compliant with all contractual service levels. NWG is currently discussing the disposal of its 67% share to HM Government of Gibraltar and this is expected to conclude during 2024.

### Dividends

A final dividend of £54.0m was paid for the year ended 31 March 2023. For the year ended 31 March 2024 the Board approved payment of an interim dividend of £54.0m and, after the balance sheet date, a final dividend of £37.4m. Further information is provided in note 9 to the Financial Statements.

### Accounting policies

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

### Capital structure, liquidity and credit rating

The majority of the Group's financing activities are undertaken within the NWL group of companies given the significance of its operations to Group activities.

At year ended 31 March 2024, NWL had £355m (2023: £450m) of undrawn bank facilities, which is for the purpose of maintaining general liquidity and provided by a group of five key relationship banks, which mature in December 2025.

In October 2022, NWL established a £6bn European Medium Term Note (EMTN) programme enabling more regular and efficient issuance of bonds. In March 2024, under the EMTN, NWL, through its financing subsidiary Northumbrian Water Finance plc, issued £250m of fixed rate bonds, with a 13½ year tenor, and £100m on CPI-linked bonds, with a 15 year tenor, although the funds weren't received until April 2024, after the balance sheet date.

Moody's affirmed its rating of NWL of Baa1 with stable outlook in April 2023. In October 2023, Fitch assigned NWL a senior unsecured debt rating of BBB+ with a stable outlook. Subsequently, in January 2024, Standard & Poor's (S&P) withdrew its long-term issuer credit rating at the Company's request.

### Treasury policies

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

## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES

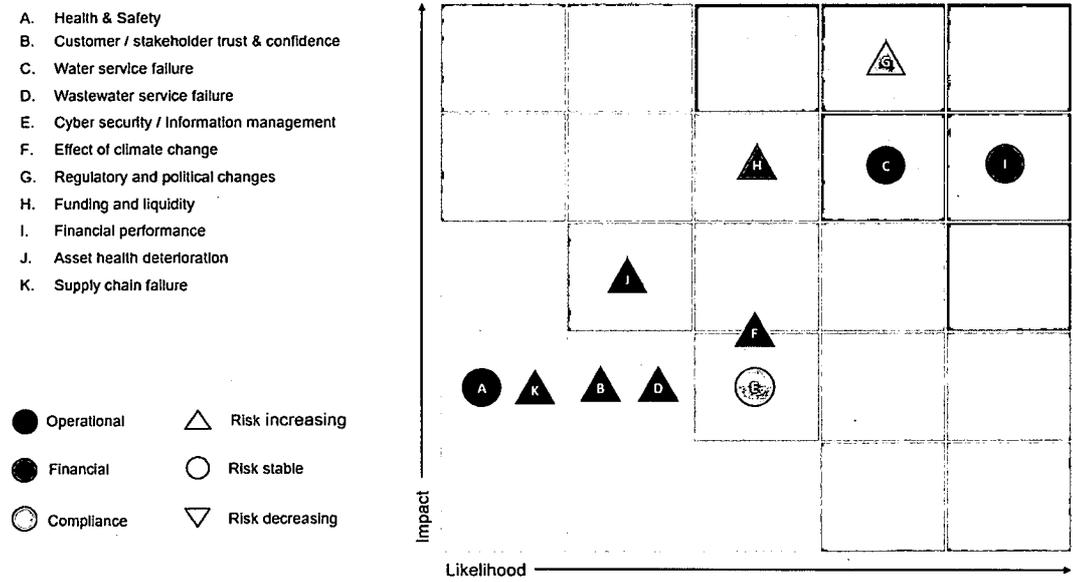
The Group requires all Group companies to identify and assess the impact of risks to their business using a standard risk model. The Group's view of acceptable risk is based on a balanced view of all of the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion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

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

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

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

The ARAC, on behalf of the Board, carries out a robust assessment of the principal risks facing the Group, including emerging risks that would threaten its business model, future performance, solvency or liquidity, taking account of both the highest rated risks on our Corporate Risk Register and the Strategic Risk Register identified by the Board sub-group. A detailed review of the emerging risks is carried out each year, most recently in November 2023, which considers horizon scanning reports from external sources. The conclusions of this assessment are summarised on the heat map below. This shows the current exposure of each of the principal risks and an indication of whether the risk is increasing, stable or reducing.



## STRATEGIC REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The risks detailed below are not set out in order of priority.

The principal business risks facing the Group are:

- inherent health and safety risk in NWL's operational and construction workplaces;
- loss of customer and stakeholder trust and confidence;
- loss of supply to a large volume of customers due to failure of the NWL water systems, such as failure of a strategic water main or treatment works or contamination of a service reservoir;
- environmental pollution incidents due to failures in the NWL wastewater network giving rise to potential fines and reputational damage;
- loss of key business systems due to a malicious attack or failure of cyber security;
- breach of Data Protection Act, General Data Protection Regulation or Environmental Information Regulations;
- effects of climate change adversely impacting NWL's water resources and the integrity of the assets;
- unfavourable changes to NWL's Instrument of Appointment (Licence) or regulatory methodology that may adversely impact on the balance of risk and return or reduce investor confidence in the stability and predictability of the regulatory framework;
- a change in government could introduce significant changes in policy, impacting upon NWL and the Group;
- failure to deliver financial plans could impact on expected shareholder returns;
- funding and liquidity risk (see note 22 to the financial statements);
- inadequate information about our asset base may result in sub-optimal investment decision-making leading to deterioration in asset health and service performance; and
- risk of supply chain disruption because of staff shortages following economic upheaval over recent years, impacting on the availability and price of key commodities.

Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the financial statements for the year ended 31 March 2024.

Risk management is a dynamic process reflecting changes in the external environment, however, the Board, based on the work of the ARAC, decided that the principal risks remained the same as the prior year.



Approved for issue by the Board of Directors  
**R Somerville**  
General Counsel and Company Secretary  
10 July 2024

## DIRECTORS' REPORT

### STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

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

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

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

#### Directors

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

A J Hunter	Non-Executive Chairman
H Mottram CBE	Chief Executive Officer (CEO)
L S Chan	Non-Executive Director
H L Kam	Non-Executive Director
D N Macrae	Non-Executive Director
W C W Tong Barnes	Non-Executive Director (resigned 21 May 2024)
S K K Man	Non-Executive Director (alternate to T C E Ip)
E W L Ho	Non-Executive Director
K T Chow	Alternate Director to E W L Ho
J Barratt-Due	Non-Executive Director
J P Huth	Non-Executive Director
T C E Ip	Non-Executive Director
C Ng	Alternate to H L Kam (appointed 20 May 2024)
K P Slaminka	Alternate to D N Macrae (appointed 24 May 2024)

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

#### Board governance, responsibilities and processes

The Board sets the Group's high level vision, values and strategy and ensures compliance with Group policies and legal and regulatory obligations. Within this framework, NWL operates as a standalone company and its strategy is determined by the NWL board. During the year, decisions referred up to the Board or its Standing Committee included a number of contract, approvals, consideration and approval of the Group's financial approval rules, board reserved matters and terms of reference of board committees and sub-committees, the annual approval of the Group's Modern Slavery and Human Trafficking Statement, and approvals for the annual update and further issues of guaranteed notes under a European Medium Term Note programme established in 2022.

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

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

#### Authorisation of Directors' conflicts of interest

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

## DIRECTORS' REPORT (continued)

### Board balance and independence

The composition of the Board at 31 March 2024 is as follows:

A J Hunter (Chairman), D N Macrae and L S Chan have been appointed by CKI UK Co 5 Limited (which is indirectly wholly owned by CK Infrastructure Holdings Limited. H L Kam, W C W Tong Barnes and T C E Ip have been appointed by Brockhill Investments Limited, (which is indirectly wholly owned by CK Hutchison Holdings Limited). S K K Man and E W L Ho have been appointed by Mara Development Inc. (which is indirectly wholly owned by CK Asset Holdings Limited), and J Barratt-Due and J Huth have been appointed by Nimbus UK Bidco Limited (which is indirectly owned by KKR & Co. Inc.) The CEO, H Mottram was appointed on the recommendation of the Nomination Committee of the Company (then Northumbrian Water Group plc) when it was independently listed.

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

Whilst not members of the Board, the Independent Non-Executive Directors (INEDs) of NWL attend Board and Committee meetings of the Company and therefore have visibility over, and are welcome to make observations and suggestions regarding, strategic considerations affecting the Group, with the exception of matters relating to Wave. This ensures that the NWL board is aware of all developments at NWG level and therefore has full knowledge of the environment in which it is operating and any risks the Group might face. The Board believes that this entirely transparent approach supports compliance with Ofwat's holding company principles.

The General Counsel and Company Secretary, R Somerville assists the Board to ensure that good corporate governance compliance is maintained. He is also Company Secretary of NWL and is Secretary to all NWG and NWL board committees and sub-committees.

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

### Board committees

During the year, the Board was assisted by the ARAC in performing its duties. The Board sets the terms of reference of its Committees, which were reviewed during the year, and receives regular reports at Board meetings from Committee chairpersons.

### Remuneration Committee

H Mottram's remuneration as CEO of NWL and NWG is set by NWL's Remuneration Committee, the members of which, during the year, were A J Hunter (Chairman), A Bryce, P Vicary-Smith, B Rosewell and D N Macrae. The Director of People and Corporate Services, who is a member of the NWL ELT, provides advice to the Committee from time to time.

NWL complies with its obligations under s35A of the Water Act 2003 by disclosing in its financial statements each year a detailed breakdown of remuneration paid to the Executive Director of NWL which is linked to NWL's standards of performance. NWL pays 70% of the remuneration of NWL's Executive Director, H Mottram, and NWG pays the remaining 30%, which reflects the time spent on activities other than NWL. No additional remuneration is paid by the Group or its shareholders. For 2023/24, no payment was made by NWL in respect of STIP or Long Term Incentive Plan (LTIP), with all awards for STIP, LTIP and additional discretionary awards made by the Chairman, were paid fully by NWG.

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

### ARAC

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

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

- reviewing the draft financial statements, considering reports from the external and internal auditors setting out the audit approach and plan, significant audit risks and conclusions on the Group's internal controls and risk management;
- reviewing the appropriateness of accounting policies, significant accounting judgements and evidence supporting the going concern basis for the accounts and recommending approval of both statutory and regulatory accounts to the Board;

## DIRECTORS' REPORT (continued)

### ARAC (continued)

- confirming the objectivity and independence of the external auditor, and in so doing reviewing the representations made in the audit report on these subjects;
- reviewing and monitoring the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the effectiveness of the internal audit function;
- approving the external auditor's fees for both audit and non-audit services, by reference to the agreed policy;
- approving the internal audit work programme for the year and reviewing progress against the programme;
- reviewing the financial approval rules and terms of reference of the Board and its committees; and
- reviewing the risk and control framework and reporting, including management of tax compliance matters and approval of financial approval rules.

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

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

- reviewing reports at each meeting on the top rated managed risks and priorities for assurance (being those risks with the biggest reduction between the business (gross) and managed (net) risk scores), representing key control areas for the Company;
- reviewing and updating the dynamic risk management framework and corporate risk register which are based on a detailed bottom-up assessment of risk across the Group;
- reviewing arrangements for AMP8;
- reviewing customer debt collection arrangements.
- reviewing cyber security and steps being taken to enhance security;
- advising the Board on risk appetite and exposure and reviewing risk assessment processes as well as keeping the effectiveness of the risk and internal control management systems under review; and
- monitoring compliance with covenants and treasury risks.

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

### Code of Conduct

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

### Ofwat's Holding Company Principles

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

- 1.1 As stated in the Strategic Report, at the balance sheet date, NWG is the holding company of NWL. The Directors of the Company consider that there has been no ultimate controlling party of the Company.
- 1.2 The Company discloses detail of its debt structure and how this compares with the Group's policies. It also clearly defines who is the ultimate parent undertaking and controlling party (see 1.1 above) and gives full transparency as to the level of shareholder loan notes within the corporate structure.
- 1.3 This report (and the NWL's Directors' Report) discloses that some Directors were appointed by shareholder companies. Certain Directors also sit on the NWL board and may also, from time to time, have roles in and/or hold shares or other interests in the shareholder companies and/or other companies within those shareholder groups. Suitable arrangements and procedures are in place in respect of conflicts of interests.
- 1.4 Decisions regarding certain large contract awards, capital projects, substantial funding arrangements and the re-appointment of Directors are referred to the Board. During the year, the Board has endorsed all the recommendations of the NWL board.
- 1.5 The Company's governance arrangements are set out clearly in the Strategic Report and the Directors' Report.

## DIRECTORS' REPORT (continued)

### Ofwat's Holding Company Principles (continued)

2.1, 2.2, 2.3, 2.4 and 3.1

Certain Directors of the Company are all also Directors of NWL (W C W Tong Barnes is an alternate director) and NWL's INEDs attend all Board and Committee meetings of the Company, ensuring full transparency between the holding company and regulated company. The executive management team of the two companies are the same. The Directors are therefore fully aware of NWL's obligations under statute, the Licence, and under the Condition P undertaking given by the Company as required by the Licence).

NWL's need to make strategic and sustainable decisions (in its own interests and those of its customers) is seen as fundamental to the Group's strategy and is vigorously supported. Therefore, the flow of information between the Board and the NWL board is effective and relevant information regarding the wider shareholder group is freely shared. NWL is given the opportunity to take advantage of business synergies and opportunities available within the shareholder group, but always makes its own business decisions in order to achieve the most favourable terms available.

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

### OTHER DISCLOSURES

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

Please refer to the Strategic Report.

#### Business relationships

The Companies (Miscellaneous Reporting) Regulations 2018, effective for years beginning on or after 1 January 2019, set out revised requirements for reporting on engagement with employees, suppliers, customers and others in a business relationship with the Company. The Group's approach to stakeholder engagement is summarised in the s172 Statement in the Strategic Report.

#### Political

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

#### Energy and carbon reporting

Through NWL, the Group sets out an ambitious target to achieve net zero for operational emissions (scope 1 and 2) by 2027 and in July 2021 NWL launched their Emission Possible plan setting out how this will be achieved ahead of the sector and government targets. To date, NWL has reduced its operational emissions to 19ktCO<sub>2e</sub>, compared to a baseline of 68.6 ktCO<sub>2e</sub> in 2019/20.

NWL accounts for more than 90% of the Group's Scope 1 and 2 Greenhouse Gas Emissions. Accordingly, in the prior year, the Group relied upon NWL's energy and carbon reporting for its own disclosures. From 1 April 2023, the Group has incorporated the impact of its water and wastewater contracts in Scotland into the disclosures and, as such, this is the first year of consolidated reporting and will therefore form the baseline.

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

## DIRECTORS' REPORT

### Energy and carbon reporting (continued)

The table below summarises NWG's emissions for the reporting year, showing both market-based and location-based performance measures as reported in the Carbon Accounting Workbook. Comparatives represent NWL only, as this is the first year that the wastewater contracts of the Group have been consolidated into the carbon reporting. Therefore 2023/24 will become the baseline year.

Annual operational GHG emissions		Location-based		Market-based	
ktCO <sub>2</sub> e/MI		2023/24	2022/23	2023/24	2022/23
	Direct emissions from burning of fuels	39.9	38.3	3.8	8.7
<b>Scope 1</b>	Process and fugitive emissions	31.0	29.2	31.0	29.2
	Transport in company owned/leased vehicles	6.1	7.5	6.1	7.5
<b>Scope 2</b>	Purchased electricity	79.7	64.9	13.6	-
	Public transport and travel in private vehicles	0.9	0.4	0.9	0.4
<b>Scope 3</b>	Outsourced activities	1.8	1.8	1.8	1.8
	Electricity Transmission & Distribution	6.9	5.9	0.7	-
<b>Gross Operational Emissions</b>		<b>166.3</b>	<b>148.0</b>	<b>57.9</b>	<b>47.6</b>
<b>Exports</b>	Renewable electricity generated & exported	(0.2)	(0.1)	(0.3)	(0.3)
	Biomethane generated & exported	(20.1)	(23.9)	(20.1)	(23.9)
<b>Net Operational Emissions</b>		<b>146.0</b>	<b>124.0</b>	<b>37.5</b>	<b>23.4</b>

In 2023/24, the Group used 634GWh of energy including:

- 385GWh (2022/23: 379GWh) of grid-supplied electricity used for pumping, treatment and support functions;
- 209GWh (2022/23: 211GWh) of natural gas used for treatment and support functions; and
- 33GWh (2022/23: 34GWh) of road fuels used.

Biogas produced by the Group and used on-site is out of scope for the Energy and Carbon report regulations, but totalled 39GWh in 2023/24 and 30GWh in 2022/23. The materiality threshold for the emissions and energy inventories is 5%, however there are no notable exclusions within this year's report.

It is necessary to set out an emissions intensity ratio. As not all of NWG's activities are focused within the same industries, an intensity ratio provided at NWG level may be misleading. As such, the emissions intensity relating to NWL's regulated activities has been reported, with intensity ratios relating to the water service and wastewater service. These intensity ratios apply to 91% of NWG's emissions.

Annual operational GHG emissions	Location-based			Market-based		
	kgCO <sub>2</sub> e/MI			kgCO <sub>2</sub> e/MI		
kgCO <sub>2</sub> e/MI	2023/24	2022/23	2019/20	2023/24	2022/23	2019/20
Emissions/MI of water	121	110	144	3	3	2
Emissions/MI of sewage treated (flow to full treatment)	191	287	253	61	116	155
Emissions/MI of sewage treated (water distribution input)	515	507	517	165	205	316

During the next year we will be publishing a comprehensive emissions inventory and updated Net Zero strategy.

### Climate-related financial disclosures

Climate change poses the single greatest threat to our natural environment and the sustainability of our company. Playing our part in mitigating and adapting to climate change is essential to us, helping to protect the environment and society today and in the future. Over the last few years, we have improved our resilience to the impacts of climate change. Our recently published 'Restore and Regenerate: Our Environment Strategy to 2050', October 2023, (Our 'Environment strategy to 2050') sets out our commitment to help restore and regenerate our natural environment. The report highlights our environmental commitments and ambition.

**"Together, we are restoring and regenerating our natural environment, creating a better place through our actions."**

## DIRECTORS' REPORT

### Climate-related financial disclosures (continued)

The Environment strategy provides further details on the delivery of the environmental aspects that were specified in our 'Shaping our future: Our Long-term strategy 2025-50', October 2023, (Our 'Long-term strategy') which examines the long-term challenges we face and the investments we will need to meet them. This identified achieving Net Zero greenhouse gas emissions as one of our five key investment areas. Throughout these reports, we have identified areas of focus to ensure our organisation is resilient and can mitigate risks and embrace the opportunities of climate change.

Our Climate-related Financial Disclosure (CFD) report provides a comprehensive analysis of our organisation's identified climate-related risks and opportunities. It aims to enhance transparency and enable stakeholders to make informed decisions regarding our sustainability strategies and financial performance.

This report is focuses on the financial and operational activities of NWL, our material entity. This approach ensures that our CFD accurately reflects the primary drivers of our Group's overall performance and risk exposure. The majority of our non-NWL activities are in the same sector, and as such the risks and exposure types for NWL are representative of those for NWG and many of NWG's non-NWL activities are forecast to cease within the next decade meaning that the climate risk is naturally mitigated.

Our compliance with CFD is integrated into this annual report, ensuring our climate-related risks and opportunities are communicated throughout this disclosure. To further enhance this disclosure, a more detailed CFD report will be included within our updated Emission Possible publication. This will set out additional information on our climate-related strategies, metrics, and targets.

The table below indicates where specific information aligning with CFD recommendations can be found within this annual report:

### Location of CFD Recommendations within this Annual Report

CFD Recommendation	Location in this Annual Report
(A) a description of the governance arrangements of the company or LLP in relation to assessing and managing climate-related risks and opportunities.	The ARAC has oversight of the scope and effectiveness of the Group's risk management systems, including climate-related matters.
	The Board is in the process of establishing a new ESG Board Committee to assume oversight of ESG matters, including climate-related risks and opportunities.
	Statement of corporate governance arrangements – page 18.
(B) a description of how the company or LLP identifies, assesses, and manages climate-related risks and opportunities.	The Risk Management Framework sets out the process for identifying, analysing and evaluating risk across the business. Climate-related risks are included within this process.
	Emerging risks as those which are foreseeable, but not with sufficient clarity to be assessed within the corporate risk model. These are captured in an Emerging Risk Register and reviewed annually by a sub-group of the Board.
(C) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company or LLP.	Principal risks and uncertainties section – page 16.
(D) a description of (i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and (ii) the time period by reference to which those risks and opportunities are assessed.	The Risks and Opportunities, and a Scenario Analysis identifying the impacts, are set out in this CFD report.
	Effect of climate change is also identified as one of our Principal Risks and Uncertainties, set out in the Risk Report.
	Principal risks and uncertainties section – page 16.
(E) a description of the actual and potential impact of the principal climate-related risks and opportunities on the business model and strategy of the company or LLP.	
(F) an analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration of different climate-related scenarios.	The Scenario Analysis in this CFD report assesses the risks and opportunities over different time horizons and Representative Cognitive Pathway scenarios.

## DIRECTORS' REPORT

### Climate-related financial disclosures (continued)

#### Location of CFD Recommendations within this Annual Report (continued)

CFD Recommendation	Location in this Annual Report
(G) a description of the targets used by the company or LLPs to manage climate-related risks and realise climate-related opportunities and of performance against those targets.	<p>The Group, through NWL, set targets in respect of reducing greenhouse gas emission as part of its PR19 Business Plan, for a five year time horizon to 2024/25. These are reported in Energy and Carbon Reporting along with metrics to monitor the emissions intensity of our operations.</p> <p>NWL has set out longer term targets in its PR24 Business Plan and Long term Strategy, which are subject to the outcome of Ofwat's price determination.</p> <p>Energy and carbon reporting section – page 21.</p>
(H) the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	<p>Our short term environmental KPIs are reported in the Performance Review, including greenhouse gas emissions reduction.</p> <p>Longer term targets against climate-related risks and opportunities are described below, though they are currently qualitative in nature.</p> <p>Performance measures section – page 4.</p>

### Risks and opportunities assessment

We actively monitor, identify, and assess climate-related risks, such as extreme weather events, changes in precipitation patterns, and regulatory impacts related to water quality standards. These risks are integrated into our Risk Management Framework and Risk Registers. Each risk is assessed according to consequence categories, management controls and sources of assurance.

For the purpose of this CFD, risks and opportunities deemed to be the most significant in relation to climate change have been selected from our wider risk disclosure. These selected risks and opportunities have been assessed against our business model and strategy, both in terms of the actual and potential impacts. The risks included in the assessment are aligned with those set out in our [Climate Adaptation Report](#) and the [Climate Change Risk Assessment](#). The Climate Change Risk Assessment is a five-year UK-wide assessment that assesses the risks for the United Kingdom from the current and predicted impacts of climate change.

The table below details the actual and potential impacts of each risk and opportunity and the targets/mitigation actions in place to optimise opportunities and adapt to risks.

Risk or Opportunity	Actual and Potential Impacts	Targets/ Mitigation
<b>Risk</b>	Risk to our assets from river, surface, groundwater, and coastal flooding.	<ul style="list-style-type: none"> <li>Develop a catchment approach to sustainable urban drainage.</li> <li>Improve asset resilience to ensure they are climate ready. We aim for this to include a systems analysis of risk and understanding of the vulnerabilities across our asset base.</li> </ul>
	Risks to our systems and networks from subsidence.	<ul style="list-style-type: none"> <li>Carry out a review of company design standards for different asset types.</li> <li>Develop an evidence base of asset performance across different temperature profiles.</li> </ul>
	Risk to our network from cascading failures.	<ul style="list-style-type: none"> <li>Improve our asset resilience to make sure they are climate ready.</li> <li>Continue to align our approaches to modelling climate change across the business.</li> <li>Continue research on interdependencies and the risk associated with supply chains.</li> </ul>
	Risks of poor water quality and supply interruptions.	<ul style="list-style-type: none"> <li>Build on existing critical asset assessments.</li> <li>Continue our work on zonal strategic studies.</li> <li>Continue developing new innovations to reduce the impact of climate change on our assets.</li> </ul>
	Risks to aquifers from sea levels and saltwater intrusion.	<ul style="list-style-type: none"> <li>Continue to assess the impact of sea level rise.</li> <li>Continue to look at saline incursion for specific sources (e.g., Sunderland).</li> </ul>

## DIRECTORS' REPORT

### Climate-related financial disclosures (continued) Risks and opportunities assessment (continued)

Risk or Opportunity		Actual and Potential Impacts	Targets/ Mitigation
Risk	Reduced water availability, risking public water supplies.	Possible threat to our ability to meet public demand and business growth, potentially leading to shortages and disruptions. Long-term implications include strained resources and heightened operational cost.	<ul style="list-style-type: none"> <li>Implement key projects to improve our supply resilience.</li> <li>Continue to deliver customer engagement campaigns with a focus on water savings.</li> </ul> Work with local economic development agencies to locate high water demand businesses in suitable locations.
	Risk that we are unable to effectively treat and manage sludge (bioresources).	Threat to water quality through possible contamination from incorrect disposal. Risk to reputation from loss of trust and regulatory non-compliance.	<ul style="list-style-type: none"> <li>Tighter phosphorus consents at our sewage treatment works.</li> <li>Provision of 90-day strategic cake storage and increased high solids dewatering which provide resilience in the supply chain.</li> </ul> Improve sludge to land supply chain resilience from high solids dewatering at Howdon and Bran Sands.
Opportunity	Engineered and nature-based solutions.	This presents an opportunity for us to leverage new approaches while improving our positive environmental impact.	<ul style="list-style-type: none"> <li>Restoring wetlands, planting trees and using landscaping and vegetation to manage flood risk.</li> <li>Review our company-wide approach to using geospatial data effectively.</li> </ul>
	Sustainable finance instruments.	Enhanced access to capital for eco-friendly infrastructure can improve our operational efficiency while reducing our environmental impact.	<ul style="list-style-type: none"> <li>Develop our approach to using sustainable finance instruments such as green bonds to finance our business.</li> <li>Reporting our climate risks in line with TCFD recommendations.</li> </ul>

### Scenario analysis

The following scenario analysis explores the selected risks and opportunities and assesses them against the time horizons and Representative Concentration Pathway (RCP) scenarios. The RCPs were created to model and predict future climate and to make assumptions about the economic, social and physical changes to our environment that will influence climate change ([RCP Met Office](#)).

Our scenario analysis was carried out in 2023 to inform NWL's PR24 Business Planning process and Long-term Strategy to 2050. The short term period 2025-2030 aligns to NWL's AMP8 investment plan. The medium term period to 2050 aligns with NWL's planning horizons for Water Resource Management Plan (WRMP) and DWMP and informs our investment needs over this period. At present, we have not yet extended our assessment of risks and opportunities beyond the 2050 time horizon.

### Time Horizons and Representative Concentration Pathways:

Short-Term	Medium-Term	Long-Term
2025-2030	2030-2050	Not yet assessed*
PR24 price control period	Long term Strategy	RCP time horizon
RCP 2.6	RCP 6	RCP 8.5
Best Case Limit global warming to 1.6 degrees.	Middle Ground Scenario of warming at 2.8 degrees.	Worst Case Warming scenarios at 4.3 degrees.

\*Our risks and opportunities have not been assessed for the "Long-Term" time horizon

## DIRECTORS' REPORT

### Climate-related financial disclosures (continued) Scenario analysis (continued)

#### Risks:

Low	A risk which sits in this area is considered as appropriate in relation to NWG's objectives and is the most desirable position.
Medium	Risks in this area are still key risks and may affect NWG's ability to meet its objectives, therefore, risk treatment should be considered.
High	A risk which sits in this area has an inappropriate risk exposure relative to NWG's objectives. This is undesirable and risk treatment options need to be considered.

#### Opportunities:

Low	An opportunity which sits in this area is considered as least likely to impact NWG and its operations. NWG is least likely to benefit from this.
Medium	Opportunities in this area are still key opportunities and may affect NWG's ability to meet its objectives and therefore opportunity enhancement should be considered.
High	An opportunity which sits in this area has a high potential to enhance the NWG's objectives. This is desirable and therefore NWG should grasp the opportunity.

Table 1 Scenario Analysis

	2025-2030			2030-2050		
	RCP2.6	RCP6	RCP8.5	RCP2.6	RCP6	RCP8.5
<b>Risk</b>						
Risk to our assets from river, surface, groundwater, and coastal flooding.	Medium	Medium	Medium	Medium		
Risks to our systems and networks from subsidence.	Low	Low	Low	Medium	Medium	Medium
Risk to our network from cascading failures.	Medium	Medium	Medium	Medium		
Risks of poor water quality of supply interruptions.	Low	Low	Low	Medium		
Risks to aquifers from sea levels and saltwater intrusion.	Medium	Medium	Medium	Medium		
Reduced water availability, risking public water supplies.	Medium	Medium	Medium	Medium		
Risk that we are unable to effectively treat and manage sludge (bioresources).	Low	Low	Low	Medium	Medium	Medium
<b>Opportunity</b>						
Engineered and nature-based solutions.	High	High	High	High	High	High
Sustainable finance instruments.	Medium	Medium	Medium	High	High	High

Completing this scenario analysis against the RCPs across short and medium time horizons enables us to produce a business model in which we can understand and manage our climate-related risks and opportunities. Assessing against a short-term time horizon allows us to identify immediate risks and opportunities, which helps to inform strategic decisions and investment strategies. Over the medium term, this analysis enables us to prepare for future climate impacts. A forward-looking approach ensures that our business model is resilient and adaptable to anticipated risks and opportunities.

To deliver our long-term targets and address the challenges that we have in our operating regions we have identified four areas where new investment will be required. These areas are:

- Ensuring sustainable water supplies;
- Protecting the local environment;
- Delivering Net Zero; and
- Maintaining resilience.

## DIRECTORS' REPORT

### Climate-related financial disclosures (continued) Scenario analysis (continued)

These are reflected in our core plan to 2050, but we will also need to adapt to new information and change as it arises. We have identified a series of key trigger points where we expect new information to be available which will inform choices on future investment pathways.

### Treasury policies

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

### Financial risk management

Please refer see note 22 to the financial statements.

### Employment policies and employee engagement

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

### Indemnification of Directors

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

### Subsequent events

There have been no material subsequent events since the balance sheet date.

### Directors' declaration

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

### Auditor

Pursuant to s487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as the Company's auditor for the ensuing year.

### Financial statements preparation and going concern

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

In arriving at their decision, the Directors have taken into account:

- the financial strength of the Group at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in April 2024;
- the key financial ratios over the next 12 month planning horizon, as reflected in NWL's investment grade credit ratings;
- £350m of proceeds from new debt issuance, received in April 2024 which also satisfies the net current liabilities position;
- the fact that the Group has in place £450m of committed bank facilities as back up liquidity, maturing in December 2025, of which £355m was undrawn at 31 March 2024, and has initiated discussions to replace these facilities upon maturity;
- the Treasury Strategy approved by the Board in April 2022 and the £6bn EMTN programme, of which £1.1bn has been utilised to date, which enables NWL to raise new financing in a timely manner as required;
- £400m of additional equity investment identified in the NWL Business Plan;
- the expectation that the water and wastewater contracts will be profitable over their respective terms; and
- the Group's formal risk and governance arrangements which are monitored by the ARAC and Board.

The Board has decided to wait until after the DD to understand the implications for the Group in respect of additional equity. If additional equity investment is not made in the next 12 months, the Group would utilise its existing EMTN programme to access the debt capital markets and support its ongoing activities.

## DIRECTORS' REPORT

### **Fair, balanced and understandable**

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

### **Directors' responsibilities statement**

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

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

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions:



Approved for issue by the Board of Directors

**R Somerville**

General Counsel and Company Secretary

10 July 2024

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

## Report on the audit of the financial statements

### Opinion

In our opinion:

- the financial statements of Northumbrian Water Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Company balance sheets;
- the consolidated and Company statements of changes in equity;
- the consolidated cash flow statement;
- the material accounting policy information and related consolidated notes 1 to 30; and
- the related parent Company notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework. (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

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

### Other information

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

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

### Other information (continued)

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

We have nothing to report in this regard.

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

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

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

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

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- **Provision for bad and doubtful debts:** Due to the complexity in calculating the provision, we deemed this as a potential fraud risk for our audit. To address this risk, we completed the following procedures:
  - we obtained an understanding of management's relevant controls surrounding the estimate;
  - we compared the assumptions made by management in calculating the provision to evidence provided from historical collection data;
  - we tested a sample of bad debt write offs occurring throughout the year as well as instances where the provision has been utilised;
  - we tested the cash collection information given it is a key input into the debt matrix;
  - we tested the accuracy of the aged debtor balance and the ageing categories applied;
  - we assessed and challenged the reasonableness of judgements made in respect of likely future events;
  - we reviewed the receivables ageing report and assessed whether overdue debtors are appropriately provided for; and
  - we evaluated disclosures made in the financial statements.
- **Revenue recognition:** Due to the sensitivity of the accrual in relation to unread readers on revenue, we deem this to be a fraud risk. We have performed the following procedures:
  - we obtained an understanding of management's relevant controls over the unbilled revenue accrual;
  - we performed substantive testing of the accrued revenue calculation and assessed the appropriateness of accounting estimates made by management;
  - we reviewed and understood monthly movements for the period accrued for as well as challenged and corroborated substantial variances;
  - we reperformed and challenged management's retrospective review of the March 2023 balance;
  - we tested any manual adjustments made by management; and
  - we challenged the accrued revenue balance for any potential recoverability issues by tracing a sample of subsequent billing and/or cash payments, where applicable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with any relevant regulatory authorities.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**David Johnson FCA (Senior Statutory Auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

10 July 2024

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31 March 2024

	Note	Year to 31 March 2024 £m	Year to 31 March 2023 £m
<b>Continuing operations</b>			
Revenue	2	952.4	899.9
Operating costs	3	(717.8)	(674.3)
<b>Profit before interest</b>	2	<b>234.6</b>	225.6
Finance costs	7	(231.0)	(259.4)
Finance income	7	8.1	5.1
Loss arising on swaps	7	(9.0)	(21.2)
Share of profit after tax of jointly controlled entities	13(a)	3.4	0.2
<b>Profit/(loss) before taxation</b>	2	<b>6.1</b>	(49.7)
Current taxation	8(a)	(12.6)	(3.6)
Deferred taxation	8(a)	12.3	25.8
<b>Profit/(loss) for the year</b>		<b>5.8</b>	(27.5)
Attributable to:			
Equity shareholders of the parent Company		5.1	(27.3)
Non-controlling interests		0.7	(0.2)
		<b>5.8</b>	(27.5)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Note	Year to 31 March 2024 £m	Year to 31 March 2023 £m
<b>Profit/(loss) for the year</b>		<b>5.8</b>	<b>(27.5)</b>
<b>Items that will not be reclassified subsequently to the income statement:</b>			
Actuarial losses	26	(54.8)	(33.7)
Tax on items credited to equity not reclassified	8	13.6	6.8
<b>Items that may be reclassified subsequently to the income statement:</b>			
Loss on cash flow hedges taken to equity		(2.1)	(3.6)
Translation differences		(0.1)	0.2
Tax on items charged to equity that may be reclassified	8	0.6	0.9
Other comprehensive expense		(42.8)	(29.4)
<b>Total comprehensive expense for the year</b>		<b>(37.0)</b>	<b>(56.9)</b>
Attributable to:			
Equity shareholders of the parent Company		(37.4)	(58.2)
Non-controlling interests - profit/(loss) for the year		0.7	(0.2)
Non-controlling interests - other comprehensive (expense)/income		(0.3)	1.5
		<b>(37.0)</b>	<b>(56.9)</b>

**CONSOLIDATED BALANCE SHEET**  
As at 31 March 2024

	Note	31 March 2024 £m	31 March 2023 £m
<b>Non-current assets</b>			
Intangible assets	10	119.4	119.2
Property, plant and equipment	11	5,308.4	4,997.9
Investments in jointly controlled entities	13	9.5	6.7
Financial investments	16	11.6	11.6
Loan receivables due from associated companies	12	39.7	39.3
Derivatives	22	7.1	9.0
Pension asset	26	10.7	29.1
		<b>5,506.4</b>	<b>5,212.8</b>
<b>Current assets</b>			
Inventories	14	12.4	9.8
Trade and other receivables	15	272.5	236.9
Interest bearing loans	15	3.3	4.6
Income tax receivable	15	0.8	20.2
Short term cash deposits	16	1.9	2.0
Cash and cash equivalents	16	37.1	205.2
		<b>328.0</b>	<b>478.7</b>
<b>Total assets</b>		<b>5,834.4</b>	<b>5,691.5</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	3,989.3	3,770.4
Provisions	20	3.9	3.8
Deferred income tax liabilities	8	606.4	620.1
Pension liability	26	16.2	-
Derivatives	22	165.8	156.6
Other payables		2.4	1.2
Grants and deferred income	21	521.5	489.9
		<b>5,305.5</b>	<b>5,042.0</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	18	163.1	186.3
Provisions	20	0.1	0.1
Trade and other payables	17	279.7	232.1
		<b>442.9</b>	<b>418.5</b>
<b>Total liabilities</b>		<b>5,748.4</b>	<b>5,460.5</b>
<b>Net assets</b>		<b>86.0</b>	<b>231.0</b>
<b>Capital and reserves</b>			
Other reserve		51.9	51.9
Share premium reserve		1,603.1	1,603.1
Cash flow hedge reserve		5.5	7.0
Currency translation		(1.1)	(1.0)
Accumulated deficit		(1,579.1)	(1,435.3)
<b>Equity shareholders' surplus</b>		<b>80.3</b>	<b>225.7</b>
Non-controlling interests		5.7	5.3
<b>Total capital and reserves</b>		<b>86.0</b>	<b>231.0</b>

Approved by the Board of Directors and authorised for issue on 10 July 2024 and signed on its behalf by:

*Heidi Mottram*

**H Mottram**  
Chief Executive Officer  
Registered number 04760441

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 March 2024

	Note	Other reserve £m	Share premium reserve £m	Cash flow hedge reserve £m	Currency translation £m	Retained earnings £m	Total equity £m	Non-controlling interests £m	Total £m
<b>At 1 April 2022</b>		51.9	1,603.1	9.7	(1.2)	(1,274.6)	388.9	4.8	393.7
Loss for the year		-	-	-	-	(27.3)	(27.3)	(0.2)	(27.5)
Losses on cash flow hedges taken to equity		-	-	(3.6)	-	-	(3.6)	-	(3.6)
Tax on items charged to equity		-	-	0.9	-	-	0.9	-	0.9
Other comprehensive income/(expense)		-	-	-	0.2	(28.4)	(28.2)	1.5	(26.7)
<b>Total comprehensive income and expense for the year</b>		-	-	(2.7)	0.2	(55.7)	(58.2)	1.3	(56.9)
Equity dividends paid (see note 9)		-	-	-	-	(105.0)	(105.0)	(0.8)	(105.8)
<b>At 31 March 2023</b>		51.9	1,603.1	7.0	(1.0)	(1,435.3)	225.7	5.3	231.0
Profit for the year		-	-	-	-	5.1	5.1	0.7	5.8
Losses on cash flow hedges taken to equity		-	-	(2.1)	-	-	(2.1)	-	(2.1)
Tax on items credited to equity		-	-	0.6	-	-	0.6	-	0.6
Other comprehensive expense		-	-	-	(0.1)	(40.9)	(41.0)	(0.3)	(41.3)
<b>Total comprehensive income and expense for the year</b>		-	-	(1.5)	(0.1)	(35.8)	(37.4)	0.4	(37.0)
Equity dividends paid (see note 9)		-	-	-	-	(108.0)	(108.0)	-	(108.0)
<b>At 31 March 2024</b>		51.9	1,603.1	5.5	(1.1)	(1,579.1)	80.3	5.7	86.0

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

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

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

Non-controlling interests represent a 33% minority interest in AquaGib Limited.

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 March 2024

	Note	Year to 31 March 2024 £m	Restated <sup>1</sup> Year to 31 March 2023 £m
<b>Operating activities</b>			
<b>Reconciliation of profit before interest to net cash flows</b>			
Profit before interest		234.6	225.6
Depreciation and impairment losses		157.6	152.4
Other non-cash charges and credits		(6.6)	(7.8)
Net credit for provisions, less payments		(0.3)	(0.2)
Difference between pension contributions paid and amounts recognised in the income statement		(19.0)	(39.1)
Capital grants received		14.1	15.7
Increase in inventories		(2.6)	(2.1)
Increase in trade and other receivables		(35.4)	(14.2)
Increase in trade and other payables		21.6	13.9
Cash generated from operations		364.0	344.2
Interest paid		(145.2)	(124.7)
Income taxes (paid)/received (including overseas tax paid of £0.1m (2023: £0.2m))		(0.1)	1.6
Income taxes received/(paid) in respect of prior periods		19.7	(0.7)
<b>Net cash flows from operating activities</b>		<b>238.4</b>	<b>220.4</b>
<b>Investing activities</b>			
Interest received		4.5	4.7
Proceeds on disposal of property, plant and equipment		1.2	6.2
Dividends received from jointly controlled entities		0.6	0.9
Short term cash deposits		0.1	-
Movement in financial investment		-	(0.1)
Purchase of property, plant and equipment and intangible assets		(399.0)	(282.8)
<b>Net cash flows used in investing activities</b>		<b>(392.6)</b>	<b>(271.1)</b>
<b>Financing activities</b>			
New borrowings		154.2	742.1
Dividends paid to minority interests		-	(0.8)
Dividends paid to equity shareholders		(108.0)	(105.0)
Net movements in Revolving Credit Facility		95.0	(165.4)
Net movements in overdraft		(122.9)	49.1
Repayment of borrowings		(32.9)	(381.9)
Borrowings to joint ventures		1.3	10.4
Payment of principal in respect of leases		(0.6)	(1.8)
<b>Net cash flows (used in)/from financing activities</b>		<b>(13.9)</b>	<b>146.7</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(168.1)</b>	<b>96.0</b>
Cash and cash equivalents at start of year	16	205.2	109.2
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>37.1</b>	<b>205.2</b>
Cash and cash equivalents at end of year	16	37.1	205.2
Short term cash deposits	16	1.9	2.0
<b>Total cash, cash equivalents and short-term cash deposits</b>		<b>39.0</b>	<b>207.2</b>

1. The prior year repayment of borrowings line includes £167.0m in relation to movements in the Revolving Credit Facility for the year to 31 March 2023 and therefore there this has been restated to the net movements in Revolving Credit Facility line.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

## 1. ACCOUNTING POLICIES

### (a) Statement of compliance

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

The financial statements have been prepared on a going concern basis taking into account the principal risks and uncertainties disclosed in the Directors' Report, which assumes that the Group will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2024, the Group had net current liabilities of £114.9m (2023: net current assets £60.2m) and net assets of £86.0m (2023: £231.0m). The Directors have reviewed cash flow requirements, including reasonably possible changes in trading performance, and are confident that they will be able to meet these from funds available and existing financing facilities. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis. Further details can be found in the 'Financial statements preparation and going concern' section in the Directors' Report.

The Directors consider the following accounting policies to be relevant in relation to the Group's financial statements. The financial statements of the Group for the year ended 31 March 2024 were authorised for issue by the Board of Directors on 10 July 2024 and the balance sheet was signed on the Board's behalf by H Mottram (CEO).

NWG is a private company, limited by shares and is registered, incorporated and domiciled in England and Wales under the Companies Act 2006.

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

The Group has adopted a number of standards, amendments to standards and interpretations during the year. There were no material impacts on the financial statements. The Group does not use supplier financing arrangements.

### (b) Basis of consolidation

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

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

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

### (c) Associates and jointly controlled entities

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

## 1. ACCOUNTING POLICIES (continued)

### (d) Goodwill

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

### (e) Intangible assets other than goodwill

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

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

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

### (f) Property, plant and equipment

#### *Property, plant and equipment and depreciation*

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

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

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

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

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

## 1. ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment (continued)

#### *Infrastructure assets*

In the regulated water services business, infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

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

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

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

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

### (g) Loan receivables and financial investments

Loan receivables and financial investments comprise loans to third parties recoverable in more than one year and include cash held on long-term deposit as a guaranteed investment contract (GIC) relating to the Kielder securitisation. Loans receivables due from associated companies are assessed at each balance sheet for expected credit losses (ECL) to reflect changes in credit risk since initial recognition, with any loss allowance for ECL recognised in the income statement, if appropriate. The GIC is assessed at each balance sheet date, although is very low risk due to the securitisation structure, with any ECL taken to the income statement in the year.

### (h) Foreign currency transactions

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

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

### (i) Inventories

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

## 1. ACCOUNTING POLICIES (continued)

### (j) Revenues

#### *Provision of services*

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

The Group's principal source of revenue is from water and wastewater charges to customers, which are recognised over the period which the services are provided. For volumetric charges to measured customers, revenue is recognised as the service is supplied. For measured charges which have not yet been billed, an accrual is made based on an estimate of consumption. Wholesale charges for non-household customers are estimated on the basis of market information provided by Market Operator Services Limited.

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

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

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

### (k) Dividends

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

### (l) Grants and contributions

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate. Capital grants and contributions relating to property, plant and equipment are treated as deferred income and amortised to the income statement over the expected useful economic lives of the related assets. Deferred income relating to assets adopted from customers, recognised in accordance with IFRIC 18, is amortised to the income statement over the expected useful economic lives of the related assets. Grants and contributions related to the connection of new properties to NWL's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection.

Other grants and contributions to capital investment, most significantly mains and sewer diversions, are recognised in full in the income statement upon satisfaction of the performance obligation to the customer, which is the point at which the associated asset is brought into use. Up to this point, any contributions received are reported as receipts in advance.

### (m) Leases

The Group adopted IFRS 16 with effect from 1 April 2019. The Group assesses whether a contract is or contains a lease, at the inception of a new contract, and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For short-term leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

## 1. ACCOUNTING POLICIES (continued)

### (m) Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is included in interest bearing loans and borrowings in the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

### (n) Pensions and other post-employment benefits

#### **Defined benefit scheme**

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

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

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

#### **Defined contribution scheme**

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

### (o) Taxation

#### **Current tax**

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

## 1. ACCOUNTING POLICIES (continued)

### (o) Taxation

#### **Deferred tax (continued)**

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

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

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

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

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

#### **Value added tax**

Revenues, expenses and assets are recognised net of the amount of value added tax except:

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

### (p) Derivative financial instruments

The Group utilises interest and inflation rate swaps, forward power contracts, power purchase agreements and forward foreign exchange contracts as derivative financial instruments.

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

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

## 1. ACCOUNTING POLICIES (continued)

### (p) Derivative financial instruments (continued)

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

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

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the Group's risk management policies. Interest rate swap agreements are used to manage interest rate exposures. All derivative fair values are calculated with reference to relevant market rates at the reporting date. Further detail is provided in note 22.

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

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

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

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

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing.

Fixed rate borrowings are stated at amortised cost. Finance and issue costs are recognised in the income statement over the duration of the borrowing using the effective interest rate method.

The carrying amount of index linked borrowings increases annually in line with the relevant RPI, with the accretion being charged to the income statement as finance costs payable. Other borrowing costs are recognised as an expense when incurred and fees are recognised evenly over the duration of the borrowing.

For loans and borrowings acquired at acquisition, these are restated to fair value with the adjustment being included as part of the amortised cost using the effective interest rate method. Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

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

## 1. ACCOUNTING POLICIES (continued)

### (r) Borrowing costs

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

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

### (s) Cash and cash equivalents and short-term cash deposits

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

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

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

### (t) Trade and other receivables

Trade receivables are measured at fair value on initial recognition. Trade receivables are initially recorded at transaction price and subsequently measured at amortised cost, resulting in recognition at nominal value less an allowance for any doubtful debts.

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

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is considered to be impossible, impractical, inefficient or uneconomic to collect. Situations where this may arise include where the customer cannot be traced, the customer has insufficient assets to claim against or where the value of the debt makes it uneconomic to pursue.

### (u) Fixed asset investments

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

### (v) Provisions

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

### (w) Impairment of assets

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

## 1. ACCOUNTING POLICIES (continued)

### (w) Impairment of assets (continued)

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

### (x) De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

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

### (y) Accounting standards

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

### (z) Significant accounting judgements and key sources of estimation uncertainty

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

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

The significant accounting estimates were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 20% in usage would change revenue by £10.2m;
- those assumptions used in arriving at the pension asset/liability under IAS 19. Those key assumptions and their possible impact are disclosed in note 26, 'Pensions and other post-retirement benefits'; and
- the doubtful debt provision, which is determined by estimating expected credit losses based on the Group's historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (e.g. current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.25% in the long-term collection rate would increase the provision by £10.5m.

Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the financial statements for the year ended 31 March 2024.

## 2. SEGMENTAL ANALYSIS

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

### Northumbrian Water Limited (NWL)

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

### Water and wastewater contracts

NWG owns a number of companies to deliver specific water and wastewater contracts in Scotland, the Republic of Ireland and Gibraltar.

### Other

Central unallocated costs and provisions are included in this segment.

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

### Revenue

	NWL £m	Water and wastewater contracts £m	Other £m	Total £m
<b>Year ended 31 March 2024</b>				
Segment revenue	909.8	42.8	8.7	961.3
Inter-segment revenue	(0.7)	-	(8.2)	(8.9)
Revenue from external customers	909.1	42.8	0.5	952.4

### Year ended 31 March 2023

Segment revenue	852.1	47.3	7.7	907.1
Inter-segment revenue	-	-	(7.2)	(7.2)
Revenue from external customers	852.1	47.3	0.5	899.9

### Profit before interest

	NWL £m	Water and wastewater contracts £m	Other £m	Total £m
<b>Year ended 31 March 2024</b>				
Segment profit/(loss) before interest	233.2	3.3	(1.9)	234.6
Net finance costs				(231.9)
Share of profit after tax from jointly controlled entities				3.4
Profit before taxation				6.1
Taxation				(0.3)
Profit for the year from continuing operations				5.8

### Year ended 31 March 2023

Segment profit/(loss) before interest	222.8	5.7	(2.9)	225.6
Net finance costs				(275.5)
Share of loss after tax from jointly controlled entities				0.2
Loss before taxation				(49.7)
Taxation				22.2
Loss for the year from continuing operations				(27.5)

## 2. SEGMENTAL ANALYSIS (continued)

### Assets and liabilities

	NWL		Water and waste water contracts		Other		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£m	£m	£m	£m	£m	£m	£m	£m
Segment assets	5,754.1	5,543.6	41.6	37.3	28.0	110.6	5,823.7	5,691.5
Segment liabilities	5,599.4	5,304.8	9.7	7.4	128.6	148.3	5,737.7	5,460.5

	NWL		Water and waste water contracts		Other		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£m	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment additions	456.7	319.5	2.4	0.5	-	-	459.1	320.0
Depreciation & impairment	147.4	141.8	1.1	1.7	-	-	148.5	143.5

### Geographical information

Revenue from continuing operations from external customers from the UK was £930.1m (2023: £877.6m). Revenue from other countries was £22.3m (2023: £22.3m).

Loss before tax from continuing operations from UK activities, which includes the results from joint controlled entities (see note 13a), was £3.2m (2023: £49.5m). Profit before tax from overseas activities was £2.9m (2023: loss before tax £0.2m).

Non-current assets for operations in the UK were £5,496.3m (2023: £5,212.8m). Non-current assets for operations in other countries were £1.3m (2023: £nil).

## 3. OPERATING COSTS

	Year to 31 March 2024	Year to 31 March 2023
	£m	£m
Materials and consumables	40.6	38.8
Inventories recognised as an expense	3.9	3.6
Total employment costs (see note 6)	182.6	149.2
Own work capitalised	(57.1)	(53.3)
Depreciation of property, plant and equipment (see note 11)	148.5	143.5
Amortisation of intangible assets (see note 10)	9.1	8.9
Profit on disposal of property, plant and equipment	(1.1)	(1.8)
Amortisation of capital grants	(0.1)	(0.1)
Costs of research and development	0.9	0.5
Bad debt charge	13.2	11.8
Other operating costs	377.3	373.2
Operating costs	717.8	674.3

Other operating costs include hired and contracted services, power, debt management, rates and abstraction.

## 4. AUDITOR'S REMUNERATION

	Year to 31 March 2024	Year to 31 March 2023
	£m	£m
Fees payable for the audit of parent Company and consolidated financial statements	0.1	0.1
Other fees to auditor:		
Audit of subsidiaries	0.6	0.4
Other non-audit services	0.4	0.4
	1.1	0.9

Other non-audit services include the audit in respect of NWL's Annual performance Report (APR), including the audit of the Regulatory Accounting Statements, and agreed upon procedures in respect of additional regulatory information, the statement of sufficiency of financial resources and facilities and financial resilience stress testing. Additional fees were incurred in respect of the annual update of NWL's EMTN programme, shareholder reporting and third party contracts.

## 5. DIRECTORS' EMOLUMENTS

### Directors' remuneration

The remuneration of the directors is shown below, this represents a single director who is also the highest paid Director.

	Year to 31 March 2024	Year to 31 March 2023
	£000	£000
Emoluments (including benefits in kind)	1,263	1,214

NWL pays 70% of the remuneration of NWL's Executive Director, H Mottram, and NWG pays the remaining 30%, which reflects the time spent on activities other than NWL. No additional remuneration is paid by the Group or its shareholders.

None of the Directors were members of the defined contribution pension scheme at 31 March 2024 (2023: nil).

### Long Term Incentive Plan (LTIP)

Executive Directors participate in a cash based LTIP. The LTIP is designed to operate as a modest retention mechanism only.

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

The amount disclosed in note 5, includes £115k (2023: £137k) in respect of the amount vested under the LTIP.

## 6. EMPLOYEE INFORMATION

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

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Wages and salaries	147.5	128.1
Social security costs	14.7	14.6
Defined benefit pension service cost/(credit) (see note 26)	1.8	(8.9)
Other pension costs	18.6	15.4
<b>Total employment costs</b>	<b>182.6</b>	<b>149.2</b>
Total employment costs were charged as follows:		
Capital schemes and infrastructure renewals	51.4	46.0
Manpower costs	131.2	103.2
	<b>182.6</b>	<b>149.2</b>

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

	Year to 31 March 2024 Number	Year to 31 March 2023 Number
NWL	3,270	3,102
Water and wastewater contracts	154	155
	<b>3,424</b>	<b>3,257</b>

## 7. FINANCE (INCOME)/COSTS

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Bank, other loans and overdrafts	147.5	131.8
Amortisation of discount, fees, loan issue costs and other financing items	3.5	(2.0)
Interest income in respect of derivatives	(12.5)	(8.2)
Loss arising on swaps where hedge accounting is not applied	9.0	21.2
Capitalisation of interest	(14.1)	(10.1)
Accretion on index linked bonds	99.4	142.0
Finance costs on leases	7.2	5.9
<b>Total finance costs</b>	<b>240.0</b>	<b>280.6</b>
Interest income on pension plan assets	(1.8)	(1.0)
Finance income	(6.3)	(4.1)
<b>Net finance costs</b>	<b>231.9</b>	<b>275.5</b>

## 8. TAXATION

### (a) Tax on profit/(loss)

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Current tax:		
UK current income tax charge at 25% (2023: 19%)		
- continuing operations	12.7	5.7
Adjustment in respect of prior periods	(0.7)	(2.1)
UK corporation tax	12.0	3.6
Overseas current tax	0.5	-
Adjustment in respect of overseas current tax in prior periods	0.1	-
<b>Total current tax charge</b>	<b>12.6</b>	<b>3.6</b>
Deferred tax:		
Origination and reversal of temporary differences in the year at 25% (2023: 25%)		
- continuing operations	(12.9)	(25.6)
Adjustment in respect of prior periods	0.6	(0.2)
<b>Total deferred tax credit</b>	<b>(12.3)</b>	<b>(25.8)</b>

## 8. TAXATION

### (a) Tax on profit/(loss) (continued)

The rate of UK corporation tax for the current year was 25%. In addition to the Group's tax charge of £0.3m (2023: £22.2m credit) to the income statement, tax of £14.2m (2023: £7.7m) has been credited directly to the statement of comprehensive income.

The current tax credit for the year is £0.2m as the current tax charge in the income statement is offset by the current tax credit in the statement of comprehensive income. This offset relates to deductions allowable for tax purposes on pension contributions which are in excess of the pension accounting deductions taken in the income statement and as a result the tax is moved to the statement of comprehensive income. The £0.2m current tax credit arose from a corporation tax charge in respect of the Group's trading activities in the Republic of Ireland and Gibraltar of £0.4m, offset by credit adjustments to tax provisions from previous years of £0.6m.

No current tax was due in respect of the UK trading activities as a result of allowances available from full expensing of qualifying capital expenditure. Full expensing replaced the super deduction, which in the previous two years had given a 130% tax allowance.

The deferred tax credit for the year is £12.3m to the income statement and £1.4m to the statement of comprehensive income. In the prior year, the super deduction was claimed in full along with all other capital allowances. This resulted in tax losses arising which were being carried forward to be set off against future taxable profits once the super deduction and, at the time temporary, full expensing regime ended.

The full expensing regime was made permanent at the Autumn Statement on 22 November 2023 and due to our significant and recurring capital programme it is no longer deemed necessary to claim all of the capital allowances available to us to generate tax losses to carry forward. There is an offsetting prior year adjustment to deferred tax between accelerated tax depreciation and losses of £33.0m relating to capital allowances being disclaimed.

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

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Current tax:		
Company contributions to defined benefit pension scheme	(12.8)	(5.6)
Deferred tax:		
Company contributions to defined benefit pension scheme	13.1	7.4
Actuarial losses on pension schemes	(13.9)	(8.6)
Cash flow hedges	(0.6)	(0.9)
<b>Tax credit in the statement of comprehensive income</b>	<b>(14.2)</b>	<b>(7.7)</b>
Items that will not be reclassified subsequently to the income statement:		
- current tax related to company contributions to defined benefit pension scheme	(12.8)	(5.6)
- deferred tax related to company contributions to defined benefit pension scheme	13.1	7.4
- actuarial losses on pension schemes	(13.9)	(8.6)
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges	(0.6)	(0.9)
<b>Total tax credit in the statement of comprehensive income</b>	<b>(14.2)</b>	<b>(7.7)</b>

## 8. TAXATION (continued)

### (c) Reconciliation of the total tax charge/(credit)

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Profit/(loss) before taxation	6.1	(49.7)
Profit/(loss) before tax multiplied by standard rate of corporation tax of 25% (2023: 19%)	1.5	(9.4)
Expenses not deductible for tax purposes	(0.7)	0.3
Depreciation in respect of non-qualifying items	1.5	0.9
Non-taxable income and enhanced tax reliefs	(0.1)	(5.0)
Non-allowable share of jointly controlled entities	(0.9)	-
Non-taxable amortisation of financing items	-	(0.5)
Tax losses carried back to previous period	0.1	-
Deferred tax recognised on corporate interest restrictions reactivations	(0.8)	-
Tax on pension contributions reflected in OCI	(0.3)	-
Adjustment to tax charge in respect of prior periods	-	(2.3)
	0.3	(16.0)
Impact on movement in deferred tax of increase in main rate of UK corporation tax	-	(6.2)
<b>Total tax charge/(credit) reported in the income statement</b>	<b>0.3</b>	<b>(22.2)</b>

### (d) Deferred tax

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

	Accelerated tax depreciation £m	Deferred income £m	Tax losses £m	Retirement benefit obligations £m	Derivatives at fair value £m	Business combinations £m	Other £m	Total £m
At 1 April 2022	730.0	(87.5)	(8.1)	5.1	(30.7)	7.2	32.0	648.0
Charge/(credit) in the income statement	31.9	(9.3)	(47.6)	2.7	(5.3)	(0.2)	2.0	(25.8)
Credit in other comprehensive income	-	-	-	(1.2)	(0.9)	-	-	(2.1)
At 31 March 2023	761.9	(96.8)	(55.7)	6.6	(36.9)	7.0	34.0	620.1
(Credit)/charge in the income statement	(41.4)	(8.0)	37.2	0.6	(2.2)	(0.2)	1.7	(12.3)
Credit in other comprehensive income	-	-	-	(0.8)	(0.6)	-	-	(1.4)
<b>At 31 March 2024</b>	<b>720.5</b>	<b>(104.8)</b>	<b>(18.5)</b>	<b>6.4</b>	<b>(39.7)</b>	<b>6.8</b>	<b>35.7</b>	<b>606.4</b>

'Other' includes deferred tax liabilities of £16.1m (2023: £16.1m) in respect of intangible assets (see note 10), £21.0m (2023: £18.1m) in respect of capitalised interest, £0.8m (2023: £nil) in respect of corporate interest restriction reactivations and £1.5m (2023: £2.0m) in respect of rolled over capital gains, and a deferred tax asset of £1.7m (2023: £1.8m) in respect of provisions and other small deferred tax assets of £0.4m (2023: £0.4m).

The Group may in future obtain deductions for interest of £92.0m which has been disallowed under the corporate restriction rules. Due to the uncertainty regarding its recovery, a deferred tax asset has only been recognised on £3.1m, which is the balance that is projected to be recovered in the range of current profit forecasts. No deferred tax asset has been recognised remaining balance of £88.9m.

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

As a result of the adoption of the amendment to IAS 12 in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction, the Group has provided further disclosure below to show the assets and liabilities to which the depreciation in excess of capital allowances relate.

## 8. TAXATION (continued)

### (e) Factors that may affect future tax charges

The Group expects to continue to incur high levels of capital expenditure, especially by its principal subsidiary, NWL, during the remainder of the 2020-25 regulatory review period and in the 2025-2030 regulatory review period. As a result of the enhancements to the capital allowances regime in recent years the UK current tax charge is expected to be nil.

The Organisation for Economic Co-operation and Developments (OECD) released Pillar Two model rules in December 2021 introducing a global minimum tax rate of 15% to address the tax concerns about uneven profit distribution and tax contributions of large multinational corporations. In December 2022, the OECD released transitional safe harbour rules as a short-term measure to minimise the compliance burden for lower risk jurisdictions.

The Pillar Two top-up tax rules were substantially enacted in the UK in 2023 with application from 1 January 2024. The Group does not expect to be subject to the top-up tax in relation to its operations in any of the jurisdictions in which it operates because they fall within the OECD transitional safe harbour rules which have also been adopted by the UK. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as current tax when it is incurred.

## 9. DIVIDENDS PAID AND PROPOSED

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Equity dividends declared and paid on ordinary shares during the year:		
<b>Ordinary shares:</b>		
Final proposed dividend for the year ended 31 March 2023: £135,000 per share (2022: £131,250 per share)	54.0	52.5
Interim dividend for the year ended 31 March 2024: £135,000 per share (2023: £131,250 per share)	54.0	52.5
<b>Dividends paid</b>	<b>108.0</b>	<b>105.0</b>
Final proposed dividend for the year ended 31 March 2024: £93,375 per share (2023: £135,000 per share)	37.4	54.0

## 10. INTANGIBLE ASSETS

	Software £m	Assets in development £m	Other £m	Total £m
Cost:				
<b>At 1 April 2023</b>	137.3	6.3	64.2	207.8
Additions	-	9.3	-	9.3
Schemes commissioned	4.9	(4.9)	-	-
<b>At 31 March 2024</b>	<b>142.2</b>	<b>10.7</b>	<b>64.2</b>	<b>217.1</b>
Amortisation:				
<b>At 1 April 2023</b>	88.6	-	-	88.6
Charge for the year	9.1	-	-	9.1
<b>At 31 March 2024</b>	<b>97.7</b>	<b>-</b>	<b>-</b>	<b>97.7</b>
Carrying value:				
At 31 March 2024	44.5	10.7	64.2	119.4
At 31 March 2023	48.7	6.3	64.2	119.2

## 10. INTANGIBLE ASSETS (continued)

The other intangible asset represents the right in perpetuity to receive income under the operating agreement with the EA in respect of the Kielder Water transfer scheme and, therefore, the Directors consider the asset has an indefinite life. Accordingly, future cash flows, which increase in line with inflation and have been assumed at 2.56%, have been discounted at a rate of 5.4% in perpetuity to calculate a value in use. This represents a long-term nominal gilt yield and an assumed credit spread. This calculation satisfied the Group that the carrying value at 31 March 2024 had not been impaired. Furthermore, it is improbable that the discount rate would increase to such a level that the carrying value would be impaired.

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £4.4m (2023: £4.2m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.76% (2023: 4.04%).

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures, plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost:</b>						
At 1 April 2022	168.9	3,074.9	3,436.8	265.0	253.8	7,199.4
Additions	-	26.3	1.0	-	292.7	320.0
Schemes commissioned	3.6	93.4	159.0	3.3	(259.3)	-
Reclassifications	1.4	(0.9)	(1.3)	0.8	-	-
Disposals	(8.4)	(1.7)	(2.5)	(0.6)	-	(13.2)
<b>At 31 March 2023</b>	<b>165.5</b>	<b>3,192.0</b>	<b>3,593.0</b>	<b>268.5</b>	<b>287.2</b>	<b>7,506.2</b>
Additions	-	25.4	0.9	-	432.8	459.1
Schemes commissioned	3.4	113.8	133.7	5.4	(256.3)	-
Disposals	-	(2.1)	(3.3)	-	-	(5.4)
<b>At 31 March 2024</b>	<b>168.9</b>	<b>3,329.1</b>	<b>3,724.3</b>	<b>273.9</b>	<b>463.7</b>	<b>7,959.9</b>
<b>Depreciation:</b>						
At 1 April 2022	75.6	370.5	1,704.6	222.9	-	2,373.6
Charge for the year	3.8	32.3	100.2	7.2	-	143.5
Reclassifications	-	-	(0.1)	0.1	-	-
Disposals	(4.0)	(1.7)	(2.5)	(0.6)	-	(8.8)
<b>At 31 March 2023</b>	<b>75.4</b>	<b>401.1</b>	<b>1,802.2</b>	<b>229.6</b>	<b>-</b>	<b>2,508.3</b>
Charge for the year	3.8	32.7	104.4	7.6	-	148.5
Disposals	-	(2.1)	(3.2)	-	-	(5.3)
<b>At 31 March 2024</b>	<b>79.2</b>	<b>431.7</b>	<b>1,903.4</b>	<b>237.2</b>	<b>-</b>	<b>2,651.5</b>
<b>Net book value at 31 March 2024</b>	<b>89.7</b>	<b>2,897.4</b>	<b>1,820.9</b>	<b>36.7</b>	<b>463.7</b>	<b>5,308.4</b>
Net book value at 31 March 2023	90.1	2,790.9	1,790.8	38.9	287.2	4,997.9
Net book value at 1 April 2022	93.3	2,704.4	1,732.2	42.1	253.8	4,825.8
<b>Right of Use Assets included above:</b>						
Additions/adjustments in the year	-	-	4.3	-	-	4.3
Depreciation charge for the year	0.1	0.5	2.8	-	-	3.4
<b>Carrying value at 31 March 2024</b>	<b>2.0</b>	<b>41.3</b>	<b>13.8</b>	<b>-</b>	<b>-</b>	<b>57.1</b>
Carrying value at 31 March 2023	2.1	41.8	12.3	-	-	56.2

Operational structures, plant and machinery include an element of land and buildings dedicated to those assets. It is not possible to separately identify the value of all land assets. The Group continues to apply IAS 23 Borrowing Costs (Revised) and has capitalised £13.8m for the year ended 31 March 2024 (2023: £9.7m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.76% (2023: 4.04%).

## 12. LOAN RECEIVABLES DUE FROM ASSOCIATED COMPANIES

	31 March 2024	31 March 2023
	£m	£m
Medium Term loan due from Wave Ltd	10.7	10.7
Loans due from Anglian Water Business (National) Limited	12.6	12.6
Loan due from Northumbrian Services Limited	16.4	16.0
	<b>39.7</b>	<b>39.3</b>

Amounts due from Northumbrian Services Limited, a sister group, is long-term in nature and there is no current expectation that this will be settled in the near future. The medium term loan due from Wave Ltd is due 31 August 2027 or such other date as mutually agreed between the parties. The loans due from Anglian Water Business (National) Limited includes a £3.3m short term working capital facility which was repaid on 2 April 2024, a £2.6m loan with no fixed repayment date and a £10.0m working capital facility, which is long-term in nature, due 30 September 2025. See note 28 for further detail on the associated rates.

## 13. INVESTMENTS

	31 March 2024	31 March 2023
	£m	£m
Investments in jointly controlled entities	9.5	6.7

### (a) Investments in jointly controlled entities

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

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

	Wave	VLS	Total	Wave	VLS	Total
	31 March					
	2024	2024	2024	2023	2023	2023
	£m	£m	£m	£m	£m	£m
Revenue	246.4	9.4	255.8	216.4	10.6	227.0
Operating costs	(239.7)	(7.9)	(247.6)	(214.1)	(9.2)	(223.3)
Profit before interest	6.7	1.5	8.2	2.3	1.4	3.7
Finance costs payable	(2.9)	(0.5)	(3.4)	(2.5)	(0.4)	(2.9)
Finance income receivable	0.3	-	0.3	0.2	-	0.2
Profit before taxation	4.1	1.0	5.1	-	1.0	1.0
Taxation	(1.1)	(0.6)	(1.7)	(0.7)	(0.1)	(0.8)
Profit/(loss) for the year	3.0	0.4	3.4	(0.7)	0.9	0.2
Non-current assets	6.1	4.7	10.8	8.7	11.2	19.9
Current assets	71.2	13.7	84.9	67.1	9.3	76.4
Share of gross assets	77.3	18.4	95.7	75.8	20.5	96.3
Current liabilities	(51.7)	(6.8)	(58.5)	(42.9)	(7.4)	(50.3)
Non-current liabilities	(20.4)	(7.3)	(27.7)	(30.7)	(8.6)	(39.3)
Share of gross liabilities	(72.1)	(14.1)	(86.2)	(73.6)	(16.0)	(89.6)
Share of net assets	5.2	4.3	9.5	2.2	4.5	6.7

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

### 13. INVESTMENTS (continued)

(b) The Group's interests in subsidiaries which, with the exception of dormant companies are all included in the consolidated financial statements, at 31 March 2024 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group (%)	Business activity
NWG Commercial Solutions Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding of investments and loans
Northumbrian Water Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Water and sewerage services
Northumbrian Water Finance plc <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding of finance instruments
Caledonian Environmental Levenmouth Treatment Services Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Wastewater services
Ayr Environmental Services Operations Limited <sup>2</sup>	Scotland	Ordinary shares of £1	100	Wastewater services
AquaGib Limited <sup>3</sup>	Gibraltar	Ordinary shares of £1	67	Water and sewerage services
Northumbrian Water Projects Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Wastewater services
Analytical & Environmental Services Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Essex and Suffolk Water Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	99.7	Holder of loan note
Northumbrian Holdings Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Mexico Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Pension Trustees Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Pension trustee company
Northumbrian Water Share Scheme Trustees Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Reiver Finance Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Finance
Reiver Holdings Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding company
Three Rivers Insurance Company Limited <sup>4</sup>	Isle of Man	Ordinary shares of £1	100	Insurance
Europa Environments Limited <sup>6, 7</sup>	Gibraltar	Ordinary shares of £1	100	Dormant

1. Registered office: Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ, UK.

2. Registered office: Meadowhead Wastewater Treatment Works and Sludge Treatment Centre, Meadowhead Road, Irvine, Ayrshire, KA11 5AY, UK.

3. Registered office: 10B Leanse Place, 50 Town Range, Gibraltar.

4. Registered office: 1<sup>st</sup> Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, Isle of Man, IM1 1EB.

5. The company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

6. Registered office: Suite 23, 10 Portland House, Glacis Road, Gibraltar.

7. The company is entitled to exemption from audit under section 259 of the Gibraltar Companies Act, 2014 relating to the reporting requirements for a small company:

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

### 14. INVENTORIES

	31 March 2024	31 March 2023
	£m	£m
Raw materials and consumables	12.4	9.8

## 15. TRADE AND OTHER RECEIVABLES

	31 March 2024	31 March 2023
	£m	£m
Trade receivables	226.5	217.4
Doubtful debt provision	(86.4)	(92.5)
Amounts owed by jointly controlled entities	11.9	11.7
Interest bearing loans to jointly controlled entities	3.3	4.6
Prepayments	6.8	4.8
Accrued income	87.1	81.6
Income tax receivable	0.8	20.2
Other receivables	26.6	13.9
	<b>276.6</b>	<b>261.7</b>

Other receivables principally reflect amounts receivable in respect of value added tax and contractor gain sharing contracts. As at 31 March 2024, interest bearing loans were owed by jointly controlled entities, which are for a period of one calendar month for each advance, or any other period agreed between the borrower and the lender. Amounts owed by jointly controlled entities are expected to be settled within 60 days and amounts due to related parties are in respect of leasing and loan arrangements, wholesale charges and the provision of guarantees, where the amounts owed will relate specifically to the terms of the respective agreements. The consideration of forward looking macro-economic factors, as required by IFRS 9, has not materially changed the carrying value of trade receivables.

As at 31 March 2024, trade receivables at nominal value of £86.4m (2023: £92.5m) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	£m
At 1 April 2022	94.4
Charge for the year	11.8
Utilised	(13.7)
At 31 March 2023	92.5
Charge for the year	13.2
Utilised	(19.3)
<b>At 31 March 2024</b>	<b>86.4</b>

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

	0-3 months	3-12	12-24	24-36	+36 months	Total
	£m	£m	£m	£m	£m	£m
At 31 March 2024	0.3	24.4	31.9	21.1	43.8	121.5
At 31 March 2023	0.5	39.8	24.9	18.0	23.4	106.6

## 16. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

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

	31 March 2024	31 March 2023
	£m	£m
Cash at bank and in hand	32.9	201.2
Cash equivalent deposits	4.2	4.0
	<b>37.1</b>	<b>205.2</b>
Cash and cash equivalents	<b>37.1</b>	<b>205.2</b>
Short-term cash deposits >3 months	1.9	2.0

As at 31 March 2024, cash at bank and in hand includes £9.8m (2023: £9.4m) of restricted cash in respect of the Kielder securitisation and is therefore unavailable for general use by the Group. This is in addition to the £11.6m (2023: £11.6m) financial asset disclosed on the face of the balance sheet, which represents cash held on long-term deposit as a guaranteed investment contract, also relating to the Kielder securitisation.

## 17. TRADE AND OTHER PAYABLES

	31 March 2024	31 March 2023
	£m	£m
Trade payables	55.7	37.2
Other payables	18.6	19.1
Interest payable	55.7	53.5
Receipts in advance	23.0	24.4
Accruals	52.3	47.4
Capital accruals	62.4	37.4
Deferred income	12.0	13.1
	<b>279.7</b>	<b>232.1</b>

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

## 18. INTEREST BEARING LOANS AND BORROWINGS

	31 March 2024	31 March 2023
	£m	£m
Current:		
Bank overdrafts	30.6	153.5
Current instalments on borrowings (principal £128.7m, 2023: £34.4m)	128.6	32.3
Current instalments on leases (principal £3.9m, 2023: £0.5m) (see note 19)	3.9	0.5
	<b>163.1</b>	<b>186.3</b>
Non-current:		
Non-current obligations on leases (principal £63.9m, 2023: £63.6m) (see note 19)	63.9	63.6
Non-current instalments on borrowings (principal £3,987.9m, 2023: £3,728.7m)	3,925.4	3,706.8
	<b>3,989.3</b>	<b>3,770.4</b>
Borrowings comprise the following:		
Overdrafts payable on demand	30.6	153.5
Bank loans (principal £760.2m, 2023: £497.4m)	758.1	514.2
Eurobonds - due 11 October 2026, 1.625% (principal £300.0m, 2023: £300.0m)	299.3	299.0
Eurobonds - due 05 October 2027, 2.375% (principal £300.0m, 2023: £300.0m)	298.8	298.5
Eurobonds - due 14 February 2031, 4.5% (principal £350.0m, 2023: £350.0m)	347.0	346.5
Eurobonds - due 29 April 2033, 5.625% (principal £350.0m, 2023: £350.0m)	344.9	344.4
Eurobonds - due 23 January 2034, 5.8753% (principal £248.0m, 2023: £248.0m)	224.4	227.6
Eurobonds - due 28 October 2034, 6.375% (principal £400.0m, 2023: £400.0m)	391.7	390.9
Eurobonds - due 23 January 2042, 5.125% (principal £360.0m, 2023: £360.0m)	343.6	343.0
Index linked Eurobonds - due 15 July 2036, 2.033% (principal £295.2m, 2023: £270.3m)	295.2	270.3
Index linked Eurobonds - due 30 January 2041, 1.6274% (principal £116.8m, 2023: £107.2m)	116.8	107.2
Index linked Eurobonds - due 16 July 2049, 1.7118% (principal £193.6m, 2023: £177.6m)	193.6	177.6
Index linked Eurobonds - due 16 July 2053, 1.7484% (principal £193.6m, 2023: £177.6m)	193.6	177.6
Index linked Private Placement - due 29 October 2039, 0.242% (principal £122.1m, 2023: £100.0m)	122.1	117.4
US Private Placement (USPP) - due 14 April 2036, 2.59% (principal £125.0m, 2023: £125.0m)	124.9	124.9
	<b>4,084.6</b>	<b>3,892.6</b>
Less current instalments due on bank loans and on demand overdrafts (principal £185.8m, 2023: £187.9m)	<b>(159.2)</b>	<b>(185.8)</b>
	<b>3,925.4</b>	<b>3,706.8</b>

## 18. INTEREST BEARING LOANS AND BORROWINGS (continued)

The difference between the principal and carrying amounts represent original transaction costs which are unwinding over the life of the loan and the effective interest rate less interest paid.

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

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

## 19. LEASES

### (a) Lease obligations under IFRS 16

The Group holds leases in respect of land and buildings, and to acquire plant, machinery and motor vehicles.

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

	31 March 2024	31 March 2023
	£m	£m
Maturity analysis:		
Year 1	7.6	7.4
Year 2	6.9	6.6
Year 3	6.5	5.9
Year 4	5.7	5.6
Year 5	5.0	5.0
Onwards	71.7	74.6
	<b>103.4</b>	<b>105.1</b>
Less unearned interest:		
Year 1	3.7	6.9
Year 2	2.7	2.9
Year 3	2.6	2.6
Year 4	2.4	2.5
Year 5	2.3	2.3
Onwards	21.9	23.8
	<b>35.6</b>	<b>41.0</b>
	<b>67.8</b>	<b>64.1</b>
Analysed as:		
Non-current	63.9	63.6
Current	3.9	0.5
	<b>67.8</b>	<b>64.1</b>

## 20. PROVISIONS

	£m
At 1 April 2023	
Current	0.1
Non-current	3.8
At 1 April 2023	3.9
Charged to income statement	0.4
Utilised	(0.3)
<b>At 31 March 2024</b>	<b>4.0</b>
Analysed as:	
Current	0.1
Non-current	3.9
	<b>4.0</b>

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

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

## 21. GRANTS AND DEFERRED INCOME

	Capital grants and contributions £m	Revenue from contracts £m	Total £m
At 1 April 2023	489.2	0.7	489.9
Additions	38.0	-	38.0
Amortised during the year	(6.2)	(0.2)	(6.4)
<b>At 31 March 2024</b>	<b>521.0</b>	<b>0.5</b>	<b>521.5</b>

## 22. FINANCIAL INSTRUMENTS

### (a) Group strategy and funding risk

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

### (b) Treasury operations

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

### (c) Risks arising from the Group's financial instruments

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

### (d) Liquidity risk

As regards day to day liquidity, the Group's policy is to have available committed bank borrowing facilities with a value of no less than £50m and with a bank agreement availability period of no less than three months. At 31 March 2024, the Group had £355m (2023: £450m) of undrawn committed bank facilities (maturing in 2025).

## 22. FINANCIAL INSTRUMENTS

### (e) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. It borrows at both fixed and variable rates of interest and, accordingly, uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy was refreshed during the year which seeks to ensure NWL has an efficient and flexible funding structure in the context of its risk appetite. This considers the relevant risk exposure for its financing while taking into account the regulatory framework and associated allowances for setting the cost of debt. The revised policy is to have index linked debt form 38% to 50% of the funding structure and floating rate exposures to form 5% to 8% of the capital structure. At 31 March 2024, 30% (2023: 34%) of the Group's borrowings were on an index linked basis, with variable rate borrowings at 12% (2023: 1%). Index linked borrowings are treated as variable rate debt.

The Group is exposed to the SONIA risk-free rate. The exposures arise on derivatives and non-derivative financial liabilities (e.g. borrowings).

### (f) Foreign currency risk

The Group incurs supplier payments in foreign currencies through its normal course of business. The Group's policy is that any foreign currency exposure in excess of £100k sterling equivalent of a transactional nature, or £3m sterling equivalent of a translation nature, should be covered immediately on identification. Any exposures are covered through the use of forward foreign exchange contracts.

### (g) Market price risk sensitivity

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

Increase in basis points	Decrease in profit/equity £m
<b>Year ended 31 March 2024</b>	
+100	0.2
-100	(0.2)
<b>Year ended 31 March 2023</b>	
+100	0.2
-100	(0.2)

### (h) Credit risk

There are no significant concentrations of credit risk within the Group. Management's assessment of the maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date (see note 22(o)). A significant proportion of the trade debtor balances are with domestic customers who are unlikely to have a published credit rating (see note 15).

### (i) Counterparty risk

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

### (j) Capital risk

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

The Group monitors capital using gearing ratios for the Group and NWL. The Group's policy is to keep the gearing ratio less than 80% and 77.5% for the Group and NWL, respectively. The RCV at 31 March 2024 was £5,442.7m (2023: £5,097.4m). On this basis, the gearing ratios were 74.8% (2023: 72.7%) for the Group and 70.0% (2023: 68.3%) for NWL. As at 31 March 2024, NWG's interest cover, decreased to 2.7x.

## 22. FINANCIAL INSTRUMENTS

### (k) Contractual maturity of financial liabilities (principal and future interest payments)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

#### Year ended 31 March 2024

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	30.6	161.3	104.3	1,329.0	3,002.6	4,627.8
Derivative financial instruments in hedge relationships	-	2.4	1.1	1.3	-	4.8
Derivative financial instruments not in hedge relationships	-	(2.5)	(2.8)	(25.8)	(44.1)	(75.2)
Trade and other payables	-	147.2	30.8	-	-	178.0
	<b>30.6</b>	<b>308.4</b>	<b>133.4</b>	<b>1,304.5</b>	<b>2,958.5</b>	<b>4,735.4</b>

#### Year ended 31 March 2023

	On demand £m	Less than 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings	153.5	31.7	88.5	1,564.7	2,658.7	4,497.1
Derivative financial instruments in hedge relationships	-	1.0	0.6	2.0	-	3.6
Derivative financial instruments not in hedge relationships	-	(2.0)	(2.7)	(17.6)	(59.7)	(82.0)
Trade and other payables	-	102.2	30.5	-	-	132.7
	<b>153.5</b>	<b>132.9</b>	<b>116.9</b>	<b>1,549.1</b>	<b>2,599.0</b>	<b>4,551.4</b>

### (l) Maturity profile of financial assets and liabilities (carrying value)

#### Year ended 31 March 2024

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate:							
Eurobonds	(111.3)	(111.3)	(396.0)	(376.7)	(99.3)	(1,155.0)	(2,249.6)
USPP notes	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(108.9)	(124.9)
Bank loans	(16.1)	(11.5)	(7.3)	(7.1)	(6.8)	(8.2)	(57.0)
Leases	(3.5)	(2.9)	(2.6)	(1.9)	(1.1)	(3.3)	(15.3)
Loans receivable	-	-	-	-	-	43.0	43.0
<b>Fixed rate as at 31 March 2024</b>	<b>(134.1)</b>	<b>(128.9)</b>	<b>(409.1)</b>	<b>(388.9)</b>	<b>(110.4)</b>	<b>(1,232.4)</b>	<b>(2,403.8)</b>
Variable rate:							
Cash and cash equivalents	37.1	-	-	-	-	-	37.1
Short term cash deposits	1.9	-	-	-	-	-	1.9
Financial investments	-	-	-	-	-	11.6	11.6
Eurobonds	(8.0)	(7.5)	(7.5)	(7.5)	(7.5)	(761.3)	(799.3)
Bank loans	(115.3)	(235.9)	(18.3)	(152.6)	(16.2)	(162.8)	(701.1)
Overdrafts	(30.6)	-	-	-	-	-	(30.6)
Leases	(0.3)	(1.1)	(2.3)	(1.6)	(1.7)	(45.5)	(52.5)
Private Placement	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(121.1)	(122.1)
<b>Variable rate as at 31 March 2024</b>	<b>(115.4)</b>	<b>(244.7)</b>	<b>(28.3)</b>	<b>(161.9)</b>	<b>(25.6)</b>	<b>(1,079.1)</b>	<b>(1,655.0)</b>
<b>Net borrowings as at 31 March 2024</b>							<b>(4,058.8)</b>

## 22. FINANCIAL INSTRUMENTS (continued)

### (l) Maturity profile of financial assets and liabilities (carrying value) (continued)

Year ended 31 March 2023

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate:							
Eurobonds	(2.8)	(60.7)	(61.8)	(342.6)	(328.6)	(1,453.4)	(2,249.9)
USPP notes	-	-	-	-	-	(124.9)	(124.9)
Bank loans	(15.4)	(11.7)	(7.4)	(5.7)	(0.8)	(31.3)	(72.3)
Leases	-	(6.2)	(2.2)	(1.9)	(1.3)	(3.3)	(14.9)
Loans receivable	-	-	-	-	-	43.9	43.9
Fixed rate as at 31 March 2023	(18.2)	(78.6)	(71.4)	(350.2)	(330.7)	(1,569.0)	(2,418.1)
Variable rate:							
Cash and cash equivalents	170.8	-	-	-	-	-	170.8
Short term cash deposits	36.4	-	-	-	-	-	36.4
Financial investments	-	-	-	-	-	11.6	11.6
Eurobonds	-	(9.8)	(9.8)	(9.8)	(9.8)	(693.5)	(732.7)
Bank loans	(14.1)	(17.0)	(216.5)	(15.9)	(11.6)	(166.8)	(441.9)
Overdrafts	(153.5)	-	-	-	-	-	(153.5)
Leases	(0.5)	(0.8)	(0.9)	(1.1)	(1.2)	(44.7)	(49.2)
Private Placement	-	(0.3)	(0.3)	(0.3)	(0.3)	(116.2)	(117.4)
Variable rate as at 31 March 2023	39.1	(27.9)	(227.5)	(27.1)	(22.9)	(1,009.6)	(1,275.9)
Net borrowings as at 31 March 2023							(3,694.0)

The variable rate net borrowings comprise sterling denominated bank borrowings and deposits that bear interest at rates based upon realised SONIA rate (previously LIBOR, see note 22(e)), CPI and RPI.

### (m) Currency exposures

At 31 March 2024, after taking into account the effects of forward foreign exchange contracts, with the exception of the impact of translating the net assets of foreign operations into sterling, the Group had no material currency exposures (2023: £nil). At 31 March 2024, the Group held forward foreign exchange contracts with a future transaction value of £4.2m (2023: £4.0m) for the purpose of hedging the foreign currency risk of committed future purchases. At 31 March 2024, the fair value gain on the Company's outstanding foreign exchange contracts was £0.1m (2023: £0.3m).

### (n) Borrowing facilities

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

	31 March 2024 £m	31 March 2023 £m
Expiring in more than one year but not more than two years	355.0	-
Expiring in more than two years but not more than five years	-	450.0

## 22. FINANCIAL INSTRUMENTS

### (o) Fair values of financial assets and financial liabilities

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

	Book value		Fair value	
	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m
<b>Financial assets:</b>				
Cash and cash equivalents	37.1	170.8	37.1	170.8
Short term cash deposits	1.9	36.4	1.9	36.4
Financial investments	11.6	11.6	11.6	11.6
Loans receivable	43.0	43.9	43.0	43.9
Derivative assets	7.1	9.0	7.1	9.0
Trade and other receivables	272.5	257.1	272.5	257.1
	<b>373.2</b>	<b>528.8</b>	<b>373.2</b>	<b>528.8</b>
<b>Financial liabilities:</b>				
Overdraft	(30.6)	(153.5)	(30.6)	(153.5)
Bank loans (principal £760.2m, 31 March 2023: £497.4m)	(758.1)	(514.2)	(757.3)	(497.4)
Eurobonds (principal £3,109.0m, 31 March 2023: £3,040.7m)	(3,048.9)	(2,982.6)	(2,946.9)	(3,040.7)
Private Placement (principal £122.1m, 31 March 2023: £100.0m)	(122.1)	(117.4)	(122.4)	(100.0)
USPP notes (principal £125.0m, 31 March 2023: £125.0m)	(124.9)	(124.9)	(124.9)	(125.0)
Leases (principal £67.8m, 31 March 2023: £64.1m)	(67.8)	(64.1)	(67.8)	(64.1)
Derivative liabilities	(165.8)	(156.6)	(171.6)	(156.6)
Trade and other payables	(275.5)	(232.1)	(285.3)	(232.1)
	<b>(4,593.7)</b>	<b>(4,345.4)</b>	<b>(4,506.8)</b>	<b>(4,369.4)</b>
	<b>(4,220.5)</b>	<b>(3,816.6)</b>	<b>(4,133.6)</b>	<b>(3,840.6)</b>

The fair values of the derivatives and sterling denominated long-term fixed rate and index linked debt with a book value of £3,528.2m (2023: £3,436.6m), have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

In the absence of an openly traded market value for the index linked bonds with a book value of £651.5m (2023: £514.2m), the fair value at the balance sheet date has been calculated by considering the remaining debt maturity, the relevant UK index linked gilt rate and an appropriate credit spread by reference to market evidence for conventional bonds.

The difference between the principal and carrying amounts represent original transaction costs which are unwinding over the life of the loan and the effective interest rate less interest paid.

## 22. FINANCIAL INSTRUMENTS (continued)

### (p) Hedges

#### Cash flow hedges – currency forward contracts

At 31 March 2024, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £m
Euro €26,808	08 April 2024	1.1632	-
US Dollars \$338,750	15 April 2024	1.3211	0.3
US Dollars \$15,435	15 April 2024	1.3716	-
US Dollars \$30,870	15 April 2024	1.3910	-
US Dollars \$1,928,323	15 April 2024	1.2716	1.5
US Dollars \$92,213	18 April 2024	1.2442	0.1
US Dollars \$338,750	15 July 2024	1.3211	0.3
US Dollars \$403,250	15 October 2024	1.3211	0.3
US Dollars \$253,333	31 October 2024	1.2442	0.2
US Dollars \$403,250	15 January 2025	1.3211	0.3
US Dollars \$403,250	15 April 2025	1.3211	0.3
US Dollars \$92,213	22 April 2025	1.2442	0.1
US Dollars \$403,250	15 July 2025	1.3211	0.3
US Dollars \$421,750	15 October 2025	1.3211	0.3
US Dollars \$253,333	31 October 2025	1.2442	0.2
			4.2

At 31 March 2023, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £m
US Dollars \$15,435	14 April 2023	1.3712	-
US Dollars \$30,870	14 April 2023	1.3900	-
US Dollars \$307,750	17 April 2023	1.3211	0.2
US Dollars \$1,154,155	28 April 2023	1.3742	0.8
US Dollars \$307,750	17 July 2023	1.3211	0.2
US Dollars \$338,750	16 October 2023	1.3211	0.3
US Dollars \$158,919	5 December 2023	1.3703	0.1
US Dollars \$338,750	16 January 2024	1.3211	0.3
Euro €26,808	25 March 2024	1.1746	-
US Dollars \$30,870	15 April 2024	1.3910	-
US Dollars \$15,435	15 April 2024	1.3716	-
US Dollars \$338,750	15 April 2024	1.3211	0.3
US Dollars \$338,750	15 July 2024	1.3211	0.3
US Dollars \$403,250	15 October 2024	1.3211	0.3
US Dollars \$403,250	15 January 2025	1.3211	0.3
US Dollars \$403,250	15 April 2025	1.3211	0.3
US Dollars \$403,250	15 July 2025	1.3211	0.3
US Dollars \$421,750	15 October 2025	1.3211	0.3
			4.0

There are no material sources of ineffectiveness affecting the hedge relationships.

## 22. FINANCIAL INSTRUMENTS (continued)

### (p) Hedges (continued)

#### Cash flow hedges – interest rate swap

At 31 March 2024 and at 31 March 2023, the Group held one interest rate swap, designated as a hedge of future interest cash flows, for which the Group has forecast transactions. This swap was used to convert variable rate interest payments to a fixed rate basis. The terms of this swap were as follows:

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

The swap was designated as highly effective.

#### Cash flow hedges: power forward contracts

At 31 March 2024, the Group held no forward power contracts.

As at 31 March 2023, the Group held forward power contracts, designated as hedges of expected future purchases for which the Group has firm commitments. The terms of these contracts are as follows:

Notional amount	Start date	Termination date	Price per MWH £
4,392 MWH	1 April 2023	30 September 2023	199.25

#### Inflation swaps

At 31 March 2024 and at 31 March 2023, the Group held three inflation swaps which were not designated in a hedge relationship. The first is a hedge of future inflation linked cash flows and was used to convert variable inflation-linked revenues on a contract with the EA, to a fixed income stream. The second and third swaps are economical hedges of future interest payments to convert fixed rate interest payments to index linked interest payments.

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

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

### (q) Fair value hierarchy

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

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

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

#### Financial instruments measured at fair value

Year ended 31 March 2024

	31 March 2024
	£m
Interest rate swaps	7.0
Inflation swap	(165.8)
Currency forward contracts	0.1
	(158.7)

## 22. FINANCIAL INSTRUMENTS (continued)

### (q) Fair value hierarchy (continued)

#### Financial instruments measured at fair value

Year ended 31 March 2023

	31 March 2023
	£m
Interest rate swaps	8.7
Inflation swap	(156.8)
Power forward contracts	0.2
Currency forward contracts	0.3
	<b>(147.6)</b>

During the year to 31 March 2024, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

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

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

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

#### Other financial assets

	31 March 2024	31 March 2023
	£m	£m
Short term cash deposits	1.9	36.4
Cash and cash equivalents	37.1	170.8
Financial investments	11.6	11.6
Loans receivable	43.0	43.9
Trade and other receivables	272.5	257.1
	<b>366.1</b>	<b>519.8</b>

#### Other financial liabilities

Bank loans	(758.1)	(514.2)
Eurobonds	(3,048.9)	(2,982.6)
USPP notes	(247.0)	(242.3)
Leases	(67.8)	(64.1)
Overdrafts	(30.6)	(153.5)
Trade and other payables	(275.5)	(232.1)
	<b>(4,427.9)</b>	<b>(4,188.8)</b>

## 23. AUTHORISED AND ISSUED SHARE CAPITAL

	Number of ordinary shares of 10p each	£
Allotted, called up and fully paid:		
At 31 March 2023 and 31 March 2024	<b>400</b>	<b>40</b>

## 24. ADDITIONAL CASH FLOW INFORMATION

### Analysis of net debt as at 31 March 2024

	As at 1 April 2023 £m	Cash flow £m	Other non- cash movements £m	As at 31 March 2024 £m
Cash and cash equivalents	205.2	(168.1)	-	37.1
Overdrafts	(153.5)	122.9	-	(30.6)
Loans receivable	43.9	(1.3)	0.4	43.0
Short term cash deposits	2.0	(0.1)	-	1.9
Financial investments	11.6	-	-	11.6
Loans	(3,739.1)	(212.0)	(102.9)	(4,054.0)
Leases	(64.1)	2.7	(6.4)	(67.8)
	<b>(3,694.0)</b>	<b>(255.9)</b>	<b>(108.9)</b>	<b>(4,058.8)</b>

The difference between the principal and carrying amounts represent original transaction costs which are unwinding over the life of the loan and the effective interest rate less interest paid.

### Analysis of net debt as at 31 March 2023

	As at 1 April 2022 £m	Cash flow £m	Other non- cash movements £m	As at 31 March 2023 £m
Cash and cash equivalents	109.2	96.0	-	205.2
Overdrafts	(104.4)	(49.1)	-	(153.5)
Loans receivable	54.2	(10.4)	0.1	43.9
Short term cash deposits	2.0	-	-	2.0
Financial investments	11.5	0.1	-	11.6
Loans	(3,408.7)	(190.4)	(140.0)	(3,739.1)
Leases	(61.5)	2.5	(5.1)	(64.1)
	<b>(3,397.7)</b>	<b>(151.3)</b>	<b>(145.0)</b>	<b>(3,694.0)</b>

The difference between the principal and carrying amounts represent original transaction costs which are unwinding over the life of the loan and the effective interest rate less interest paid.

## 25. FINANCIAL COMMITMENTS

	31 March 2024 £m	31 March 2023 £m
(a) Acquisition of property, plant and equipment	<b>249.2</b>	243.5

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

(c) The Group has entered into performance bonds and guarantees in the normal course of business. No liability is expected to arise (2023: £nil).

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

## 26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group operates two defined benefit pension schemes, Northumbrian Water Pension Scheme (NWPS or the Scheme) and AquaGib Limited Pension Plan (AGPP). Following a consultation process with members, NWPS was closed to future accrual of benefits with effect from 31 May 2022, with members being enrolled in the LifeSight defined contribution scheme. AGPP provides benefits based on final pensionable remuneration to 42 active members at 31 March 2024 (2023: 44).

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

The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2m and the liabilities were £980.7m, resulting in a deficit of £181.5m and a funding level of 81.5%. The most recent actuarial valuation of the AGPP was at 1 July 2021. At that date, the value of assets amounted to £24.4m and the liabilities were £25.5m, resulting in a deficit of £1.1m and a funding level of 95.7%.

In October 2023, the Company and Trustee entered an ABF arrangement. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. The principal asset of the ABF is a £545m loan note from Northumbrian Water Company 1 Scottish Limited Partnership to NWL. The repayments of this loan note underpin payments of £7.5m pa to the NWPS for deficit recovery and expenses, effective from November 2023 and increasing annually by RPI inflation. These payments will continue to October 2038 with the expectation that the deficit will be removed by this date. There will be an annual review of the pension scheme and if this reports an actuarial surplus then payments to NWPS will be paused, restarting if the scheme returns to a deficit position.

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

Employers' contributions (including associated company contributions) of £20.2m were paid in the year to 31 March 2024, of which £18.3m related to deficit reduction. For the year to 31 March 2025, employers' contributions are projected to be £6.0m in respect of deficit reduction and £1.5m in respect of Scheme expenses.

The Group participates in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. There were 3,340 active members in defined contribution pension arrangements at 31 March 2024 (2023: 3,143), including employees enrolled following the closure of the Scheme.

Prior to the closure of the NWPS, members chose to contribute either 3%, 4% or 5% of salary, with employers contributing at either 6%, 7% or 8% depending on the member contribution rate. Following the closure of the NWPS, the defined contribution scheme was revised with the employee contribution rates of 3%, 4% or 5% being matched by employer contribution rates of 6%, 8% or 10% respectively. In addition, as a transitional arrangement until 31 March 2025, former members of the NWPS who contribute 5% receive an employer contribution of 12%. With effect from 1 April 2025, the highest rate of employer contribution will be 11%.

The contributions paid to defined contribution pension arrangements by the Group in the year totalled £11.9m (2023: £9.8m).

The Group has not disclosed the actuarial assumptions for the AGPP on grounds of materiality. The additional disclosures regarding the NWPS defined benefit scheme as required under IAS 19 Employee benefits and the relevant impact on the financial statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of IAS 19, has updated the actuarial valuations described above as at 31 March 2024. Investments have been valued, for this purpose, at fair value.

	31 March 2024	31 March 2023
RPI inflation	3.20%	3.20%
CPI inflation	2.85%	2.80%
Pension increases linked to RPI	3.20%	3.20%
Pension increases linked to CPI	2.85%	2.80%
Discount rate	5.00%	4.90%
Mortality assumptions <sup>1</sup>	VitaCurves	VitaCurves
- Life expectancy for a member aged 65 – female (years)	23.6	24.2
- Life expectancy for a member aged 65 – male (years)	21.1	21.6

Notes:

1. Bespoke "VitaCurves" reflecting scheme characteristics. CMI 2022 (2023: CMI 2021) series of longevity improvement factors with a long-term rate of improvement of 1.25% p.a.

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

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

	31 March 2024	31 March 2023
	£m	£m
Equities	156.1	172.2
Corporate bonds	152.6	59.9
Government bonds	279.4	383.7
Property	6.5	13.2
Cash	58.0	2.6
Insurance contract (with profits)	26.4	26.1
Other (includes listed infrastructure)	138.2	192.2
Total fair value of assets	817.2	849.9
Present value of liabilities	(822.7)	(820.8)
(Deficit)/surplus	(5.5)	29.1
Deficit disclosed in non-current liabilities	(16.2)	29.1
Surplus disclosed in non-current assets	10.7	-
Net (deficit)/surplus	(5.5)	29.1

The discount rate at 31 March 2024 has been set by applying the WPS AA-rated Corporate Bond Curve to a set of cash-flows that broadly replicate those of the Scheme in order to produce the single equivalent discount rate.

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

	31 March 2024	31 March 2023
	£m	£m
Recognised in the income statement:		
Current service cost	0.4	2.6
Administration costs	1.4	1.5
Past service cost	-	(11.6)
Scheme amendments	-	(1.4)
Recognised in operating costs in arriving at profit before interest	1.8	(8.9)
Net interest on defined benefit liability/(asset)	(1.8)	(1.0)
Recognised in finance costs payable	(1.8)	(1.0)
Recognised in the statement of comprehensive income:		
Changes in demographic assumptions	23.1	0.2
Changes in financial assumptions	9.0	344.4
Return on assets (excluding amounts included in finance costs)	(45.4)	(344.8)
Other actuarial gains and losses	(42.1)	(33.5)
Net actuarial (losses)/gains	(55.4)	(33.7)

The past service credit of £13.0m for the year ended 31 March 2023 is the result of two special events which occurred during the year. This comprises:

- a curtailment gain of £1.4m resulting from the closure of the Scheme to future accrual; and
- a negative past service cost of £11.6m resulting from the implementation of a Level Pension Option.

The Level Pension Option provides members with the opportunity to take a higher starting pension between normal retirement age and their state pension age; in exchange for a lower pension for the remainder of their lives.

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

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

	31 March 2024	31 March 2023
	£m	£m
At 1 April	820.8	1,164.4
Current service cost	0.4	2.6
Administration costs	1.4	1.5
Past service cost/scheme amendments	-	(13.0)
Interest cost on plan obligations	39.0	34.2
Benefits paid	(48.9)	(57.8)
Remeasurement:		
Changes in demographic assumptions	(23.1)	(0.2)
Changes in financial assumptions	(9.0)	(344.4)
Other actuarial gains and losses	42.1	33.5
<b>At 31 March</b>	<b>822.7</b>	<b>820.8</b>
<b>Present value of funded defined benefit obligations</b>	<b>822.7</b>	<b>820.8</b>

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

	31 March 2024	31 March 2023
	£m	£m
At 1 April	849.9	1,187.1
Interest income on Scheme assets	40.8	35.2
Contributions by employer	20.8	30.2
Benefits paid	(48.9)	(57.8)
Remeasurement:		
Return on assets (excluding amounts included in finance costs)	(45.4)	(344.8)
<b>At 31 March</b>	<b>817.2</b>	<b>849.9</b>

### Nature of benefits, regulatory framework and other entity's responsibilities for governance of the Scheme

The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Scheme is closed to future accrual of benefits. If the Scheme has a funding shortfall at a triennial actuarial valuation, then the Trustee and Company would work together to agree a set of contributions to meet this shortfall over a reasonable period.

### Risks to which the Scheme exposes the Group

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

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

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

### Policy for recognising gains and losses

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

## 26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

### Asset-liability matching strategies used by the Scheme or the Company

The Trustee's current investment strategy having consulted with NWL is to invest the majority of the Scheme's assets in a mix of equities and bonds, in order to strike a balance between:

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

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

### Description of funding arrangements and funding policy that affect future contributions

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

### Methods and assumptions used in preparing the sensitivity analyses

The sensitivities disclosed were calculated using methods taking into account the duration of the Scheme's liabilities. Assumptions were provided by the Group.

### Sensitivity to key assumptions

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

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

Change in assumptions compared with actuarial assumptions for the NWPS:

	Increase in liabilities on 31 March 2024 £m	Increase in liabilities on 31 March 2023 £m
0.25% decrease in discount rate	25.1	30.5
1 year increase in life expectancy	23.1	25.0
0.25% increase in inflation	18.2	23.3

### Maturity profile of the NWPS defined benefit obligation

#### Year ended 31 March 2024

	Number of members	Liability split %	Duration years
Deferred members	1,764	41	19
Pensioners	3,220	59	9
<b>Total/weighted average duration</b>	<b>4,984</b>	<b>100</b>	<b>13</b>

#### Year ended 31 March 2023

	Number of members	Liability split %	Duration years
Deferred members	1,887	47	21
Pensioners	3,189	53	10
<b>Total/weighted average duration</b>	<b>5,076</b>	<b>100</b>	<b>15</b>

## 26. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

### Guaranteed minimum pension (GMP) equalisation

A High Court ruling in October 2018 confirmed that pension scheme benefits should be equalised between men and women for inequalities caused by GMPs earned between 1990 and 1997. A supplementary ruling in November 2020 confirmed that Trustees should consider past transfer values paid to leavers and potentially pay top-ups to the receiving scheme if transfers did not reflect equalised benefits.

We understand that an allowance has previously been made for GMP equalisation, including an allowance for unequalised transfer values, and so no further cost is reflected in the income statement.

### Virgin Media Limited v NTL Pension Trustees II Limited

We are aware of the ruling resulting from this case and the potential appeal. The NWPS, like many pension schemes in the UK, may be impacted by this as it did have benefits contracted out from the additional state pension between 1997 and 2016, but this is something that the Trustee rather than the Company would investigate. However, we understand that the majority of schemes have not carried out any analysis yet due to the uncertainty around the case and are waiting for more clarity. Given the regular discussions we hold with the Trustee, we are not aware that any analysis has yet been carried out for the Scheme.

It has been assumed for accounting purposes that this case will have no impact on the Scheme's liabilities.

### WPS section

Court proceedings are likely to commence in 2024 in relation to certain rules of the WPS Section of the Scheme and, how it is determined, whether in a year where RPI exceeds 5%, the increases for members in the WPS section of the Scheme should be capped at 5% or paid in line with RPI (uncapped). The Company has been engaging with the Trustee as to the correct interpretation of the WPS increases provisions and it has been agreed between the Company and the Trustee that this point should be put to Court in Part 8 proceedings. Where the Scheme is in deficit on a technical provisions basis, as is the case now, the way in which the Rules should operate is not clear, and the Court will be asked to confirm this.

## 27. SPECIAL PURPOSE ENTITIES

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

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

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

	31 March 2024	31 March 2023
	£m	£m
Income statement:		
Finance costs receivable	17.0	15.6
Finance costs payable	(17.0)	(15.6)
<b>Profit for the year</b>	-	-
Balance sheet:		
Investments	222.0	225.7
Non-current assets	57.4	60.5
Current assets	6.0	5.4
Non-current liabilities	(279.4)	(286.1)
Current liabilities	(3.6)	(3.1)
<b>Net assets</b>	<b>2.4</b>	<b>2.4</b>

## 28. RELATED PARTIES

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding at the balance sheet date between the Group and its associates, joint ventures and companies within the CKHH group, are as follows:

### Trading transactions

	Recharges to related party £m	Recharges from related party £m	Amounts owed by related party £m	Amounts owed to related party £m
<b>Related party:</b>				
<b>Year ended 31 March 2024</b>				
Northern Gas Networks Limited	0.1	(0.2)	-	-
UK Power Networks (Operations) Limited	-	(0.4)	-	-
<b>Year ended 31 March 2023</b>				
Northern Gas Networks Limited	0.2	-	-	-
UK Power Networks (Operations) Limited	-	(0.3)	-	-
<b>Jointly controlled entities:</b>				
<b>Year ended 31 March 2024</b>	<b>129.7</b>	<b>15.7</b>	<b>38.5</b>	<b>13.3</b>
Year ended 31 March 2023	125.2	15.3	39.6	12.7

Sales to jointly controlled entities include £127.4m (2023: £123.0m) in respect of non-household wholesale charges, £0.1m (2023: £0.1m) in respect of rent receivables and £2.2m (2023: £2.1m) in respect of the provision of guarantees and interest.

Purchases from jointly controlled entities include £4.3m (2023: £4.4m) in respect of capital purchases under leases, £7.8m (2023: £8.7m) in respect of costs payable under leases and £3.6m (2023: £2.2m) in respect of other purchases.

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

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

Amounts owed by joint venture includes £10.7m loan at a fixed rate of 5.5% due 31 August 2027, or such other date as mutually agreed between the parties; a £2.6m loan at a variable rate of 2.75% plus the twelve month April SONIA rate plus a credit spread of 0.4644% with no fixed repayment date and a £10.0m working capital facility at a variable rate of 2.75% plus the six month April/September SONIA rate plus a credit spread of 0.2766%, which is long-term in nature, due 30 September 2025 and a short-term working capital facility £3.3m (2023: £4.6m) at 2.75% plus SONIA which is for a period of one calendar month for each advance, or any other period agreed between the borrower and the lender.

### Remuneration of key management personnel

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

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Short term employee benefits	1.1	1.0
Post employment benefits	0.1	0.1
Other long-term employee benefits	0.1	0.1
	<b>1.3</b>	<b>1.2</b>

## **29. CONTINGENT LIABILITY**

### **Environmental Information Regulations claim**

Five connected claims have been issued against water and sewerage companies, including NWL, by personal search companies (PSCs) in connection with fees paid for water and drainage reports obtained in relation to property purchases. The PSCs claim that the information should have been provided free of charge, pursuant to the Environmental Information Regulations 2004. The combined value of claims against the companies in the sector is stated to exceed £100.0m but, in common with the other defendants, NWL denies all liability and is defending the proceedings. The stage 1 trial concluded in December 2023 and we have received the Court's judgement which was positive and supports the stance we have taken throughout. However, the Claimant may appeal this judgement.

### **Wastewater Investigations**

In November 2021, NWL was contacted by the EA and Ofwat in relation to measures to ensure permitted 'Flow to Full Treatment' requirements are being achieved at our wastewater treatment works. In March 2022, Ofwat issued a Section 203 notice, which required further information to be provided.

In December 2023, Ofwat confirmed that it had reached the next stage in its enforcement case into NWL's management of its sewage treatment works and wider networks. Ofwat has notified NWL, along with two other companies, of its provisional findings privately. NWL has responded to Ofwat's provisional findings and awaits next steps.

If Ofwat ultimately makes a finding of breach sufficient to warrant a fine, as part of its enforcement powers, it can impose a financial penalty of up to 10% of relevant turnover. Where appropriate, Ofwat may decide not to issue an enforcement order or to impose a reduced or no financial penalty at the conclusion of an investigation where a company has come forward to formally commit to taking appropriate measures to secure its compliance and to provide suitable redress for its failures.

These investigations are ongoing and it is uncertain as to whether or not any formal action will be taken which could result in a financial liability. Therefore, at this time, the directors are unable to reliably estimate the financial effect nor have certainty over the timing of the resolution of this investigation.

### **Leigh Day claim**

NWL and its parent company, NWGL, has received a collective proceedings claim in the Competition Appeal Tribunal for aggregate damages up to £225.0m including interest. The claim, on behalf of a class comprising household wastewater customers of NWL on an opt-out basis, alleges that customers have been overcharged for sewerage services as a result of an alleged abuse of a dominant position. Similar claims have been made against five other wastewater companies. A certification hearing is scheduled to take place in September 2024. NWL considers this claim to be speculative and without merit and will defend it robustly.

## **30. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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

## COMPANY BALANCE SHEET

As at 31 March 2024

	Notes	31 March 2024 £m	31 March 2023 £m
<b>Non-current assets</b>			
Investments in subsidiary undertakings	3	2,481.0	2,481.0
Investments in joint ventures	4	5.2	2.2
Loan receivables	5	43.9	43.9
		<b>2,530.1</b>	<b>2,527.1</b>
<b>Current assets</b>			
Trade and other receivables	6	62.9	37.7
Loan receivables	5	3.3	4.6
Cash at bank and in hand		-	12.2
		<b>66.2</b>	<b>54.5</b>
<b>Total assets</b>		<b>2,596.3</b>	<b>2,581.6</b>
<b>Current liabilities</b>			
Trade and other payables	7	(58.7)	(4.6)
<b>Total assets less current liabilities</b>		<b>2,537.6</b>	<b>2,577.0</b>
<b>Non-current liabilities</b>			
Borrowings	8	(124.9)	(124.9)
<b>Total liabilities</b>		<b>(183.6)</b>	<b>(129.5)</b>
<b>Net assets</b>		<b>2,412.7</b>	<b>2,452.1</b>
<b>Equity</b>			
Called up share capital		-	-
Other reserve		51.9	51.9
Share premium account		1,603.1	1,603.1
Retained earnings		757.7	797.1
<b>Equity attributable to owners of the Company</b>		<b>2,412.7</b>	<b>2,452.1</b>

The profit dealt with in the financial statements of the parent Company is £68.6m (2023: £108.3m).

Approved by the Board on 10 July 2024 and signed on its behalf by:

*Heidi Mottram*

**H Mottram**  
Chief Executive Officer  
Registered number 04760441

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 March 2024

	Called up share capital £m	Other reserve £m	Share premium account £m	Retained earnings £m	Total £m
At 1 April 2022	-	51.9	1,603.1	793.8	2,448.8
Profit for the year and total comprehensive expense	-	-	-	108.3	108.3
Dividends paid (see note 2)	-	-	-	(105.0)	(105.0)
At 31 March 2023	-	51.9	1,603.1	797.1	2,452.1
Profit for the year and total comprehensive expense	-	-	-	68.6	68.6
Dividends paid (see note 2)	-	-	-	(108.0)	(108.0)
<b>At 31 March 2024</b>	<b>-</b>	<b>51.9</b>	<b>1,603.1</b>	<b>757.7</b>	<b>2,412.7</b>

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

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 March 2024

## 1. ACCOUNTING POLICIES

### (a) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 100, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, standards not yet effective and remuneration of key management personnel. As permitted by s408 of the Companies Act 2006, no profit and loss account has been presented for the parent Company.

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

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

The principal accounting policies adopted are set out below.

The financial statements have been prepared on a going concern basis which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2024, the Company had net current assets of £7.5m (2023: £49.9m). The Directors have also reviewed the Company's cash flow requirements and available resources and believe it is appropriate to prepare the financial statements on a going concern basis.

### Adoption of new and revised Standards

#### Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

### (b) Investments

Investments are stated at their purchase cost, less any provision for impairment.

### (c) Loan receivables

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

### (d) Interest bearing loans and borrowings

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

### (e) Employees

Excluding the Directors, there are no employees of the Company (2023: nil).

## 1. ACCOUNTING POLICIES (continued)

### (f) Taxation

#### **Current tax**

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

#### **Deferred tax**

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

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

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

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

#### **Current tax and deferred tax for the year**

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

### (g) Significant accounting judgements and key sources of estimation uncertainty

There are no significant accounting judgements or estimates.

## 2. DIVIDENDS PAID AND PROPOSED

	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Equity dividends declared and paid on ordinary shares during the year:		
<b>Ordinary shares:</b>		
Final proposed dividend for the year ended 31 March 2023: £135,000 per share (2022: £131,250)	54.0	52.5
Interim dividend for the year ended 31 March 2024: £135,000 per share (2023: £131,250 per share)	54.0	52.5
<b>Dividends paid</b>	<b>108.0</b>	<b>105.0</b>
Final proposed dividend for the year ended 31 March 2024: £93,375 per share (2023: £135,000 per share)	37.4	54.0

### 3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

				£m
<b>At 31 March 2023 and 31 March 2024</b>				<b>2,481.0</b>
Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Group (%)	Business activity
NWG Commercial Solutions Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding of investments and loans
Northumbrian Water Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Water and sewerage services
Northumbrian Water Finance plc <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding of finance instruments
Caledonian Environmental Levenmouth Treatment Services Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Wastewater services
Ayr Environmental Services Operations Limited <sup>2</sup>	Scotland	Ordinary shares of £1	100	Wastewater services
AquaGib Limited <sup>3</sup>	Gibraltar	Ordinary shares of £1	67	Water and sewerage services
Northumbrian Water Projects Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Wastewater services
Analytical & Environmental Services Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Essex and Suffolk Water Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	99.7	Holder of loan note
Northumbrian Holdings Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Mexico Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Northumbrian Water Pension Trustees Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Pension trustee company
Northumbrian Water Share Scheme Trustees Limited <sup>1, 5</sup>	England and Wales	Ordinary shares of £1	100	Dormant
Reiver Finance Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Finance
Reiver Holdings Limited <sup>1</sup>	England and Wales	Ordinary shares of £1	100	Holding company
Three Rivers Insurance Company Limited <sup>4</sup>	Isle of Man	Ordinary shares of £1	100	Insurance
Europa Environments Limited <sup>6, 7</sup>	Gibraltar	Ordinary shares of £1	100	Dormant

1. Registered office: Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ, UK.

2. Registered office: Meadowhead Wastewater Treatment Works and Sludge Treatment Centre, Meadowhead Road, Irvine, Ayrshire, KA11 5AY, UK.

3. Registered office: 10B Leanse Place, 50 Town Range, Gibraltar.

4. 1<sup>st</sup> Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, Isle of Man, IM1 1EB.

5. The company is entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

6. Registered office: Suite 23, 10 Portland House, Glacis Road, Gibraltar.

7. The company is entitled to exemption from audit under section 259 of the Gibraltar Companies Act, 2014 relating to the reporting requirements for a small company.

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

#### 4. INVESTMENTS IN JOINT VENTURES

	£m
At 1 April 2023	2.2
Share of profit after tax	3.0
<b>At 31 March 2024</b>	<b>5.2</b>

#### 5. LOAN RECEIVABLES

	31 March 2024 £m	31 March 2023 £m
<b>Non-current assets</b>		
Amounts owed by subsidiary undertakings	20.6	20.6
Amounts owed by joint venture	23.3	23.3
	<b>43.9</b>	<b>43.9</b>
<b>Current assets</b>		
Amounts owed by joint venture	3.3	4.6
	<b>3.3</b>	<b>4.6</b>
<b>Total</b>	<b>47.2</b>	<b>48.5</b>

Amounts owed by subsidiary undertakings includes a non-current balance of £20.6m in respect of the transfer of certain subsidiaries as part of an internal restructuring in 2016. There is no current expectation that this will be settled in the near future. Amounts owed by joint venture includes £10.7m loan due 31 August 2027 or such other date as mutually agreed between the parties; a £2.6m loan with no fixed repayment date and a £10.0m working capital facility, which is long-term in nature, due 30 September 2025 and a short-term working capital facility £3.3m (2023: £4.6m) which is for a period of one calendar month for each advance, or any other period agreed between the borrower and the lender.

#### 6. TRADE AND OTHER RECEIVABLES

	31 March 2024 £m	31 March 2023 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	60.9	35.9
Prepayments and accrued income	0.1	0.1
Other	1.9	1.7
	<b>62.9</b>	<b>37.7</b>

Amounts owed by subsidiary undertakings include amounts receivable for the provisional surrender of tax losses amounting to £0.2m (2023: £0.9m), cash borrowings of £58.5m (2023: £33.0m) and trading balances £2.2m (2023: £2.0m). These balances are expected to be settled within the next 12 months.

#### 7. TRADE AND OTHER PAYABLES

	31 March 2024 £m	31 March 2023 £m
Trade creditors	-	0.1
Amounts owed to subsidiary undertakings	2.8	2.3
Interest payable	1.5	1.5
Overdrafts	54.1	-
Accruals and deferred income	0.3	0.7
	<b>58.7</b>	<b>4.6</b>

Amounts owed to subsidiary undertakings reflects cross-charging trading, which are expected to be settled within 30 days of the invoice date.

## 8. BORROWINGS

	31 March 2024	31 March 2023
	£m	£m
Loans	124.9	124.9
	124.9	124.9

	31 March 2024	31 March 2023
	£m	£m
Loans are repayable as follows:		
Repayable after more than five years	124.9	124.9

Loans represent a US Private Placement which was re-financed in April 2021 for a tenor of 15 years at a fixed rate of 2.59%.

## 9. AUTHORISED AND ISSUED SHARE CAPITAL

	Number of ordinary shares of 10p each	£
Allotted, called up and fully paid:		
At 31 March 2023 and 31 March 2024	400	40

## 10. COMMITMENTS

(a) The Company has issued a letter of continuing support to a subsidiary company with net liabilities amounting to £5.7m (2023: £6.8m). This subsidiary company is expected to meet their working capital requirements from operating cash flows.

(b) The Company is guarantor to the European Investment Bank in respect of borrowings by NWL. The loan principal outstanding at 31 March 2024 amounted to £513.3m (2023: £514.4m).

(c) The Company is party to a cross-guarantee arrangement with other Group companies in respect of bank facilities. Overdrafts outstanding at 31 March 2024 in respect of the arrangement amounted to £7.2m (2023: £7.5m). The Directors do not expect any loss to arise as a result of this arrangement.

## 11. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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