Wessex Water's

Annual Report and Accounts *2025-26*

Wessex Water
YTL GROUP

CONTENTS

About us

Wessex Water provides water and sewerage services to around 2.9 million people across the south west of England. Every day, customers rely on us to supply safe drinking water, remove wastewater, protect public health and care for the environment we all depend on.

We operate in a region increasingly affected by climate volatility and population growth, with rising expectations for environmental protection. We know that there are areas where we must improve, but we have strong foundations: innovative solutions to pollutions, skilled and committed people, secure and responsible ownership, and a long-standing focus on fairness and affordability.

Our long term direction is set out in our Strategic Direction Statement to 2050, developed with customers, communities, employees and stakeholders. It commits us to providing reliable services, a healthier environment, a skilled team of colleagues and being a financially resilient company able to invest for the future.

Our purpose as a water company is clear: **through management of water we support our customers' health and wellbeing, and enhance the environment and the diverse communities we serve**.

Our strategy wheel (right) shows how we deliver on our purpose through two themes – serving people and places and enhancing the environment. This is supported by two key activities – financing the future and empowering our people.

1. **Serving people and places** consists of four outcomes:
   - **safe and reliable water supply**: ensuring high-quality drinking water and reducing supply interruptions to maintain public health
   - **an effective sewerage system**: improving wastewater management and reducing pollution incidents
   - **affordable bills**: keeping customer charges fair and transparent

   - **excellent customer experience**: maintaining high service standards and responsiveness.

2. **Enhancing the environment** aims to achieve four further outcomes:
   - **sustainable water abstraction**: managing water resources responsibly to protect ecosystems
   - **excellent river and coastal water quality**: reducing pollution and improving water environments

- **net zero carbon**: cutting emissions and transitioning to sustainable operations
- **increased biodiversity**: supporting nature recovery and habitat conservation.

3. **Empowering our people:**
   - **individual safety, wellbeing and engagement**: our colleagues will be safe at work, proud to work for us and fully engaged in their roles
   - **skills, knowledge and opportunity**: our colleagues will have the skills and knowledge they need to carry out their roles, and be supported to innovate and drive new ideas
   - **culture, inclusion and diversity**: we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.

4. **Financing the future:**
   - **being well managed, open, ethical and transparent**: we will demonstrate that we are honest and ethical in the way we conduct our business
   - **resilient financial stewardship**: we will demonstrate long-term financial stability
   - **market-led outcomes**: we will harness the power of markets to drive the most efficient solutions.

These priorities shape how we plan, invest and measure our performance.

Chairman's foreword

Tan Sri (Sir) Francis Yeoh KBE
Chairman

Global instability and our role

This year has been shaped by a level of global instability that would have seemed exceptional only a decade ago, but which is now becoming a persistent backdrop for businesses and communities alike. Economic uncertainty, geopolitical conflict, supply-chain disruption, and the accelerating impacts of climate change all continue to test resilience across society.

For us, this reinforces a clear responsibility – to deliver safe, reliable and affordable water supply and waste services today, while investing to ensure resilience for future generations. That requires long-term decisions to be taken openly and responsibly, even when they involve difficult trade-offs. It requires us to invest with confidence, and to remain focused on our purpose: protecting public health, supporting economic activity, and caring for the natural environment.

Doubling investment

We appealed Ofwat's financial settlement for 2025-30, as it did not allow us to carry out the programme of work needed to achieve the outcomes that matter to customers. As we move into a period where investment is set to double to deliver this, we are pleased that the Competition and Markets Authority (CMA) granted us more than our original settlement, and more than any other appealing water company. This enables us to direct more resources to pollution reduction, environmental protection, and robust services.

With the redetermination concluded, our focus is firmly on delivery – turning regulatory settlements into real-world improvements for customers and the environment. The lessons from developing our 2025-30 plan will inform how we execute a substantially larger investment programme, and how we continue to engage constructively with regulators as expectations continue to rise.

Next year

The next year will be challenging as global energy costs look as if they will remain high, and the resilience of global supply chains will be challenged. On behalf of the Board, I would like to thank our colleagues for their professionalism and commitment during a demanding period, and our customers and stakeholders for their engagement and trust.

I thank the Lord Jesus for His constant grace and guidance and pray that we continue to rise up to the challenges we face.

Chief Executive's review

Ruth Jefferson

Chief Executive

Delivering for customers

2025-26 has been a year of both progress and challenge. We have delivered strong performance in several areas that matter most to customers, while recognising that in others we must improve more rapidly.

Customers deserve to know how we are investing their money, and being open about both our achievements and shortcomings is essential in rebuilding trust.

Customer satisfaction continues to be strong, and we remain one of the top two companies in the industry. This reflects both the reliability of our services and the quality of our customer interactions.

Importantly, we have also delivered tangible improvements in sewer flooding – one of the most distressing experiences for customers – with reductions in both internal and external sewer flooding incidents during the year. We introduced an automated process to identify and engage with customers whose behaviours may have contributed to sewer blockages and flooding. We contacted over 13,000 households in areas affected by repeated sewer blockages, pollution or flooding incidents, helping us to drive improvement.

However, we must do better on pollution incidents and leakage. Our performance in these areas was not where we or our customers expect it to be and so we are making targeted improvements to both.

Affordability

We recognise that the CMA redetermination will result in higher customer bills, driven by the scale of investment needed to improve resilience and environmental performance. However, our commitment is clear: no household should have to choose between paying their water bill and meeting essential living costs.

Through our affordability support and social tariff schemes, we are determined to make water affordable for all across our region. Customer water use remains moderate, with per capita consumption comfortably within Ofwat's target range. This helps to limit bill pressures while supporting long-term sustainability. To support customers in their drive to use less water, we have rolled out our first 50,000 smart meters in the parts of our region that are most affected by water scarcity.

Environment

Protecting and improving the environment remains fundamental to our purpose. During calendar year 2025, we were bitterly disappointed to record four serious pollution incidents. We have implemented the lessons learned from each of these incidents across our network. We are making significant investment in tackling the root causes of incidents and in extensive sewer monitoring to give us advanced warning of issues. Our innovative programme to install automatic equipment at our critical pumping stations to improve resilience to power outages and minimise downtime has helped to deliver real impact, reducing pollutions from power outages and by pump failures by around 50%.

We remain determined to return to zero serious pollutions, helping to restore public trust in us. While any pollution incident is unacceptable, our total pollution count has reduced compared to the 2024 calendar year, demonstrating our commitment to improvement. We will continue to prioritise investment that has most material impact on reducing total pollutions.

Our Pollution Incident Reduction Plan sets out further measures to reduce incidents, informed by detailed asset level evidence and operational insights.

Climate change

Climate change is no longer a distant risk; it is a present and growing reality. More intense rainfall, longer dry spells, along with the public's rising environmental expectations and a growing population all underline the need for resilient infrastructure and adaptive planning. We recognise that we have fallen short on pollution and are committed to improving our environmental performance.

Addressing these challenges requires sustained investment, innovation and partnership. It also requires difficult choices to be made transparently, balancing affordability today with resilience for future generations.

During the past 12 months our region has experienced one of the driest summers and wettest winters on record. These are the conditions that climate change experts have been predicting. All those working at Wessex have responded exceptionally well to the added burden of these conditions as climate change has tested our resilience. These challenges are a reminder, if it were needed, that we must continue to explore new and innovative ways to build resilience in our assets and to invest in our people.

Regulatory reform

The year has also seen increasing momentum for major reform in water sector regulation; this work builds on our long-term activity in this area. We have played an active role in shaping the work of Sustainable Solutions for Water and Nature (SSWAN - formed in 2024), advancing regional systems planning, and engaging constructively with Department for Environment, Food & Rural Affairs (Defra) as future regulation is designed. We, and our many partners, recognise that the long-term challenges facing the sector cannot be solved by water companies alone.

The CMA's redetermination has also brought welcome clarity in this area. It highlighted the need for future regulatory frameworks that support the delivery of ambitious investment programmes while maintaining affordability and long-term resilience.

Regional planning is beginning to reshape how water resources, wastewater, land use, and environmental outcomes are considered together. This more integrated approach is essential if we are to deliver resilient services, support growth, and meet rising environmental expectations in a changing climate. It also offers the potential to achieve better environmental outcomes at lower cost to society.

Our people

None of this progress would be possible without the commitment, skill, and professionalism of our people. Health and safety remains a core priority. During the year, we have strengthened safety leadership and risk management across both operational activities and capital delivery, especially as the scale of work increases.

We are also continuing to invest in our future workforce. Our apprenticeship and early careers programmes are expanding, providing practical skills, long-term career opportunities, and resilience for the business. These programmes also contribute to regional economic growth and skills development.

Thanks

I would like to thank all our colleagues for their dedication during a demanding year, and our customers and partners for their continued trust and engagement. The challenges facing the water sector are significant, but so too is our determination to deliver safer, more resilient services and a healthier environment for the region we serve.

Shaping the future

The challenges facing the water sector are significant: climate change, environmental recovery, affordability and public trust. Equally significant is the opportunity to deliver lasting improvement.

Our focus for 2026-27 and beyond is simple: **turning record levels of investment into better outcomes for customers, communities and the environment.**

2025-30 delivery plan

Every five years we submit a business plan to our economic regulator, Ofwat. This sets out what we will do to meet the requirements of customers, new development and the environment.

Our plan for 2025-30 is based on what customers tell us is most important to them, what regulators require us to do, and our views on how to deliver these two sets of requirements in the best value way possible.

For more information, read our business plan 2025-2030, and our annual delivery report that sets out our progress.

Regulatory reform

The water industry reform agenda has sped up significantly over the past 12 months. The final report from the Independent Water Commission led by Sir Jon Cunliffe and the government's new vision for water were both published.

These reforms align with changes we have been advocating for many years: simpler regulation, catchment-based approaches to water management, a greater voice for local stakeholders and prioritising the most cost-effective solutions. This approach will offer the greatest opportunity to deliver more environmental improvement at lower cost to society – this should be everyone's aim.

We will continue to work closely with current regulators, future regulators, Defra and stakeholders in our region and nationally. By working together, we will find the best solutions to secure the long-term stability of the water sector.

Innovation

The challenges we face are evolving rapidly: more intense rainfall, growing pressure on wastewater networks, the need to protect water supplies, and the ambition to improve the health of our rivers and coasts. This demands new approaches alongside our traditional expertise. Delivering the level of service our customers expect means thinking differently and acting decisively.

At Wessex Water, our people put innovative ideas into practice. In a world being transformed by AI, we are always looking for smarter and more effective ways to deliver for our customers and for the environment.

Across the business, we are already adopting smarter monitoring, nature-based solutions and new digital tools and artificial intelligence that help us prevent incidents, enhance water quality and reduce our environmental impact. Nature-based solutions use natural processes like plants, soil and microbes, to clean water instead of relying only on chemicals and machinery.

Increasingly, AI is helping us make better use of data, identifying patterns, spotting risks earlier and supporting faster, more informed decisions. The progress shown in this year's report reflects the value these innovations are delivering.

By focusing on the right challenges, understanding needs clearly, improving visibility of ideas and encouraging collaboration, we are making it easier for people to turn great ideas into practical improvements.

Our commitment to innovation extends beyond our own organisation. We play an active role in sector-wide research, open innovation trials and collaborative knowledge sharing, ensuring we learn from the best thinking across the water industry and bring those benefits back to our customers and communities.

2025-26 performance at a glance

How we measure performance

We use a combination of customer and environmental measures to track performance and give customers a clear view of how we are performing. The majority of these measures and targets are independently set by our regulator Ofwat, with some also reviewed by the Environment Agency (EA) and the Drinking Water Inspectorate (DWI).

Ofwat reviews targets for each five year period, based on the water industry's performance. In some cases, this can mean targets get easier. Sometimes the exact detail of the measures changes as well. This section gives a summary of our performance compared to the target and the wider industry.

Detailed definitions and tables are provided later in the report for readers who want more technical detail.

2025-26 performance

Across our eight measures on customer and environmental outcomes (see page three):

- we delivered strong overall performance in five areas, although not all measures were consistently on target; but
- we fell significantly short in some areas – primarily pollution incidents and leakage.

While we fell just short of the target, our drinking water quality remained among the best in the industry. Supply interruptions were maintained within target levels and sewer flooding reached its lowest levels for several years. Customer service performance remained strong.

While we have reduced pollution incidents year on year, we recorded four serious pollution incidents during the year. We know that this level of performance is not acceptable and must improve further. Leakage increased, driven by prolonged dry weather followed by winter freeze–thaw conditions. Some environmental targets were missed due to late changes in requirements from our regulators causing delays in delivering schemes, alongside increasingly challenging operating conditions. These areas are now the focus of targeted improvement programmes and increased investment.

The following section provides a high level summary for each outcome.

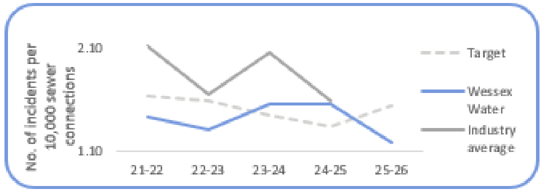
More detailed information on each performance indicator, including our ambitions and what we are doing to continue to improve our performance, can be found in later sections of this report.

How to read these graphs

The green tick shows a target we've met

The red cross shows a target we've not met

The calendar shows a long-term target which doesn't have a specifc target for this year.



Our performance is shown by the blue line. The majority of measures have been set by our regulator, Ofwat, and targets are shown by a dashed black line where they are available. Above or below the target line is coloured green or red to show whether above or below the target level is better. Industry average performance is shown by the solid grey line, although industry average performance is not available for new measures, and at the time of publication we don't yet know how other companies have performed this year for all measures.

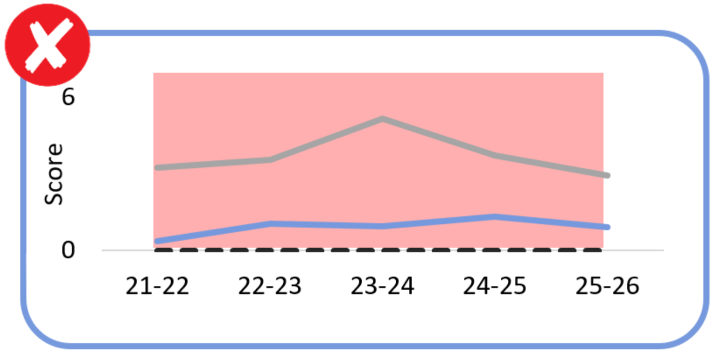
On the left hand side of the graph we then show the 'unit' that performance is measured in. These can be complicated, such as the number of incidents per 10,000km of sewer, but units like these allow our regulator to compare performance across the industry.

There are some measures that we have set for ourselves, rather than being set by a regulator. We are including data for these measures in this section as we believe it is important to share these with customers, but they don't always have targets for the last five years or industry average data.

Safe and reliable water supply

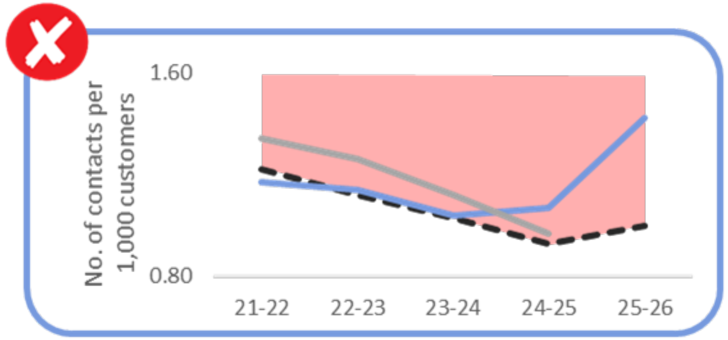
Drinking water quality

We have not met this target. We have taken over 45,000 samples this year at customers taps; 70% of our score is due tofailures at these taps. We continue to work with customers to reduce the risk of failure in their homes.



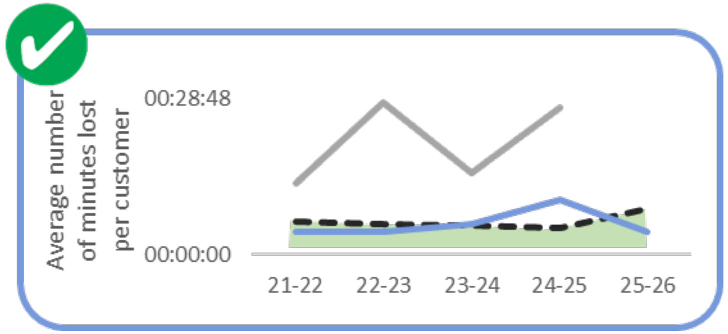
Customer contacts about drinking water quality

We have not met this target. The dry conditions this summer required us to move water across the region; such a change is often noticed by customers, resulting in more contacts.



Water supply interruptions

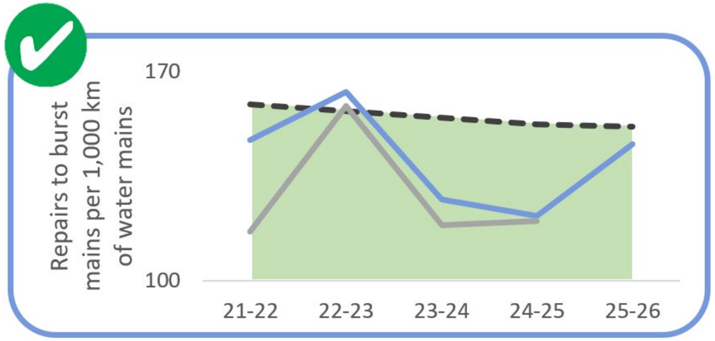
We have met this target, but we are working hard to improve this even further through activities such as better modelling of our pipes.



Graph legend — — — Target Wessex Water Industry average

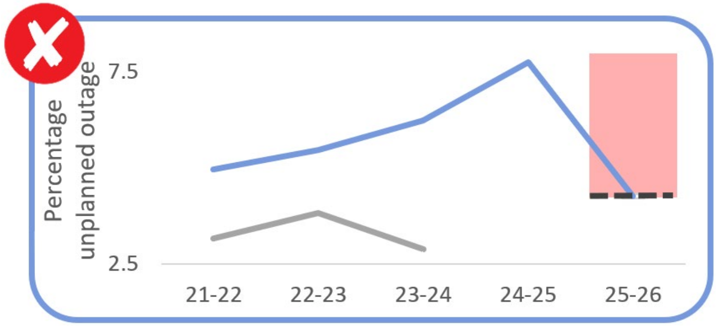
Repairs to burst water mains

We have met this target. With damage to our network driven by the extreme weather, our teams have been working hard to repair burst mains as quickly as possible, helping us to exceed this target.



Unplanned interruptions to drinking water production

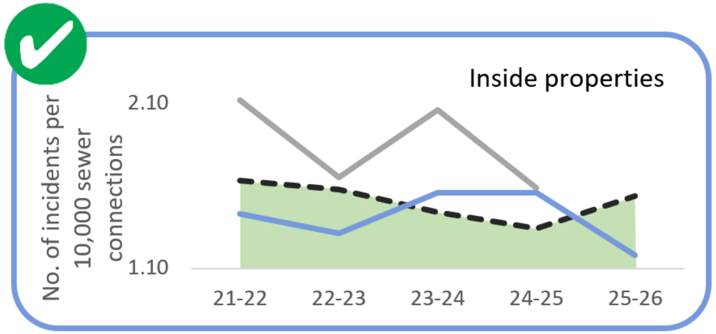
We have missed this target. Almost 80% of our outages were due to decreases in raw water quality, which are primarily due to environmental conditions outside of our control.

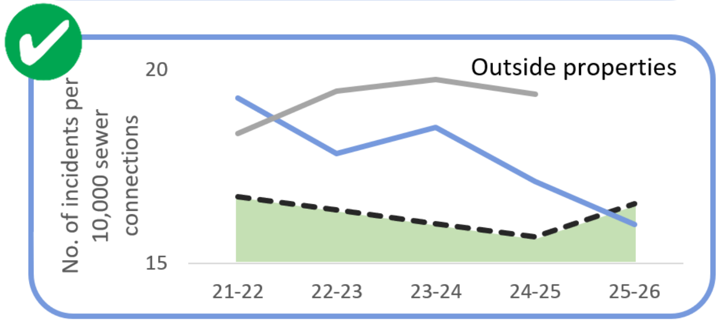


Effective sewerage system

Sewer flooding inside and outside properties

We have met both of these targets. We are developing smart networks to help identify issues before they arise. Alongside the support of customers to reduce blockages caused by things such as wet wipes, this has helped beat this target.

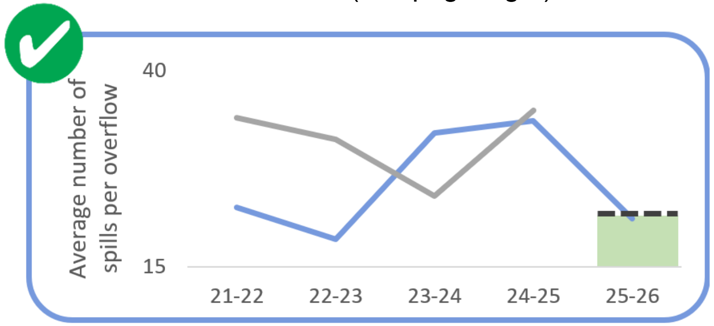




Graph legend – – – Target — Wessex Water — Industry average

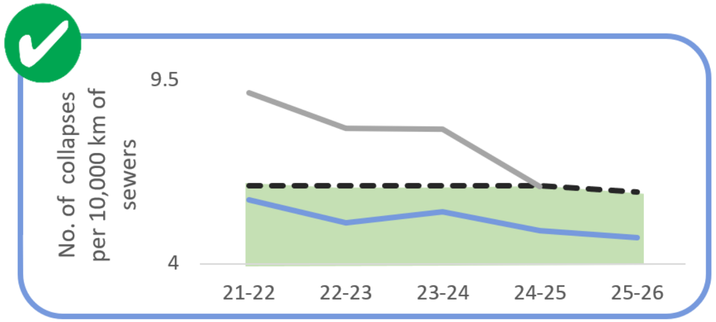
Number of spills from storm overflows

We have met this target thanks to significant investment in storage capacity and nature-based solutions (see page eight).



Sewer collapses

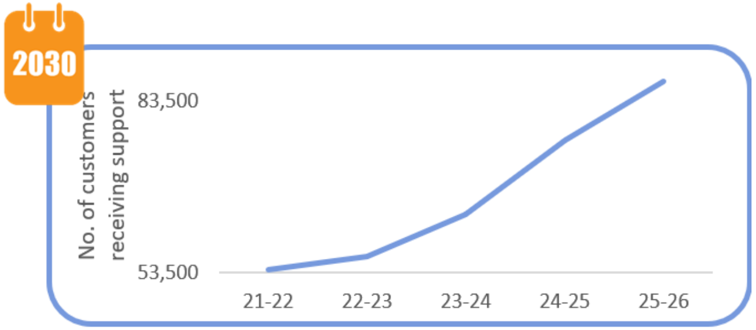
We have met our target because of proactive maintenance and early interventions to improve our sewers before collapses occur.



Affordable bills

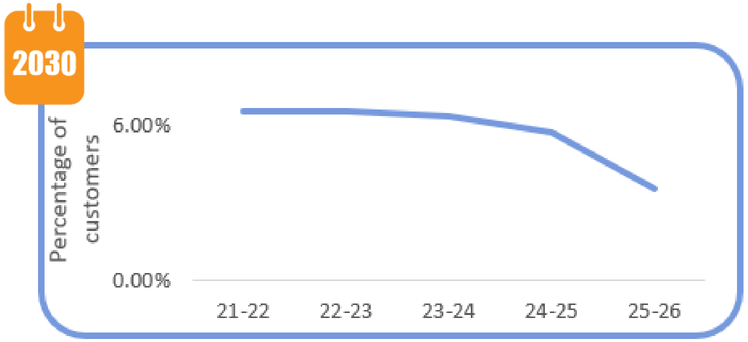
Making water affordable for all

We continue to make progress towards our 2030 target of supporting 140,000 households with their bills through our Tailored Assistance Programme. Using data more effectively to identify customers who need support, we now have 86,961 customers receiving help.



Disposable income spent on water bill

Our ongoing work to reach customers most in need of support, as detailed above, is bringing us closer to our 2030 target of no customer spending more than 5% of their disposable income (post housing) on their water bill.

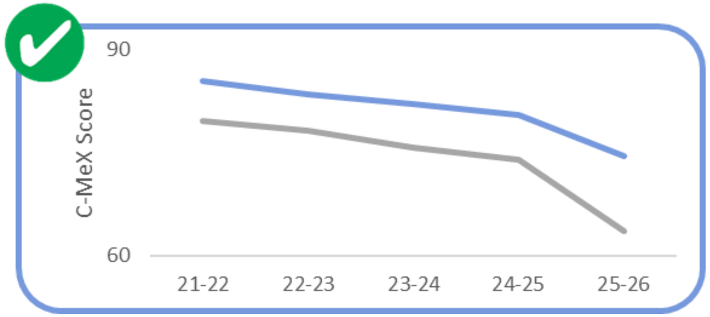


Graph legend — Target — Wessex Water — Industry average

Excellent customer experience

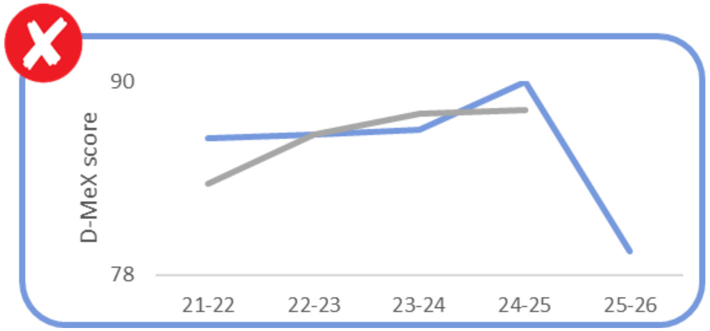
Customer measure of experience (C-Mex)

For C-Mex this year we are the best water and sewerage company for customer services, and achieved second place for overall water and sewerage company.



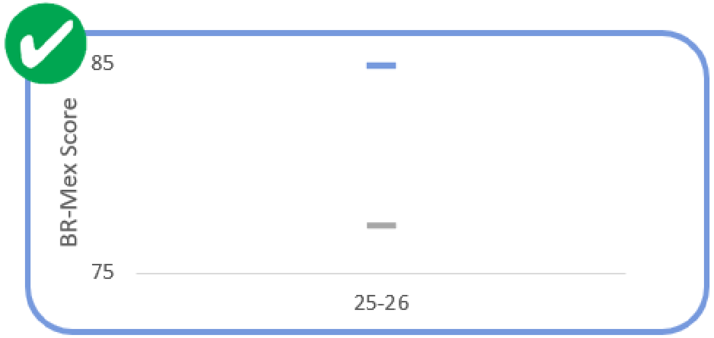
Developer measure of experience (D-Mex)

For D-Mex we have, following feedback from developers, improved our online services, and are determined to improve on this measure in the future.



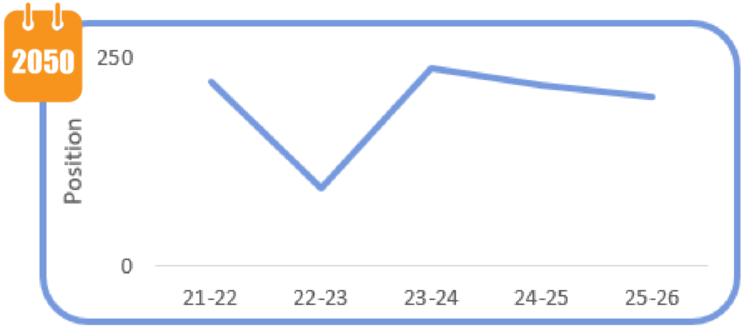
Business customer and retailer measure of experience (BR-Mex)

For BR-Mex we have been rated best water and sewerage company overall for this new measure.



Customer Satisfaction (UKCSI score)

Despite trust in the water sector being lower in recent years, we have maintained strong customer satisfaction and are committed to reaching a top 10 position across all UK companies (not just water companies) by 2050.

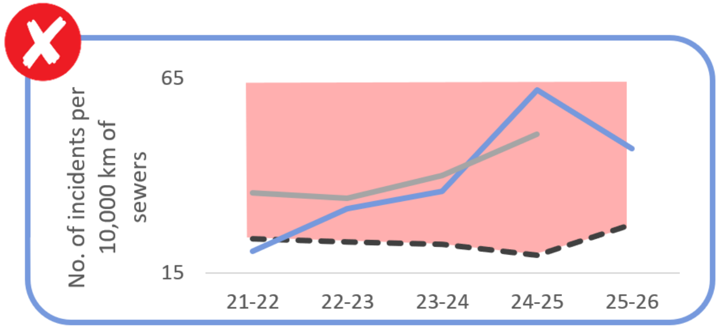


Graph legend — Target — Wessex Water — Industry average

Excellent river and coastal water quality

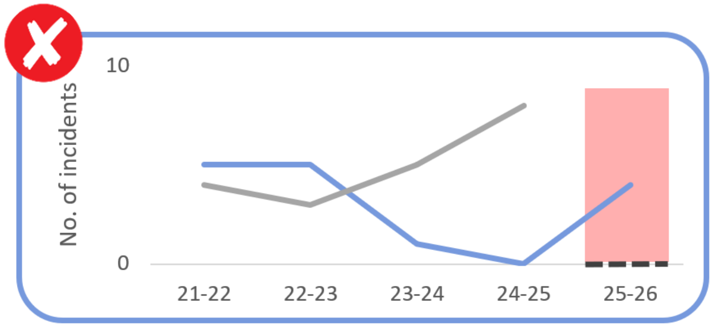
Total pollution incidents

We have missed this target. Heavy rain and storms causing power failures were a significant reason behind the number of pollutions from our sites this year.



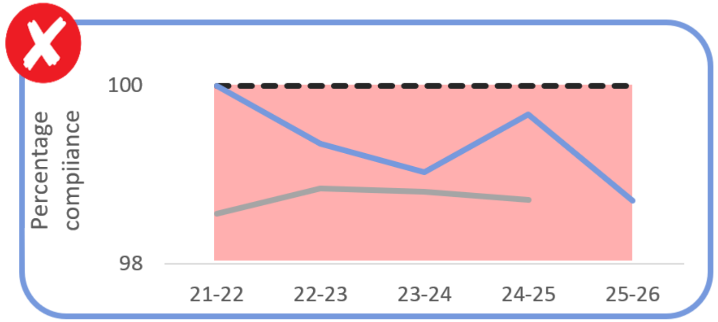
Serious pollution incidents

We have missed this target. While total pollutions reduced from last year, we recorded four serious pollution incidents in our region. Three of these incidents were due to our sewers, and we are investing heavily in our network to give early warnings of potential issues as they develop to return to zero serious pollution incidents in future.



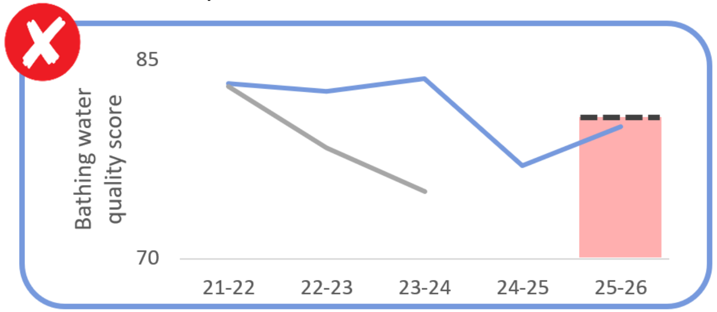
Quality of water discharged to the environment from our treatment centres

We have failed to meet this target. Four of our sites failed to meet their discharge permit levels this year due to process issues on site.



Bathing water quality

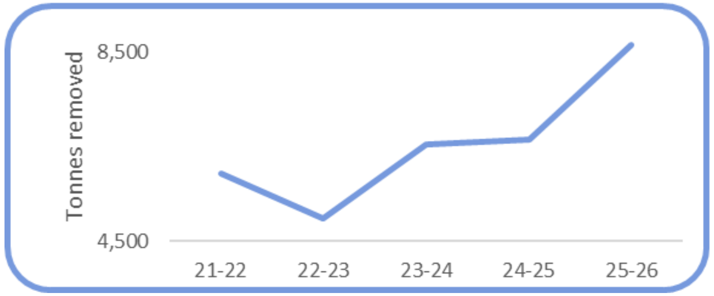
We have failed to meet this target. Although no bathing waters in our region were downgraded by the EA, and four improved, eight of these waters remained rated poor. We are not a major contributor for the reason they have been rated as poor.



Graph legend – – – Target — Wessex Water — Industry average

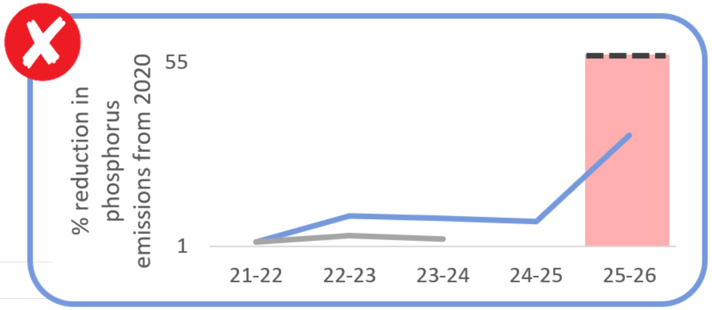
Reduction of nutrients entering river waters

We have set this measure ourselves. We have prevented 6,699 tonnes of nitrogen and 1,968 tonnes of phosphorus from entering river waters this year through investment in our sites and the catchment.



Reduction of phosphorus entering river waters

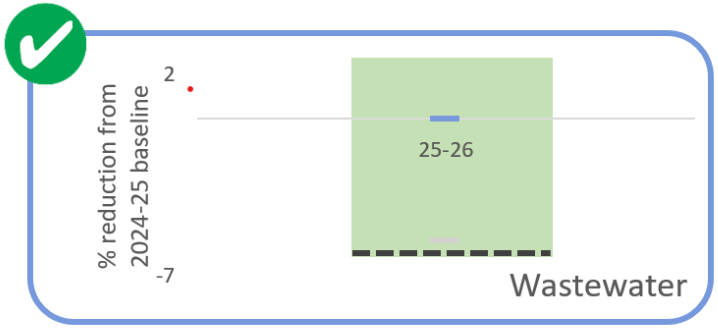
We have failed to meet this target. While we have reduced phosphorus levels across the region, the delay of three water improvement schemes this year brought us in just short of target.

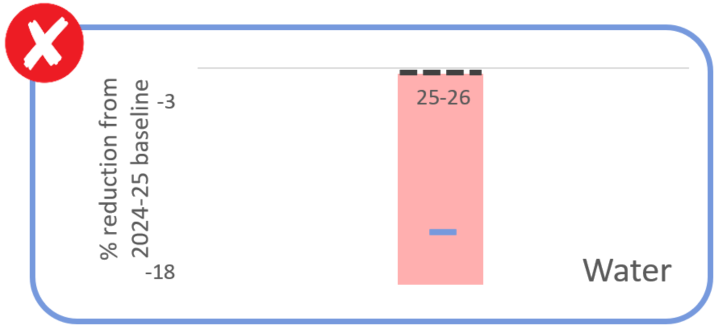


Net zero carbon

Operational greenhouse gas emissions from water and wastewater treatment

We have met this target for our wastewater activities. For our water activities we have missed this target, partly due to the dry summer increasing peak demand and the associated power increases on our sites.





Increased biodiversity

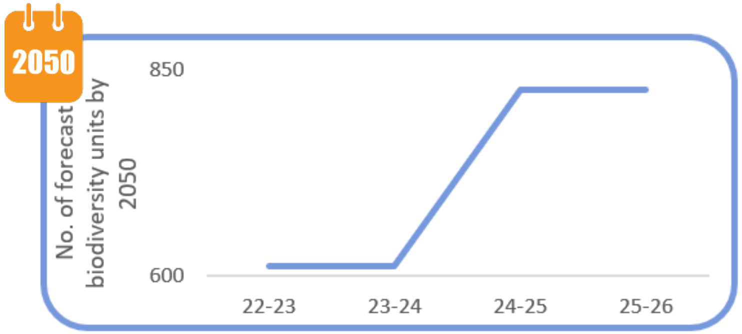
Biodiversity units

We have a new target to increase the biodiversity on specific pieces of land. We have to measure the increase in 2028-29, so have no performance to report on this measure yet. Early benefits are already visible, and further improvements will be realised as schemes mature over the next four years.

Graph legend Target Wessex Water Industry average

Long term biodiversity gain

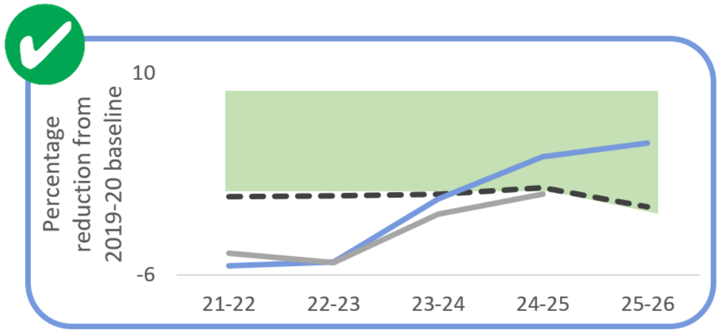
We remain on track to double our contribution to the region's biodiversity by 2050, having delivered activities in the past five years that will create 827 units of biodiversity increase.



Sustainable abstraction

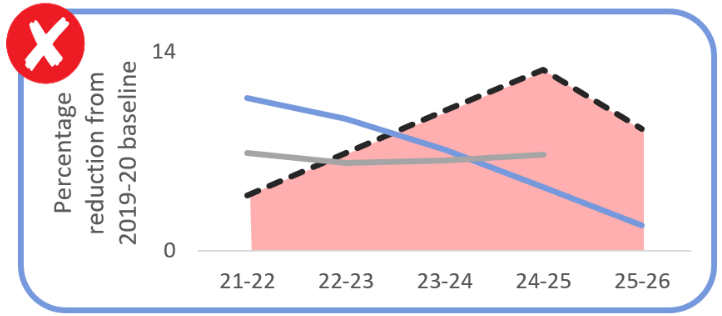
Reduction in water use per person

We have met this target. Despite the dry summer with peaks in demand, our customers continue to engage with our water efficiency work and save water throughout the year. As part of this we have delivered over 5,000 water efficiency visits to help customers reduce the water they use.



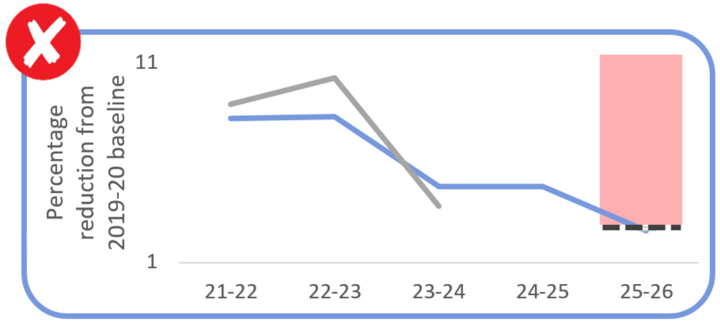
Leakage reduction

We have failed to meet this target. A hot, dry summer followed by a wet winter caused ground movement that increased leakage and placed pressure on our network leading to more leaks.



Business demand reduction

We have failed to meet this target. The extreme hot weather affected businesses across the region, especially in agriculture, increasing their demand for water.



Read on for further detail about our ambition, how we have done on each measure and what we are doing to continue to improve our performance.

Graph legend – – – Target — Wessex Water — Industry average

Serving people and places

Danny talking to a local resident after we upgraded her water meter, ensuring she's happy with the work completed. We have upgraded over 50,000 water meters in 2025-26.

Serving people and places

Our ambition

In our Strategic Direction Statement, which sets out our aims for 2050, we have committed to:

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

Delivering this ambition

Providing a high quality, reliable supply of water to customers' taps.

We have a rolling programme of major and minor improvement works at water treatment centres over the five-year period. Our improvement programme is informed by proactively identifying risks and how we can address them. Delivering on this ambition is a part of our work to contribute to public health.

Improving the performance of our sewerage network (particularly storm overflows) and how this affects customers and the environment.

To reduce the impact of these overflows on waterways, we are more than doubling our current level of investment to a total of over £500m across the five-year period. We will prioritise overflows that could affect bathing waters, shellfish waters, chalk streams and designated environmental sites – reducing spill frequency by 17%.

Ensuring everyone can afford water and sewerage services.

We know this will remain extremely challenging for some households, and for some it would be impossible without help. We will increase the number of households who receive support from our Tailored Assistance Programme (TAP) by 70,000 to 140,000. This will help us meet our commitment to make water affordable for all by 2030.

Improving how we communicate with, look after, and satisfy our customers at every interaction.

Our customers can always, and will always be able to, speak to a person to address any concerns that they may have. We are also upgrading our digital services, including our e-billing and online self-service options, in line with changing customer expectations. We are also using new technology to equip teams to fix problems faster and keep customers regularly informed of progress.

In the following pages, you can read how we have performed against our regulatory performance commitments for serving people and places, as well as hear some stories about our work across the region.

2025-26 overview

In 2025-26 we largely met our serving people and places outcome, but with clear exceptions. Customers benefited from reliable drinking water, fewer sewer flooding incidents and strong service, while leakage, pollutions and some other aspects of performance fell short.

We are increasing preventative maintenance, accelerating smart metering and strengthening operational responses to protect service reliability, while continuing to expand support for customers who are struggling to afford their bill.

Case Study: Let's Talk Tilshead

Introduction

Beneath the village of Tilshead on Salisbury Plain lies an aquifer, a natural underground reservoir. During the winter months, when groundwater levels rise, water can seep into the local sewer network through small cracks in the pipework. This can overwhelm the sewer network and increase the risk of sewer flooding.

What we did

With our 'Let's talk Tilshead' programme, we delivered our largest single sewer rehabilitation scheme. We sealed more than 4,000 metres of public and privately-owned sewers, helping to prevent rainwater and groundwater entering the sewer network. This means the system can flow at full capacity, reducing the risk of sewer flooding and potential pollution issues.

Special cameras and monitors were also fitted across the local network to help us detect potential blockages and defects. This equipment provides real-time insights, allowing us to respond quickly before issues develop.

Alongside our engineering work, we ran community-focused initiatives to address the root causes of sewage flooding. We teamed up with Tilshead Parish Council, local residents, business owners and community groups to share information and resources on preventing sewer blockages and managing rainwater more effectively. Our team carried out door-to-door visits, took part in community events including the annual village dog show and delivered educational sessions at the local primary school. We also provided water butts to local allotment holders, helping to reduce water waste and support more sustainable water management.

Outcome and feedback

Catchment Stakeholder Manager Sarah Coombs said: "*We're delighted with the community's response to the project. Around 80 per cent of those who responded to our surveys said that it will have a positive impact on the community*."

Debby Potter, Chair of Tilshead Parish Council, added: "*This collaborative effort has resulted in notable improvements to the local area, reflecting Wessex Water's commitment to supporting the village and enhancing local facilities*."

We will be back in Tilshead later this year to start installing smart water meters, giving residents greater visibility and understanding of their water usage and helping them save money on their bills. Thank you Tilshead for your support and partnership!

Tilshead Parish Council received a certificate of appreciation at the end of the project.

Safe and reliable water supply

The rainfall over the past autumn and winter was significantly above the long-term average. This helped to replenish our reservoirs and groundwater, which are healthy as we head into the summer of 2026.

This year we have enhanced how we protect our drinking water sources from excess nutrients, from activities such as farming. This will make sure we have the right quality water both now and in the future. We have also progressed a specialised treatment plant near Malmesbury to address emerging contaminants collectively known as 'forever chemicals'.

Compliance Risk Index (CRI)

This is a measure of drinking water compliance, set by the DWI. It illustrates the risk arising from compliance failures for treated water. The lower the number, the better.

COMPLIANCE RISK INDEX (CRI)		
TARGET 2025 **0.00**	**ACTUAL 2025** **0.92**	**PREVIOUS YEAR** **1.31**

We expect to be one of the best in the industry: our provisional score for the calendar year 2025 is better than our 2024 score.

We complete a robust investigation for every treated water compliance failure to determine the likely root cause.

Failures at customer taps accounted for two-thirds of our score. In these cases we conduct inspections, support the customer on improved tap hygiene where appropriate and advise where their water fittings are causing the problem.

For any failures at service reservoirs, we take a precautionary approach, removing sites from supply or undertaking enhanced monitoring.

Customer contacts about water quality

This is the number of contacts we received from customers relating to the quality of water (taste, odour, and appearance) per 1,000 population. The measure is set by the DWI. The lower the number, the better.

CUSTOMER CONTACTS ABOUT WATER QUALITY (nr/1,000 pop)		
TARGET 2025 **1.00**	**ACTUAL 2025** **1.42**	**PREVIOUS YEAR** **1.07**

The number of contacts received increased in 2024 following a large-scale water quality event in a neighbouring water company. In 2025, the number of contacts increased further and remains above target. The increase was across both taste and odour, and appearance.

The particularly dry conditions in summer 2025 required us to move water around our region to ensure customers' water supplies were not affected.

A change in the source of water is often noticed by customers, resulting in more contacts relating to taste and odour.

We continue to investigate each contact we receive and remain committed to improving performance for our customers.

Water supply interruptions

This is the average minutes of supply interruption greater than three hours per property per year. It is expressed in hours: minutes: seconds. Essentially this measure reflects how quickly we respond to interruptions. The lower the number, the better.

WATER SUPPLY INTERRUPTIONS (hh:mm:ss/property/year)		
TARGET 2025/26 **00:08:25**	**ACTUAL 2025/26** **00:04:11**	**PREVIOUS YEAR** **00:10:00**

After two significant incidents in 2024-25 we have returned to meeting our target for 2025-26. Our focus remains on restoring supplies to customers as quickly as possible. We achieve this with ongoing training for our teams, using systems and tools to improve our understanding of how pipelines react under different conditions, as well as learning from previous events. We are continuing to develop intelligent systems that analyse network flow and pressure to identify possible bursts. This allows us to respond more quickly and minimise customer impact.

Repairs to burst mains

This is the number of repairs to water supply mains that have burst and are losing water. It includes repairs both where we have identified the burst ourselves and where customers have informed us of the burst. It is calculated per 1,000 km of our water supply main network. The lower the number, the better.

REPAIRS TO BURST MAINS (nr/1,000 km of mains)		
TARGET 2025/26 151.7	ACTUAL 2025/26 145.9	PREVIOUS YEAR 121.7

The numbers of repairs to burst mains this year has increased from the previous year. This is due to ground movement or shrinkage in the warmer, drier conditions, as well as periods of freeze and thaw.

Unplanned outage

This is a measure of the temporary loss of water supply capacity from our water treatment centres, arising from unplanned causes such as asset failure. The lower the number, the better. When calculating our performance, each loss of capacity is weighted by the number of days it lasts.

UNPLANNED OUTAGE (%)		
TARGET 2025/26 4.26	ACTUAL 2025/26 4.27	PREVIOUS YEAR 7.76

The measure includes outages that are caused by raw water quality, even when the issues lie beyond what the water treatment centres are designed to treat. Factors such as weather conditions and land use within the catchment can have unavoidable and uncontrolled effects on raw water quality from groundwater sources. Around 80% of our supply is groundwater-based, so the prolonged dry period and wetter winter experienced this year have affected our unplanned outage considerably. However, the year-end position, although just above the Ofwat target, is much lower than expected.

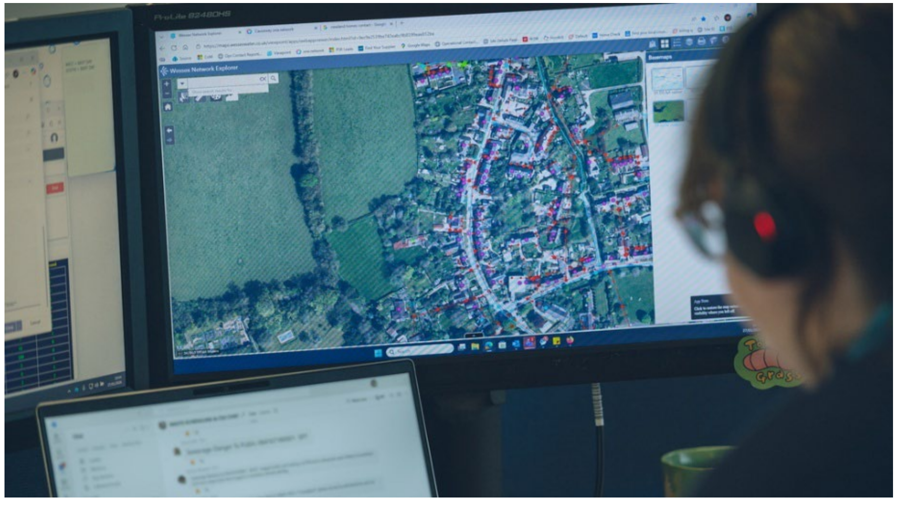
An effective sewerage system

We recognise that sewer flooding is an extremely distressing event and we put every effort into preventing such incidents. This has been a major priority in recent years and we are pleased to report considerable improvements. The above average rainfall put pressure on our wastewater network but we met our targets for both internal sewer flooding and external sewer flooding.

This was thanks, in part, to several key schemes we carried out in 2025-26 to help us manage the effect of heavy rainfall and protect our communities. These included:

- traditional solutions of underground storage and upsizing sewers
- innovative nature-based solutions such as wetlands to treat storm overflows triggered by high groundwater levels.
- integrated green infrastructure solutions, such as sustainable urban drainage systems (SUDS) to manage surface water run-off and reduce pressure on the sewer network.

We continue to deliver preventative maintenance and engage with communities to discourage sewer misuse.



Internal sewer flooding

This is the number of sewer flooding incidents, inside properties, per 10,000 properties. It includes flooding due to overloaded sewers, severe weather events and blockages. The lower the number, the better.

INTERNAL SEWER FLOODINGS (nr/10,000 sewer connections)		
TARGET 2025/26 1.54	ACTUAL 2025/26 1.18	PREVIOUS YEAR 1.56

We have continued to extend our network of monitors within sewers and to engage with customers about sewer misuse. We have expanded our capability to use high-power jetting and vacuum suction (JetVac) vehicles to keep sewers clear of blockages. This is our lowest number of internal sewer floodings since 2019-20.

External sewer flooding

This is the number of sewer flooding incidents per year, which occurred inside property boundaries (but not inside the property), per 10,000 properties. It includes flooding due to overloaded sewers, severe weather events and blockages. The lower the number, the better.

EXTERNAL SEWER FLOODINGS (nr/10,000 sewer connections)		
TARGET 2025/26 16.55	ACTUAL 2025/26 16.01	PREVIOUS YEAR 17.11

Additional focus has been given to external flooding incidents since the end of 2024. Sewerage operators now investigate external incidents in the same level of detail as they do an internal flooding incident. This gives us confidence that we are targeting the correct action to resolve the issue and reduce the likelihood of repeat incidents. This is our lowest number of external sewer floodings since 2018-19.

Storm overflows

This is the average number of spills per storm overflow. If a storm overflow is fully or partially unmonitored during the year, we have to assume a certain level of spills for the time that it was unmonitored. The lower the number, the better.

STORM OVERFLOWS (nr spills/monitored overflow)		
TARGET 2025 21.89	ACTUAL 2025 21.08	PREVIOUS YEAR 33.64

Despite a wetter start to 2025, the rest of the year was drier, with less pressure on the wastewater network and water recycling centres. We have also improved the capacity of our storm tanks, which temporarily hold excess rainwater during heavy rainfall. Collectively this has resulted in a lower number of spills overall.

We have successfully delivered four nature-based solutions as part of a national trial to assess how well they treat water from storm overflows that are affected by groundwater. These sites are located in areas where groundwater entering the sewerage network can place additional pressure on the system. For example, the Post Green wetland in Lytchett Matravers, Dorset, now treats storm overflow water before it is discharged into the River Sherford. We have secured agreement to develop similar nature-based solutions at 27 other locations, demonstrating both the potential and scalability of this approach in managing groundwater-affected storm overflows more sustainably. Not only do nature-based solutions help our networks operate more effectively, they also support wildlife, reduce carbon emissions, and make the environment more resilient to flooding and climate change.

Sewer collapses

This is the number of sewer collapses that caused an impact on service to our customers or the environment. It is measured per 1,000 km of all our sewers. The measure includes both gravity sewer collapses and rising main bursts, but excludes any collapses that we proactively identify. The lower the number, the better.

SEWER COLLAPSES (nr/1,000km sewers)		
TARGET 2025/26 6.15	ACTUAL 2025/26 4.79	PREVIOUS YEAR 5.00

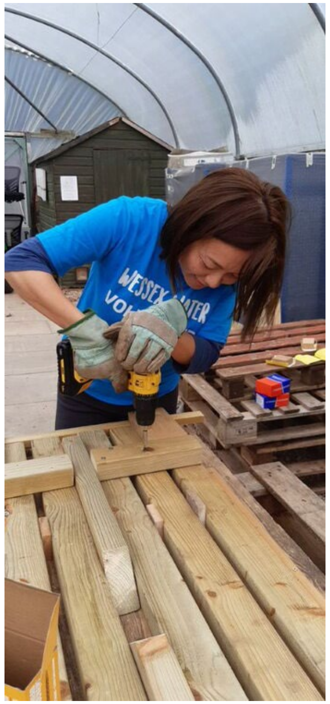
Through continued investment in proactive inspection and maintenance, there was a further reduction in the number of sewer collapses this year.

Case study: Building stronger communities

We delivered a wide range of community engagement activities across 2025-26, focusing on creating social value, strengthening relationships with local communities and improving environmental outcomes.

We expanded the community drop-ins across the whole waste and water supply region, offering face-to-face support to customers at more than 300 sessions in locations such as public libraries, and handling 1,906 individual enquiries.

Our free education service reached over 18,000 young people through high quality classroom sessions, assemblies and site visits, with 99% rating the service as excellent. The team also worked with 3,822 adults as part of the education outreach service across the region.



The YTL Wessex Foundation, which provides funding to projects taking place in the communities and environment where we work, distributed more than £700,000 in grants to support vulnerable communities and environmental projects. Our Environmental Fund also helped communities to reduce waste and pollution and improve local environments. Another initiative is our Watermark Town programme, which supports town councils to value water, improve local resilience and play an active role in shaping solutions. In 2025-26 five towns took part, and fourteen towns have signed up for 2026-27. The programme provides a strong platform for future campaigns on smart metering, water efficiency and rainwater management.

Employee volunteering through our Water Force programme continued to grow, with 977 of our people contributing over 5,400 hours to local organisations.

Our public water refill points helped avoid the equivalent of 378,383 single-use plastic bottles, reinforcing efforts to reduce plastic waste and promote sustainable behaviours.

All together, these activities support greater understanding of the water system and encourage responsible water use among current and future customers.

Case study: Working with social landlords to reach customers who need us most

Social landlords provide homes to thousands of people across our region. They tell us of the increasing pressures facing their tenants: ongoing cost-of-living challenges, high inflation and expected welfare cuts. These issues are putting more households at risk of falling into debt.

In 2025 we launched formal partnerships with five social landlords: Abri, Selwood, Sovereign Network Group (SNG), Magna and Curo.

Our new partnerships

Social landlords are often the first to know if tenants might be struggling with their bills – through falling behind on rent, missed appointments or conversations during visits. By working with them directly, we can reach people sooner and provide support before problems escalate.

From April 2025, we began funding social landlords to promote our affordability schemes and support applications. This included access to resources and dedicated relationship managers.

This is an important addition to our Every Customer Matters vulnerability work, which aims to increase awareness and uptake of the support we provide, particularly for customers on low incomes or in difficult situations.

Our schemes and partnerships support customers' overall financial wellbeing, not just their water bills. Through collaboration with trusted, independent organisations, customers can access impartial advice tailored to their full circumstances, helping them maximise their income and benefits while achieving sustainable, affordable solutions across all their debts based on their ability to pay.

Improving access to affordability support

Housing teams have become more confident in identifying eligible tenants and supporting them through the application process. The quality of applications has improved, delays have reduced, and tenants no longer have to navigate the system alone.

Magna Housing said *"This partnership has enabled our customers to get back on track with their bills, debts and improve their living standards*."

Early estimates show the partnerships helped 203 customers access affordability support in the first year. This is supporting our wider ambition to make water affordable for all.

What's next

We plan to expand the number of landlord partners, enhance joint training and explore data-sharing to make it easier for customers to access support. We will also ensure our schemes are widely visible across all partner organisations.

Affordable bills

We know that affording water and sewerage services will remain challenging for many households, so we are increasing our support.

We are committed to streamlining the journey for people seeking financial support. We have partnered with the Money Advice Trust to enhance our offering on IE Hub, a platform where customers can share financial information with multiple organisations to ensure they receive all the benefits they are entitled to. We have joined the Lightning Reach platform, which brings together benefits and support from multiple providers into a single place. We also introduced a simpler application form for those needing help with their bills.

We have launched new targeted campaigns – including paid-for Google search adverts – to raise awareness of the help available. Alongside this, we sustained our long-standing funding for the debt-advice sector so that customers could access holistic support.

These steps will help us meet our commitment to eradicate water poverty by 2030.

Making water affordable for all

We aim to increase the number of households supported through our Tailored Assistance Programme (TAP) to around 140,000 households by 2030. We have made good progress over the past 12 months, with 86,961 customers now receiving help with their bills through TAP.

While we have now exhausted the Department for Work and Pensions (DWP) data matching route for identifying new eligible customers for TAP, we have worked hard to use new and existing council data shares.

We also agreed a new data share with Pennon, the owner of Bournemouth Water, Bristol Water and South West Water. This enables their customers to automatically receive a bill reduction when they meet our criteria. We continued to use DWP data matching to auto-enrol and renew customers on our WaterSure scheme.

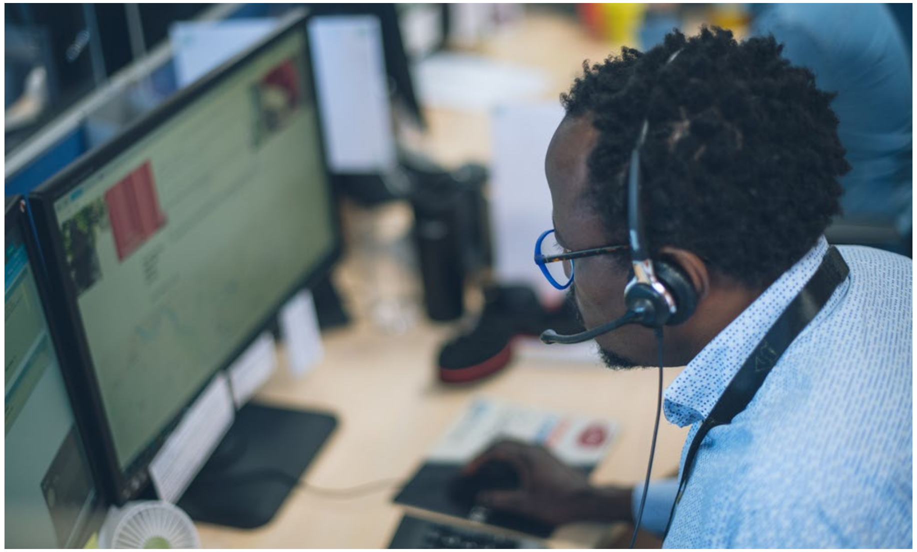
Disposable income spent on water bill

This year, we took a fresh look at who is most at risk of spending more than 5% of their disposable household income on water. Changes to our expected bills meant that the number of households struggling to pay their bills by March 2026 was forecast to be higher than previously expected.

To address this, we have focused on earlier identification and simpler routes to support, to help reach people faster. We have also expanded our use of data-shares with local councils to automatically enrol more households on to support schemes. We will continue this as we work towards our target of making water affordable for everyone in our region by 2030.

Excellent customer experience

We are introducing a new customer portal, as well as upgraded e-billing



and improved online self-serve options. Smarter technology – such as real-time incident updates, insights from smart meters and a future single customer view – will better equip our teams to diagnose issues quickly and keep customers updated from start to finish.

We were ranked second among water and sewerage companies for C-MeX in 2025-26. The changes in the C-MeX framework for 2025-26 have contributed to an overall decline in scores across the industry. These scores are not immediately comparable to scores from 2020-2025.

We met our target for the percentage of customers on the Priority Services Register.

UKCSI score

The UKCSI measures customers' level of satisfaction with organisations in many industries across the UK. We gained ground in the UK Customer Satisfaction Index during 2025-26, with signs of recovery following earlier declines across the sector. In January 2026, we achieved a satisfaction score of 74.4. We're the highest performing water and sewerage company, and we're above average across all utilities. While this improvement is encouraging, we have a significant journey ahead to deliver our plans to help us reach a top 10 position by 2050.

C-MeX

C-MeX measures customer satisfaction and is calculated from surveys about customer service and wider customer experience. The higher the C-MeX score, the better.

C-MEX (customer measure of experience)		
TARGET 2025/26	**ACTUAL 2025/26**	**PREVIOUS YEAR**
-	**74.54**	**79.71**

During 2025-26 we continued to deliver strong customer service. We maintained our position as one of the leading companies for C-MeX and retained our Customer Service Excellence accreditation. Customers increasingly benefited from clearer communication, faster updates and more personalised support, helped by improvements to our digital services. We also strengthened the support we offer to customers who need extra help, updating our Every Customer Matters vulnerability strategy and meeting the commitments within it. We achieved the new ISO 22458 standard for consumer vulnerability first time, reinforcing our focus on providing inclusive and accessible services. The number of households on our Priority Services Register grew again this year to 188,144 households, a 23% increase from the previous year.

While customer expectations continue to rise and trust in the sector remains fragile, our progress shows we are building a service that is easier to use, more proactive and more responsive to the needs of every customer.

D-MeX

Developers are companies or individuals who need new water or sewer connections, including property developers and construction companies. D-MeX measures the average customer experience for developers, calculated from customer surveys and industry service metrics. The higher the score, the better.

D-MEX (developer measure of experience)		
TARGET 2025/26	**ACTUAL 2025/26**	**PREVIOUS YEAR**
-	**79.49**	**90.00**

Some of the survey feedback from developers has been about online services. So we will be improving the content and ease of navigation of our developer services website, while also introducing a customer portal to allow developers to easily apply for services, obtain updates on their applications, and better communicate with our team.

BR-MeX

BR-MeX measures the average customer experience for business (non-household) customers and retailers. The measure was newly introduced this year and is calculated from two sets of customer surveys and market performance measures. The higher the score, the better.

BR-MEX (business and retailer measure of experience)		
TARGET 2025/26	**ACTUAL 2025/26**	**PREVIOUS YEAR**
-	**84.88**	**-**

Overall we were the highest performing water and sewerage company for BR-MeX in 2025-26. We were placed first for surveys with business customers, surveys, third for market performance metrics, and ninth for surveys with retailers.

Case study: Preparing for extreme weather and emergencies

In 2025, we experienced the driest spring in England since 1893, four summer heatwaves and the hottest year on record in the UK. The Wessex Water region received below average rainfall continuously from March to August – just 53% of the long-term average. Extreme heat shifted to extreme rainfall, with above-average levels since November, particularly in January (203% higher) and February (220% higher).

The 2025 drought marked the fourth year in a row of extreme conditions, as shown in the diagram on the following page.

Keeping customers in supply

During the 2025 drought, our water supply teams worked hard to maintain customer supplies. By following our Dry Weather Action Plan and Drought Plan we were able to avoid a hose pipe ban. We are working on new Drought and Emergency Drought plans that set out how we will manage supplies in future prolonged dry periods. This is underpinned by our Water Resources Management Plan, which looks 25 to 50 years ahead to ensure secure water supplies long into the future.

Managing our wastewater network

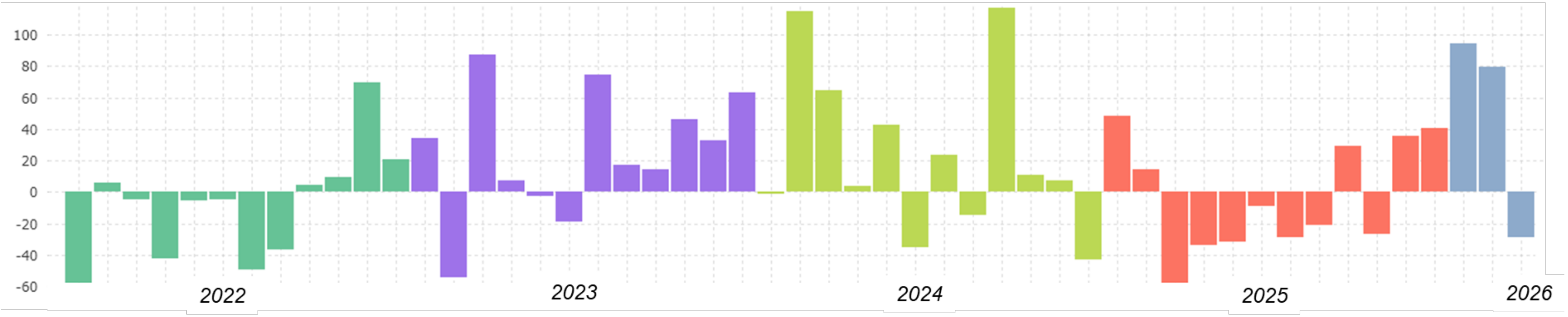
Extreme weather also affects our wastewater network. Long periods of persistent rainfall can cause groundwater levels to rise, rivers to burst their banks, and excessive runoff from rooftops and properties. All of this can lead to surface or road flooding, as well as flooding of sewers or water recycling centres. To help our wastewater network manage these weather extremes, we conduct a range of monitoring.

We have an extensive network of monitors detecting the level of wastewater in our sewers. AI software (called StormHarvester) analyses this data and alerts us when a sewer deviates from its expected level. This allows us to intervene before the issue can cause problems for customers or the environment.

We also use data on river levels, groundwater levels and weather to predict the likelihood of areas being affected by groundwater. We can then adjust our maintenance or introduce short-term managed overflows to prevent property flooding. For high-risk areas we are also making long term improvements, such as in our Let's Talk Tilshead project on page 19.

In drier months we continually monitor the average temperature and rainfall for each of our 397 water recycling centre catchment areas. If an alert is received for too little rain or too high a temperature, we begin additional checks and cleaning activities, prioritising key risk areas like bathing water beaches and designated sites.

Wessex region monthly rainfall vs average (mm)



Enhancing the environment

Tucking Mill reservoir and recreational fishing lake. The site's woodland surroundings create an idyllic environment for fishing. It also has several specially designed wheelchair-accessible platforms for anglers.

Enhancing the environment

Our ambition

To deliver a better environment for nature and people

In our Strategic Direction Statement, which sets out our aims for 2050, we are targeting:

- never harming the health of the water environment through our abstraction
- restoring the quality of our rivers and coastal waters
- being a net zero carbon business (by 2040)
- doubling our contribution to the region's biodiversity.

In the following pages, we set out how we have performed against our regulatory performance commitments and other measures to enhance the environment.

Delivering this ambition

Ensuring that we have enough water to meet the needs of people and nature for the long term.

We aim to reduce the average volume of water a household customer uses per day from 145 litres to 135 litres by 2030. This will save customers money on bills and protect the water environment. We will also cut leakage by another 3.5 million litres per day by 2030.

Reducing pollutions and ensuring rivers and seas are safe, healthy environments for everyone to enjoy.

As well as traditional treatment, we will use nature-based solutions wherever possible, including working with local partners and creating wetlands. This investment will prevent a further 1,400 tonnes of phosphorus and nitrogen per year from entering rivers and seas by 2030.

Decarbonising our business and our contribution to net zero and the circular economy.

We are targeting net zero operational carbon emissions by 2040, tackling all the emissions we generate in running Wessex Water.

The contribution we make to supporting the variety of plant and animal life in our region.

Between 2025 and 2030, we will improve the biodiversity of more than 716 hectares, prioritising land that contains or immediately neighbours priority habitats for protected species. We will also create around 200 hectares of additional habitat and investigate options for restoring peatland.

2025-26 overview

Environmental performance has improved but remains below where it needs to be. Pollution incidents, including serious incidents, continued to occur and are unacceptable.

We are accelerating delivery of our Pollution Incident Reduction Plan, expanding real-time monitoring and increasing resilience at high-risk sites, alongside investment in traditional and nature-based solutions. We continue to work with households and businesses to change behaviours that contribute to blockages, for example around use of wet wipes.

Case study: Sutton Bingham: managing reservoirs for people and for nature

Sutton Bingham Reservoir, just outside Yeovil, is both a popular place for outdoor recreation and an important haven for wildlife. The site is home to a remarkable variety of species, including more than 200 types of wildflowers, around 1,000 invertebrate species and at least 88 bird species, all alongside a wide range of leisure activities.

Measures such as designated footpaths and clear site rules help ensure that people can enjoy activities like walking, fishing and sailing without disturbing sensitive habitats.

During winter 2025-26, a programme of habitat improvements further strengthened the site's ecological value. The work included targeted removal of willow, planting and restoring native hedgerows and management of vegetation at the water's edge. Collectively, this helps to connect habitats with each other and make them more resilient. We also reviewed grazing arrangements to ensure land management continues to support biodiversity.

Targeted removal of willow at Sutton Bingham

Sally Wallington, the Conservation Advisor who managed the habitat work, says, "*These improvements are all about creating richer, more connected habitats. We're giving birds, insects and other wildlife the conditions they need to thrive around the reservoir.*"

We manage several reservoirs across the region in a similar way, providing high quality recreation opportunities while carefully maintaining and enhancing the wildlife these special places support.

Excellent river and coastal water quality

Every pollution incident is one too many. While we have reduced pollution incidents compared to the previous year, we recorded four serious pollution incidents. We are making significant investment in tackling the root causes of incidents and in extensive sewer level monitoring to give us advanced warning of issues.

We have constructed four nature-based solutions to treat water from storm overflows before it reaches a water course, and gained agreement to develop similar solutions at 27 other sites. The 31 sites are in areas prone to groundwater seeping into the sewerage network and potentially overwhelming it.

We continue to deliver AI-powered monitoring to protect waterways. We have installed real-time water quality monitoring at two newly designated river bathing waters and progressed installation at five further river sites.

The EA categorise pollution incidents from one to four. Category one represents an incident with a serious, extensive or persistent impact on the enviornment, whereas a category four represents an incident with little or no enviornmental impact.

Total pollution incidents

This is the number of category 1-3 wastewater pollution incidents per 10,000 km of our sewer network, as reported to the EA. The lower the number, the better.

TOTAL POLLUTION INCIDENTS (nr/10,000km sewer)		
TARGET 2025	**ACTUAL 2025**	**PREVIOUS YEAR**
25.02	**46.93**	**62.10**

Although pollution levels are not where we would want them to be, we have delivered a 25% reduction in pollutions compared with last year. This reflects our significant focus on tackling the root causes. We have installed automatic and remote equipment at our critical pumping stations to improve resilience to power outages and minimise downtime. This has helped to deliver real impact, reducing pollutions from power outages and those caused by pump failures by around 50%. We continue to work hard to improve performance in line with our Pollution Incident Reduction Plan.

Serious pollution incidents

This is the number of category 1-2 serious pollution incidents from any of our sewerage or water supply assets affecting the water environment as reported to the EA. The lower the number, the better.

SERIOUS POLLUTION INCIDENTS (nr)		
TARGET 2025	ACTUAL 2025	PREVIOUS YEAR
0	4	0

After no incidents in 2024, we are disappointed to report four category two serious pollution incidents in 2025. These were caused by blockages, equipment failure or overload on foul sewers – we will continue to focus on maintenance and engagement with communities to prevent future incidents.

Discharge permit compliance

This measures the percentage of our water treatment centres and water recycling centres that meet their permits for the quality of water discharged to the environment. This metric is set by the EA. The higher the percentage, the better.

DISCHARGE PERMIT COMPLIANCE (%)		
TARGET 2025	ACTUAL 2025	PREVIOUS YEAR
100.00	98.71	99.68

Four sites failed to meet their discharge permit compliance in the year, so we have not met the 100% compliance target set by Ofwat.

Bathing water quality

This the overall average score for bathing water quality based on how the EA classifies eligible bathing waters (excellent, good, sufficient, or poor). The higher the percentage, the better.

BATHING WATER QUALITY (%)		
TARGET 2025	ACTUAL 2025	PREVIOUS YEAR
80.6	79.9	77.9

In the 2025 calendar year bathing water classifications, four sites in our region improved and none were downgraded. Eight bathing waters remained poor, falling just short of the quality target. We have been working with the EA and local councils to investigate reasons for poor quality, including agriculture, sewage and animal fouling.

We no longer have a performance commitment relating to bathing water experience set by our regulators but are continuing to engage with local communities. We have installed real-time water quality monitoring at Farleigh Hungerford and Fordingbridge, which were both newly designated by Defra as river bathing waters in 2025. This complements existing monitoring at Warleigh Weir, Bristol Harbour (Baltic Wharf), Poole Park Lake and coastal locations of Bournemouth and Boscombe Piers. The monitors use AI to provide a real-time indication of bathing water quality throughout the year. Further installations are planned at French Weir (Taunton), Langport and sites around Bath in 2026.

River water quality

This is the reduction in phosphorus emissions to river catchments, relative to the 2020 baseline. An unnaturally high level of phosphorus is harmful to the health of a river, and to much of the wildlife that lives in or near it. The higher the percentage reduction, the better.

RIVER WATER QUALITY (PHOSPHORUS) (% reduction from 2020)		
TARGET 2025	ACTUAL 2025	PREVIOUS YEAR
56.35	33.57	8.31

We have not met the phosphorus reduction target. Delivery of three major Water Recycling Centre schemes was delayed due to late requirements from Natural England for additional sampling during construction. Now that these schemes have been completed the position will improve next year.

Nutrients removed from rivers and coastal waters

Nutrients such as nitrogen and phosphorus entering watercourses or coastal waters can cause algal blooms. This reduces oxygen levels and upsets the ecological balance.

We reduce the levels of nitrogen and phosphorus discharged from our water recycling centres (WRCs) by installing additional treatment processes. We typically use chemical dosing and increased filtration to remove these nutrients. We remove nitrogen at Poole and Wareham WRCs to protect the sensitive habitat in Poole Harbour, which is designated as a Special Area of Conservation for Birds. Phosphorus removal at WRCs is much more widespread across our region.

We also reduce the nutrients reaching rivers and seas by working with land managers to reduce their contributions.

This table shows the total load of nitrogen and phosphorus, in tonnes per year, which have not entered rivers and seas because of our actions.

Nutrients removed (tonnes per year)		
Nitrogen **6,699**	**Phosphorus** **1,968**	**Total** **8,667**

Case study: Dorset Frome Headwaters

Catchment partnerships bring together specialist environmental organisations, local authorities, farmers and others to improve our region's rivers. Through these partnerships we have developed five major projects.

Restoring the Dorset Frome

The Dorset Frome Headwaters project is our flagship chalk stream restoration project. Chalk streams are one of the rarest habitats in the world and are important for protected species. Many chalk streams have been modified for a range of purposes over hundreds of years and are affected by past and present land management in their catchments.

Dorset Frome chalk stream

The Dorset Frome is a Site of Special Scientific Interest (SSSI). With lead partner Dorset Wildlife Trust (DWT), we are supporting farmers, landowners and the wider communities of Evershot, Toller Porcorum, Cattistock and Maiden Newton to improve the health of the streams forming the start of the Dorset Frome. These streams are known as its 'headwaters'.

Together we have carried out extensive surveys to understand these catchments. From these we have developed a partnership strategy prioritising how we will improve these chalk streams. The strategy includes:

- improving soil management, encouraging woodland creation and slowing overland water flow in the headwaters, which will reduce nutrients entering the river and causing harmful algal growth
- improving flow diversity in the river, reducing livestock access and removing artificial barriers, benefiting migratory and breeding fish
- identifying where the river has been artificially removed from its floodplain and its natural route could be restored, improving biodiversity and reducing flood risk to downstream communities.

The restoration team preparing to get to work

Looking ahead

This ambitious project is an important opportunity to restore the Dorset Frome to its best possible condition so that wildlife thrives and the downstream river and communities also benefit. Work has just begun and is expected to continue beyond 2030.

DWT Farm Liaison Officer Emily Newton said, "*By working closely with farmers, land managers and the local community, we make sure the right funding, advice and support are in place to turn ambition into action. This enables farmers to deliver bigger, better and more joined-up change across the catchment. When people are supported to take part in both the practical work and monitoring the results, it builds a real sense of ownership and helps ensure lasting benefits.*"

Find out more about our region's catchment partnerships and how we support them here.

Emily Newton, Dorset Wildlife Trust

Net zero carbon

Emissions were expected to be higher than 2024-25 but we have limited the levels of increase.

Operational greenhouse gas emissions (water)

This is the percentage reduction in operational greenhouse gas emissions from water activities, relative to the 2024-25 baseline. The higher the positive percentage reduction, the better.

OPERATIONAL GHG EMISSIONS (WATER) (% reduction from 2024/25)		
TARGET 2025/26 **-0.19**	**ACTUAL 2025/26** **-14.45**	**PREVIOUS YEAR** **-**

Emissions were expected to be higher than 2024-25 and the Ofwat targets reflect that. The dry summer led to increased demand from our water supply sites, and an associated increase in energy required. We are on track to achieve carbon neutrality in our operations by 2030.

Operational greenhouse gas emissions (wastewater)

This is the percentage reduction in operational greenhouse gas emissions from wastewater activities, relative to the 2024-25 baseline. The higher the positive percentage reduction, the better.

OPERATIONAL GHG EMISSIONS (WASTEWATER) (% reduction from 2024/25)		
TARGET 2025/26 **-5.46**	**ACTUAL 2025/26** **0.00**	**PREVIOUS YEAR** **-**

Emissions were expected to be higher than 2024-25 and the Ofwat targets reflect that. Through several activities we have reduced the levels of increase from projected levels. We are on track to achieve carbon neutrality in our operations by 2030.

Increased biodiversity

Our contribution to nature and wildlife (known as biodiversity) has increased, with conservation work on our land and in partnership with catchment partners. Nature-based solutions are already bringing biodiversity benefits, and this will increase as further schemes are approved and completed.

Biodiversity Units

A biodiversity unit is a way of scoring how valuable a piece of land is for wildlife, based on things like the habitat type, its condition, and how big it is. We measure the total change in biodiversity units on specific pieces of land between an initial survey and a survey at least four years later. Therefore, we will not report any change until 2028-29.

NET CHANGE IN BIODIVERSITY UNITS (per 100km^2)		
TARGET 2025/26	**ACTUAL 2025/26**	**PREVIOUS YEAR**
0.00	**0.00**	**-**

Long-term biodiversity gain

Beyond this performance commitment, we have a comprehensive programme for nature and wildlife. This includes conservation management plans, peatland investigations, sustainable woodland management, habitat improvements for birds of conservation concern and catchment-wide biodiversity initiatives.

We have committed to doubling our contribution to the region's biodiversity by 2050. Our activities from the last five years will deliver 827 units of increase by 2050, and in 2025-26 our conservation team has delivered an increase of a further 19 units during the year.

We are already seeing biodiversity benefits from four nature-based solutions that treat water from storm overflows, and many similar schemes are due to be completed by 2030. We have agreed a five-year strategic partnership with national and local Rivers Trusts and have begun new catchment and biodiversity projects with partner organisations.

Case study: Smart metering

Smart metering is a core part of our long-term strategy to manage water demand so we can ensure a sustainable supply for our customers while also protecting the environment.

This year we began an ambitious programme to install smart water meters for 95% of homes and businesses across our region by April 2035.

What is a smart meter?

Smart meters automatically record water use each hour and send us this data securely once a day. This helps us to find leaks faster and better monitor our network.

Later this year, customers with smart meters will be able to view their water use data hour-by-hour via an online portal, helping them to save water and money.

What have we achieved this year?

Our dedicated teams began installing smart meters in July 2025, initially focussing on Salisbury and the surrounding areas. They installed over 48,000 smart meters by the end of March 2026, equivalent to over 175 every day.

What's next?

The roll-out will continue in the Wiltshire area, where it will have the greatest environmental benefit, helping us to protect precious chalk streams. We plan to have 40% of properties smart metered by April 2030.

Most of our customers already have a basic water meter, to only pay for the water they use, and so for them it is a simple upgrade.

We look forward to customers beginning to use their smart meters and discovering how they can reduce water use, save money and protect the environment.

Sustainable water abstraction

The exceptionally dry and warm spring and summer of 2025 drove up customer demand for water, while the following wet autumn and winter helped to replenish our reservoirs and groundwater. These are healthy as we head into the summer of 2026.

The dry, hot summer caused the ground to crack and move, increasing leakage. This was not helped by colder weather in December and January that caused freeze and thaw conditions.

We continue to run our Home Check visits and water efficiency campaigns to help reduce overall demand.

Per capita consumption (PCC)

This measures the reduction in household water use from the 2019-20 baseline. A three-year average is calculated in litres per person per day from annual averages for the reporting year and two previous years. The higher the percentage reduction between the 2019-20 baseline and the three-year average, the better.

PER CAPITA CONSUMPTION (% reduction from 2019/20 baseline)		
TARGET 2025/26	ACTUAL 2025/26	PREVIOUS YEAR
-0.6	4.5	3.4

Customer water use slightly increased this year, driven by the warm, dry weather. Despite this, the three-year average which Ofwat measures us on continues to outperform the target. Our water efficiency work, including Home Check visits and promotion of water saving packs, has helped to reduce overall demand levels. We ran a Target 20 campaign in August and September and received more than 15,000 customer pledges to save 20 litres of water or more each day – a potential daily saving of 300,000 litres across our region.

Leakage

This is the reduction in leakage from our water supply network, from the 2019-20 baseline. A three-year average value is calculated in megalitres (1 million litres) per day from annual averages for the reporting year and two previous years. The higher the percentage reduction between the 2019-20 baseline and the three-year average, the better.

LEAKAGE (% reduction from 2019/20 baseline)		
TARGET 2025/26	ACTUAL 2025/26	PREVIOUS YEAR
8.6	1.8	4.5

We have seen an increase in leakage this year. The particularly dry spring and summer months caused significant ground movement and leakage. Colder weather in December and January brought freeze and thaw conditions that triggered additional leakage outbreaks.

We are taking action to get leakage reduction back on track. We are investing in additional leakage inspectors and expanding our network of acoustic loggers so we can find leaks faster. We have introduced additional repair teams to help us fix leaks more quickly, and we are also using smart meter data to help identify leaks on customers' supply pipes.

Business demand

This measures the reduction of business water use from the 2019-20 baseline. A three-year average value is calculated in megalitres per day from annual averages for the reporting year and two previous years. The higher the percentage reduction between the 2019-20 baseline and the three-year average, the better.

BUSINESS DEMAND (% reduction from 2019/20 baseline)		
TARGET 2025/26	ACTUAL 2025/26	PREVIOUS YEAR
2.7	2.6	3.7

We did not achieve the targeted reduction in non-household / business demand. Drier conditions during the year will have contributed to higher water use, particularly among agricultural businesses in our region.

Empowering our people

Max is a repairs and maintenance apprentice. He joined us in August 2025 and says that he has gained more confidence, new skills, and that he really enjoys his role. Here Max is preparing for work at the roadside.

Empowering our people

Our ambition

Our people remain our greatest strength. Their talent, skills and commitment drive delivery of our outcomes and are essential to our culture, performance and future success.

Our ambition is simple: to ensure everyone at Wessex Water feels valued, empowered, and supported to reach their full potential. We are committed to creating an inclusive and forward-looking culture that champions learning, encourages innovation, and places collaboration and respect at the centre of how we work.

2025-26 overview

A great place to work for all

Our colleagues are experts in their fields, bringing shared expectations for a safe, high-performing and responsible water sector. Almost all of them are also Wessex Water customers and members of the communities we serve.

Over the past year, we have invested in skills, strengthened leadership capability, and continued to shape a culture where everyone feels able to make a consistent and rewarding contribution across all parts of our business.

Skills, knowledge and opportunity

We continued to expand our learning and development opportunities, embedding blended learning, mentoring, and stronger management development in all parts of the organisation. We are committed to preparing the next generation of leaders: this year we launched our new internal Future Leader Programme and an externally accredited Senior Leader (MBA) apprenticeship.

We have also focused on providing clearer development pathways so colleagues can build long-term careers at Wessex Water. Our regular check ins, substantive feedback and regular development conversations have helped colleagues take ownership of their growth and build the skills they need for the future.

Inclusive culture and colleague experience

This year we refreshed our values, which now provide a clearer foundation for the behaviours we expect across the organisation.

We successfully piloted a reverse mentoring programme, pairing colleagues from diverse backgrounds with senior leaders. The feedback from mentees highlighted the programme’s powerful impact, not just for those involved, but across the organisation.

Our Culture, Inclusion and Diversity groups continued to share insights that shaped our strategy. Representation across several areas of diversity improved this year, and we are committed to long-term progress in this area.

Wellbeing remained a key priority. We expanded our network of Mental Health First Aiders, strengthened our outreach to lone workers and ran targeted campaigns to break down the stigma that can be associated with men’s mental health. These interventions helped us reach colleagues who are historically less likely to seek support.

Individual safety, wellbeing and engagement

Ensuring a safe working environment for our people and preventing harm remains at the heart of everything we do. Personal safety is about keeping employees safe, healthy and protected from workplace injuries, while process safety focuses on preventing major accidents by designing and managing our systems and assets so that serious incidents are unlikely to occur.

The continued development and implementation of health and safety policy, strategy, and practice has remained the Board's primary focus throughout the year. The Health and Safety Committee continues to challenge us to drive continuous performance improvement in both personal safety and process safety.

Process safety

We have made good progress this year, but more needs to be done. Our focus remains on continuous improvement. We have continued to develop our process safety management system, which is our framework for identifying risks, controlling them, monitoring progress and learning from issues.

Key focuses for both the Committee and our process safety teams included:

- reviewing the hazards identified at high hazard sites and, where necessary, introducing further measures to reduce the risks
- assessing how equipment at high hazard sites is inspected, maintained and managed, particularly where it is safety critical
- refining and embedding procedures for designing equipment and processes that are inherently safer
- strengthening management controls around changes to equipment or processes
- understanding how we can refine our equipment and processes to account for human reliability
- improving the framework for proving competency within operational teams
- implementing competency management frameworks for contracted services.

We continue to foster a culture of learning from events. More colleagues were trained in an advanced investigation methodology, supporting a more consistent approach to establishing the root cause of events. Investigation reports are discussed with the Committee. We consider near misses in a similarly detailed manner, identifying the root causes and implementing corrective actions.

Senior leaders and non-executive directors remain committed to their programme of process safety tours of Wessex Water sites, with feedback taken forward to ensure continuous improvement. The tours reinforce to site teams the strong focus on process safety at all levels and help us embed it within our safety culture. We continue to cascade process safety training throughout the organisation.

Personal safety

Overall, personal safety performance declined in 2025 compared with 2024. A significant proportion of recorded accidents were low severity and avoidable, such as slips, trips, falls and manual handling. The safety team is working with line managers to improve their teams' hazard awareness and supervision.

We saw a 12.6% rise in reporting of near misses. This is a positive indicator of our open reporting culture and helps us put preventative measures in place. Work continues to encourage even further reporting. Our construction, repairs and maintenance teams recorded fewer cases of accidental damage to other utilities' pipes or cables, which are a key safety risk.

In September, the Committee agreed a strategy for continuous improvement in personal safety. Work is underway, including refocusing leadership and management, updating the safety management system, streamlining health and safety documentation, and harnessing the richer data and insights that are available from our new reporting system, EcoOnline EHS.

During the year, the Committee also reviewed internal audit outcomes on health and safety topics, including control of contractors and working in confined spaces.

Employee engagement in health and safety remains strong. Employee feedback through the recent staff survey once again confirmed strong understanding of Wessex Water's health and safety expectations and commitment.

Awards and accreditations

We successfully maintained our ISO45001 certification of our health and safety document management system for the asset maintenance area of the business. This standard reflects the strength and resilience of the management system, which will now be extended across other areas of Wessex Water as part of our continuous improvement strategy.

Case study: Protecting underground services

Context

Each year we carry out around 50,000 excavations to maintain the thousands of kilometres of pipes that make up our drinking water and sewerage networks. Ours are not the only pipes and cables beneath the surface – we share the space under our roads and footpaths with several other utilities, including gas, electricity and telecommunications. These are collectively known as underground services.

There is a risk that our operational teams can accidentally damage the pipes or cables associated with other utilities, disrupting essential

services. But service strikes can also be dangerous for our teams, particularly in the case of electricity cables or gas pipes.

A focused campaign

This year we began a focused campaign to reduce the number of incidents, covering three key areas.

Training and awareness

We worked with front-line teams and their managers to increase their awareness of the risks involved with damaging underground services. We refocused teams on the controls we have in place. These include using specialised tools to scan the ground for services before and during excavation, and the requirement to dig by hand when in close proximity to detected services. As part of the campaign we also reviewed the training our teams receive in industry standard techniques.

Learning from events

After a service strike, managers work more closely with their teams to understand any potential gaps in the controls we put in place, and how we can continuously improve working practices or systems.

Technology

We are exploring new equipment that should enhance how we detect gas pipes.

Outcome

In 2025, Wessex Water completed 5% more excavations than in 2024. Despite this increase in activity, we achieved a 28% reduction in service damages.

Although our results are encouraging, we recognise that one strike on a high voltage cable is one too many. We will maintain a relentless focus on safe excavation practices so that we can protect both our workforce and the continuity of essential services for our customers.

Skills, knowledge and opportunity

During 2025-26 we continued to invest in the skills and capabilities our people need to keep Wessex Water resilient to future challenges.

We had 75 colleagues undertaking apprenticeships, further and higher education, with strong uptake in leadership programmes. These pathways are helping us build confident managers and future leaders.

Technical and operational skills development also expanded, with the YTL Wessex Academy providing high quality, consistent training to ensure colleagues can work safely, effectively and in line with regulatory expectations.

More colleagues accessed structured development conversations, gaining clearer insight into future opportunities.

We also strengthened our commitment to inspiring the next generation. Our careers team continued to work with schools, colleges and universities through outreach sessions, curriculum-linked projects and meaningful work experience. This included participating in the government's new EqualEx work experience pilot and providing tailored opportunities for young people who are not in mainstream education to build confidence and explore future careers.

Together, these activities support a skilled, capable workforce today and a strong talent pipeline for the future.

Senior leader MBA apprenticeship

This year, 21 of our future leaders began a Senior Leader (MBA) Apprenticeship with Teesside University. The programme reflects the realities of the water sector and the need for long term and responsible leadership. More than half of the senior leader apprentices are women, reflecting our commitment to gender equality.

Over the next two years, the participants will apply new thinking directly to live business challenges, bringing fresh ideas, more innovative approaches and a stronger stewardship mindset into the organisation. Through a blend of strategic leadership development, real world application and reflective practice, participants are already beginning to shift how we approach decision making, people leadership and organisational resilience.

Culture, inclusion and diversity

Diversity and inclusion are fundamental to delivering effectively for the diverse communities we serve. Our commitment is reflected in our latest engagement survey, where 92.5% of colleagues who responded said Wessex Water is an inclusive organisation that promotes diversity. This strong foundation inspires us to go further.

Inclusive management

We have rolled out updated training to all managers. In these interactive sessions, colleagues have explored what inclusive leadership looks like in practice, shared their experiences and reflected on their own biases. The sessions also enabled managers to explore effective methods of challenging non-inclusive behaviours.

Collaborations and colleague networks

We continue to strengthen our external partnerships with organisations championing diversity across our region, especially those promoting women in business. These collaborations help us broaden our perspectives, challenge ourselves and learn from the best practice of others.

Our internal colleague-led networks play an essential role in inclusion: raising awareness, supporting colleagues and influencing positive change. Groups include Equal Ground (gender equality), Race at Work, Working Families, Social Mobility, ARC Alliance (LGBTQ+), and the Disability Network. We are deeply grateful to these colleagues who generously share their lived experiences to help make Wessex Water a place where everyone belongs.

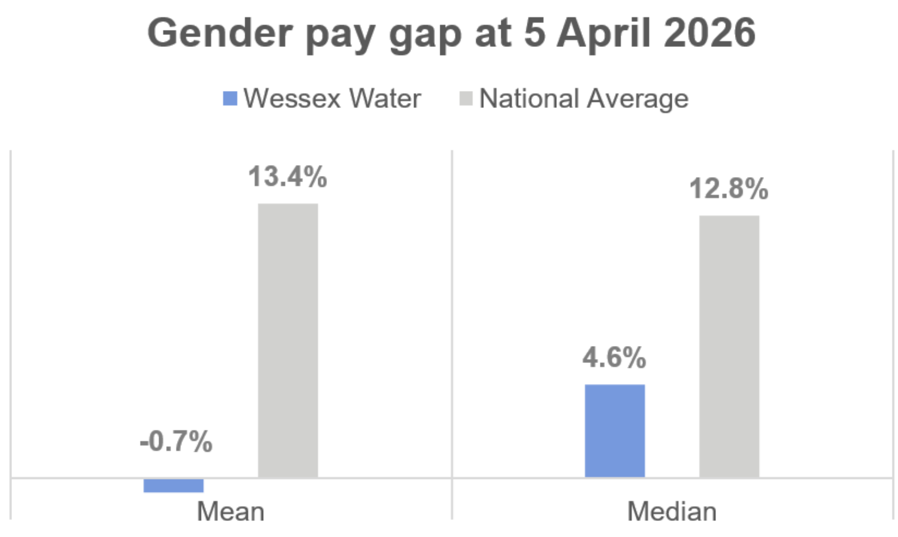
Partner leave

To better recognise modern family structures and ensure all parents feel supported, we evolved our paternity leave policy into an inclusive partner leave policy. The enhanced policy provides day one paid partner leave for all colleagues, regardless of how long they have worked for Wessex Water. We also provide up to four weeks' leave, doubling the statutory minimum, to ensure every colleague is supported in the moments that matter most.

Armed Forces communities

We are proud to have strengthened our Armed Forces Covenant accreditation, achieving the Defence Silver Employer Recognition Scheme (ERS) Award. This reflects our continued commitment to providing meaningful employment opportunities and tailored support for ex-service personnel, reservists and members of the wider armed forces community.

Gender pay gap



Like many businesses dependent on science and engineering expertise, the water industry has historically had a male dominated workforce. However, we continue working to create a more inclusive environment to improve the representation of women at Wessex Water and in the wider industry.

The gender pay gap compares average hourly pay between men and women across the organisation, regardless of their roles. At the 2026 snapshot date (5 April 2026), both our average (mean) and typical (median) pay gaps remained significantly better than the national average. This indicates that pay across our organisation is quite balanced between men and women. Overall women's salaries are slightly higher on average (a mean difference of -0.7%). However the median pay gap, which reflects the 'typical' mid-level employee, stands at 4.6%. This shows that there is still a pay gap for employees in the middle of the salary range.

Note that the gender pay gap is distinct from equal pay which is the right for men and women to be paid the same for work of equal value.

Financing the future

Saltford bridge, completed in 2024, was built with flooding prevention in mind. As well as allowing access to our treatment centre, the bridge also provides a vital pedestrian route to connect Bitton and Saltford.

Financing the future

Our ambition

Our aim has always been to demonstrate strong governance, transparency, accountability, efficiency and financial resilience.

Wessex Water continues to benefit from stable, long-term ownership by YTL, which has owned the business since 2002. YTL remains fully committed to Wessex Water and to a straightforward capital structure with gearing of around 70%. It is providing equity by reinvesting dividends through AMP8 to support the company's investment programme.

This provides a strong foundation for our financial resilience over the medium term, even in a more challenging external environment, allowing us to invest in the outcomes customers want, including providing clean, reliable water and protecting and enhancing the environment.

2025-26 overview

A major milestone this year was the Competition and Market Authority's final decision in March 2026. This recognised the strength of our case that Ofwat's financial settlement for 2025-30 did not allow us to carry out the investment needed to achieve the outcomes that matter to customers, for example our phosphorus reduction programme. The CMA granted almost half of the additional funding we sought.

This clarity and stability enable the continued delivery of our ambitious investment programme and is particularly important at a time when the wider sector is facing significant financial and regulatory pressures.

This year our financial position has strengthened and our profitability has improved.

No dividends were paid to shareholders; instead this money is being reinvested back into the business. This has reduced our regulatory gearing, which measures how our activities are funded relative to the size of our assets. Continued reinvestment will help ensure we are well placed to deliver the scale of physical infrastructure required in 2025-30.

We continue to monitor and manage a range of risks, including inflation, environmental obligations and market conditions, supported by robust financial planning and stress-testing.

One of our credit rating agencies, Moody's, which gives an independent view of our ability to meet our financial commitments, confirmed a one-notch downgrade of our credit rating to Baa2 in April. While a contributing reason was the Company's CMA settlement being 10% lower than its business plan, Moody's action primarily reflects a sector wide downgrade following its review of the UK regulatory framework rather than any decline in our operational or financial discipline, which remains strong.

Financial management

Resilient financial stewardship

Wessex Water's profitability increased in 2025-26. This was mainly driven by earning higher revenues within the regulatory framework set by Ofwat.

We faced sustained cost pressures across the business, including the ongoing financial impact of the CMA process and increasing statutory charges and chemical prices. During the summer drought conditions, we increased our response to maintain water supplies, including additional pumping and other treatment and network interventions. This contributed to higher energy and resource-related costs. We have also seen one-off charges for unpaid balances on customer bills and cloud-based software implementations impact the year's results.

Despite these challenges, the increased revenues supported resilient financial performance. We maintained positive momentum and continue to invest for customers and the environment. This shows the strength of our operating model and our ongoing focus on managing inflationary pressures while sustaining long-term investment.

Financial highlights

	2025-26	2024-25	2023-24	2022-23
Revenue (£m)	**797.5**	652.6	574.4	530.5
Profit/(loss) Before Tax (£m)	**95.8**	17.0	(43.2)	(28.9)
Reserves (£m)	**562.6**	497.9	540.8	636.5
Total Assets (£m)	**5,344.2**	5,554.3	4,684.1	4,697.5
Net Debt (£m)	**3,530.7**	3,285.1	2,963.4	2,622.2
Regulatory Gearing	**71.3%**	71.9%	68.8%	64.3%

- Our operating profit increased by £84.2m, from £165.0m to £249.2m.
- Our revenues increased by £144.9m, or 22.2%.
- Our operating costs increased by £58.9m, or 11.9%. This related mainly to one off and general increases in credit losses, costs associated with new obligations, energy price rises, singular cloud-based software implementations and other inflationary pressures.
- The cost of borrowing reduced from 5.6% to 5.1%, due to lower interest costs on borrowing linked to inflation. We maintained a balanced mix of different types of debt and repayment periods.
- Our net financing costs increased by £5.4m (3.6%) to £153.4m. This reflects our increased level of borrowing to fund investment.
- Investment expenditure on physical infrastructure, non-physical assets (such as digital systems) and leased assets delivered during the year was £476.5m. This is a £30.0m (6.7%) increase from last year (£446.5m).
- Profit before tax increased by £78.8m, from a profit of £17.0m last year to a profit of £95.8m this year. This was mainly from increased regulatory revenues.
- Interest cover, defined as net financing expense as a proportion of operating profit before depreciation and infrastructure maintenance, which measures how easily we can pay interest on our borrowing improved from 3.3x to 3.4x.

Financing charges

Our net financing costs increased by £5.4m, from £148.0m last year to £153.4m this year. This is mainly because we took on new borrowing during 2024-25. We continue to use a balanced mix of different types of debt to help manage risk. At the end of the year, 62% of our borrowing

was fixed-rate and 28% was linked to inflation, based on November and March RPI. The remaining small share was at variable rates. Most of this debt is long term, with £1.7bn not due to be repaid until 2035 or later.

Capital investment

2025-26 was the first year of the AMP8 investment programme, which is more than double the size of previous programmes. Overall we are on track to deliver this programme. Capital investment increased by £30.0m to £476.5m, compared to £446.5m in 2024-25. We have spent more money in the first year of this period than at the same point in any previous regulatory cycle.

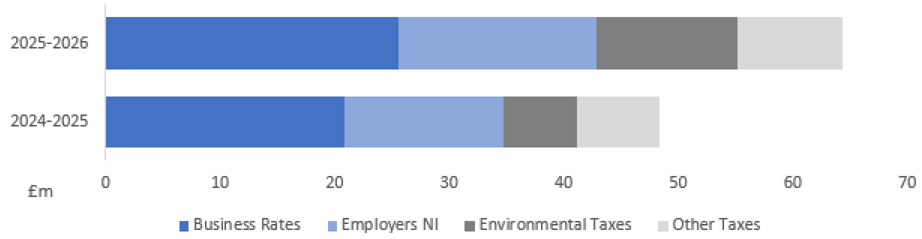
Taxation

Our tax strategy remains consistent with previous years and is fully aligned with the company's overall objectives. We continue to comply with the spirit and letter of UK tax legislation and do not engage in any artificial or aggressive tax planning.

There was no current corporation tax charge this year or last year as a result of the UK's full expensing regime. A charge of £25.2m relating to deferred corporation tax arose during the year. This is an increase of

£19.9m over the deferred tax charge of £5.3m that was recognised in the previous year and resulted from the Company's improved profitability.

We are committed to paying the right amount of tax at the right time. We pay a range of taxes, including business rates, employers' national insurance, environmental taxes such as the climate change levy and corporation tax. A breakdown of our total tax contribution is shown below.



Cash flow and gearing

Our day-to-day activities generated strong cash flows of £364.0m. But this was more than offset by:

- our continued investment in maintaining and improving services for our customers and the environment, totalling £446.2m
- net interest payments of £107.5m
- costs of £34.8m from inflation-related increases on some long-term borrowing
- other outgoings of £21.1m.

As a result, our net debt increased by £245.6m during the year, from £3,285.1m to £3,530.7m. At the end of the year, we had £380m available in revolving facility agreements, ensuring we can continue to operate effectively and manage unexpected pressures.

In April 2025 we repaid £300m in revolving credit facilities and in May 2025, we repaid a £50m loan from the European Investment Bank. Then in December we renewed a £200m loan facility with KfW IPEX-Bank GmbH, helping to secure stable funding to support reliable services over the long term.

Regulatory gearing is a measure of how much of our activities are funded through borrowing, assessed against the value of our assets. Gearing fell slightly in 2025-26, to 71.3% at the end of the year, compared with 71.9% last year. This is because our increased capital investment was offset by inflation-linked growth in the value of our assets and the reinvestment of dividends. During the year, the regulatory value of our assets increased by £382m from £4,568m to £4,950m.

Dividends

No dividends were declared during the year. This reflects the shareholders' continued support for Wessex Water's long-term financial resilience and investment. Keeping the profits within the business has strengthened our finances and made sure we can continue our ambitious investment programme.

Credit ratings

Wessex Water and its financing subsidiary have credit ratings assigned by two ratings agencies. These provide debt investors with an independent view of the Company's ability to meet its financial commitments. The latest published ratings are as follows.

Credit rating agency	Rating	Outlook	Date of publication
Fitch	BBB+	Negative	March 2025
Moody's	Baa2	Stable	April 2026

In April, Moody's confirmed a one-notch downgrade of the Company to Baa2 from Baa1. While a contributing reason was the Company's CMA settlement being 10% lower than its business plan, the downgrade primarily reflects Moody's review of the UK regulatory framework in late 2024. This led to a sector wide downgrade and a recalibration of rating thresholds, resulting in a number of companies, including Wessex Water, being repositioned within Moody's rating framework.

Corporate structure

The UK group structure has remained the same since 2002. Wessex Water is wholly owned by Wessex Water Limited, which in turn is wholly owned by YTL Utilities (UK) Limited. Further details of the overall group structure can be found on page 103.

There is no intragroup funding to Wessex Water, all debt is raised by the company at market rates via its financing subsidiary and is provided by external third parties. See note 20 for further information.

In April 2026, Wessex Water transferred its central support functions into a shared services company, YTL Services Ltd, which is a member of the broader YTL UK Group. This will enable the Group to consolidate expertise, streamline processes, and improve the support delivered across all business entities. This model also drives long-term efficiencies by reducing duplication and allowing operational teams to focus more fully on their core activities.

Pensions

The Company's pension scheme was last reviewed by an actuary on 30 September 2022, and showed a deficit of £35.3m. The Company agreed a recovery plan with the scheme's trustees, comprising employer contributions of 15.5% and special contributions over the following three years to reduce the deficit. The latest accounting valuation on 31 March 2026 shows a scheme surplus of £15.9m. The 2025 funding valuation is now underway and due to conclude later in 2026.

Market-led outcomes

Overview

Partner markets continue to provide us with an alternative route to traditional delivery, bringing new ideas and approaches to resolve upcoming and existing challenges. This will only grow in importance in the coming years as our delivery requirements increase.

Nutrient markets

Unnaturally high levels of nutrients such as phosphorus are harmful to the health of a river, and to much of the wildlife that lives in or near it. We favour innovative routes to achieve nutrient removal over expensive and chemical or carbon intensive solutions.

For example we have been working with farmers and landowners to reduce phosphorus entering the Parrett and Tone river catchments in Somerset and the Stour river catchment in Dorset. We offer farmers funding to deliver specific projects that will reduce the amount of phosphorus reaching these rivers. The amount of funding is based on the expected nutrient reduction, as well as the location, with greater funding offered for priority areas such as sensitive habitats. Through this collaborative approach we reduced a significant 1.39 tonnes of phosphorus from entering these rivers during 2025.

We use these reductions in combination with built solutions to achieve our phosphorus reduction targets. In this way we have shown that we can reduce the overall impact of nutrients on the environment, while securing benefits such as carbon reduction, enhanced biodiversity and cost savings for customers.

Bid Assessment Framework

We publish a bid assessment framework for water resources and bioresources on our Marketplace website, as required by Ofwat. These frameworks provide guidance to third-party providers for submitting bids for services we may already use, or those that we could use in the future. The framework sets out the criteria we would use to assess a bid and the categories they relate to. We have received no approaches under these frameworks in the past year.

Wessex Water Marketplace and open data

We use the Wessex Water Marketplace as the hub for sharing our challenges and associated data, opening these to the competitive market to put forward ideas. The Marketplace is all about:

- enabling and championing new ideas – both from our traditional supply chain and beyond
- being open-minded about who is best placed to deliver a solution
- collaborating to find the best and lowest cost options – these may address more than one issue at once.

In July we launched a new challenge about using artificial intelligence to detect issues in a specific type of sewer. We are now progressing to a trial of three systems – find out more in the case study below.

Previous Marketplace challenges continue to deliver value.

- We tested Molfar's AI tool in a previous Marketplace challenge and have now been using it for several years to help us survey the condition of our sewers. The tool produces a log of issues observed in video footage, a task that was previously carried out by operators. With the time saved, operators can now survey more of our sewer network. So far we have used the tool for around 250km of proactive condition surveys and it is more than doubling crew productivity. This year we introduced automated transfer of videos and results between our servers and the tool. This removes the need to manage data for individual jobs, optimising our surveys even further.
- The StormHarvester AI software, which we adopted following one of our early Marketplace challenges, continues to help reduce the number of pollutions that occur. It generates alerts when the level of wastewater in a sewer is outside the expected level. In 2025 the tool helped us identify more than 400 issues that otherwise may have caused a pollution or negative operational impact. We installed approximately 4,000 additional sewer level monitors in 2025-26, increasing the reach of the StormHarvester analysis across our network.
- We previously ran a Marketplace challenge looking at forever chemicals. These chemicals are widely used in everyday products such as kitchen equipment and firefighting foams. While their unique properties can be useful, they also make them extremely long-lasting in the environment, which could be a concern if not reduced to acceptable levels. Following the challenge, we have progressed to initial pilot work with Arcadis in one of our catchments. Arcadis modelled the catchment by analysing geological data, land use information, and levels of forever chemicals. This has improved our understanding of sources of the chemicals in the pilot catchment and will inform future catchment investigations and how we can tackle forever chemicals at source.

Making data open and available to use has always been a key part of our Marketplace approach. We continue to use this experience to play an active role in the water industry's Stream initiative to drive open data at the sector level. We are fully aligned with Stream's vision and have published several datasets through Stream this year, including publishing additional datasets where they add extra value.

In March we partnered with Stream to host an Open Data Day challenge for colleagues, researchers, academics and water industry professionals. Teams worked together to develop innovative solutions to challenge statements about water efficiency. Sophie, our Open Data Manager, said: "*The event was great fun and produced some brilliant ideas that will make a real difference. It highlighted the value in supporting openness, innovation and collaboration.*"

This year we have developed our internal data science community and promoted data literacy more widely around open data.

We continue to update our open data strategy each year to externally communicate our plans for the coming year and report on the progress we have made.

Case study: Bringing AI to pollution reduction through our Marketplace

Across the region, from Clevedon and Weston-super-Mare, to Dorchester and Poole, we are trialling artificial intelligence tools that detect problems in a specific type of sewer called a rising main. This technology will help us proactively manage the condition of our sewer network and will contribute to our long-term ambition to eliminate all pollutions, protecting the local environment for communities to enjoy.

Rising mains are sewers we use to pump wastewater uphill. The pressure created by the pumps means that rising mains have a greater risk of bursting than normal sewers. If a rising main bursts, large volumes of sewage can escape very quickly.

Sensors on the rising mains send data to us in near real time about how they are operating. We analyse this for patterns that may indicate a burst or developing problem.

In July 2025 we published a Marketplace challenge asking suppliers for AI tools to speed up and fine-tune the data analysis used to detect possible issues. This would help our crews respond more quickly and potentially intervene before a pollution happens.

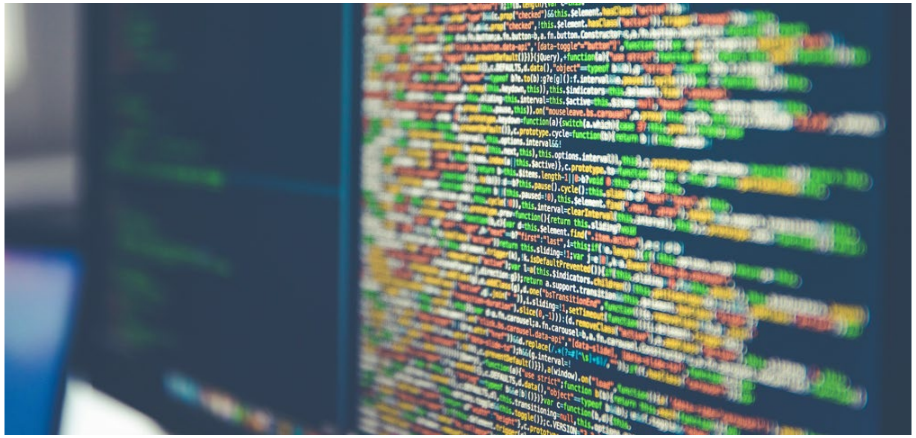
We published two years of rising mains data. We received proposals from 16 suppliers and have selected three systems to trial. The test systems will receive data in near real time from 24 of our sites, and we will assess how quickly and accurately the systems alert us to potential problems.

If the trial is successful, our ambition is to roll out this technology across our region, helping us to reduce the number of pollutions that occur and better protect the environment.

Well managed, open, ethical and transparent

Environmental and social governance

As a provider of essential services, we play an important role in supporting customers' health and wellbeing, protecting the environment and contributing to the regional economy. Our long-term success depends on acting responsibly, operating sustainably and serving the best interests of our communities.



We work closely with our customers and stakeholders to understand what they need and expect from us. We operate with strong ethical principles, a culture of individual and collective responsibility and a clear sense of our accountabilities. These values guide our environmental, social and governance (ESG) commitments and shape our decisions. Our standards for good governance and behaviour are set out in a series of policies, supported by mandatory training on topics such as financial crime, bribery, corruption and modern slavery. All employees must follow these standards and confirm each year that they comply with key policies.

We offer a confidential, 24/7 whistleblowing line so employees can raise concerns anonymously. All reports are handled in strict confidence and are shared as appropriate with the Audit and Risk Committee, including a twice-yearly report. Our Board also regularly reviews the Company's values and culture to ensure our behaviour stays aligned with our purpose and principles.

Sustainable Finance Framework

Our Sustainable Finance Framework links our purpose and business plan to how we raise funds. It helps us focus our financing on projects that deliver real environmental and social benefits, so that investors can contribute to a more sustainable future. The framework is refreshed regularly to reflect current best practice, most recently in May 2026.

Our commitment to long-term value gives investors the chance to help fund sustainable water and wastewater services. This supports global climate goals and the UN sustainable development goals. We continue to promote nature-based solutions and new ideas that improve efficiency, protect our assets, cut carbon emissions and strengthen our resilience. Strong business performance remains essential to securing future investment at the best possible cost.

Environmental, Social and Governance score

External environmental, social and governance (ESG) ratings identify where we can improve our ESG performance and be more transparent about our impact. ESG ratings are themselves becoming more regulated. This improves transparency and quality, reduces conflicts of interest and creates more consistency across different rating providers, making the results a stronger measure of performance.

Sustainable Fitch, an independent sustainability ratings company, has given Wessex Water an ESG Entity Rating of two (on a five point scale, where one is best), which shows a strong ESG profile. We scored 76/100, an increase from last year's score of 73/100. This reflects the positive environmental and social impact of our core work. A recent assessment found that our vulnerability to ESG-related risks was low – we scored 17.6 out of 100, where lower scores are better. We continue to work with several ESG rating organisations (such as MSCI, CDP and Bloomberg) to ensure we have strong, reliable assessments that support our ongoing commitments.

Non-financial and sustainability information statement

Introduction

This is our fifth report aligned to principles set out originally by the Task Force on Climate Related Financial Disclosures (TCFD). While the following pages summarise our approach, more detail is provided in our climate change adaptation report and our net zero carbon route map.

Compliance Statement

Our climate-related financial disclosures are consistent with the four TCFD recommendations and the eleven recommended disclosures set out in Figure 4 of Section C of the TCFD's June 2017 report "Recommendations of the Task Force on Climate-related Financial Disclosures". Also, they meet UK Climate-related financial disclosures requirements, and we have taken on board the findings and recommendations of the Financial Reporting Council's reviews in 2022 and 2025 of these disclosures by UK companies.

The UK Sustainability Reporting Standards (UKSRS) were published in early 2026, in alignment with the IFRS S1 and S2 sustainability reporting standards. Although we are not formally required to do so, we plan to align the 2026-27 edition of this report with the UKSRS.

The table below summarises where we detail our approach that aligns to the TCFD framework, and the following pages provide further information.

Table 1: TCFD alignment

Governance: Disclose the organisation's governance around climate-related risks and opportunities.		**Page**
a. The Board's oversight of climate-related risks and opportunities	Governance Report	85
	Environment and Public Value Committee	117
	Audit and Risk Committee	107
	Governance Framework Principles	85-106
b. Management's role in assessing and managing risks and opportunities	Summary of our decarbonisation plans	53-54
	Our approach to risk and resilience	134-150
	Our climate volatility principal risk	141
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		Page
a. The climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	climate change adaptation report	13-32
	Strategy section	53-54

b. The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Strategy section climate change adaptation report	53-54 13-32
c. The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	climate change adaptation report	13-32
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks		**Page**
a. The organisation's processes for identifying and assessing climate-related risks.	Climate Risk Climate risk management section	134-150 52-73
b. The organisation's processes for managing climate-related risks	Climate Risk Climate risk management section	134-150 52-73
c. How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate Risk Climate risk management section	134-150 52-73
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		**Page**
a. Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics section net zero carbon routemap	66-73
b. Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Metrics section	66-73
c. Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Metrics section net zero carbon routemap Annual performance report	66-73

Context

Climate-related impacts have a bearing on many of the core services that we provide – they affect water availability, water quality, and the efficacy of sewerage and surface water management, among other things. Heatwaves and drought have clear impacts on water supply and demand, while prolonged or intense rainfall affects the quality of water sources and the capacity of our wastewater network. Climate change is acting largely as a threat multiplier, increasing the likelihood and consequence of existing hazards.

Alongside these physical climate risks, we will be affected by the necessary transition to a low carbon economy. Transition risks and opportunities are also evident for both our water supply and wastewater functions, especially when we include embodied emissions in construction materials and consumables. Providing water and wastewater services involves significant amounts of energy use and emissions of methane and nitrous oxide as well as carbon dioxide. Our wastewater emissions are larger than water supply emissions and will also be harder to abate, especially in relation to process emissions.

Governance

Our Board is responsible for our risks and through the Environment and Public Value Committee manages our principal risk of climate volatility (page 141). The Committee also advises on the development and delivery of the Company's purpose, strategy, and values, which drive change and influence the company's environment and social purpose (page 117). The Audit and Risk Committee provides assurance and challenges the overall risk, control, and governance framework on behalf of the Board including for our principal risk of climate volatility (page 107). Our governance arrangements are outlined in our Governance Report (page 85) and how we meet the Ofwat Better Leadership, Transparency and Governance objectives as well as the Wates Principles (page 105 to 106). The Board reviews and monitors the Company's progress against numerous environmental performance commitments, including our greenhouse gas emissions.

Responsibility for responding to climate-related risk and opportunities is shared across the Directorates and is part of our overall approach to risk and resilience. The Head of Business Continuity manages our resilience framework; the Group Audit Director chairs the Risk Management Group, who manage the overall risk and resilience process; the Head of Finance oversees the Investment alongside the Risk, Performance and Cost Group, who review and approve capital-based mitigations to improve our resilience.

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

Strategy

We are a long-term business and aim to be a resilient, genuinely sustainable water company. Our ability to adapt to climate change and prosper in a decarbonising economy are crucial to our business. As such, changes that will take place over several decades are factored into our policies, strategies and planning.

Policies and Strategies

Climate change and decarbonisation considerations are among the many factors that influence our strategic and financial planning. Physical climate risks inform the strategic plans which underpin the investment we will undertake to maintain or enhance the services we provide. These include the following:

- Our long-term strategic direction statement.
- Our five-year business plans, the most recent of which included a long term delivery strategy which explains the necessary investments to deliver ambitious outcomes and targets between 2025-2050. It includes known changes that are likely to impact us, and 'common reference scenarios' defined by Ofwat, related to demand, technology, climate change and abstraction reductions.
- Our water resources management plan, and drainage and wastewater management plan; both have a 25-year timescale and reflect UK climate projections to the end of the 21st century. These long-term plans are translated into short- and medium-term delivery through the five-year investment plan cycles noted above.

Our climate change adaptation report sets out our overall strategy and our programme of work in the short and long term, in relation to our main physical climate risks. The following section 'Risk Identification and Management' includes the main envisaged impacts of climate change as included in our core strategies, i.e. our Water Resources Management Plan, and our Drainage and Wastewater Management Plan.

We are committed to reducing our carbon footprint, reflecting the expectations of our external stakeholders – including investors, NGOs and the public – as well as mitigating the physical risks of climate change. Our net zero carbon routemap sets out how we plan to address our operational emissions during the 2020s and signal the need for tackled embodied carbon emissions.

Implications for the Company's strategy and finances

Planned investment

Notable examples of investments which are driven in part by climate change include:

- £445m proposed in our business plan for 2025-30 to reduce storm overflow discharge frequency and volume,

- a range of supply and demand-side measures that will allow us to reduce abstraction by 20% by 2050, with most of the reductions happening by 2035.

Information on the risks that would have a bearing on our functional strategies and related investment is given in section 3b below.

Costed plans for decarbonisation were also part of our 2024 business plan submission. Although there are market or fiscal drivers behind some of the investment required, in certain cases (e.g. addressing nitrous oxide emissions), these are absent and justification for the necessary expenditure must be based on the extent of the environmental impact. At the final determination we were granted £2.2m for nitrous oxide monitoring and control at water recycling centres, and £2.9m as a ‘net zero cost adjustment’ within our base expenditure allowances.

Overall, there will be a wide range of marginal abatement costs across the potential measures to reduce greenhouse gas emissions. These reflect the maturity of the technologies involved, the makeup of the supply chain, and the economics of the default, traditional approach – all of which will change continually. Overall, our direction of travel is to internalise carbon costs, and we will prioritise options that are impactful, best value on a whole life cost basis, or preferably both.

Reactive costs

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

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

We estimated the extreme rainfall in 2023-24 added circa £3-4m to our operating costs during the year. In the longer term we expect the financial impact to grow in real terms, as extreme weather events become more frequent, and pressure grows to make planned investments that maintain resilient services.

Technology dependencies

Our transition plans are based on a range of technologies. In most cases they are at a high technology readiness level and are operating at scale – especially in relation to energy and transport. However, some options are still in development or have limited availability in the UK utilities sector. These include:

- robust cost-effective and scalable advanced thermal conversion of sewage sludge;
- ammonia recovery as way to reduce treatment energy while producing a hydrogen carrying substance;
- low carbon concrete and steels, where ‘grey’ solutions are required.

Risk identification and management

Climate-related physical risks

Climate-related risks are all linked to our core services and activities. They will affect the reliability and quality of the services we provide to customers and communities, and place greater stress on water environment. This in turn will likely lead to greater pressure on our activities. The following provides a summary, including historical events.

Water resources - quantity

Acute heatwaves lead to peaks in water demand which can challenge the throughput and capacity of water treatment and distribution. Droughts reduce yields from groundwater and reservoirs; although we have not had to impose restrictions since 1976 to maintain public water supplies during a drought, there has been pressure to reduce abstraction to protect the freshwater environment and alleviate low river flows. Summer 1995 was the driest summer since 1911 and the driest three-month period since 1938, and led to greatly increased efforts to reduce leakage . We experienced notable heatwaves in 2021 and 2022, the second of which coincided with the driest January to August period since 1976. Cold wave and thaw events such as the 2018 'Beast from the East' can also place stresses on the supply system due to outbreaks of leaks and pipe bursts.

Water resources - quality

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

Sewerage, sewage treatment and sludge

The highest risks for our wastewater activities relate to inundation of sewers during intense or prolonged rainfall, with adverse impacts on customers and receiving watercourses. Others include odour during warm weather; reduced dilution in receiving waters during drought leading to tighter end-of-pipe standards at water recycling centres; and sedimentation in sewers, also due to drought. The prolonged rainfall of summer 2007 required widespread emergency response and led to a fundamental national review of surface water management. Our wastewater system was also tested by the heavy rainfall of 2012, with the wettest summer since 1911; December 2013 to February 2014 which was the wettest three-month period since 1911, and October 2023 to September 2024 which was the wettest 12 month period since our records began in 1871.

Our experience dealing with acute weather-related impacts helps us factor them into our risk assessments, incident response and investment planning.

Assessing future climate-related risk

Our action to address risks is informed by the likelihood and consequence of the hazard occurring. For climate-related risks, our thinking is also informed by the UK Climate Projections, the UK Climate Risk Assessment, the findings of the IPCC and the National Adaptation Plan. We also use an inventory of UK water sector-specific climate hazards for our wider climate risk assessments presented in our climate change adaptation report.

The UK Climate Projections (UKCP18) provides the most up-to-date assessment of how the climate of the UK may change over the 21st century. It provides data based on a) different levels of probability; b) four emissions scenarios based on the representative concentration pathways (RCPs) used by the Intergovernmental Panel on Climate Change (IPCC); and c) several overlapping time periods to cover the 21st century.

The table and chart below summarise UKCP18 projections (between the low emissions RCP2.6 pathway and the high emissions RCP8.5 pathway) for changes to average rainfall and summer temperature in our region, relative to a 1981-10 reference period.

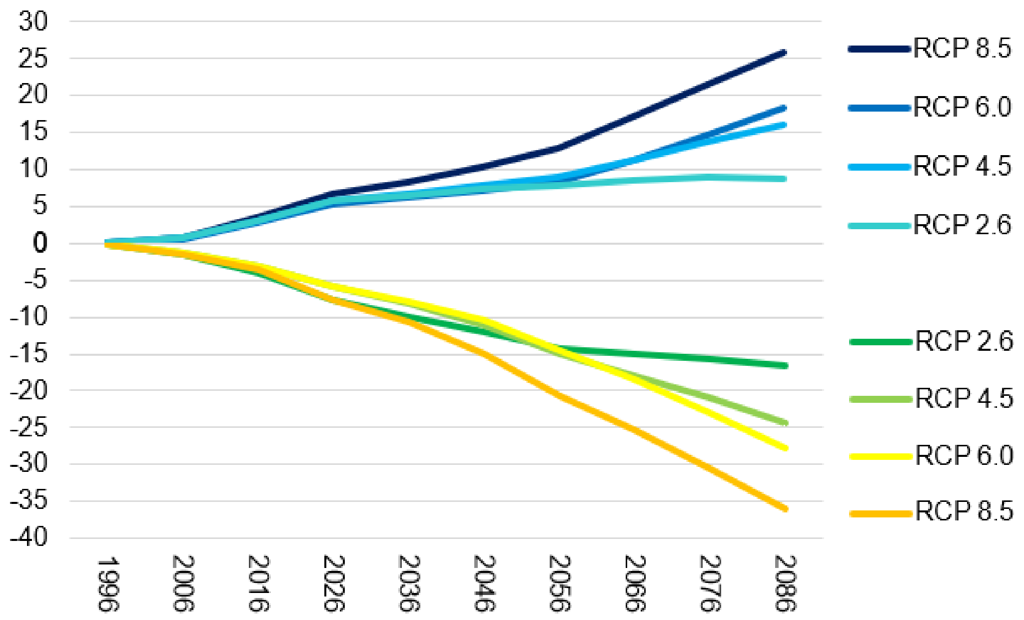
Table 2: UKCP18 projections

50th percentile for probability	2030-59	2050-79	2070-99
Summer (Jun-Aug) precipitation	-12 to -15%	-15 to -25%	-17 to -36%

Winter (Dec-Feb) precipitation	+7 to +10%	+9 to +17%	+9 to +26%
Summer average daily temperature	+1.7 to +2.3°C	+1.9 to +4.0°C	+2.1 to +6.0°C
Least likely, more extreme outcomes			
Summer precipitation	-28 to -34%	-31 to -48%	-34 to -62%
Winter precipitation	+19 to +25%	+21 to +38%	+24 to +54%
Summer average daily temperature	+2.8 to +3.8°C	+3.2 to +6.3°C	+3.5 to +9.3°C

Across all scenarios and timescales, summers will be drier and winters will be wetter on average, but with a lot of variation from one year to the next. The resilience of our services will continue to be affected more by extreme weather events - such as heatwaves, droughts, intense storm events and prolonged rainfall - than by changes to averages. Weather events previously considered extreme or unusual are likely to occur more frequently. This is the most critical issue for our resilience and adaptability, and underpins the need for adaptive capacity, operational flexibility and targeted resilience investment.

Winter and summer rainfall, projected % change



Projected % changes for winter (upper) and summer (lower) rainfall vs 1981-2010, average of Dorset, Somerset & Wiltshire, 50th percentile for probability (source: UKCP18, probabilistic, via UK Climate risk indicators at https://uk-cri.org/).

UKCP18 outputs informed our strategic plans, which consider climate impacts over the short (0-10 years), medium (10-30 years), and long term (30-100 years) horizons. The following sets out the main points.

Long term delivery strategy (LTDS)

The LTDS common reference scenarios for climate change are based on RCP 2.6 (benign scenario) and RCP 8.5 (adverse scenario), analogous to the levels of greenhouse gases in the atmosphere that would result from low and high emissions globally. The LTDS explains how these reference scenarios affect specific functions, and mirrors the use of climate scenarios in our water resources management plan and drainage and wastewater management plan.

Water Resources Management Plan (WRMP)

Detailed climate risk assessments are carried out for our Water Resources Management Plans, for which climate change scenarios are an integral part. We estimate the impact of changing rainfall, evaporation and temperature patterns and the impact that these may have on river flows, reservoirs, groundwater recharge and ultimately on deployable output; and impacts on water demand. In the medium term, our most recent assessment has found that the impact of climate change is dwarfed by the abstraction licence reductions that are set to impact our water resource position by 2035, i.e. climate change has circa 1% impact.

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

Drainage and Wastewater Management Plan (DWMP)

With a changing climate and an increase in impermeable areas connected to the sewer system, we need to make sure that our pipes have sufficient capacity to cope.

Under the benign common reference scenario for climate change (based on RCP 2.6) our expenditure on storm overflows and hydraulic flooding would see costs fall due to lower levels of rainfall than anticipated. We also forecast that two fewer sludge storage barns will be needed in 2030-35 as lower rainfall would likely see fewer restrictions on sludge spreading and therefore lower levels of storage needed. Under the adverse common reference scenario (based on RCP 8.5) we would see higher expenditure on a number of areas due to increase rainfall, i.e. storm overflows, hydraulic flooding and infiltration reduction, water recycling centre resilience odour control costs, nitrogen and phosphorus schemes and bioresources due to a need for more sludge storage barns.

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

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

Regarding climate-related physical risks specifically, table 3 below provides detail of our control measures and actions in relation to the third UK Climate Change Risk Assessment (2022) and the third National Adaptation Programme (2023), in response to the most material risks. The controls and actions noted are our main climate change adaptation opportunities.

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

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

Further details can be found in our climate change adaptation report.

Table 3: Physical climate risks, controls and actions

Our control measures and actions in relation to the most material risks.

UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3 Proposed / required responses	WW controls and actions (examples)
Water supply			
I8. Risks to public water supplies from reduced water availability B3. Risks to businesses from water scarcity	2050s 2/40C: High 2080s 20C: High 2080s 40C: High	• Production of water resources management plans; work with other sectors to produce collaborative regional water resources management plans • Managing supply and demand to a nil deficit, taking account of climate change. • Review of water companies Drought Plans every five years. • Large-scale water supply water infrastructure projects via RAPID • Reduce leakage rates by 37% by 2038 and 50% by 2050 • Reducing water demand, with a target to reduce the use of public water supply by 20% by 2038 • Investment (via 18 schemes) in new infrastructure during 2025-30 to improve water resilience by increasing water capacity and driving water efficiency	• Drought planning • Water resource planning to address long term change • Dialogue with regulators on abstraction • Abstraction reduction at sensitive sites • Integrated supply grid to allow transfers within the region • Networks management to maintain resilience • Publication of plans, following detailed analysis of risk and stakeholder engagement • Promotion of water efficiency
H10. Risks to water quality and household water supplies	2050s 2/40C: High 2080s 20C: High 2080s 40C: High	• Defra support for the Drinking Water Inspectorate (DWI); the Water Supply (Water Quality) Regulations 2016. • Review of water companies Drought Plans every five years. • Defra implementation of actions in the Plan for Water in order to achieve the statutory water demand target	• Continuous monitoring of water supplies • Source to tap risk assessments; water safety plans • Investment in infrastructure and systems to limit the number of customers reliant on a single source • Rezoning in the event of failing samples • Catchment management to protect drinking water sources • Blending water supplies when required

			• Additional treatment where necessary to keep risk to a satisfactory level • Network monitoring, leakage detection • Intra-regional water movements via the integrated supply grid during extreme weather event • Water resource planning to address long term change • Replacement of older water mains
N10. Risks to aquifers and agricultural land from sea level rise, saltwater intrusion	2050s 2/40C: not known 2080s 20C: not known 2080s 40C: not known	• Mitigating the risk to water supply from sea level rise and saltwater intrusion. • Modifying abstraction licences where there are environmental concerns	• Assessed as a low risk item.
		Wastewater	
H10. Risks to water quality	2050s 2/40C: High 2080s 20C: High 2080s 40C: High	• Deliver the targets set out in the government's Storm Overflow Reduction Plan; integrate their storm overflow commitments into their Drainage and Wastewater Management Plans and water resource management planning. • Bathing waters – to take necessary action if there are any health risks identified	• Drainage and wastewater management plans • Infiltration reduction plans • Modelling sewer catchments, topographic mapping; rainfall modelling. • Monitoring networks and overflows • Work with lead local flood authorities on surface water management • Promoting sustainable drainage methods • Property level protection • Sewer sealing to reduce groundwater infiltration • Sewer maintenance e.g. jetting • Improvements at individual storm overflows • Sewer separation where possible and effective • Behavioural engagement to reduce sewer blockages • Monitoring recreational water quality and impacts; providing public information

		Flooding	
I2: Risks to infrastructure services from river, surface water and groundwater flooding I3: Risks to infrastructure services from coastal flooding and erosion	2050s 2/40C: High to very high 2080s 20C: High to very high 2080s 40C: High to very high 2050s 2/40C: Medium 2080s 20C: Medium 2080s 40C: Medium	• Publication of drainage and wastewater management plans • Development of plans (between now and 2030) for infrastructure to be resilient to flooding and coastal change	• Adapting maintenance plans • Water supplies: ability to rezone; blend water sources; move water via our integrated grid • Response and recovery plans • Site flood risk assessments; designation of sites needing defences / alterations; monitoring of vulnerability of sites and assets • Water supplies: rezoning; blending; transfers via our integrated grid • Investments in bunding, flap valves, alarms and drainage improvements at high-risk sites; moving electrical equipment above flood levels • Coastal – assessed as low risk
		Cross-cutting	
I1.Risks to infrastructure networks (water, energy, transport, ICT) from cascading failures	2050s 2/40C: Very high 2080s 20C: Very high 2080s 40C: Very high	• Defra guidance to improve sector-level reporting on climate risks, including on infrastructure sector interdependencies and cascading failures	• Following Cabinet Office good practice guidance for integrated emergency management • Emergency Tactical Planning Group • Incident management procedures • Involvement in Local resilience forums • Back-up generators • Continual review of business continuity arrangements • Emergency planning; emergency simulation exercises
I7.Risks to subterranean and surface infrastructure from subsidence	2050s 2/40C: Medium 2080s 20C: Medium 2080s 40C: Medium	• Water companies will address leakage and drought and invest in infrastructure where necessary to reduce the risk that subsidence poses to their operations. • Ofwat to consider climate change as part of the 2024 Price Review • Water companies to reduce leakage rates by 37% by 2038 and 50% by 2050, which will reduce the risk of subsidence.	• Proactive network monitoring inspections • Reactive responses, e.g. maintenance in the event of sewer collapses • Drought planning • Water resource planning to address long term change • Networks management to maintain resilience

		• Water companies to produce water resources management plans assessment of risk to infrastructure. • Water companies to produce drought plans including supply and demand mitigation actions; this will reduce the risk of subsidence posed by dry soils	

Transition Risks

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

Scope 1: Process emissions

As energy and transport decarbonise, our operational emissions are becoming dominated by wastewater process emissions. Most notably, nitrous oxide emissions from sewage treatment are now thought to be at least six times higher than previously estimated, due to a 2019 revision to calculation methods by the IPCC, which was recently adopted by the UK national atmospheric emissions inventory.

Scope 1 & 2: Energy use

Since the late 1990s our electricity use increased by 40% due to higher effluent quality standards and the need for a more resilient water supply network. Our electricity consumption is also extremely sensitive to the weather, which affects volumes of sewage that we receive during wet weather, and water demand during dry or hot conditions. With the backdrop of this and higher energy prices, the economic and financial rationale for self-generation is more compelling. As electricity decarbonises, we are also exploring alternatives to natural gas and diesel at our sites.

Scope 3: value chain

There is growing interest in the carbon footprint of our full value chain as covered by scope 3 of the Greenhouse Gas Protocol. The first step to managing these is quantification, which we have done for many years for specific components, most notably construction materials, disposal of bioresources, and our use of treatment chemicals. While need to widen our quantification across all scope 3 categories, the most important will be capital goods and purchased goods and services. The very large, embodied carbon footprint of the sector's capital investment programmes and apparent regulator preference for conventional solutions will make this one of the main decarbonisation challenges to 2050.

Regulatory

AMP8 (2025-26 to 2029-30) includes common performance commitments for water supply and wastewater greenhouse gas emissions. Linked to these are an Outcome Delivery Incentive (ODI) set by Ofwat, which for greenhouse gas emissions is set at £188 per tonne CO_2e. This is common to all the water companies, rather than a bespoke ODI for Wessex Water.

Operational carbon footprint reporting is also required for Streamlined Energy and Carbon Reporting and as part of the UK Emissions Trading Scheme. Our annual reporting to Ofwat also includes a requirement to report our capital carbon footprint (capital goods and purchased goods and services), although this is not included within the common performance commitment.

Market/investor pressures

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

Customers and other stakeholders

The DESNZ public attitudes tracker shows that concern about climate change has risen steadily over the last ten years. In the most recent survey (winter 2025-26), 77% of people said they are concerned about climate change, with 33% saying they are "very concerned". The same survey shows that support for renewable energy is at 78% . We believe that there will be growing expectation that we reduce our carbon footprint and increase our resilience to climate risks, alongside other areas of environmental delivery.

Managing our greenhouse gas emissions and transition risks

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

The table below sets out the main work that we carried out in 2020-25 to address our operational emissions, and the principal opportunities for 2025-30.

Table 4: Decarbonisation work and opportunities

	2020-2025	**2025-2030**
ENERGY		
Avoiding fossil fuel use	• Investigating alternatives to diesel for backup electricity generation, and avoiding like-for-like replacement. • Looking at lower carbon methods for keeping anaerobic sludge digesters at a warm temperature	• Investment in non-diesel backup generation, including renewable energy with battery storage. • Investment in alternative, low carbon heating of anaerobic digesters.

Reducing volumes of water and sewage	• Reducing the amount of water that has to be pumped and treated by reducing leakage by 15% and reducing our customers' water consumption through demand management measures.	• Promoting sustainable drainage, primarily to reduce flooding risk but also to reduce pumped volumes.
Energy efficiency	• Continuation and expansion of energy efficiency initiatives, mainly focusing on optimisation of aeration in sewage treatment and pump efficiency. • Ongoing development of advanced monitoring and targeting	
Energy from waste	• Optimising existing digesters, in part to maximise gas production. • Ongoing export of biomethane at Bristol and Trowbridge. • Trials of heat recovery from sewage pumping stations.	• Ongoing work to increase biogas production. • Retaining green gas certificates, relating to exported biomethane. • Increased digestion of other organic waste streams. • Implementing sewer heat recovery at sites with the greatest potential.
Other renewable generation	• Investigating suitable sites for further renewable generation. • Exploring partnership opportunities with commercial and community energy developers. • Reviewing the potential for energy crops and other types of biomass for heat generation.	• Implementing new installations (eg, wind, solar) on or adjacent to our own land. • By 2030, increasing renewable electricity generation to double the current quantity
Renewable grid electricity purchase	• Exploring potential power purchase agreements with off-site renewable generators. • Monitoring green energy tariff markets. • Ensuring future energy contracts offer transparent and verifiable green energy	• Any agreed power purchase agreements to commence. • 100% of residual electricity and gas requirement from verified renewable sources
TRANSPORT		
Avoiding transport emissions	• Investing in infrastructure to enable the transition to electric and other non-fossil fuel vehicles. • Starting to use electric cars and vehicles on a regular basis. • Trialling HGVs powered by compressed natural gas and biogas. • Wide use of homeworking and teleconferencing technologies.	• Further use of technology to optimise vehicle movements and reduce mileage Programmed roll-out of appropriate electric cars and vans and associated infrastructure. • Integration of lower carbon HGVs.

PROCESS EMISSIONS		
Monitoring and control	• Appraising methane leakage at sewage sludge treatment centres. • Initial testing of nitrous oxide monitoring and control systems. • Improving quantification of methane emissions from sewage treatment (existing assets and those in design).	• Ongoing methane monitoring at sludge treatment centres • Roll-out of nitrous oxide monitoring and control measures, starting at the largest water recycling centres with aeration processes
Asset investment and optimisation		• Corrective maintenance to address methane leakage. • Coverage of secondary sludge storage, to meet Industrial Emissions Directive requirements. • Trialling methods to reduce nitrous oxide emissions, following upfront monitoring.

NATURE AND LAND-BASED		
Nature-based solutions	• Ongoing catchment delivery work focused on water quality, with side-benefits of avoiding more energy-intensive treatment methods, and delivering multiple environmental benefits. • Investigation of the carbon footprint of more novel treatment methods eg, constructed wetlands.	• Extending the scope and sophistication of catchment management in rural areas to prevent diffuse pollution and help retain soil carbon. Targets and systems within our capital programme for minimising the whole-life carbon footprint of water and wastewater investment.
Land-based measures	• Quantifying carbon capture on our landholding, beyond current high level estimates. • Ensuring that our mitigation and landscaping measure maximise carbon capture as part of scheme designs and planning. • Developing guidance for improving carbon uptake and soil carbon levels on our land.	• Working with farmers on retention of soil carbon, eg, restoration of grassland.

SUPPLY CHAIN AND EMBODIED CARBON		
Lower carbon construction materials and methods	• Investigation and delivery of lower carbon construction materials and methods eg, low carbon cement / concrete, offsite and modular build • Developing systems for comparing the whole-life carbon footprint of competing options.	• Putting whole-life carbon benchmarks and targets into place for capital schemes. • Working with our supply chain to understand their carbon footprint and putting in place plans to reduce this.
Asset maintenance	• Ongoing use of lower carbon methods eg, trenchless pipe repairs and rehabilitation.	

We are increasingly looking at whole life carbon impacts, with a particular focus on the embodied carbon of capital projects. This is already part of our annual reporting and also featured in our 2024 business plan and future investment appraisal. It is clear, however, that the large investment programme to improve river quality during 2025-30 and beyond will have a significant carbon footprint as it will continue to be dominated by conventional solutions such as storm tanks and tightened end-of-pipe treatment.

Metrics and targets

Our climate-related performance commitments and key performance indicators relate to our strategic objectives as set out in our strategic direction. These in turn are related to customers' priorities, and statutory objectives for the environment and social provision as transposed into regulation. Performance commitments are agreed with our regulators and reported against annually in our annual performance review. The main climate-related metrics and our performance over the last five years are shown in the table on the next page:

Climate-related metrics: historical performance

	2021-22	2022-23	2023-24	2024-25	2025-26
Compliance with abstraction licences	95%	98%	98%	100%	98.9%
Water supply restrictions	0	0	0	0	0
Water supply interruptions (duration per property per year)	00:04:12	00:04:10	00:05:35	00:10:00	00:04:11
Leakage - % reduction (3-year average from baseline)	10.8	9.3	7.1	4.5	1.8
Per capita consumption % reduction	-5.3	-5.0	0.0	3.4	4.5
Water quality compliance; Events Risk Index;	193.699	402.796	23.678	69.339	21.258
Internal flooding per 10,000 connected properties	1.43	1.31	1.56	1.56	1.18
External flooding per 10,000 connected properties	19.27	17.83	18.52	17.12	16.01
Total pollution incidents per 10,000km of sewer length	20.60	31.48	36.06	62.10	46.93
Serious pollution incidents	5	5	1	0	4
Greenhouse gas emissions, water (ktCO2e)	-	-	-	-	35.5
Greenhouse gas emissions, wastewater (ktCO2e)	-	-	-	-	113.5

*Ofwat-defined method for AMP8 common greenhouse gas performance commitment.

Targeted improvement for most of these is mainly driven by other environmental and social factors e.g., customer experience, river ecology – but our assumption is that success in managing each contributes to our resilience in the face of climate change. Performance against these and other performance commitments are focused on environmental and social delivery and do contribute to performance related pay and bonus arrangements, monitored by the Remuneration Committee.

Greenhouse gas (GHG) emissions

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

It is aligned with the Greenhouse Gas Protocol and with substantive updates has included more scope 3 items. Our emission trajectory has been downwards in that last ten years; alongside our own efforts, much of this has been due to decarbonisation of UK grid electricity. Consequently, as noted in the previous sections, we are looking closely at other solutions and techniques, e.g., nitrous oxide from sewage treatment. Further decarbonisation of our activities will need to align with other environmental priorities to promote sustainable land use, protect biodiversity and the water environment, improve resource efficiency, and reduce air pollution. This in turn will benefit our customers and the communities we serve.

Data challenges

We are confident in the level of emissions related to energy and transport. However, emissions of methane and nitrous oxide (within scope 1) are much less certain, as they are typically estimated by water companies in the absence of direct measurement methods. Work is underway nationally to better quantify methane and nitrous oxide, and initial findings suggest that historically they have been under-estimated. Monitoring work underway by UK water and sewerage companies is providing more accurate estimates of nitrous oxide emissions at water recycling centres.

Emissions associated with construction materials and products and services that we consume via our supply chain are also uncertain. However, we are working to better understand these scope 3 emissions, acknowledging that the calculations involved often carry many assumptions and estimates. For example, the carbon footprint of one tonne of steel or cement can vary substantially depending on manufacturing processes.

Reporting

Emissions for 2025-26 are shown on page 70, conforming with Ofwat's Annual Performance Report framework that applies to all the companies that they regulate. This account also integrates disclosures that fulfil the requirements of the Streamlined Energy and Carbon Reporting framework. It should be noted that the underlying calculations for this differs materially from what is specified by Ofwat for the greenhouse gas performance commitment, especially with regard to grid electricity and nitrous oxide.

A material change for our reporting method occurred in 2025-26, concerning estimates of nitrous oxide (N_2O) emissions from wastewater treatment, which are a function of population served by secondary treatment, an assumed mass of nitrogen excreted per person per day, and the conversion rate of that nitrogen received in sewage to N_2O. Major revisions by the Intergovernmental Panel on Climate Change in 2019 were recently adopted by the UK National Atmospheric Emissions Inventory and the water sector's carbon accounting workbook (CAW), resulting in the following changes within the estimation:

		Previous	New
Nitrogen excreted	g / person / day	8	14.4
Conversion rate of nitrogen to N_2O	%	0.4%	1.6%

As a result, our reported N_2O emissions will increase from circa 20 kilotonnes CO_2 equivalent per year, to circa 129 kilotonnes CO_2 equivalent per year. This aspect is now more than half of our total location based operational emissions. We have also restated 2024-25 emissions to demonstrate what emissions would have been using the revised N_2O estimation method.

Our like-for-like gross location-based emissions during 2025-26 fell by 8 kilotones tonnes compared with 2024-25. While multiple factors have to be taken into account, certain aspects had a notable influence. In particular:

- Electricity consumption increased, mainly due to higher power use for water supply, which was a predictable consequence of the dry conditions during the first half of the year. This was countered by a lower carbon intensity of grid electricity compared with 2024-25.
- Reduced operation of key anaerobic digestion plant led to lower on-site biogas and biomethane production but also lower methane emissions. However, there were notably higher emissions associated with the use of lime for sludge treatment.
- Fewer grid disconnections from adverse weather conditions led to less fuel being used in backup generators. This has been demonstrated by significant drop in diesel fuel from Taunton, Avonmouth and West Huntspill.

Renewable energy generated by the appointed business in 2025-26 amounted to 17 gigawatt hours of electricity and 79 gigawatt hours of biomethane.

We are seeing the growth of scope 3 in carbon accounting terms, as items have been added to our regulatory reporting as per the previous table. This acts as an upward pressure on our baseline position. Moreover, it should also be noted that the inventory of items reported here is longer than those included in our 2030 target (as detailed in section 2).

Assurance

Assurance of our reported data is provided by our technical auditors, AtkinsRéalis, as part of the assurance process for our annual performance review and regulated performance commitments.

Carbon pricing

To date we have not independently set an internal carbon price. However, during AMP8 (2025-26 to 2029-30), we are subject to an Outcome Delivery Incentive (ODI) set by Ofwat, which for greenhouse gas emissions is set at £188 per tonne CO_2e. This is common to all the water companies, rather than a bespoke ODI for Wessex Water.

Greenhouse gas emissions (tonnes CO_2 equivalent)	2025-26	2024-25
Operational Emissions		
Scope one [1]	**159,39**	165,871
Burning of fossil fuels (location-based)	9,041	11,587
Process and fugitive emissions	140,512	143,708
Company vehicles	9,844	10,575
Scope two		
Purchased electricity (location-based)	**44,771**	47,781
Purchased electricity (market-based)	**9,591**	78,381
Scope three [2]	**47,855**	46,383
Business travel	548	882
Outsourced activities	6,592	1,682
Purchased electricity: extraction, production, transmission & distribution	16,251	15,825
Purchased fuels: extraction, production, transmission and distribution	3,920	4,588
Treatment chemicals	16,740	13,784
Reuse of biosolids on third party land	3,803	9,623
Gross operational emissions (location-based)	**252,023**	260,035
Subtractions: exported renewable electricity	**-**	-
Net operational emissions (location-based)	**252,023**	260,035
Water supply emissions per Ml of treated water [3]	**0.263**	0.248
Wastewater emissions per Ml of wastewater treated	**0.595**	0.651
Capital Emissions		
Capital projects (cradle-to-build)	**59,277**	64,194

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

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

[3] We report two intensity metrics, dividing the emissions associated with water supply and wastewater activities by water put into the supply network and received via sewerage respectively. The wastewater intensity metric is highly weather dependent; i.e. a higher volume of rainfall received results in a lower figure for emissions per megalitre.

Overall energy consumption (kWh) as per SECR requirements

	2025-26		2024-25	
	UK & offshore	Global (excl. UK & offshore)	UK & offshore	Global (excl. UK & offshore)
Energy consumption used to calculate emissions	340,088,380		354,406,899	

Biogenic emissions are estimated at 5,263 t CO_2e. These occur as a result of biogas combustion when generating renewable electricity in combined heat and power engines.

Targets

In 2019 we announced our aim to achieve net zero operational emissions by 2030 and net zero total emissions by 2040. This applies to Wessex Water Services Limited and the emissions associated with its appointed activities.

We remain committed to a net zero position for our greenhouse gas emissions. However, we are currently reviewing our net zero targets. This is necessitated by the changing estimates noted earlier of nitrous oxide emissions, which are now thought to be at least six times higher than previously thought due to changing calculation methods used in the wastewater sector. Meanwhile, the tripling in the size of our capital programme means that the carbon footprint of construction has become much more significant.

We will release a second edition of our net zero carbon routemap, with an updated explanation of what we aim to achieve by 2030, 2040 and 2050.

We have not undertaken any carbon offsetting to date. Even with full pursuit of the options available to us, we are likely to have residual emissions in 2030, especially related to nitrous oxide and methane emitted from sewage and sludge treatment. Therefore, while buying carbon offsets is at the bottom of the hierarchy, we cannot rule it out. If offsetting were an unavoidable way to achieve a net zero position in 2030, we would favour those with the following attributes:

- Schemes that are located in our region if possible, or the UK.
- Interventions that offer benefits for biodiversity and local communities as well as carbon reduction, eg nature-based projects – either terrestrial, or involving coastal wetlands and marine vegetation.
- Projects and providers that offer verified carbon offsetting with good permanence.

We will also engage with our customers and other stakeholders on the topic of carbon offsetting to understand their viewpoints.

Climate-related metrics: targeted future performance

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

	Baseline	2025-26	2026-27	2027-28	2028-29	2029-30
Bathing water quality (%)	77.9%	80.6%	80.6%	80.6%	80.6%	80.6%
Greenhouse gas emissions, water (% reduction)	0.00%	-0.19%	0.88%	1.43%	2.05%	3.68%
Greenhouse gas emissions, wastewater (% reduction)	0.00%	-5.46%	-5.01%	-2.90%	-0.05%	6.01%

Section 172 Statement

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

This section sets out how both the Board as a whole, and the directors as individuals, have had regard to the matters set out in s.172(1) (a) to (f) in particular:

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

Our Governance Report (pages 85 to 106) outlines how the Board operates and describes how the Board has:

- established the Company's purpose, strategy, and values, and is satisfied that these and our culture reflects the needs of all those it serves
- taken full responsibility for all aspects of the Company's business for the long term
- demonstrated leadership and an approach to transparency and governance with trust and accountability at its heart
- ensured the skills, experience, and composition of the Board and its overall effectiveness meets the Company's future requirements.

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

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

- Employees – the Board regards the company employees as critical to delivering the vision, values and outcomes needed to meet our wider stakeholder expectations. The Board has established several channels to allow employees to be heard whether to raise concerns, make improvement suggestions or simply to appreciate how we work with them. The People's Council is a forum attended by representatives across our operational business and allows employees to raise agenda items for discussion through their representative. The Council is attended by Board Executive Directors and meets twice a year.

In addition, the Company undertakes an annual anonymous employee survey. The Board debates the actions needed and progress. The Company also has employee roadshows, Learn at Lunch sessions and an 'Ask an Exec' on a regular basis to improve learning, appreciation of other departments and to share the messages from the Board. The Board actively supports employees though mental health awareness, disability awareness, creating an inclusive work environment, and developing and supporting people through their careers. The Board continue to grow their established training "Academy" to deliver apprenticeships, to address skills shortages across the industry and in particular supporting people of all ages to develop their careers. Our Academy entry requirements provide a fully accessible route to a career for those from diverse and disadvantaged backgrounds. The Board has established the Health and Safety Committee to oversee the arrangements for its employees in more detail.

Customers – Our customers and the service we provide to them are fundamental to the Board. The Board considers the impact of its actions and decisions on customers, both for service and value for money. The Board's aims - to be a top-10 customer service provider across all sectors; to provide water quality in line with World Health Organisation Standards; to have no escape of sewage or environmental harm; whilst ensuring that customer bills are less than 5% of disposable income - are embedded throughout all decisions and actions made. The Board has established the Environment and Public Value Committee to oversee the arrangements for its customers in more detail.

External Stakeholders – the Board have close regard to our business relationships with our wider stakeholders; our social purpose, sustainability, the natural environment, and the impact of our operations on the environment and the communities we serve; as well as the need to act fairly to balance all stakeholder needs. Consideration of these factors and other relevant matters is embedded into all Board decision-making, strategy development and risk assessment throughout the year. The Board has established the Environment and Public Value Committee to oversee the arrangements for its employees in more detail.

The Board's commitment to enhancing the environment and supporting our diverse communities is demonstrated through its Water Force Programme allowing employees to donate their time to local charities; funding local volunteers "Water Guardians" to assist local wildlife trusts, and funding local groups and community interest groups through the Wessex Water Foundation to make a positive impact to the community and improve the environment. The Board has established the Environment and Public Value Committee to oversee the arrangements for its environmental stewardship in more detail.

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

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and impact
Customers We serve 2.9 million customers across the south-west of England. Our aim is to be an exemplar water and sewerage company providing reliable and affordable services for all customers and communities. Our customers include: • Residential • Non-household/business/NAVs • Developers, • Minority and underrepresented groups • Those in vulnerable circumstances • Retailers and bulk supply customers • Future customers and generations, including children and students	Our customers want safe and reliable water supplies, an effective sewerage system that does not pollute our environment, a great customer experience but delivered with affordable bills and the peace of mind that they are supported in times of need. Our customers' want to see long-term investment to enhance or protect the regional environment and biodiversity, with many of our future customers using river and bathing water more frequently.	• Customer Experience Score 74.54 • Developer Experience Score 79.49 • Business/Retailer Experience Score 84.88 • Trustpilot rating 4.5 overall • EA Environmental Performance Assessment 2 star • DWI Compliance Risk Index Score 0.92 • Water Supply interruption 4 mins 11 secs per property within our region • Internal sewer flooding (per 10k properties) 1.18 • Priority services 14.9%on register • Risk of severe restrictions in a drought 0% • Unplanned outage 4.27% • Pollution incidents (per 10,000kms of sewer) 46.93 • Mains repairs (per 1000km of mains) 145.9 • Sewer collapses (per 1000km of sewer) 4.79	• Independent Challenge Group • Qualitative engagement with household customers, stakeholders, businesses including in-depth workshops and inter-generational focus groups to identify the highest priorities • Customer feedback surveys and continuous engagement reviews • Market research • Feedback routes through customer magazine • Website, including LiveChat and e-billing • Developer consultations • Young People's Panel, and working with schools and students • Bill Cap Scheme "WaterSure" for those on low incomes and unavoidable high-water use • Free home check visits and advice on water use. With our online app "GetWaterFit" to monitor water use and promote water efficiency • Working with partners in catchments to protect and enhance raw water quality • Engaging with customers to remove lead pipes and issues that may affect public health • Work with customers to prevent items such as fat, oil and wet wipes being disposed down toilets and sinks. • Personalised support packages tailored to meet individual financial circumstances (the TAP programme) • Engaged with over 57,000 customers in developing our last business plan.	• Willingness to pay research • Every Customer Matters Strategy • Customer image tracking surveys and customer experience research • Performance metrics • Operational Resilience • Young People's Panel • Catchment Panel • Environment and Public Value Committee and our Social Purpose • Working with stakeholders and customers to develop our 25-year drainage and wastewater management plan **Feedback from our customers and their representatives informs our strategy, values, priorities including (but not limited to) our business planning priorities, charges, and pricing strategy.**

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Customer representatives We value the opinions of all our customers and their representatives. We work with over 300 organisations (through our Partner Hub) that help us support individuals and communities across our region. Our customers representatives include: Organisations representing customer groups such as (but not limited to): • Citizens Advice • Step Change • Consumer Council for Water (CCW) • Bristol Age UK • Debt Advice Agencies • Alzheimer's Society • Mind • Schools and Colleges • Charities and third sector organisations	Our customer representatives want to ensure that we value all customers and engage fully with them to understand their requirements, needs and concerns within the region. Our customer representatives want to provide unrestricted challenge to us for the betterment of all customers. One of our long-term outcomes is affordable bills, targeting water poverty and ensuring that our households spend no more than 5% of their disposable income on water.	As Above	• Partner Hub • Independent Challenge Group • Qualitative engagement with household customers, stakeholders, businesses including in-depth workshops and inter-generational focus groups to identify the highest priorities • Customer feedback surveys and continuous engagement reviews • Market research • Website, including LiveChat • Developer consultations • Young People's Panel • Working with schools and students • Tailored Assistance Programme providing tailored packages to help individuals' financial circumstances • Online partner hub and roadshows • CCW public meetings • Working with partners in catchments to protect and enhance raw water quality • Work with CCW and the industry to implement plans for a single national social tariff	• Independent Challenge Group • CCW public meetings Willingness to pay research • Every Customer Matters Strategy • Performance metrics • Operational Resilience • Young People's Panel • Catchment Panel • Environment and Public Value Committee and our Social Purpose • Launch of our "Foundation" dedicated to community projects across our region. We have distributed grants to 188 projects to help homelessness, hunger, and mental health. **Feedback from our customers and their representatives informs our strategy, values, priorities including (but not limited to) our business planning priorities, environmental ethics, charges, and pricing strategy.**

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Our people Our people are the embodiment of our culture and allow us to provide excellent service to our customers. Our people are also our customers. We aim to empower our staff with the skills, knowledge and opportunities within a diverse and inclusive culture. Safety of our staff is paramount. Our employee group includes: • Employees • Retired Pension scheme members and their families • Future Employees • Unions • Contractors.	Our people strive for excellence in their work and want to be developed to their full potential, working in a fully inclusive workplace, be given opportunities to shine and be rewarded fairly for the work they do. They want to be valued and their health and wellbeing kept safe from harm.	Amongst all H&S KPI's - Lost time incident per 1000 staff rate from health and safety incidents 13.12 Gender Diversity Male: Female 73:27 Mean gender pay gap -0.68% Delivery of training – 3,170 face to face training courses and 22,660 e-learning courses delivered Training plan delivery 100% Staff survey – good company to work for 95.5% Staff retention 88.2%	• A training academy to deliver apprenticeships. • IOSH training for all senior/executive leaders • Employee survey • 'Ask the CEO' • Employee roadshows and Staff Seminars • Lunch and Learn talks • Mental Health First Aiders • ARC Alliance • Working Families Group • Armed Forces Covenant • Autism at Work Programme • Disability Confident Employer (Level 2) • Bristol Future Talent Partnership • Dedicated Early Careers Team • People's Council	• People's council • Employee survey • Ask the 'CEO' • Employee Roadshows and Staff Seminars • Pension Trustee Board • Health, safety, and welfare committee **We listen and act on our employees' opinions to provide our people with satisfying careers.**

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Our supply chain Excellent relationships with our suppliers are key to delivering excellent services to our customer and nurturing business and innovation within our communities. We aim to use markets to identify efficiencies to achieve the best possible outcomes for the best possible price. Our supply chain includes: • Contractors • Consultants • Suppliers	Our suppliers want us to provide them with fair, open and competitive opportunities regardless of their size, so that both ourselves and they can grow and excel. Our suppliers want fair payment terms and assistance during times of economic hardship, so that they can support us in delivering critical services to our customers.	Average creditor days 20 Total Supplier Payments made during the year £802m Adherence to Utilities Contracts Regulations, with current supplier challenges upheld being 0	• Wessex Water Marketplace • Membership of British Water • Pipeline Industries Guild	• Wessex Water Marketplace • Membership of British Water • Pipeline Industries Guild • AMP8 Delivery Plan **Our suppliers have provided us with innovative and new ways of working to deliver more services for less. We listen and nurture our supply base ensuring that they are supported during the current economic crisis.**
Our investors Our investors provide the financial support to enable us to deliver our strategy and live our values. Our investors include: • Banks and financial institutions • Bond holders • Shareholder.	Our investors want to support a company that provides reputational and financial benefits to them. They want long-term performance that is supported by sound strategy, planning, governance, risk management and sustainability.	Regulatory gearing 71.3% Profit before tax £100.9m Investment credit grade BBB+ & Baa2 Sustainable Fitch ESG Rating 2 (76/100)	• Ratings agencies • Annual Report • Meetings with debt investors	• Sustainable Financing Policy • Ratings agencies • Annual Report • Shareholder Board Directors **Our investors provide our financial resilience**

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Government and regulators Our regulators provide the oversight to allow us to contribute to the UK both nationally and regionally, to support our environment, our public health standards, and our economic infrastructure. We aim to be an exemplar to the industry trusted to leave the environment in a better condition for future generations, whilst acutely aware of the financial pressures on our customers. Our key government and regulator groups are: • Government departments • Regional MPs • Local councillors • Ofwat • Environment Agency • Natural England • DWI • Health & Safety Executive • Pensions regulator • Market Operator Services Limited (MOSL). • Information Commissioner's Office (ICO)	Our regulators and government want the best outcomes for our customers, the environment and resilience. They want us and the water industry to be responsible, trustworthy, and transparent in all our activities.	All performance commitments (see earlier in the strategic our annual review).	• Performance and risk reporting • Strategic Direction Statement • Price review methodology • Charging • Health liaison panel • Working with Local Authorities to understand growth strategies and to co-ordinate investment and deliver partnership projects • Chalk streams support projects, county wildlife Trusts, Natural England and local rivers and fishery trusts to develop our water resources management plan • Environment land management auction scheme	• Board meetings and committees • Pre-appointment non-executive director interviews • Business planning and target setting • Health and safety strategy • Environment and Public Value Committee • Outcome Based Environmental Regulation Approach • Working with the Environment Agency to continue review of sustainable levels of abstraction • Working with neighbouring water companies to deliver shared solutions • Working with Defra and the Environment Agency and approx. 200 landowners to reduce nitrogen, phosphorus and carbon • Working with regional government agencies and local authorities to improve the region we serve. **Our regulators inform our strategy, our business plans, our processes. They provide valuable input into everything we do.**

Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Environmental NGOs We take our role as a custodian of our local environment seriously and with that the opinions of our environmental colleagues. Our ambition is to perform a wider role in society as a trusted company that takes care of the natural world and sets the benchmark for environmental performance, addressing climate, carbon neutrality and nature emergencies across the industry to meet the rising expectations of the environment and long-term resilience. Our environmental non-governmental organisations include but are not limited to: • Wildlife interests • Bathing water and river amenity interests • Catchment and Land Management • waste minimisation	Our environmental colleagues want us to value, protect, preserve and enhance our local environment, and contribute to wider environmental improvement.	• EA Environmental Performance Assessment 2 Star Requires improvement • Compliance with abstraction licences • Pollution incidents (per 10,000kms of sewer) 46.93 • Water Recycling Centre compliance • Bathing water compliance • Watercourses in good ecological condition • Sites of Special Scientific Interest in Good or Recovering condition; All actions delivered • Greenhouse gas emissions (operational) – 35.5 kt CO_2e (water supply performance commitment), 113.5 kt CO_2e (wastewater performance commitment), 252 kt CO_2e (TCFD reporting) • Tree planting • Environmental partnerships	• Catchment Panel • Wessex Water Foundation • Liaison groups • Chalk streams support projects, county wildlife Trusts, Natural England and local rivers and fishery trusts to develop our water resources management plan • Funding for Volunteer Water Guardians	• Environment and Public Value Committee • Outcome based environmental regulation approach • Net Carbon Zero Routemap and Climate Adaptation **We embed the opinions of our environmental colleagues into our direction and priorities.**

Board principal decisions

The following examples provide insight into some of the Board discussions and principal decisions taken during the reporting year. This includes how stakeholder interests are considered, where conflicting stakeholder requirements have been debated and how the Board and its decisions have added long-term value to the Company. The Board's principal decisions are central to the formation and delivery of our strategy and are those critical to our long-term performance and success. Details of the Board Committees, including membership, number of meetings, and attendance are set out in the Committee reports on pages 107 to 133. An outline of the Board members' skills and experience is outlined on page 96. In any decision we consider the needs and requirements of all our stakeholder groups, cognisant that we may not be able to meet everyone's requirements as positively as we would like and take careful consideration of competing priorities.

Principal decision 1 – Resolution of regulatory investigation by Ofwat

The Board was kept informed as Ofwat concluded its regulatory investigation into the Company's compliance with its statutory obligations relating to wastewater treatment, which began in 2021. In June 2025 Ofwat advised of its conclusions that there had been breaches of regulatory obligations.

Having considered the interests of the business and having had regard to relevant legal advice, the Board decided not to challenge Ofwat's findings. Instead, the Board sought a constructive resolution by way of a voluntary undertaking by which the Company would agree to carry out measures by way of redress for these breaches. This was recognised by the Board as an opportunity to recognise and respond to Ofwat's findings by investment in measures that would benefit customers and the environment. Ofwat accepted the offer of an undertaking in December 2025.

The Board also gave its support to remedial plans to enhance and improve the Company's compliance processes that will form part of the undertaking. The Board gave extensive consideration to constructive engagement with regulators and recognised the importance to the Company of doing everything possible to avoid recurrence.

Principal decision 2 – Establishment of separate group services company

The Board gave careful consideration to the proposed change of structure of business support services within the wider group. Previously these services (such as Communications, HR, Legal, Internal Audit, ESG/Low Carbon and IT) had been provided across the group by teams working within the Company. It was proposed to move these teams to a dedicated service company within the group.

However, in order to be acceptable for the Company the Board required that the arrangements must provide certainty to the Company in terms of the ongoing provision of services required to perform its function (including in respect of its statutory and licence obligations) and that the customer should suffer no detriment as a result of these changes.

Having established this position clearly, the Board approved these arrangements.

Principal decision 3 – Significant operational changes

The Board oversaw several significant operational changes in this period.

The decision was made to amend the Company's Charges policy to phase out wholesale volumetric bands. By offering bigger discounts for Non-Household (NHH) consumers using large volumes of water this was recognised as being inconsistent with expectations relating to water efficiency. The Board had regard to its high volume NHH consumers (which included public bodies such as hospitals and universities) and a five-year phase-out period was provided to allow for adaption.

The Board also took the decision to bring to an end the policy of free repair of leaks on customer private pipes. It was noted that this was an entirely voluntary policy, outside of legal or regulatory obligations, and that it would result in financial savings for the Company at a time where there was increasing demand on resource. However, the Board also gave careful consideration to the proposal recognising the potential impact on customers. The Board approved the changes on the basis that support would continue to be provided to vulnerable customers.

In both cases the Board balanced consideration of the Company's interests in the context of the effect on its customers.

Principal decision 4 – Reinvestment of dividends

In developing the AMP8 business plan, the Board recognised that the scale of investment required between 2025 and 2030 would require additional equity to support the business. The shareholder chose to provide this support by forgoing dividends and reinvesting the dividend yield into the business throughout the AMP8 period. The Board considered and agreed this approach, recognising that retaining funds within the business would help finance the investment programme while responding to customer and stakeholder expectations.

Principal decision 5 – Capital Investment (Blagdon Phosphorus Treatment)

The board made a number of decisions relating to capital investment during the year.

An example of this is the decision to upgrade treatment processes at Blagdon and Ubley WRC to enhance removal of phosphorus and meet related regulatory obligations, contributing to various performance commitments and key performance indicators (including WINEP and the EPA).

The Board considered the proposal, which focused on improvements at Blagdon WRC to treat flows from Ubley as well as its own. Interim authorisation had already been given by the Executive Committee for initial procurement and enabling works. Having determined that approval of the full scheme would be in the best interests of the Company and noting that this scheme had been carried over from AMP7 as a result of delays in the planning process, the Board approved its implementation at a cost of £15.087million.

The strategic report was approved by the Board of Directors on 6 July 2026 and signed on its behalf by:

Ruth Jefferson – Chief Executive Officer
Claverton Down
Bath
BA2 7WW

Governance report

Chairman's introduction to governance

Wessex Water is committed to the highest standards of corporate governance and as requirements evolve, we strive for continuous improvement. This report outlines how we have ensured that best practice and effective corporate governance procedures are in place and how ongoing improvements have been implemented to support the long-term success of the Company.

We have a very important role in the lives and wellbeing of our customers and communities and the Board recognises that it is a privilege to be entrusted to provide essential public services to millions of customers. In this privileged position we must build and maintain successful relationships with a wide range of stakeholders. The purpose, strategy, values, and culture of the Company are developed and promoted through continuous engagement with these stakeholders, including customers, community, and interest groups, employees, and regulators. Further details on how we have engaged with all our stakeholders over the year can be found on pages 74 to 84. This year, in particular, the Board has had close involvement with the development of the business plan in response to Ofwat's draft determination, with particular emphasis on the need to deliver an ambitious investment programme. It was in this context of Ofwat's final determination, and after careful and thorough consideration, that the Board made the decision to refer this matter to the CMA.

Maintaining the highest standards of corporate governance is integral to the long-term success of the Company. The Company continues to embrace Ofwat's Board leadership, transparency and governance principles and is satisfied that it meets all the objectives. The Ofwat Objectives are the primary governance framework against which the Company reports, but the Board also follows the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles). We believe that our standards of corporate governance ensure that the Company operates effectively and efficiently to the benefit of all our stakeholders, maintaining our position as a leading water and sewerage company for customer service, satisfaction, and environmental performance. In this report, we demonstrate and explain how this is the case.

The following pages set out details of our Board of Directors (pages 86 to 90), further information on our governance arrangements and compliance with Ofwat's Objectives (pages 91 to 106) and the reports of the Audit and Risk, Environment and Public Value, Health and Safety, Nomination, and Remuneration Committees (pages 107 to 133). These reports demonstrate that the Company has in place effective arrangements to ensure the highest standards of corporate governance.

Tan Sri (Sir) Francis Yeoh KBE
Chairman
6 July 2026

The Board of Directors

The composition of the Board throughout the reporting year is as follows.

Shareholder Non-Executive Chair

Sir Francis Yeoh KBE, CBE

Sir Francis has been Managing Director of YTL Corporation Berhad, Malaysia, since 1988 and was appointed as Executive Chairman in June 2018. He was appointed to the board of Wessex Water Services Limited in May 2002 and chairs the nomination committee.

He has been Managing Director of YTL Power International Berhad since October 1996 when he was appointed to the board as an Executive Director. Since June 2018, he has been the Executive Chairman of YTL Power International Berhad. Under his stewardship, YTL Corporation Berhad Group has grown from a single listed company into a global integrated infrastructure developer encompassing multiple listed entities, including YTL Corporation Berhad, YTL Power International Berhad, Malayan Cement Berhad, YTL Hospitality REIT, Ranhill Utilities Berhad and Starhill Global Real Estate Investment Trust.

He is a founding member of the Malaysia Business Council and Malaysia's Capital Markets Advisory Council, a member of The Nature Conservancy Asia Pacific Council and a Global Council member of the Asia Society. He served as an independent non-executive director of the Hong Kong and Shanghai Banking Corporation Limited for 10 years from July 2012 to June 2022.

In 1997, Sir Francis was awarded the Order of Loyalty to the Crown of Malaysia for his services to the nation which carries the title “Tan Sri”. In 2019, he was awarded the Knight Commander of the Most Excellent Order of the British Empire (KBE) by Her Majesty Queen Elizabeth II for his contribution to strengthening UK-Malaysia bilateral relations.

Executive Directors

Ruth Jefferson – Chief Executive

Ruth joined Wessex Water in 2016 after a legal career in London and Bristol, specialising in competition law issues across a broad range of sectors and clients.

With extensive experience dealing with legal, compliance and governance matters, Ruth previously held the positions of Chief Compliance Officer and Group General Counsel before moving into the Chief Executive role in October 2024.

She was appointed to the board of Wessex Water Services Limited in September 2022 and is a board member of our joint billing company. Ruth is also a trustee of WaterAid.

Andy Pymer – Chief Finance Officer

Andy has more than 30 years of engineering, financial and regulatory experience in the water sector. In his time at Wessex Water, he has been the Managing Director of our water and sewerage business and Director of Regulation and Customer Services.

Andy is now our Finance Director, as well as a Chartered Director and Fellow of the Institute of Directors and a member of the Wessex Water board.

He is also Co-Chair of Pelican Business Services, a founding member of the Environmental Markets Board and Chair of Wessex WaterAid.

Independent Non-Executive Directors

Jim McKenna – Deputy Chairman

Jim has a background in technology and services, working with a number of early-stage technology companies as both an investor and mentor. In his executive career, Jim was the Chief Operating Officer at Logica PLC having previously worked for GEC-Marconi and the Plessey Company PLC.

Appointed to the Board of Wessex Water Services Limited in June 2019, he became the Senior Independent Director in November 2020 and Deputy Chairman in 2024. Jim is a member of the nominations, remuneration and audit committees and Chairman of the YTL/Wessex Academy.

Jim is also the Chairman of the Liverpool School of Tropical Medicine and vice-president of Catch22, a social business he helped create in 2008.

Previously Chairman of Parsons Brinkerhoff (Europe) and Chairman of Azzurri Communications, Jim also chaired the Council at the University of East London and was a member of the Government's Senior Salaries Review Board.

Kate Mingay – Independent Non-Executive Director

Kate Mingay is a corporate finance specialist with three decades of experience across regulated utilities, transport, and energy infrastructure. Kate began her career in UBS and Goldman Sachs, later becoming Director, Corporate Finance at the Department of Transport. She was a member of HM Treasury's Major Projects Review Group, which involves scrutiny of major government projects.

Appointed to the board of Wessex Water Services Limited in June 2019, Kate was Chair of the Audit and Risk committee from August 2020 until January 2026. She is also a member of the remuneration, nomination, and environmental and public value committees.

Kate is also Non-Executive Director to the Board of HRL Morrison and Co, a leading global infrastructure fund manager. She was previously the Senior Independent Director at Mutual Energy, a Non-Executive Director at Ansaldo STS S.p.A. (now integrated into Hitachi's global rail business) and a Trustee of the British Science Association. She is actively involved in economic and corporate finance consulting including being a Senior Adviser at Cambridge Economics Policy Associates; she currently advises Ofgem on the offshore energy transmission sector having previously advised on new nuclear and carbon capture sectors.

Kevin Wall – Independent Non-Executive Director

Kevin has extensive experience in the banking and finance sectors having spent four decades working for Barclays Bank in various senior leadership roles in the UK and overseas. Kevin retired from Barclays Bank in 2020 and his last role was as CEO and Board member of Barclays European subsidiary, as well as being a member of the Barclays Bank PLC executive committee.

Appointed to the Board of Wessex Water Services Limited in January 2021, Kevin was appointed chair of the Audit and Risk committee in January 2026, and is a member of the Health and Safety, Environment and Public Value, Remuneration and Nomination committee, as well as chairing the Pension Trustees Board.

Kevin also acts as board observer at Zero Gravity (an online educational platform), is INED and chair of Freemarket Ireland (a payments provider) and an INED on the boards of AIB UK (a bank) and The Character Group (a toy distributor).

Kevin was previously a Non-Executive Director for Which? Limited and the Business Growth Fund. He also served as a Trustee Director for the Barclays Pension Fund.

Tim Gardam CBE – Independent Non-Executive Director

Tim's career began in broadcasting at the BBC where he was Editor of Newsnight, Panorama, and Head of Current Affairs Programmes. He then went on to executive roles at Channel 5 and Channel 4 TV. Tim has held several senior roles across a variety of commercial, regulated and consumer sectors.

Appointed to the board of Wessex Water Services Limited in January 2020, Tim is a member of the audit and risk and nomination committees. He is also a member of the Environment and Public Value Committee. In 2021, Tim was appointed Chair of the Health and Safety Committee.

Tim was previously the Chair of the Consumers Association (Which?). He was also a non-executive member of the Ofcom board from 2008 to 2015. Tim was also the Principal of St Anne's College at the University of Oxford from 2004 to 2016. Tim was most recently the Chief Executive of the Nuffield Foundation from 2016 to 2024. He is a member of the Council of the University of Birmingham and the Arts and Humanities Research Council at UKRI.

Sarah Hendry CBE – Independent Non-Executive Director

Sarah has over thirty-five years of experience in environmental, land use and public health policy. As a former senior civil servant, she worked in the Department for Environment, Food and Rural Affairs, Cabinet Office and Department of Health.

She was involved in negotiating, developing and implementing national, European and international policies on water, flooding, climate change, global health, the rural economy, farming, forestry and land use. From 2018 to 2024, Sarah was Director General of the Country Land and Business Association, representing 26,000 rural businesses.

Appointed to the board of Wessex Water Services Limited in January 2025, Sarah chairs the Environment and Public Value committee and is a member of the Audit and Risk committee. She is also the Non-Executive Chair of the UK Water Partnership, Co-Chair of trustees at the Earth Trust (an environmental charity in Oxfordshire) and a member of the advisory committee of Holkham National Nature Reserve.

Non-Executive Director & Shareholder Non-Executive Directors

David Barclay – Non-Executive Director

With over 30 years of experience in the city, David has an in-depth knowledge of corporate finance and corporate governance. David has held directorships in a wide variety of sectors, including engineering, construction, retail and investment management. He was previously Deputy Chairman of the John Lewis Partnership, Deputy Chairman of The British Library, and Chairman of The Maudsley Charity.

David assisted YTL Corporation with its acquisition of Wessex Water in 2002 and since then has been a director of Wessex Water Services Limited. David is also a director of Wessex Water Limited (the holding company for Wessex Water Services), YTL Land and Property (UK) Limited, and YTL Utilities (UK) Limited, the holding company for YTL's principal UK businesses. He also chairs the YTL UK Audit Committee.

Hong Yeoh – Shareholder Non-Executive Director

Hong is the Managing Director of YTL Power International Berhad (YTLPI), the parent company of Wessex Water. He has been an Executive Director of YTLPI’s parent company, YTL Corporation Berhad, Malaysia since 1985 and spearheads the group’s investments in utilities, infrastructure and digital businesses. He is also the Managing Director of the YTL Group’s construction and telecommunications divisions.

Hong has been a director of Wessex Water Services Limited since May 2002, a member of the nomination committee and also chairs the remuneration committee. He is also a trustee of the YTL Foundation.

Mark Yeoh – Shareholder Non-Executive Director

Mark is the Executive Director responsible for the YTL Hotels and Resorts division. He was appointed to the board of Wessex Water Services Limited in July 2003 and is a member of the remuneration committee. He joined the YTL Group in 1989 and serves on the board of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, and YTL Cement Berhad.

Mark is also an Executive Director and Chief Executive Officer of Pintar Projek Sdn Bhd, the manager of YTL Hospitality REIT. He graduated from King's College, University of London with an LLB (Hons) and was subsequently called to the bar at Gray's Inn, London in 1988. He became a fellow of King's College London in July 2014.

Hann Yeoh – Shareholder Non-Executive Director

Hann heads the investments, digital and infrastructure portfolio of the YTL Power Group.

A graduate of Oxford University with a Master of Engineering Science, Hann also sits on the board of YTL PowerSeraya Pte Limited in Singapore and is the President Director of Tanjong Jati Power Company in Indonesia. Hann led the team that set up Geneco (now Singapore's largest energy retailer), YTL Data Centres, YTL AI Cloud – an Nvidia Cloud Partner supplying GPU compute, and Ryt Bank, The World's First AI-Powered Bank.

He was recognised as a Young Global Leader by the World Economic Forum in 2022 and represents Malaysia on the APEC Business Advisory Council. He has been a Director of Wessex Water Services Limited since August 2012.

Board leadership, transparency, and governance – the Ofwat Objectives (and supporting provisions)

We explain below how we meet the Ofwat Objectives and supporting principles on Board leadership, transparency and governance as published by Ofwat in January 2019.

Ofwat Objective 1 - Purpose, values, and culture

The Board establishes the company's purpose, strategy, and values, and is satisfied that these and its culture reflect the needs of all those it serves.

The Board has full responsibility for all aspects of the Company's business, and is responsible for establishing the purpose, aims, strategy, values, and culture of the Company for the long term. The Company spends time considering and reviewing its purpose, aims and strategy. This is to ensure that the Company continues to meet the demands of all stakeholders.

The Company's purpose is '**To support our customers' health and wellbeing and enhance the environment and the diverse communities we serve'**. The long-term plan for delivery of the Company's purpose is set out in the revised Strategic Direction Statement which can be found here with eight key outcomes.

Outcome	Aim
Safe and reliable water supply	100% quality compliance, always Zero interruptions of longer than three hours
Effective sewerage service	Halve the impact of sewer flooding
Affordable bills	Zero water poverty
Exceptional customer experience	Be a top 10 customer service provider in the UK
Sustainable abstraction	Never harm the health of the water environment through our abstraction
Great river and coastal water quality	To restore the quality of our rivers and coastal waters
Net zero carbon	Be a net zero carbon business by 2040
Increased biodiversity	Double our contribution to the region's biodiversity

The purpose, aims, strategy, values, and culture of the Company are developed and promoted through continuous engagement with wider stakeholders, including customers, community and interest groups, employees, and regulators. The Company has mechanisms through which stakeholder interests can be represented and changing societal pressures can be understood by the Board, including the Independent Challenge Group, the PR24 working group, and the Environment and Public Value Committee, the role, and responsibilities of which are described further in this report.

Additional information about the range of stakeholder engagement that has informed and influenced the aspirations of the Board is contained in the Strategic Report on pages 2 to 84. Through this approach the Board ensures that the Company's vision, which encompasses its purpose, values, and culture, aims and strategy to deliver, are aligned to ensure the Company performs and delivers for all that it serves.

The Company maintains its formal policy on business ethics. Directors and employees are expected to commit to the highest standards of professional and ethical conduct to protect the Company's reputation and standing. Unethical behaviour, bribery and corruption are not tolerated. All Directors and employees are made aware of the Company's policy and that breaching it will result in disciplinary action.

The Board's processes ensure that the proposals contained within the current and proposed five–year business plans are consistent with its vision, aims and strategy for the long term. The activities of the Board that enable it to be satisfied that the business plan is consistent with its long-term vision for the Company are set out within the Strategic Direction Statement which is available on the Company's website. The Company actively canvasses for longer-term Outcome Based Environmental Regulation to enable society to pay less for more environmental improvements, empowering the water sector to make its contribution to the Government's 25-year Environment Plan. The Board continues to engage with the Company's regulators to encourage this more holistic approach to regulatory performance outcomes beyond a long-term period to encourage sustained outcomes.

The Board Given has set out a well-established statement of the Company's social purpose, defining the Company's wider role in addressing the long-term challenges faced by society, through delivering a better environment, supporting the communities we serve, being a great place to work, and contributing to the growth of the UK economy. This is overseen by the Environment and Public Value Committee

The Board monitors and assesses the values and culture of the business to satisfy itself that behaviours are aligned with the Company's purpose and values on an ongoing basis. It does so by monitoring the performance of the business against its key targets. It also seeks out the views and experiences of customers, key stakeholders, and employees. The Board has an established Independent Challenge Group that works with customers and experts to help inform strategy, policy and delivery. The Board also takes account of independent assessments of the Company's commitment to customer service excellence by achieving both the government's Customer Service Excellence accreditation and the Institute of Customer Service 'Service Mark' accreditation and Trustpilot reviews. Key stakeholders are engaged through a variety of means, from funding water guardians, working with organisations such as Citizens Advice or liaising with over 300 partners through our "Partner Hub". Employees' views are canvassed through regular surveys and by giving further opportunities for instant feedback. Where there is evidence that behaviours are misaligned with the Company's purpose and values, the Board acts, through the Executive and Management, to correct this. Further details are included in the Strategic Report on pages 2 to 84.

The Company has clear values and behaviours for its employees to follow and actively publicises to all its employees a whistleblowing ("Raising a Concern") policy for reporting instances of wrongdoing or inappropriate activity across all areas of business, including behaviours, water regulation, health and safety, bribery, corruption, and fraud. All 'Raising a Concern' reports are treated on a strictly confidential basis whether from internal or external sources. Issues of whistleblowing are brought to the attention of the Audit and Risk Committee.

Ofwat Objective 2 - Standalone regulated company

The regulated company has an effective Board with full responsibility for all aspects of the regulated company's business for the long term.

The Board is fully focused on and has full responsibility for the activities of the Company and is responsible and accountable for setting, implementing, and supporting the Company's purpose, strategy, aims, values, and culture. The Board is satisfied that this objective is met, and the Board takes full responsibility for all aspects of the Company's business for the long term. The Board composition and details of career backgrounds, relevant skills, Committee membership and tenure is set out in the individual biographies on pages 86 to 90.

The Board sets the strategy, oversees its delivery, and maintains the highest standards of governance. The Board also ensures that, in making its decisions, these create sustainable, long-term value for the Company's stakeholders. The Board has ultimate responsibility for risk management and determines the appropriate risk appetite based on a balanced assessment of all risks including safety, operational, financial, and strategic. The Board is supported by both the Audit and Risk Committee and the Health and Safety Committee, from which it receives regular updates and reports.

To manage risk, the Board and its Committees assess the integrity of information and whether controls and systems of risk management are robust and defensible. The Board requires management to identify, assess and report the impact of risks to enable the Board to effectively monitor and approve any decisions affecting the Company's risk profile. An explanation of principal risks, and our approach to mitigating these risks, is provided on pages 134 to 150.

The Chair leads the Board and ensures that all items are discussed openly and that all Directors have the opportunity to express their views. The Board meets at least six times each year.

The principal duties of the Board and the matters reserved for its decision are fully documented and published on the Company's website. The Board is responsible for strategy; charges; material changes to the Company's management and control structure; Board appointments; approval of material contracts; risk management; health and safety; disposal and acquisition of material assets; asset management; approval of the annual operating budgets; employee pension arrangements; significant changes in accounting policies; and the defence and settlement of material litigation. During the year, the Board received detailed reports from Executive Directors on all aspects of the Company's business and finances. There are regular updates on health and safety, customer service, operational performance, management of key business risks, the investment programme, and regulatory matters. During the year, the PR24 working group spent significant time considering and reviewing the approach and content of the business planning for AMP8, including in the context of Ofwat's draft determination and final determination and re-determination by the CMA, with the full Board being kept fully apprised of, and participating in, this process. .

There are no matters specifically reserved to the shareholder. In practice the Board operates (and has operated continuously for more than a decade) without the requirement for shareholder resolutions. As part of its responsibility for the management of risk, the Board has determined criteria which control the extent of dividends paid and consequently the financial gearing of the Company. As with all Board decision making, these criteria were determined with the active involvement of the Independent Non-Executive Directors. These criteria are set out in the notes to the accounts. The Board also annually reviews and approves the Company's framework for control of the Company's affairs detailing the effective management of the Company and granting delegated powers and authorisations.

In line with good governance, the Board delegates certain roles and responsibilities to its committees. All Board Committees report to the Board and, where required, final decisions are taken by the Board. The Independent Non-Executive Directors, led by the Deputy Chairman, form, or participate in the various Board Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on specific activities, reporting to the Board on decisions and actions taken and making recommendations to the Board. The Terms of Reference of each of the Board Committees are regularly reviewed and published on the Company's website.

The Board ensures that Directors (and in particular the Independent Non-Executive Directors) have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors. The Board also ensures that the Committees are provided with sufficient resources to undertake their duties.

If Directors have concerns about the running of the Company or a proposed action which cannot be resolved, they are encouraged to ensure that their concerns are recorded in the Board minutes and the Independent Non-Executive Directors are encouraged, on resignation, to provide a written statement to the Chairman highlighting any such concerns.

The Company arranges appropriate Directors' and Officers' insurance against the usual legal risks faced through holding office.

Ofwat Objective 3 - Board leadership and transparency

The Board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions.

The Board is satisfied that its leadership of the Company including its transparency and accountability satisfies this objective.

Details of the Company's group structure can be found on page 103 to 104. Details of the Board Committees, including membership, number of meetings, and attendance are set out in the Committee reports on pages 107 to 133.

The Company's dividend policy and detail on dividends paid during the year are set out in the Notes to the Non-statutory financial statements on page 190. Details of the Company's executive pay policy can be found on page 121.

The Board is also responsible for the management of risk. The principal risks to the Company and how these have been considered and addressed can be found in the Strategic Report on pages 134 to 150.

The Company looks to ensure that it publishes information for its customers and stakeholders in a form that is clear and easily accessible.

Ofwat Objective 4 - Board structure and effectiveness

The Boards and their Committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

The Board is satisfied that this objective is met.

The following were Directors during the year under review:

Independent Non-Executive Directors	Executive Directors	Non-Executive Director	Shareholder Non-Executive Directors
Jim McKenna (Deputy Chairman)	Ruth Jefferson (Chief Executive)	David Barclay	Francis Yeoh (Chair)
Kate Mingay	Andy Pymer		Hong Yeoh
Tim Gardam			Hann Yeoh
Kevin Wall			Mark Yeoh
Sarah Hendry			

The Company carefully considers its Board composition and there are currently five Independent Non-Executive Directors on the Board. This makes the Independent Non-Executive Directors the single largest group on the Board and ensures that wider group or shareholder interests are not able to override independent judgment and/or dominate decision-making. The Independent Non-Executive Directors bring extensive knowledge and experience to the Board.

In addition to the Independent Non-Executive Directors, there are two Executive Directors. The Executive Directors have significant experience in the water sector. One experienced former Independent Director is also appointed as a Non-Executive Director: David Barclay was our former Senior Independent Director, and the Board makes full use of his individual professional expertise.

Four further Non-Executive Directors are appointed by the Company's sole shareholder, including the Chair and Kathleen Chew as an alternate director for Hann Yeoh, Hong Yeoh and Mark Yeoh.

The collective experience of the Directors and the diverse skills and experience they possess ensures that the Board makes decisions in a balanced way. The Board considers that its current composition ensures an appropriate balance of skills, experience, independence, and knowledge so that no individual or small group of individuals can dominate the Board's decision taking. Details of the Board's skills and experience can be found in the Director's biographies on pages 86 to 90 and are summarised below:

		Utility experience	Financial	Regulatory	Customer	Public Affairs/Policy	Environment	Technology	Infrastructure / Capital Delivery	Commercial	Tranformational Change
Chair	Francis Yeoh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Non-Executive Directo	Jim McKenna	✓	✓	✓	✓	✓		✓	✓	✓	✓
	Kate Mingay		✓	✓		✓			✓	✓	
	Tim Gardam			✓	✓	✓				✓	✓
	Kevin Wall		✓	✓	✓	✓				✓	✓
	Sarah Hendry			✓	✓	✓	✓			✓	✓
Directors	Ruth Jefferson	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Andy Pymer	✓	✓	✓	✓	✓	✓		✓	✓	✓
Non-Executive Director	David Barclay		✓			✓				✓	✓
Shareholder Non-Executive Directors	Hong Yeoh	✓	✓	✓	✓		✓	✓	✓	✓	
	Mark Yeoh	✓	✓	✓	✓		✓	✓	✓	✓	
	Hann Yeoh	✓	✓	✓	✓		✓	✓	✓	✓	

The Independent Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. The Independent Non-Executive Directors have direct access to senior management and contact with the wider business is always encouraged to ensure a deeper understanding of the Company's operations and activities.

The search for Board candidates is led by the Nomination Committee, and appointments and re-appointments are made by the Board on merit, against objective criteria, with due regard to the benefits of diversity on the Board (including diversity of skills, experience, ethnicity, and gender). Before any formal appointment, new Independent Non-Executive Directors meet with Ofwat to ensure that there is a clear understanding of the responsibilities attached to being a non-executive director in this sector. All directors receive induction training on joining the Board and regularly update and refresh their skills and knowledge, including by spending time with the business and attending site visits.

Chair

Throughout the financial year under review Francis Yeoh was the Company's Chair. The Chair was not independent of investors on appointment; however, this appointment is considered to be appropriate given the Company is a private company with a single shareholder. Whilst not independent, the Chair has demonstrated objective judgment throughout his tenure, and the Board is satisfied that the Chair leads the Board in a way that encourages all Directors to participate fully in Board discussions. The Board and its Committees have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

To ensure there is an independent link with regulators that is separate from management or the shareholder, Jim McKenna is the nominated point of contact. Jim was appointed Senior Independent Director in November 2020; he has spent a significant amount of time developing that relationship with Ofwat and other regulators. In 2024 Jim was appointed Deputy Chairman, a role that remains independent and separate from management and the shareholder and in which he will continue to act as the relevant point of contact.

The Chair promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors, in particular ensuring constructive relations between Executive and Non-Executive Directors and ensuring effective communication with the Company's shareholder. Board agendas are agreed in consultation with other Directors and the Company Secretary. By way of exception to the general governance provisions, the Chair does not have formal meetings with Non-Executive Directors but has informal meetings and discussions on an ongoing basis.

The Chair is responsible for ensuring that Directors receive accurate, timely and clear information. Any Director or the Company Secretary may request an item be included on the agenda.

Deputy Chairman

Jim McKenna is the Board's independent Deputy Chairman. Jim is a member of all Board Committees and is responsible for leading the annual review of Board performance. As Deputy Chairman, Jim would chair Board meetings if the Chair were unavailable. Additionally, his role is to act as a sounding board for the Chair and to serve as an intermediary for the other Directors, when necessary, as well as an additional point of contact for the shareholder and other stakeholders. By way of exception to general governance provisions, the performance of the Chair is incorporated within the Board effectiveness review, rather than led by the Deputy Chairman. The Company believes this approach, which results in a range of feedback, provides a more robust and well-rounded performance review.

As independent Deputy Chairman Jim continues to provide an independent link to Ofwat, our regulator as he did in the role of Senior Independent Director.

Independent Non-Executive Directors

The Company's Independent Non-Executive Directors are appointed from a range of different backgrounds to bring to the Board an appropriate balance of skills, external experience, and knowledge. Details of their skills and experience can be found in their biographies on pages 86 to 90 and in the Board skills matrix on page 96.

The Independent Non-Executive Directors, as the single largest group on the Board, provide independent thought and challenge to the Board's decision making. The Board has reviewed their status and confirmed their independence. In particular, the Board considers these Directors to be independent in character and judgement. The Board is not aware of any relationships or circumstances which are likely to affect, or could appear to affect, any Independent Non-Executive Director's judgement.

Independent Non-Executive Directors are appointed following a formal process led by the Nomination Committee. Independent Non-Executive Directors are required to meet with Ofwat prior to appointment and are appointed with the agreement of the Company's shareholder, for an initial three-year term (subject to statutory provisions relating to removal) that may be extended.

Any term beyond six years for an Independent Non-Executive Director is subject to particularly rigorous review and considers the need for progressive refreshing of the Board, balanced against the requirement for skills, experience, independence and knowledge. Continuity of appointment of some Independent Non-Executive Directors between price reviews is desirable to facilitate scrutiny of Company performance against its business plan. The Board has determined that the Independent Non-Executive Directors are independent for the purposes of the governance requirements.

Independent Non-Executive Director	Appointed	Current term expires
Jim McKenna	3 June 2019	2 June 2027
Kate Mingay	3 June 2019	27 July 2026
Tim Gardam	27 January 2020	26 January 2027
Kevin Wall	25 January 2021	25 January 2027
Sarah Hendry	27 January 2025	25 January 2028

All Independent Non-Executive Directors and David Barclay as a Non-Executive Director are appointed on written terms of engagement setting the time commitments and standards required of them. Non-Executive Directors representing the Company's sole shareholder do not have formal terms of appointment and receive no payments from the Company.

Induction programmes are designed and arranged for all new Directors to familiarise themselves with the Company's governance arrangements, business, regulatory framework, culture, and values. The induction programme includes introductory meetings with all Executive and Non-Executive Directors, the Company Secretary, and senior managers across the Company's business. As part of the induction programme, new Independent Non-Executive Directors visit the Company's principal offices and operational sites, including the Company's Scientific Centre and the Company's billing and customer services operations. In addition, any new Independent Non-Executive Directors meet with Ofwat prior to formal appointments being made.

The training and development needs of the Directors are reviewed annually by the Senior Independent Director (and not the Chair). This allows closer assessment of need and, where relevant, all Directors are offered the opportunity to complete online training alongside the business.

Board meetings

The Board meets a minimum of six times a year at approximately bi-monthly intervals, which is considered sufficiently regular to enable the Board to discharge its duties effectively. It may meet on such further occasions as required. The Board held six meetings during the year. The Board received regular reports on health and safety performance, business and financial performance, regulatory issues, employee issues and the management of key business risks. The Board also considered all key matters related to PR24 and the related re-determination carried out by the CMA. As a private company with a single shareholder, the Company does not consider it necessary to hold Annual General Meetings. Attendance by individual Directors at scheduled meetings of the Board and Committees during the financial year under review was as follows:

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Environment and Public Value Committee	Health and Safety Committee
Francis Yeoh	6/6		1/1			
Ruth Jefferson	6/6				3/3	4/4
David Barclay	6/6		1/1			4/4
Andy Pymer	6/6					
Jim McKenna	6/6	4/5	1/1	1/1	3/3	4/4
Kate Mingay	6/6	5/5	1/1	1/1	2/3	
Tim Gardam	6/6	5/5	1/1	1/1	3/3	4/4
Kevin Wall	6/6	4/5	1/1	1/1	2/3	3/4
Sarah Hendry	6/6	5/5			3/3	
Hong Yeoh	6/6		1/1	1/1		
Mark Yeoh	6/6			1/1		
Hann Yeoh	5/6					
Kathleen Chew (alternate)	0/0					

Company Secretary

All Directors have access to the Company Secretary and the Company's internal solicitors. The Company Secretary's responsibilities include ensuring good information flows within the

Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary is responsible for ensuring that the Company's delegated authority and Board procedures are followed and for advising on suggested changes.

Stephen Lavington was appointed as Company Secretary in 2024. As Company Secretary his role is to provide legal and regulatory advice as required by the Board or any Director and he is responsible for advising the Board through the Chair on governance matters. The Board is kept informed of major changes to law and regulation affecting the Company's business. The Company Secretary also advises on Directors' duties and conflicts. All Directors are aware that any conflicts of interest must be reported to and registered with the Company Secretary.

Board Committees and Advisory Panels

Five formal Board Committees operated throughout the financial year under review:

- Audit and Risk Committee
- Health and Safety Committee
- Remuneration Committee
- Nomination Committee
- Environment and Public Value Committee

These Committees operate under the authority of the Board and assist the Board in carrying out its duties. The Committees have the appropriate balance of skills, experience, independence, and knowledge of the Company. The Committees report to the Board on decisions and actions taken together with any specific recommendations. Where necessary, final decisions are taken by the Board.

Reports from the Chair of each of the Committees, including details of membership and attendance, are set out on pages 107 to 133. There is a majority of Independent Non-Executive Directors on the Board Committees. The Nomination Committee and Remuneration Committee are chaired by the Chair and a shareholder Director respectively. The Board considers this to be appropriate in the context of the Company's ownership structure.

The Health and Safety Committee is also supported by an Advisory Board.

The Board also receives reports from the Independent Challenge Group, as part of the Company's commitment to stakeholder engagement.

The Independent Challenge Group includes our key organisational stakeholders and experts, scrutinises, and assesses the Company's delivery against customer related outcomes and performance commitments. The Group is independently chaired by David Osborne. An Independent Director attends most meetings.

The Board also formed a PR24 Working Group attended by the Independent Non-Executive Directors, the Non-Executive Director, and Executive Directors. The Working Group met several times throughout the year to consider matters relating to the CMA redetermination. A working group, comprised of the non-executive directors, met under the name of the Performance Committee to give detailed consideration to specific operational matters (including in respect of compliance issues) as required by the Board.

Board, Committee and Director Performance

The Board reviews its own performance and the performance of its Committees, the Chair and the Independent Non-Executive Directors, annually. The performance of the Executive Directors is appraised by the Chief Executive. Generally, the Board will engage the services of an independent external consultant at least one year in three to review its effectiveness.

For the financial year under review, the Board evaluation was facilitated by Professor Giovanna Michelon (a specialist in corporate governance and social and environmental accounting and reporting). Professor Michelon assessed the Board's effectiveness in collectively working for the long-term success of the Company and fulfilling its three key roles of setting the strategic direction of the Company, monitoring management performance and providing support and advice. The Board evaluation was performed using a questionnaire-based survey, sent to the entire Board, as well as in-depth interviews with selected Board members.

Professor Michelon's report concluded that the Board is a highly effective, well-functioning decision-making body, with strong awareness of the key internal and external challenges facing the Company, as well as a balanced understanding of its own strengths and areas for reflection. The 2022/23 evaluation had described a Board that was operating effectively while navigating a period of change, with particular emphasis on succession as a strategic sensitivity. Professor Michelon's review suggests that the Board has continued to operate effectively through a changing external environment and a significant leadership transition.

Professor Michelon also noted the following:

1. **Purpose and leadership**: Directors were strongly aligned around the Company's purpose and long-term direction with positive recognition of the Chief Executive's leadership voice as a driver of change. The PR24 process had provided a concrete example of the Board translating purpose and values into action and judgment, with positive leadership and engagement. There was scope for clearer and more consistent expression of the Company's vision, to facilitate understanding across the organisation.
2. **Governance characteristics**: Directors perceived a constructive working environment, with clear role understanding and a strong sense of mutual respect and professionalism. It was recognised that a great deal of scrutiny and debate took place in the various Committees which were seen as well structured, with overlapping membership helping cross-fertilisation and joined up oversight. The effectiveness of the Deputy Chair was particularly noted. There could be opportunity for greater structure around processes such as Director induction and professional development in order to support sustained effectiveness.
3. **Financial reporting and risk management**: There was strong confidence in the integrity of financial reporting and the robustness of assurance processes and controls. The Audit and Risk Committee was viewed as effective and supported by strong papers and good-quality internal and external inputs. There was a positive direction of travel in risk analysis, important in the context of an evolving risk landscape, and this should continue to develop, particularly in enhancing focused risk oversight and ensuring an appropriate depth of risk oversight.
4. **Strategic guidance and monitoring**: The Directors regarded the Board as effective and well-informed with good understanding of the core business and constructive engagement with executive management. Given the evolution of the wider Group

structure it was important for the implications of group decisions and arrangements to be clearly understood by the Board.

5. **Stakeholder engagement**: There was broad alignment between the Directors that stakeholder considerations were represented in Board thinking and discussion, with recognition that public trust and external scrutiny were crucial factors for the business.

Overall, the evaluation did not raise any significant concerns. Directors were conscious of the challenges facing the sector (including heightened public scrutiny, evolving regulatory expectations, environmental performance pressures, financial pressures, and delivery demands) and considered the Board well equipped to navigate these challenges. There were opportunities for development in a number of areas. In particular there was potential value in review of arrangements for Director induction and professional development as well as ongoing progress with structured succession processes – including active consideration of the skills and capability mix in the Board.

Directors' remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on page 119 to 133.

Directors' interests and conflicts

The Board has a formal approach to conflicts of interest by including its conflicts within the business ethics policy. This policy covers both employee and Board conflicts and enables Directors and employees to identify, report and manage such conflicts. Directors are aware of the requirement to disclose interests in contracts with the Company and any conflicts of interest are recorded by the Company Secretary. Any new interests or conflicts were disclosed and recorded during the year.

Duty to Prevent Fraud

The Company has a clear Business Ethics Policy that outlines its ethics and values, supported by our Raising a Concern policy and a governance framework to control and monitor key fraud risk areas. The Company has a zero-tolerance policy for any inappropriate behaviour.

A full risk assessment with control assessment is undertaken each year covering fraud, bribery and criminal tax evasion and is reported to the Audit and Risk Committee annually, This risk assessment informs our control framework and resultant internal audit activity.

Examples of the controls in place, include (but are not limited to):

- processes to ensure compliance with Ofwat's rule on fitness and propriety as it applies to Directors of the Company.
- Employee and supplier vetting processes.
- External independent technical audit assurance on regulatory information published in line with our information assurance manual. This confirms the regulatory performance reported and on which any regulatory performance payment mechanisms would be triggered.
- Standard operating procedures, in particular controls over operational data in the public domain.

- Audit and assurance over charging arrangements.
- Wider approval and validation processes over transactions and decisions, across all lines of defence.
- Procurement rules and requirements aligned to the requirements of the Procurement Act 2023. These requirements include supplier vetting, use of accredited tendering systems, rules over tender extension, designated access to tender opening.
- Delegated authority register.
- A rigorous tax regime including monitoring controls over VAT (in particular measured/unmeasured household and non-household customer bills, compensation payments, and MOSL market settlement arrangements).
- Financial controls over supplier payments and applications for payment.
- Financial controls over income and payments. In particular payments over £10,000; one-off payments; and/or overseas payments are subject to additional checks.
- Training and awareness over anti-competitive behaviour, financial crime (incorporating fraud, money laundering, corruption, theft, bribery, tax evasion).
- A Raising a Concern whistleblowing process which investigates all issues raised.
- A gifts, hospitality and conflicts of interest register.

Procurement

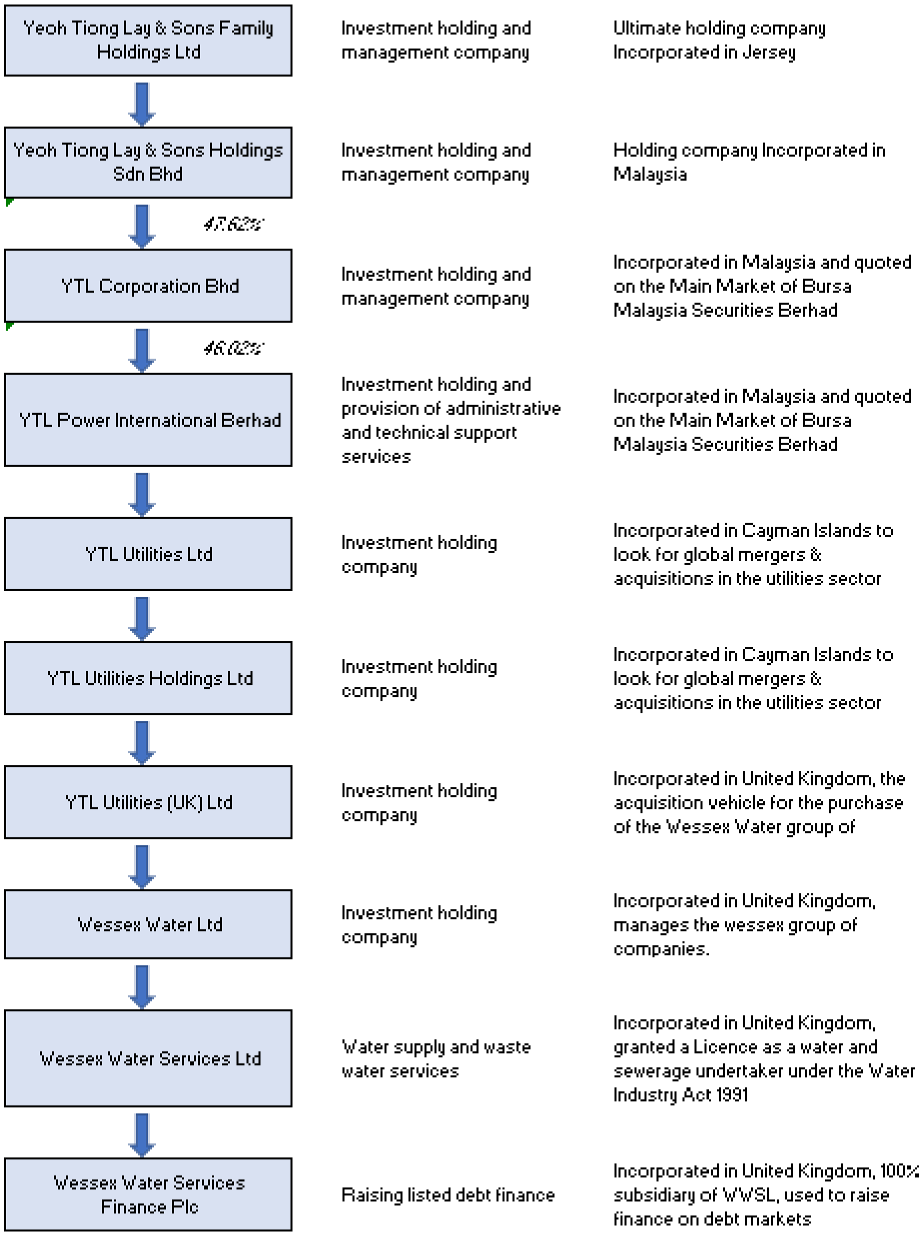
The Company has in place procurement rules that ensure awards of contracts for works, services and supplies are made in compliance with the Utilities Contracts Regulations 2016 or, for contracts below the relevant thresholds, in accordance with clear internal rules. The rules promote fair competition for potential suppliers. All relevant staff are required to certify to internal audit that throughout the year they have complied with the rules or disclose any non-compliance. No material instances of non-compliance were recorded during the year.

Group structure

The Company's pre-penultimate holding company is a Malaysian company, YTL Corporation Berhad, that is listed on the main market of Bursa Malaysia Securities Berhad. It addresses the Holdco Principles as described in the paragraphs below.

Ofwat's published document Board Leadership, Transparency and Governance – Holding Company Principles sets out the principles it expects the holding companies of a regulated water company to follow to demonstrate adherence to the highest standards of governance, particularly in its interaction with a regulated water company. The Holding Company Principles build upon and supplement the Company's licence provisions dealing with its relationship with its owners.

A diagrammatic representation of the Group's structure appears on the next page showing ownership of the regulated company through to the ultimate holding company and each company's country of incorporation and role in the structure. YTL Corporation Berhad at 31 March 2026 was 52.38% owned by third-party shareholders and 47.62% owned by Yeoh Tiong Lay & Sons Family Holdings Limited.



The following Directors of the Company are also Directors of the Group companies above:

- David Barclay is a Director of Wessex Water Limited and YTL Utilities (UK) Limited.
- Francis Yeoh, Hong Yeoh and Mark Yeoh are Directors of Wessex Water Limited, YTL Utilities (UK) Limited, YTL Utilities Limited, YTL Power International Berhad and YTL Corporation Berhad. Hann Yeoh is a Director of YTL Utilities Holdings Limited.

YTL Corporation Berhad's consolidated debt and equity are shown in its annual accounts available on the YTL Corporation website. The Company has no borrowings with other Group companies.

The Company operates independently. There are no matters specifically reserved to the shareholder. In practice the Board operates (and has operated continuously for more than a decade) without the requirement for shareholder resolutions. A list of those Directors of the Company who also hold office within the Group structure appears above. Disclosure of the interests of such Directors has been made to the Company.

Governance of YTL Corporation Berhad is in accordance with the requirements of Bursa Malaysia and corporate law in Malaysia which include a requirement to publish statements in its annual accounts on corporate governance, risk, risk management and internal control and the workings of its audit Committee.

YTL Corporation Berhad and YTL Power International Berhad gave undertakings to Ofwat in 2002 upon the acquisition of the Company that they and their subsidiaries would comply with the requirements of Licence Condition P. The Condition P undertaking provides that:

- they would give the Company all information as may be necessary to enable the Company to comply with the conditions of its appointments as a water and sewerage undertaker; and
- to refrain from any action which would cause or may cause the company to breach any of its obligations under the Water Industry Act or the conditions of its Licence.

YTL Corporation Berhad has confirmed that it:

- fully understands the duties and obligations of the Company arising under statute and its Licence;
- is aware of and is complying with the obligations of Condition P of its Licence;
- discharges these obligations by various means including through its knowledge of the terms of the Licence, the appointments of shareholder directors to the Board of the Company and their involvement in the affairs of the Company and the advice of its UK corporate lawyers;
- will provide the Company with the information it legitimately needs to assure itself that it is not at risk from activities elsewhere in the YTL Group;
- will identify and disclose to the Company promptly in writing any issues, if such should arise, within the YTL Group which may materially impact upon the Company for publication on the Company's website or disclosure in its annual report any relevant announcements made on Bursa Malaysia;
- will facilitate, so far as it is reasonably able, compliance with the Company's corporate governance arrangements; and
- will support the Company's decision-making processes so that it can make strategic and sustainable decisions in the interests of the Company for the long term.

Compliance with the Wates Principles

The Board considers that it complies with the Wates Principles, through the corporate governance arrangements described in detail above.

Principle One – Purpose and leadership

An effective Board develops and promotes the purpose of the Company, and ensures that its values, strategy, and culture align with that purpose.

The Company sets out its compliance with Ofwat Objective 1 on pages 91 to 92.

Principle Two – Board composition

Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience, and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the Company.

The Company sets out its compliance with Ofwat Objective 4 on pages 95 to 106.

Principle Three – Director responsibilities

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

The Company has clear corporate governance practices in place, with clear lines of accountability and responsibility as set out under Ofwat Objective 2 on pages 93 and 94. Details of the Board Committees are set out in the comments on Ofwat Objective 4 on pages 95 to 106.

Principle Four – Opportunity and risk

A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Company is a long-term business and ensuring its long-term sustainable success underpins the work of the Board and its Committees. The Board's approach to oversight of the identification and mitigation of risks can be found on pages 91 to 92 set out under Ofwat Objective 1 and also in the Strategic Report on pages 2 to 84.

Principle Five – Remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, considering pay and conditions elsewhere in the company.

A detailed explanation of the Company's executive pay policy is provided in the Remuneration Committee Report on pages 119 to 133.

Principle Six – Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the Company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Details of the Company's stakeholder engagement are set out under Ofwat Objective 1 on pages 91 to 92 and in the s172 statement on pages 74 to 84.

Audit and Risk Committee Report

The Audit and Risk Committee comprises five independent Non-Executive Directors of the Board. The Chair of the Board is not a member of the Audit and Risk Committee preserving the independence of the Committee. The Committee is independently led.

The Board is satisfied that each of the Committee members is appropriately independent, qualified, and experienced to fulfil their role including that of our longest serving non-executive.

Audit and Risk Committee Members' Attendance

Audit and Risk Committee Attendance		Length of Committee Service
Kevin Wall (Chair)	4/5	5 years 2 months
Kate Mingay	5/5	6 years 10 months
Jim McKenna	4/5	6 years 10 months
Tim Gardam	5/5	6 years 2 months
Sarah Hendry	5/5	1 year 2 months

During the year the Finance Director, Director of Strategy and Regulation; the Director of Engineering and Asset Management, Head of Risk and Investment; the Group Financial Controller, and the Group Audit Director regularly attended and/or presented at meetings of the Committee. Our external auditors, Ernst & Young LLP, are invited to all meetings. Other senior management, our external technical auditors and the Independent Challenge Group representatives are invited to attend as required. The members of the Committee receive updates on financial reporting, the regulatory framework and performance throughout each financial year from Ernst & Young LLP and other sources, as appropriate.

Liaison with Other Committees and Working Groups

The Audit and Risk Committee works closely with and updates the Health and Safety Board Committee as required, with an overlap in committee membership. Updates on assurance activities regarding health and safety are updated to both Committees operating with a clear interface, ensuring that both Committees can discharge their duties as outlined in their terms of reference.

The Audit and Risk Committee has worked closely with all Committees and in particular the Health and Safety Committee to provide direction and input into the management of health, safety and welfare risk.

Role of the Committee

The Audit and Risk Committee's work is typically focused on:

- monitoring the integrity of the financial statements and any formal announcements of the Company's financial performance;
- overseeing the Company's financial reporting processes and accounting policies;
- providing advice to the Board on whether the annual report and accounts are fair, balanced, and understandable in relation to the company strategy and performance;
- reporting to and providing advice to the Board on approval of regulatory submissions;
- ensuring that the Company has adequate internal controls and that they are appropriately reviewed and implemented;
- reviewing and agreeing the annual internal audit programme, the monitoring of internal audit progress and the respective reports and actions. Overseeing the internal and external audit programmes and monitoring the effectiveness of the Internal Audit function and the performance of the external auditors;
- ensuring compliance with the regulatory reporting obligations of the Company, including the Risk and Compliance Statement and the Company's performance commitments;
- detailed independent consideration of the half year results, the Annual Review documents incorporating the Annual Performance Report prior to the Board's approval;
- consideration of the material subjective assessments within financial reporting to ensure that the Company's treatment of these matters is properly addressed within the Company's financial statements;
- reviewing and agreeing the Company's approach to risk appetite and tolerance, and providing advice to the Board on the same; and
- receiving reports from investigations arising from our Raising a Concern policy.

Report on this year's activity

The Audit and Risk Committee met five times in the financial year under review, reporting their work to the Board. The Committee has had a full agenda again this financial year, discussing items beyond the wide range of assurance plan review and ongoing compliance including:

- management of cyber-security risks in relation to the Security of Network and Information Systems (NIS) Regulations 2018 and the company's OT security network;
- oversight of corporate risk reporting, building upon the risk appetite and tolerance for strategic risks and principal risks;
- the annual submission covering water quality risk to the DWI;
- data and analytics strategy and progress;
- business continuity and resilience arrangements;
- bribery, fraud and criminal tax evasion risk assessment and controls in line with the duty to prevent fraud;

- agreed the risk-based plan for internal audits over the year reviewing outcomes, agreeing and escalating actions; and
- Taking bi-annual reports on activity around raising a concern procedures.

Our governance arrangements are available on the Company's website and provide full terms of reference for the Audit and Risk Committee. These are in accordance with both Ofwat's Board Leadership, Transparency and Governance (BLTG) principles and the Wates principles.

The Audit and Risk Committee have discharged their responsibilities in accordance with both these sets of principles by considering the content, accuracy, and tone of the Annual Report to ensure a fair, balanced and understandable report that provides the necessary information to stakeholders to assess the Company's performance, strategy and position.

Our external auditor (Ernst & Young LLP) reported to the Audit and Risk Committee on their audit of the financial statements.

Internal Controls

Topic	Activity
Internal controls	The Audit and Risk Committee, assisted by Internal Audit, monitors the effectiveness of the system of internal controls that have been in place for the year under review and up to the date of approval of the annual report and accounts.
	The Audit and Risk Committee receives reports on any 'Raising a Concern' whistleblowing allegations made to the Company from either internal or external sources, concerning fraud, bribery, or other matters. Reports include the outcomes of resulting investigations and the management action taken. The Committee receives summary level detail within these reports of alleged sexual harassment and the investigation outcomes, as part of the "failure to prevent" duties.
Oversight of Internal and External Audit	The Audit and Risk Committee oversees the work of the Company's Internal Audit function and External Auditors. The Audit and Risk Committee reviews the performance of the internal and external auditor independently of executive management.

Topic	Activity
Internal Audit	The annual programme of planned internal audits is agreed by the Audit and Risk Committee prior to the start of each financial year based on significant business risks, key internal processes, and both financial and regulatory compliance requirements. The Group Audit Director reports on the adequacy and effectiveness of the Company's risk, control, and governance framework. The Internal Audit plan and required resource are reviewed annually by the Audit and Risk Committee. The Group Audit Director has an unhindered direct report to the Audit and Risk Committee, its Chair, and members at all times.
External auditor	Ernst & Young LLP (EY) were appointed as the Company's external auditor in 2017. The EY audit partner is invited to attend all Audit and Risk Committee meetings and has been present at every meeting during the year. The Lead Partner was rotated during the prior year in line with independence requirements. The Audit and Risk Committee monitor the effectiveness of the external auditor throughout their term of appointment. In relation to the current year, Ernst & Young LLP audit fees are £339k for the 2025-26 financial year audit. The Audit and Risk Committee scrutinise the volume and value of non-audit work and as a matter of policy, fees paid to the external auditor for non-audit services will not exceed the limits set out in EU Regulation 537 or the rules set out in the Financial Reporting Council's code of ethics. The proportion of fees for non-audit services is compliant with EU Regulation 537. Ernst & Young LLP also reports to Ofwat in respect of the Company's Annual Performance Report. As part of the assurance process for this Annual Review document, the Audit and Risk Committee also receive a report from the Company's technical auditor on non-financial regulatory performance information including the performance commitment data. The current technical auditor (AtkinsRéalis) was appointed from a competitive re-tender of the services in 2025 replacing Mott Macdonald for the 2025/26 reporting year.

Further details of internal controls and risk management systems in relation to the financial reporting process can be found on pages 134 to 150.

Financial Reporting

Material issues considered by the Audit and Risk Committee in relation to the financial statements (as also reported by the external auditor) were as follows.

Topic	Activity
Presumptive risk of management override of controls	The Audit and Risk Committee considered the risk of management override of controls, recognising this as a presumed risk under ISA 240. The assessment focused on the company's processes surrounding journal entries, accounting estimates, related party transactions, and significant or unusual business transactions. Based on this review, the Committee concluded that appropriate controls and oversight are in place to mitigate the risk.
Revenue Recognition and accrued income	The Audit and Risk Committee considered the key financial risk that can arise in two ways. Firstly, the inappropriate revenue recognition from manual journals and secondly, the estimation of the amount of unbilled income charges at the period. In this context, they discussed that the management estimates and assumptions are aligned to IFRS 15 and current accounting standards.
Classification and Measurement of Capital Expenditure Valuation of Intangible Assets Developed Internally	The Audit and Risk Committee considered the key financial risk of the degree of judgement involved in the classification of expenditure between operating expenses and capital expenditure. In doing so they considered the level of capital expenditure, the Regulatory Accounting Guidelines and IAS16, the recharges from overhead to capital projects and the controls of the Company. The Committee considered the financial impact of internally developed intangible assets, including classification of capital and operating expenditure, eligibility of capital expenditure, overhead absorption and any potential asset impairment in accordance to IAS 38.
Expected Credit Loss	The Audit and Risk Committee considered the key financial risk that arose due to the subjective nature of the assumptions used. It reviewed the significant judgements made when assessing the reasonableness of the provision rates applied against historic collection rates and future recovery, particularly in light of current cost of living difficulties and economic uncertainties and ensured that the methodology chosen was in accordance with IFRS 9.

Topic	Activity
Defined Benefit Pension Obligations, and Actuarial Assumptions	The Audit and Risk Committee considered the key financial risk that the assumptions made by the Company in association with the independent actuary, in arriving at the pension obligations under IAS 19, could lead to an overly prudent or aggressive position. In particular, the assumptions in relation to inflation, discount rate, pension and salary increases, return on equity and life expectancy were tested against the range of assumptions used by other companies.
Going concern, long- term viability and breach of financial covenants	The Audit and Risk Committee considered the Group's assessment of long-term viability, including the appropriateness of the assumptions used and the approach to reverse stress testing. The Committee also reviewed the directors' going concern assessment, including compliance with financial covenants and the timing of bond issuances. Through its review and challenge, the Committee concluded that the use of the going concern basis of accounting remains appropriate.
Accounting for litigation and any legal provisions	The Audit and Risk Committee considered the key financial risk that arose regarding the need for provisions for any legal or litigation action and considered the judgement, recognition processes and estimations for any such provision.

Nomination Committee Report

The following were members of the Nomination Committee throughout the financial year under review.

Nomination Committee attendance	
Francis Yeoh (Chair)	1/1
Hong Yeoh	1/1
Jim McKenna	1/1
Kate Mingay	1/1
Tim Gardam	1/1
Kevin Wall	1/1

There is a majority of independent members on the Nomination Committee, in line with Ofwat's Objectives. The Nomination Committee is chaired by a Non-Executive Director appointed by the shareholder, by way of exception to Ofwat's Objectives. However, the Committee's composition is considered to be appropriate in the context of a private company with a single shareholder.

Role and report on activities

The Nomination Committee's full terms of reference are available on the Company's website.

The purpose of the Nomination Committee is to ensure that appropriate procedures are in place for the nomination, selection, training, and evaluation of Directors. The role of the Nomination Committee is to evaluate the balance of skills, experience, and knowledge on the Board. The Committee reviews Board structure, size and composition and will make recommendations to the Board on new appointments and succession. The Board will also consider any extensions to the term of appointment for Directors.

Throughout the year the members of the Committee met once to discuss recruitment of a Director of Finance upon the incumbent director having indicated his intention to leave in Summer 2026. The members considered the balance of skills and experience required for role and approved the candidate identified through the Company's recruitment and selection process.

At the same meeting the Committee approved plans to meet the requirements of Ofwat's rule on fitness and propriety (introduced pursuant to the Water (Special Measures) Act 2025) in accordance with the timetables set out in the rule with regard to implementation.

Health and Safety Committee Report

Health, safety, and wellbeing – and our responsibility to prevent harm and provide a safe environment for our workforce and the public – remain central to everything we do as a Company. Over the year, the Board has maintained a strong focus on the ongoing development and implementation of health and safety and process safety policy, risk, strategy and practice, and how these support our wider strategic and operational priorities.

The Health and Safety Committee continues to oversee major risks and controls, as well as asset health and strategic asset management. The Committee has constructively challenged the Company on its health and safety performance and has worked closely with the Audit and Risk Committee to critically review health and safety audit outcomes and support continuous improvement in both personal health and safety and process safety.

Committee Members

The following were members of the Health and Safety Committee (the "**Committee**") throughout the financial year under review.

Health and Safety Board Committee attendance	
Tim Gardam (Chair)	4/4
David Barclay	4/4
Jim McKenna	4/4
Kevin Wall	3/4

Committee Meetings

The Committee meets at least four times and reports to the Board after each meeting. During the year, it met five times. The work of the Committee is in addition to the regular health and safety reports presented and discussed at every Board meeting. Members of the Board have continued to make regular visits to Wessex Water operational sites and spend time with teams in the field.

The Board and Committee are supported by an independent Advisory Board of process safety experts. The Advisory Board Chair also attends Committee meetings.

The Terms of Reference for both the Committee and the Advisory Board were reviewed and updated during the year.

Between Committee meetings, the Committee Chair, Advisory Board Chair, Safety Director and other senior Executives meet monthly to monitor key issues and progress.

Process safety

Further progress has been made in developing and embedding the process safety management system (PSMS) as the key tool for managing and mitigating risk. There is a continued focus on learning from events, reflected in increased internal reporting of high potential process safety incidents and near misses. During the year, further training was delivered in the Kelvin Topset incident investigation method, strengthening the consistency and quality of investigations. There was one RIDDOR-reportable process safety incident in 2025, compared to three in 2024.

During the year, the Committee promoted, discussed and sought assurance on the ongoing enhancement and deployment of the PSMS. This includes:

- the continued development of a strong process safety culture;
- hazard study reviews at high hazard sites and implementing mitigation measures to reduce risks to as low as reasonably practicable (ALARP);
- the need for comprehensive understanding of the Company's asset register in order to fully evaluate inherent risk and associated mitigations;
- strengthening the management of change process;
- identifying root causes of high potential process safety incidents and near misses and implementing corrective actions to support continuous systemic improvement across the Company; and
- developing process safety performance indicators for continuous monitoring, incorporating both leading and lagging measures.

Through the lens of the PSMS, process safety teams have focused on three other critical areas for risk reduction:

1. *Operational control, specifically:*
    - improving training and competency frameworks for operational staff; and
    - using human factors studies to design systems and processes to better account for human behavior and maximise human reliability.
2. *Asset health and asset management systems, specifically:*
    - developing policies and procedures to assist the comprehensive review of process hazards on existing assets;
    - identifying and effectively managing safety critical equipment at high hazard sites; and
    - comprehensively reviewing asset management provision, inspection, maintenance and assurance regimes across high hazard sites.
3. *Project management processes on high hazard sites, specifically:*
    - embedding the robust application of inherently safer design policies and procedures; and
    - implementing competency management systems for contracted services, process engineering, process safety analysis and DSEAR.

The Committee has also discussed:

- Control of Major Accident Hazards (COMAH) at Avonmouth, including the Major Accident Prevention Policy;
- the extension of high hazard controls to non-COMAH sites; and
- the Company's developing relationship with the Competent Authority.

Personal safety

Personal safety performance was not as strong in 2025 compared with 2024. A significant proportion of the recorded accidents were low severity and preventable, including slips, trips, falls and manual handling injuries. Work is underway with operational teams to improve hazard awareness and prevent minor accidents escalating into lost time injuries.

Increased visibility of road traffic incident data has led to higher reporting levels. A targeted programme to reduce these incidents is now in place.

There has been strong progress in reducing strikes on other utility assets, a key safety risk in construction, repair and maintenance work. In 2025, incidents reduced by 28% compared with 2024, despite a 5% increase in excavation activity. Work continues to reduce these incidents to as low as reasonably practicable.

In the year, the Committee reviewed and approved an optimisation strategy focused on continuous improvement in personal safety. This includes six key workstreams:

1. *Leadership and management*, reinforcing safety expectations for managers;
2. *Demonstrable safety competence*, including behavioural safety training for front line teams;
3. *Legal and regulatory compliance*, including updating the legal register and strengthening compliance audits;
4. *Workforce inclusive risk profiling*, including introducing tools to support better identification of hazards by operational teams;
5. *Health and safety management system and processes*, including simplifying and improving safety documentation; and
6. *Data and insights*, including using improved reporting to better target prevention efforts.

During the year, the Committee also reviewed internal audit outcomes on health and safety covering key areas such as control of contractors and confined space working.

Employee engagement in health and safety remains strong. Colleagues continue to actively report improvement opportunities at levels consistent with the record highs achieved in 2023. Additionally, employee survey results confirm strong understanding of, and alignment with, the Company's health and safety expectations and commitments.

Environment and Public Value Committee Report

The following Non-Executive Directors were members of the Environment and Public Value Committee throughout the financial year under review.

Environment and Public Value Committee attendance	
Sarah Hendry (Chair)	3/3
Tim Gardam	3/3
Jim McKenna	3/3
Kevin Wall	2/3
Kate Mingay	2/3

The Environment and Public Value Committee advise the Board on how the Company's purpose, strategy and values are developed and delivered and ensures that the Company's culture reflects the needs of all those in the communities that it serves and wider societal and environmental values.

This encompasses potentially a very broad span of Company activities, focusing on outcomes for customers, communities, the environment and public health, as well as the development of the Company's overarching strategy and key policies.

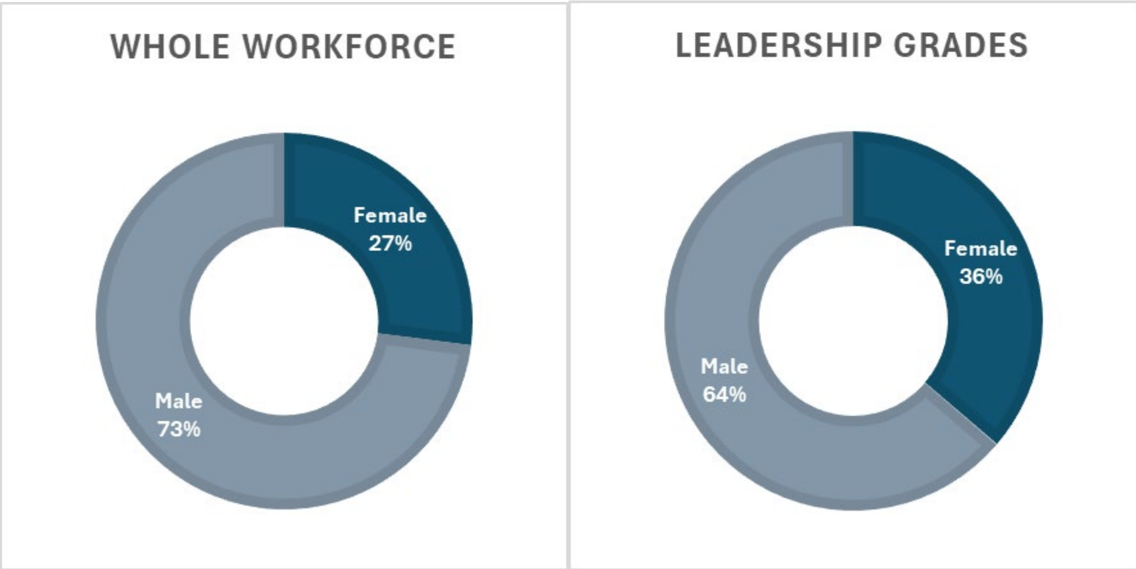
During this reporting year, the Committee reviewed the Company's Strategic Direction Statement, identifying where it needed to evolve, reflecting the emergence of new themes and challenges, in order to be a strong basis for planning for AMP[?9] It agreed the approach for the Company's second Drainage and Wastewater Management Plan and updates to the Net Zero Carbon Route map, and reviewed the further development of the Company's sustainability measures and reporting.

The Committee also took stock of the implications of the report of the Independent Water Commission, chaired by Lord Cunliffe and the Government's response, and discussed the future direction of the SSWAN Partnership (Sustainable Solutions for Water and Nature), of which the Company is a member and strong advocate.

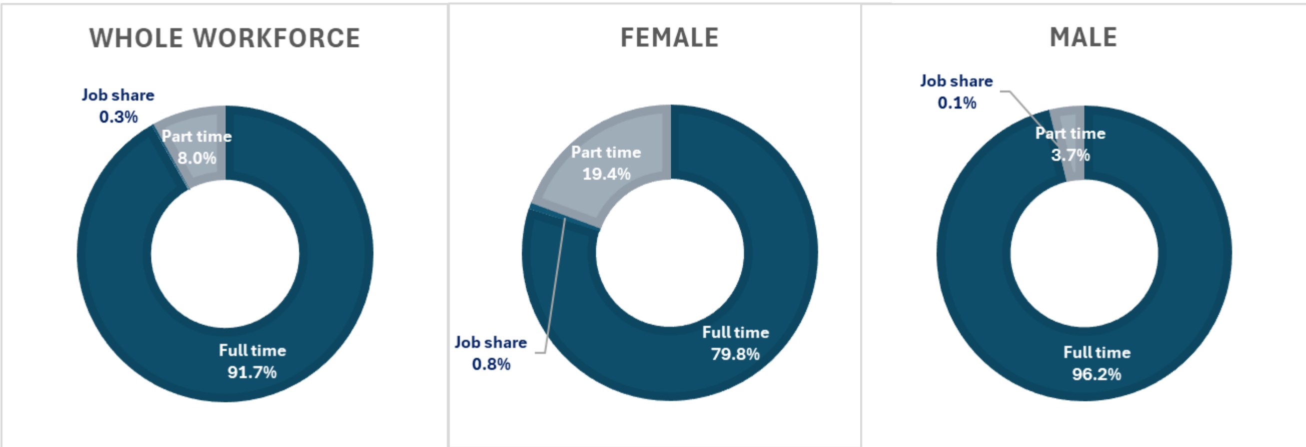
The Committee reviewed the Company's approach to improving our customers' satisfaction and trust and making progress towards our ambition to be one of the best service providers for our customers and communities, and how the Company is meeting Ofwat requirements for customer involvement in decisions that have a material impact on them.

The following metrics reflect all employees of Wessex Water Service Limited on 31 March 2026

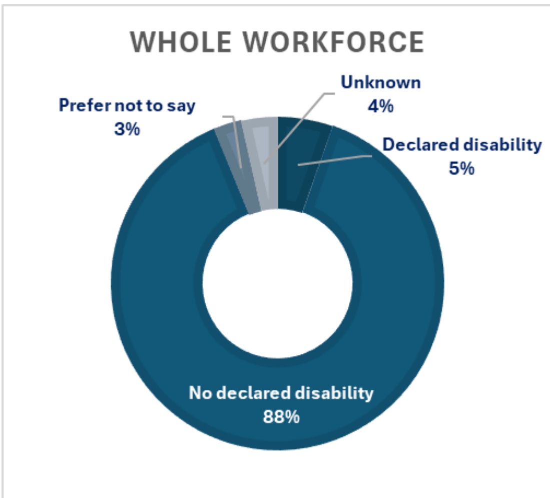
Gender Diversity



Working Pattern Diversity



Employees with a Disability



Remuneration Committee Report

Committee Membership and Attendance

The Remuneration Committee operated throughout the 2025-26 financial year and comprised a majority of Independent Non-Executive Directors, consistent with Wessex Water's approach. The Committee was chaired by a shareholder-appointed Non-Executive Director, a structure regarded as appropriate given the Company's ownership model and -established governance arrangements.

The following members served on the Committee during the year:

Remuneration Committee attendance	
Hong Yeoh (Chair)	1/1
Mark Yeoh	1/1
David Barclay	0/1
Jim McKenna	1/1
Kate Mingay	1/1
Tim Gardam	1/1
Kevin Wall	1/1

There were no changes to the membership of the Committee during 2025/26.

Role of the Remuneration Committee

The Remuneration Committee ("the Committee") is responsible for determining, on behalf of the Board, the remuneration policy for Executive Directors, including the Chief Executive and the Chief Finance Officer, and for overseeing the remuneration framework for senior executive managers. The Committee's responsibilities include:

- Setting and monitoring policy to ensure remuneration aligns with Company performance, long-term strategy and stakeholder expectations
- Ensuring that Executive Director remuneration supports delivery of essential services for customers and environmental outcomes, consistent with Ofwat's performance-related pay guidance
- Overseeing the design and application of the Executive bonus scheme to ensure stretching, balanced and transparent performance expectations
- Ensuring that remuneration arrangements are fair, proportionate and do not incentivise undue risk-taking
- Oversight of pension arrangements, benefits and contractual terms for Executive Directors
- Providing transparency and assurance over remuneration decisions for stakeholders

In fulfilling these responsibilities, the Committee considers employee pay outcomes across the wider workforce, market developments, and guidance from Ofwat regarding performance-related pay in regulated utilities. The Committee's full Terms of Reference are published on the Company's website.

Activities of the Remuneration Committee

During the 2025/26 financial year, the Committee undertook a full review of Executive Director remuneration in the context of:

- The appointment and transition of the Chief Executive during the previous financial year
- Market benchmarking and external remuneration advice
- Regulatory expectations on performance-related pay
- The Company's 2025/26 performance outcomes, including detailed assessment of the updated KPI framework
- Alignment between Executive remuneration and wider workforce pay.

Strategic Alignment of Remuneration

Remuneration policy is designed to support the Company's long-term strategy and commitments to customers, the environment and operational excellence. The Committee ensures that:

- Remuneration structures promote sustainable performance and resilience
- Executive pay aligns with customer and environmental outcomes under Ofwat's regulatory framework
- Reward is proportionate and fair relative to the wider workforce
- Executive remuneration remains competitive to attract and retain high-calibre leadership
- Performance-related pay is underpinned by independently auditable metrics

The Committee reviews external and internal data annually to confirm that reward levels remain appropriate within the utilities sector market and aligned to Wessex Water's policy.

Senior Management Group Remuneration

The Committee reviewed remuneration arrangements for the senior management group to ensure consistency with policy principles, talent retention and market competitiveness. External benchmarking informed decisions, and the Committee remains satisfied that remuneration levels balance performance, affordability and internal parity.

Changes to the Executive Directors

There were no changes to Executive Director appointments or roles during 2025/26

Remuneration Principles and Policy

The Committee continues to apply the following principles:

- Provision of competitive reward for delivering strong performance
- Alignment of incentives to the Company's customer, environmental, people and financial priorities
- Ensuring remuneration supports long-term decision-making rather than short-term gain
- Following Ofwat's expectations that Executive bonuses should be based on stretching, objective commitments tied to performance delivery

Recruitment of Executive Directors

The Company maintains a formal and transparent approach to Executive Director recruitment to ensure appointments are aligned with strategic needs, regulatory expectations, and best practice in corporate governance. The Nomination Committee oversees all appointments, assessing required skills, leadership capabilities and long-term succession considerations. Where appropriate, independent search firms may be engaged to support a fair and objective selection process.

Remuneration for new Executive Directors reflects market benchmarks, internal pay relativities and the individual's experience. Salaries for new appointees are positioned responsibly, with any future progression based on sustained high performance. The Company does not offer guaranteed bonuses or excessive recruitment-related payments.

Policy for Loss of Office

Executive Directors have no contractual entitlement to severance payments beyond statutory or contractual notice provisions. The Committee ensures any termination arrangements remain appropriate, proportionate and aligned with governance standards. No payments for loss of office were made during the year.

Early termination payments made in the year

There were no early termination payments during the year.

Executive Director Remuneration Structure

The following table sets out a summary of the Company's Executive Directors' remuneration package, which comprises:

- basic salary
- Taxable benefits (including, car allowance, private medical insurance, executive medical screening)
- Pension contributions
- Annual bonus scheme

The table below highlights the key elements of executive remuneration.

Element of Pay	Purpose and Link to Company Strategy	How Operated in Practice	Maximum Opportunity	Description of performance metrics
Base Salary	To attract and retain experienced Executive Directors capable of delivering long-term operational and regulatory commitments. Salary positioning reflects market data, internal relativities and role scope.	Reviewed annually. The review considers individual and company performance, affordability, market benchmarks and wider workforce pay outcomes. Salaries are paid monthly	No prescribed cap; increases are aligned to general workforce awards unless justified by role changes or market movement.	n/a
Taxable Benefits	To provide a competitive and market-standard package.	Typically includes car allowance. Provide medical insurance and executive health screening	n/a	Fixed allowances only; no performance link
Pension	To offer retirement benefits consistent with workforce arrangements and market norms.	CEO participates in the defined contribution scheme; CFO retains membership of the defined benefit scheme on a deferred basis. Executive Directors are also insured for a lump sum of up to four times their pensionable salary on death in service.	DC scheme up to 12% of salary DB: governed by scheme rules.	No enhancement for performance
Annual Bonus	To incentivise delivery against key financial, customer, people and environmental performance measures over the financial year	Performance measured against pre-set KPIs aligned to the Company scorecard. Outcomes reviewed annually by the Committee. Bonus not pensionable.	Target: 25% of base salary. Maximum: 50% of base salary.	Reviewed against a combination of key performance indicators. The Committee retains discretion to adjust for risk and regulatory factors.
Other Allowances	To reflect contractual entitlements required to support the role.	May include fuel allowance or role-specific benefits	Limited	Not performance related.

Malus and Clawback Provisions

The Company operates malus and clawback provisions applicable to any performance-related pay. These provisions allow the Committee to reduce or recover PRP in circumstances including:

- material misstatement of financial or performance results;
- significant failure of risk management or internal controls;
- serious reputational damage;

- regulatory breach or enforcement action;
- environmental or customer service failures inconsistent with Company commitments; and
- conduct or behaviour falling below expected standards.

Malus may be applied prior to payment, and clawback may be applied for a period of 1 year following payment.

These provisions are designed to ensure compliance with the PRP prohibition rule and alignment with Ofwat expectations.

Executive Directors' base salary 2025/26

	1 Oct 2025	1 Apr 2025
Chief Executive Officer	£670,000	£590,000
Chief Finance Officer (0.6 FTE)	£248,400	£248,400

Workforce salary progression remained aligned to collective agreements. For 2025/26 a salary uplift of 3.5% was applied in accordance with a one-year deal agreed with the recognised Trade Unions and also awarded to those employees not covered by trade union agreements.

The adjustment to the Chief Executive's salary was made following a scheduled review at the first anniversary of appointment and reflects both individual performance and external market positioning. When first appointed, the salary was deliberately set at a prudent level relative to the peer group, recognising the transition into the role and providing an opportunity to assess performance, impact, and organisational fit over the initial year.

As part of the review, independent comparisons against comparable peer organisations of similar scale, complexity, and sector positioning indicated that the Chief Executive's total remuneration remained at the lower end of the peer group. The revised salary brings pay closer to an appropriate and sustainable position reflecting the scope and accountability of the role, while also recognising the progress made during the Chief Executive's first year in driving strategic priorities and organisational performance.

Executive Directors' Bonus Payments 2025/26

Executive Directors participate in the Company's annual bonus scheme, which provides a target opportunity of 25% of base salary and a maximum opportunity of 50% of base salary, linked to performance against financial, customer, environmental and people-related key performance indicators.

Targets for each KPI are set annually based on:

- upper quartile industry benchmarks (where available);
- regulatory performance commitments;
- performance improvement trajectories; and
- internal business plan commitments.

The Committee considers these targets to be stretching as they require sustained high performance and, in many cases, improvement beyond prior-year outcomes.

For the 2025/26 financial year, no bonus payments were made to either Executive Director.

Although the scheme remained in place, both the Chief Executive and Chief Finance Officer declined any bonus award, reflecting their commitment to ensuring alignment with regulatory expectations, public scrutiny of sector performance, and the Company's focus on long-term resilience.

The Committee exercised discretion in its assessment of overall outcomes, taking into account:

- underperformance in key environmental metrics (including pollution and leakage);
- challenges in operational resilience measures;
- broader stakeholder expectations and sector scrutiny; and
- alignment with Ofwat's expectations regarding performance related pay (PRP).

In determining remuneration outcomes, the Committee considered factors beyond formulaic KPI results, including performance against regulatory performance commitments, the Company's financial resilience and cashflow position, environmental performance and compliance, customer impact and overall service delivery, reputational considerations arising during the year, and relevant external assessments such as Ofwat's Water Company Performance Report and Environmental Performance Assessment ratings (where applicable).

While formulaic outcomes could have resulted in a partial award, the Committee supported the Executive Directors' decision to decline bonuses, concluding that payment would not have been appropriate in the context of overall Company performance.

No payments were made to former directors in respect of performance related pay, and no recovery actions were required during the year.

For 2025/26 there were 19 internal performance indicators, as shown below:

Serving people and places	- C-Mex (Customer measure of experience) - D-MeX (Developer measure of experience) - Customers on a tailored assistance programme (TAP) - Water quality compliance (CRI) - Water supply interruptions - Sewer flooding (internal and external incidents)
Enhancing the environment	- Discharge permit compliance - Total pollutions (categories 1-3) - Leakage - Op greenhouse gas emissions (water and wastewater) - River water quality (phosphorus) reduction - Storm overflows
Empowering our people	- Employees understanding Wessex Water's commitment to Health & Safety and their own responsibility - Employees rating company as a good employer - Employees recognising Wessex Water as inclusive and promoting diversity
Financial measures	- Operational costs (excluding other regulated activities) - Net capex - Cashflow before dividends - Dividends declared

The Executive Directors Bonus structure for 2025/26 is illustrated below:

	Weighting	Target Bonus Opportunity	Maximum Bonus Opportunity
Customers and communities	35%	8.75%	17.5%
Protecting and enhancing the environment	35%	8.75%	17.5%
Employees	10%	2.5%	5.0%
Discretionary Award	10%	2.5%	5.0%
Personal objectives	10%	2.5%	5.0%
Total		25.0%	50.0%

Performance Indicator Highlights

The Committee reviewed performance against the 19 internal KPIs that apply for 2025/26. Several areas showed positive performance.

- Customer-related outcomes continued to demonstrate resilience, with strong results on core service measures such as the Customer measure of experience (C-MeX), and the newly introduced Business customer and retail measure of experience (BR-MeX)
- Water quality measures such as the Compliance Risk Index and Water Supply Interruptions recorded particularly strong performance .
- Internal and external sewer flooding incidents, as well as spills from Storm overflows were the lowest recorded for several years.
- Within the people-related KPIs, employee engagement again reflected strong cultural alignment, with high scores for understanding of health and safety responsibilities, positive perceptions of the Company as a good employer, and strong recognition of the Company's inclusive and diverse environment.

Performance Indicator Lowlights

The Committee also identified several areas where performance did not meet targeted levels.

- D-MeX performance remained below the expected upper-quartile position
- Environmental KPIs including discharge permit compliance, total pollutions and leakage performance, fell short of expectations in the period.

Compliance with Ofwat PRP Prohibition Rule

The Committee has assessed the Company's position against Ofwat's PRP prohibition rule for the 2025/26 reporting year. The Committee considers that circumstances arose during the year which would trigger the application of the PRP prohibition rule, having regard to overall Company performance, particularly in relation to environmental and operational metrics.

However, the Committee notes that no PRP has been paid, vested or deferred in respect of the reporting year. This outcome is consistent with, and was achieved through, the Company's existing remuneration policy, performance assessment framework and the application of Committee judgement, without the need to formally invoke the prohibition rule to adjust awards.

The Committee will continue to monitor compliance with the PRP prohibition rule and will ensure that any future awards are appropriately adjusted where required.

The Executive Director bonus payments for 2025/26 were calculated as follows:

Key performance indicator (KPI)	Target for each KPI	Out-turn for each KPI	Target bonus as %age of base salary	Multiple of target bonus payable	Bonus awarded as %age of base salary		Remuneration Committee's rationale for the level of bonus awarded
					CEO[1]	CFO[1]	
Serving people and places							
- C-MeX experience score	UQ	UQ	8.75%	1x	0.0%	0.0%	Strong take up of social tariffs through data shares with local authorities and Pennon as well as DWP data matching Increased promotion of our support across various channels and are launching a simpler online application form to make access to our schemes
- D-MeX experience score	UQ	BA					
- Customers on a tailored assistance programme (TAP)	90,000	86,961					
- Water quality compliance (CRI)	1.50	0.92					
- Water supply interruptions mins/prop)	05:00	04:11					
- Sewer flooding (internal and external)	192+2161	154+2095					
Enhancing the environment							
- Discharge permit compliance	100%	98.7%	8.75%	1x	0.0%	0.0%	A wet and stormy start to 2025 and a prolonged dry summer continued to drive ground movement and resultant leakage bursts. Four sites failed to meet their discharge permit compliance in 2025.
- Total pollutions (categories 1-3)	88	164					
- Leakage (ML/d)	61.9	77					
- Greenhouse gas emissions (water and wastewater)	31108+119526	35537+104387					
- Rivers water quality (phosphorous) reduction	258764.27	154165.48					
- Storm overflows	28347	24493					
Empowering our people							
Employees understanding Wessex Water's commitment to H&S and their own responsibility	95%	97.7%	2.5%	1.2x	0.0%	0.0%	Sustained level of performance with all targets met or exceeded, including 95% of colleagues rating the company as a good employer
Employees rating company as a good employer	85%	95.5%					
Employees recognising Wessex Water as inclusive and promoting diversity	85%	92.5%					
Personal contribution							
Individual assessment by Remuneration Committee			2.5%	Varies	0.0%	0.0%	Individual assessment
Discretionary Award							
Individual assessment by Remuneration Committee			2.5%	Varies	0.0%	0.0%	Individual assessment
Total bonus as %age of base salary			**25.0%**		**0.0%**	**0.0%**	

[1] Neither the Chief Executive nor the Finance Director have decided to accept a bonus.

Pensions

The Committee oversees Executive Director pension arrangements to ensure they remain appropriate, transparent, and aligned with Ofwat's expectations for fair and proportionate reward.

Chief Executive

The Chief Executive participates in the Company's defined contribution scheme. Pension contributions are made at 12% of pensionable salary, applied to salary earned across the year in line with contractual changes.

Chief Finance Officer

The Chief Finance Officer receives an annual pension compensation allowance, reflecting the Company's standard employer pension contribution rate and HMRC limits. The Chief Finance Officer is also a deferred member of the WPS section of the Wessex Water defined benefit (DB) pension scheme. Accrued annual pension on 31 March 2026 is disclosed in the Annual Report.

No Executive Director accrued further service under the DB scheme during the year

Differences between Executive Directors' and Wider Workforce Remuneration

The following differences exist between the Company's policy for the remuneration of Executive Directors and its policy for the remuneration of employees.

- Executive Directors pay and benefits are benchmarked against the median position of the National Utilities market whilst we benchmark pay and benefits for all fully qualified and experienced employees against the median position of the Willis Towers Watson Energy and National Resources remuneration survey
- a lower level of target and maximum annual bonus opportunity applies to various employees when compared to Executive Directors
- Executive Directors (and senior managers) participate in a bonus scheme that is not available to other employees to motivate and reward them for achievement of demanding financial objectives and key strategic measures.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of staff ranging from employees to Executive Directors.

Executive Directors' service contracts

All Executive Directors' service contracts are terminable by either the Company or the Executive Director providing 12 months' notice. There is a theoretical maximum payment in case of redundancy of 100% of salary inclusive of allowances and benefits plus a redundancy entitlement. There are no specific contractual payments or benefits which would be triggered in the event of a change in control of the Company.

Executive Directors	Date of agreement	Date of appointment	Notice Period
Ruth Jefferson	1 October 2024	26 September 2022	12 months
Andy Pymer	21 July 2016	1 August 2016	12 months

Executive Directors' service contracts are available for inspection during normal office hours at the registered office, Wessex Water, Claverton Down Road, Bath BA2 7WW. The Committee will continue to review the contractual terms for Executive Directors to ensure they reflect best practice and are compliant with employment law.

Non-Executive Directors

The remuneration policy for Independent Non-Executive Directors is determined by the Board. The remuneration reflects the time commitment and responsibilities of the role.

The breakdown of the Independent Non-Executive Directors' fees from 1 April 2025 is shown in the Directors' Emoluments table below. Independent Non-Executive Directors do not participate in share or bonus schemes or any other performance-related scheme, nor is any pension provision made.

Independent Non-Executive Directors are normally appointed for three-year terms (subject to statutory provisions relating to the removal of a Director) that may be renewed. They do not have service contracts, but their terms of engagement are regulated by letters of appointment (copies of which are available for inspection during normal office hours at the registered office). Any term beyond six years for an Independent Non-Executive Director is subject to particularly rigorous review and considers the need for progressive refreshing of the Board balanced against the requirement for skills, experience, independence, and knowledge.

Non-Executive Directors appointed by the shareholder do not receive any fees or other payments from the Company.

Directors' Emoluments

The table below shows the emoluments for the current and preceding year. All Executive Director bonuses are funded by the shareholder with no costs borne by the Company's customers. No bonuses were paid to the Executive Directors in 2024-25 or 2025-26.

	Salary		Benefits		Bonus		Pension		Total	
	FY2026	FY2025	FY2026	FY2025	FY2026	FY2025	FY2026	FY2025	FY2026	FY2025
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Colin Skellett	-	145	-	12	-	-	-	-	**-**	**157**
Ruth Jefferson	694	384	25	16	-	-	72	40	**791**	**440**
Andy Pymer	348	206	13	12	-	-	43	31	**404**	**249**
John Thompson	-	184	-	9	-	-	-	20	**-**	**213**
Jim McKenna	195	158	-	-	-	-	-	-	**195**	**158**
Kate Mingay	115	105	-	-	-	-	-	-	**115**	**105**
Fiona Reynolds	-	78	-	-	-	-	-	-	**-**	**78**
Tim Gardam	100	88	-	-	-	-	-	-	**100**	**88**
Kevin Wall	100	88	-	-	-	-	-	-	**100**	**88**
Sarah Hendry	75	14		-	-	-	-	-	**75**	**14**
	1,627	**1,450**	**38**	**49**	**-**	**-**	**115**	**91**	**1,780**	**1,590**

Notes to table:

1. No emoluments earned by Francis Yeoh, Hann Yeoh, Hong Yeoh, Mark Yeoh, Kathleen Chew or David Barclay
2. Benefits comprise private medical insurance, company car or allowance and fuel benefits
3. Ruth Jefferson was appointed to the role of Chief Executive on 1 October 2024, previously Chief Compliance Officer.
4. Colin Skellett and John Thompson stepped down from the Board on 30 September 2024
5. Jim McKenna was appointed to the role of Deputy Chairman on 1 October 2024
6. Fiona Reynolds stepped down from the Board on 31 January 2025
7. Sarah Hendry was appointed to the Board on 27 January 2025
8. The Executive Directors did not receive bonuses for FY2025 and FY2026
9. The cost of Executive Director bonuses, when paid, are funded by the Shareholder
10. No payments were made to Executive Directors from other Group Companies.

The salary of the Chief Finance Officer (Andy Pymer), who is employed on a 0.6 FTE basis, includes an additional payment of £71,147 in respect of additional days worked in connection with the Competition and Markets Authority (CMA) referral process. This payment reflects the significant increase in workload, responsibility and time commitment associated with the CMA process, which required sustained senior financial leadership beyond the normal scope of the role. The additional remuneration was calculated based on a per diem rate consistent with the Chief Finance Officer's contractual terms.

Remuneration from other group companies

The remuneration policy is applied solely at the level of the regulated company. No separate group-level incentive arrangements apply to Executive Directors in respect of their regulated company duties and no payments were made to Executive Directors from any other group companies.

Chairman

No remuneration was paid to the Chairman during 2025-26 (2024-25: £nil).

Chief Executive

The total remuneration for the Chief Executive on a Full Time Equivalent basis was:

	Ruth Jefferson Apr 25 – Mar 26 £000	Ruth Jefferson Oct 24 – Mar 25 £000	Colin Skellett Apr 24 – Sep 24 £000
Salary	637	295	250
Bonus	-	-	-
Benefits	25	8	10
Total	**662**	**303**	**260**

The Chief Executive remuneration in FY2025 is represented by a combination of Colin Skellett to 30 September 2024 and Ruth Jefferson from 1 October 2024. The Chief Executive did not receive a bonus in either year.

Relative importance of spend on pay

Note 7 to the accounts shows the total employment costs of the Company, and the movement between 2025/26 and 2024/25.

	FY2026 £m	FY2025 £m	Movement £m	Movement %
Wages and salaries	139.9	137.2	+2.7	+2%
Social security costs	18.0	16.5	+1.5	+9%
Other pension costs	12.2	18.1	-5.9	-33%
Total employment costs	**170.1**	**171.8**	**-1.7**	**-1%**

The relative importance of total employment costs can be shown as:

Percentage of	FY2026	FY2025	Source
Turnover	21.3%	26.3%	Income statement
Profit before tax	177.6%	1,010.6%	Income statement
Profit after tax	240.9%	1,468.4%	Income statement
Dividends	-	258.3%	Note 12
Capital expenditure	35.7%	40.0%	Cash flow statement

Pay ratios table

Year	Method	25th percentile pay ratio (P25)	50th percentile pay ratio (P50)	75th percentage pay ratio (P75)
FY2026	A	21:1	18:1	15:1
FY2025	A	14:1	12:1	10:1
FY2024	A	16:1	14:1	10:1
FY2023	A	17:1	14:1	11:1
FY2022	A	17:1	14:1	11:1
FY2021	A	17:1	13:1	10:1
FY2020	A	18:1	15:1	12:1

Notes:

1. *The Company chose Option A as the preferred method of calculating the pay ratio for the financial year under review. The individual pay and benefits for every employee of the company were determined (for the financial year being reported on the Director's Remuneration Report).*
2. *The pay and benefits were ranked from lowest to highest, and the employees at the 25th, 50th and 75th percentiles were identified.*
3. *The pay ratios were calculated by dividing the CEO's single table of remuneration with the employee pay and benefits at each of those percentile points. The pay ratio was calculated for all employees as at April 2026.*
4. *Full-time equivalent (FTE) remuneration was determined by assuming that all full-time employees are engaged on a 40 hour per week contract. Remuneration for all part-time employees was re-calculated to a 40 hour per week, full time equivalent.*

Executive Directors' Defined Benefit Pension Provision

	Pension service completed in years	Normal retirement date at 65	Accrued pension at March 2025	Increase in accrued pension during the year	Accrued pension at March 2026
Andy Pymer	25	18/08/2033	£81,230	£2,851	£84,081

Ruth Jefferson is a member of the Defined Contribution Scheme.

Executive Directors' share interests

There are no shares held by the Directors in either Wessex Water or the UK parent company.

Remuneration Arrangements for Executive Directors 2026/27

Base Salary 2026/27

At the meeting in March 2026 the Committee set the base salaries for each Executive Director effective 1 April 2026.

	Base Salary
Chief Executive Officer	£670,000‡
Chief Finance Officer *(0.6 FTE)*	£256,350

‡The Chief Executive received a salary increase on 1 October 2025. Accordingly, no further adjustment will be made in April 2026.

Bonus scheme 2026/27

The Executive Director bonus scheme will continue into 2026/27, with a target opportunity of 25% of base salary and a maximum of 50%. Bonus outcomes will be assessed against the updated KPI framework, which includes 19 customer, environmental, people and financial measures.

In line with Ofwat expectations, any award will only be made where performance meets required thresholds for customer and environmental delivery. The Committee retains discretion to reduce or withhold bonuses where overall performance or behaviours do not justify reward

For 2026/27 there are 20 internal performance indicators, as shown below:

Serving people and places	- C-Mex (Customer measure of experience) - D-MeX (Developer measure of experience) - BR-MeX (Business/Retailer measure of experience) - Customers on a tailored assistance programme (TAP) - Water quality compliance (CRI) - Water supply interruptions - Sewer flooding (internal and external incidents)
Enhancing the environment	- Discharge permit compliance - Serious pollution incidents - Leakage - Op greenhouse gas emissions (water and wastewater) - River water quality (phosphorus) reduction - Storm overflows – average spills per monitored overflow
Empowering our people	- Employees understanding Wessex Water's commitment to Health & Safety and their own responsibility - Employees rating company as a good employer - Employees recognising Wessex Water as inclusive and promoting diversity
Financial measures	- Operational costs (excluding other regulated activities) - Net capex - Cashflow before dividends - Dividends declared

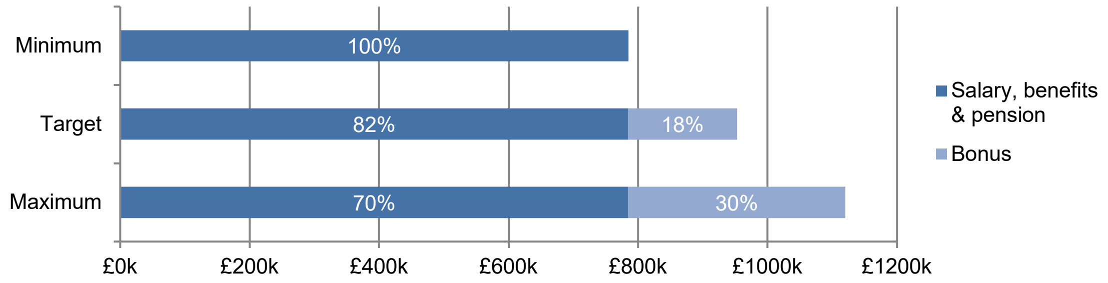
The weighting of Company Performance measures for is unchanged for 2026/27.

Illustrations of Remuneration Policy (using estimated 2026/27 data)

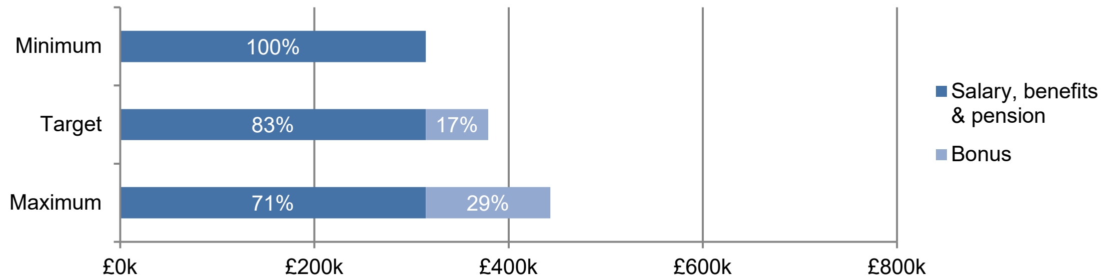
The graphs below show the proportion of remuneration borne by the Company for each of the Executive Directors

- The base level of remuneration, which is not dependent upon performance and comprises basic salary, benefits in kind and pension
- The expected level of remuneration, reflecting a typical level of achievement against performance targets
- The maximum level of remuneration, if all annual performance targets were fully achieved

Ruth Jefferson – Chief Executive Officer



Andy Pymer – Chief Finance Officer (0.6 FTE)



Risk management

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

Risk management process

Our policy on risk assessment and management is subject to regular review by the Board including the review and update of risk and tolerance levels. The Board reviews strategic risks and other principal risks on a regular basis.

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

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

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

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

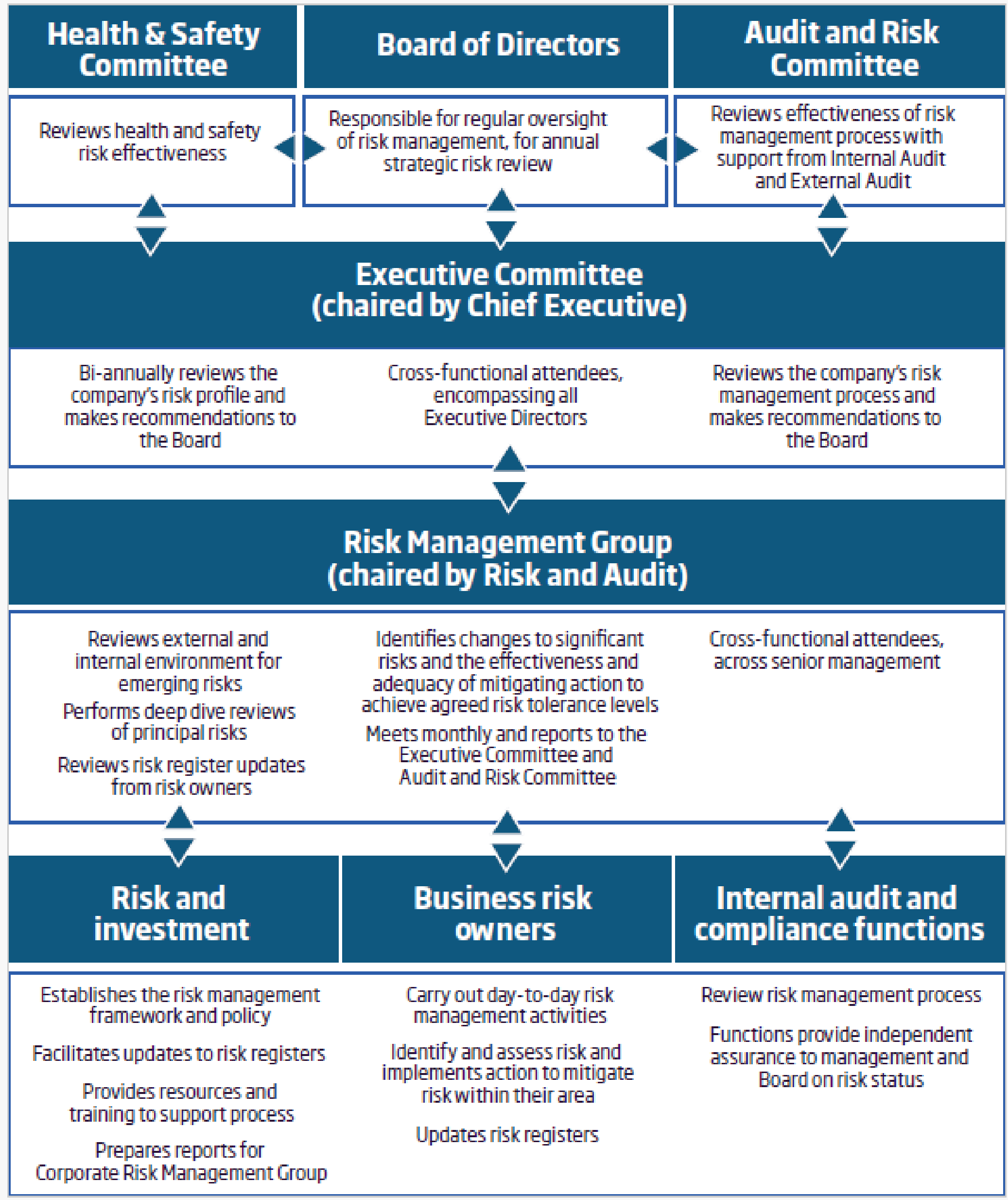
As well as monthly updates on emergent risks, every six months the Risk Management Group submits a summary of the corporate risk register and a report on the Principal risks to the Executive Committee (previously Executive Leadership Team), comprising the Executive Directors.

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

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

Risk management governance

The diagram below explains the governance structure for risk management across the business.



The Company continuously reviews and improves the risk management framework. Since the last annual review, the following changes have been made:

- the Board have reviewed the risk appetite framework and agreed updated appetite and tolerance positions aligned to the Company's strategic objectives and principal risks.
- we are updating the corporate risks and material controls in line with continuous monitoring and improving our Governance, Risk and Control system.
- we have enhanced our operational wastewater risk methodologies to align with the DWI's Drinking Water Safety Plan (DWSP) approach.

In pursuit of continuous improvement, an external audit of the risk management framework was conducted in 2024 and with a structured plan established to implement the resulting recommendations. A benchmarking exercise across the water industry is also underway.

Principal risks

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

Over the past 12 months, Wessex Water has maintained a stable risk profile. However, our overall risk exposure has increased due to a more volatile external environment, including regulatory shifts, climate pressures, geopolitical events, and public scrutiny.

Environmental performance; asset management; health and safety; and climate volatility remain high-priority risks. We have continued to invest in our assets through enhanced monitoring and ensuring inherently safe assets for both people and the environment. The company has also advanced its climate adaptation planning, publishing an updated pollution incident reduction plan and water resource management plans and progressing towards net zero targets.

Cybersecurity has seen significant investment. Operational resilience has been strengthened through improved asset management systems and enhanced health and safety performance.

Despite sector-wide financial pressures, we remain well-regarded by investors, securing a decision from the Competitions and Markets Authority for our final determination providing certainty over funding and maintaining strong liquidity. Workforce planning and skills development are facilitating the delivery of the AMP8 programme, with a focus on leadership development and apprenticeship expansion.

We have summarised our principal risks below. Further information is then provided on each principal risk including a statement on the context and the mitigation in place to address each risk.

Principal risk	Description	Risk exposure	Risk Level
External Perception and Trust	Damage to our reputation and the level of trust in us as a steward of water and waste services. This damage could occur through both a perception of and a failure to deliver services and our corporate plan in line with our values, behaviours, standards and licences.	**Unchanged**	**High**
Political, Regulatory and Legislative Change	The risk that the business does not effectively engage, influence, assess, implement, and monitor changes arising from Government, Regulators, other Statutory stakeholders, or Legislative changes.	**Unchanged**	**High**
Climate volatility	Increasing volatility in climatic and weather conditions mean the business is not able to continue to deliver its services to its customers.	**Increasing**	**High**

Asset Management	An ineffective Asset Management framework including poor-quality data that creates an unbalanced view of cost, risk and performance, leading to poor investment decision making, sub-optimal operational performance and an inability to evidence value from our investments in future regulatory submissions.	**Increasing**	**High**
Water Supply	Failure of the business to provide a safe, reliable and sufficient source of water to its customers in line with quality standards targets.	**Unchanged**	**Moderate**
Wastewater and Bioresources	Failure of the business to provide a safe and reliable service to manage and treat wastewater and bioresources that prevents material harm to the environment.	**Unchanged**	**High**
Delivery	Failure to adequately support the delivery of our strategic objectives. This includes inadequate planning, investment, or coordination in areas such as infrastructure, technology, security, physical security, and third-party management, which may result in the business being unable to deliver services to required standards or adapt to future demands.	**Unchanged**	**Moderate**
Information Security	Failure to ensure adequate security and management of our digital assets and systems leading to operational disruption, reputational damage, or financial loss.	**Increasing**	**High**
Data Driven Decision Making	Inadequate data and information points or ability to interrogate data sources resulting in sub-optimal decision-making leading to inaccurate financial and regulatory returns; sub-optimal day to day business operations; siloed working; resourcing; and performance.	**Unchanged**	**High**

People	Failure to have the right resources with the right expertise and skills, led, managed and developed in line with our values, behaviours, standards and culture will have an impact on our ability to operate effectively and deliver on our strategic objectives.	**Unchanged**	**Moderate**
Health and Safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public.	**Unchanged**	**High**
Financial Viability	Inability to raise finance at sufficient levels and/or manage cash/gearing to maintain the Company's financial viability, provide a sufficient return on investment to its shareholders and meet all regulatory obligations.	**Unchanged**	**Moderate**

External Perception and Trust

Risk Exposure: ***Unchanged***
Risk Level : ***High***

Description of the Risk

Damage to our reputation and the level of trust in us as a steward of water and waste services. This damage could occur through both a perception of and a failure to deliver services and our corporate plan in line with our values, behaviours, standards and licences.

Context

While we are a high performing water company, we are judged beyond our existing regulatory delivery and targets. The scrutiny on the industry is an opportunity to implement change to benefit our customers and the environment. The water industry has a low level of public trust.

Risk Appetite statement

- We will ensure that we communicate proactively with key groups about the company's performance and about wider issues in our region and across the industry.
- We are committed to going the extra mile for our customers, communities, and the environment. This means giving our staff the freedom to take personalised, proactive actions. We believe that doing more for customers does not always cost money - but it always adds value. We will always prioritise the delivery of our capital programme.
- We understand that some customers struggle to pay their bills. We will ensure that the right support is in place and that we keep up with any changes from the regulators.
- Compliance is the baseline for everything we do, not an aspiration, and we seek to provide the best affordable services to customers, communities, and the environment - from culture to decision-making to daily operations. We aim to avoid anything that could damage how customers, regulators, or government see us. If we cannot meet legal or regulatory standards, it must be reported to the Executive Committee. Executive Committee will only accept a one-off situation, or one where the impact can be managed or mitigated.
- We must always act ethically and transparently. We will stick to our core values, meet our responsibilities, and follow all laws and regulations - both in letter and spirit. We will also keep open and trusted relationships with our regulators.

Mitigation and controls include

- Management of operational and compliance risks.
- Focusing on continued excellent service to customers and communities.
- Maintaining excellent relationships with all stakeholders.
- Ensuring a continued focus on our longer-term resilience and the need for long-term asset investment.
- Horizon scanning and keeping ahead of emergent risks
- Explaining the wide range of social and economic benefits we contribute to our region; customers; citizens; and environment.
- Continuing to show thought leadership on systemic challenges.
- Communicating effectively on our bigger ambitions for the 25-year Environment Plan and demonstrating a commitment to bring our customers with us.
- Use of sustainable nature-based solutions to align ourselves with the broad-based support for a move towards a catchment-based approach for regulating the water industry.
- Continue to work with stakeholders to influence the regulatory environment for the benefit of customers and the environment.

Political, Regulatory and Legislative Change

Risk Exposure: *Unchanged*
Risk Level : *High*

Description of the risk

The risk that the business does not effectively engage, influence, assess, implement, and monitor changes arising from Government, Regulators, other Statutory stakeholders, or Legislative changes.

Context

As a private provider of essential public services many of our obligations are defined by statute and a complex regulatory framework, currently under review.

Risk Appetite statement

- We will proactively engage with and seek to influence our core external stakeholders to enable us to continue to deliver water supply, waste services and broader public health welfare and environmental benefits to our customers in line with our licence and social purpose.
- We will always fully assess, implement and monitor any changes in our operating environment as soon as possible with due consideration to existing investment plans and the impact of any reprioritisation.

Mitigation and controls include

- Preparation and provision of high-quality regulatory submission delivering for customers and the environment.
- Engaging in relevant government and regulatory consultations.
- Assessing and communicating the impact of changes in interpretation or expectation of existing regulations will have a material impact on the business.
- Consulting with customers and stakeholders to understand their requirements.
- Delivering a strong, consistent performance.
- Advocating the need for reform and long-term investment to improve outcomes through SSWAN.
- Engaging in issues of public importance and providing factual evidence.
- Leading by example in demonstrating high standards of assurance in everything we do.
- Communicating value to customers and stakeholders of our operational performance and investment.
- Engaging in relevant government and regulatory consultations including with regional and local authorities.
- Keeping abreast of changing or new legislation and regulatory requirements.

Climate volatility

Risk Exposure: *Increasing*
Risk Level : *High*

Description of the risk

Increasing volatility in climatic and weather conditions mean the business is not able to continue to deliver its services to its customers.

Context

The natural environment we are operating within is changing and we must adapt to reduce our impact and ensure we can provide resilient services in the face of such changes, including for water, air, land and biodiversity.

Risk Appetite statement

Our services to customers and the environment should be resilient in climate scenarios.

Mitigation and controls include

- Water Resource Management Plan (WRMP), maintaining the supply/demand balance now and for the long term
- Drainage and Wastewater management plans (DWMPs) detailing how we will provide resilience across our wastewater service to more extreme conditions
- Committed targets for net zero operational and embodied carbon which are published in our roadmap to net-zero carbon
- Our 25-year strategic direction statement incorporates long-term outcome targets for net zero carbon, increased biodiversity, sustainability abstraction and great river and coastal water quality as outcomes
- Incorporating climate change scenarios into our long-term delivery strategies and decision-making
- Continual improvement of our Asset Management framework

Asset Management

Risk Exposure: ***Increasing***
Risk Level : ***High***

Description of the risk

An ineffective Asset Management framework including poor-quality data that creates an unbalanced view of cost, risk and performance, leading to poor investment decision making, sub-optimal operational performance and an inability to evidence value from our investments in future regulatory submissions.

Context

The management of our assets is fundamental to the delivery of value-for-money services our customers, whilst maintaining our environmental stewardship.

Risk Appetite statement

- Asset management is a core requirement that effective stewardship and requires input from operations, engineering, finance, strategy and customer teams, resulting in an integrated management system.
- We seek to hold high quality asset data relating to condition, location, that is captured at source and maintained during the asset lifecycle.
- We seek to design and build assets that are resilient, safe by design, and are process safety minded in the long-term but acknowledge that we operate within a five-year investment period. In these instances, we will prioritise meeting current regulatory commitments in favour of long-term resilience.
- We endeavour to make all decisions in consideration of whole life cost, ensuring we utilise the value of our assets by making decisions that deliver measurable benefits for customers, communities, and the environment in alignment with our strategic objectives.
- We actively seek innovative products, services, or techniques that improve our service provision without impacting quality, service, or cost.
- We will prioritise the mitigation of threats over the exploitation of opportunities where resources are constrained.
- We seek to embed a culture where decisions about asset investment, maintenance, and innovation are made transparently and with a clear understanding of trade-offs. We will empower our people to make decisions about assets within clear boundaries, supported by training, tools, and trust.

Mitigation and controls include

- Asset management maturity assessment undertaken, a detailed improvement plan is being progressed.
- Data and Analytics Strategy.
- Strategic Asset Management Plans and supporting asset management plans.
- Dynamics asset management system.
- Asset rule book and asset verification underpinning ongoing condition assessment.
- FMECA and IAM asset management training.

Supply of unfit or insufficient water

Risk Exposure: ***Unchanged***
Risk Level : ***Moderate***

Description of the risk

Failure of the business to provide a safe, reliable and sufficient source of water to its customers in line with quality standards targets.

Context

We have treated and supplied more than 270 million litres of water a day to 1.4 million customers. Providing wholesome drinking water is a fundamental obligation to our customers and a responsibility we take very seriously. There are many risks that can affect our ability to deliver the right quantity and quality of water to our customers.

Risk Appetite statement

- We will ensure that water quality risk should be reduced to as low a level as is reasonably practicable. Resource allocation to maintain water quality will be prioritised above interruptions, leakages and cost.
- We will take a balanced view of managing interruptions and leakage. We will reduce the length of supply interruptions for planned outages. In the event of unplanned outages, we will ensure that we allocate resources to get customers back onto supply as quickly as possible and will prioritise this over managing leaks.
- If there is a significant risk to the supply of sufficient water, we will deprioritise scheduled maintenance to ensure all available assets are in service. In the event this is insufficient, we will accept supplying customers with water that may be perceived as reduced quality (e.g. discoloration), but we will never knowingly supply non-compliant water.
- We are committed to ensuring that sufficient supply headroom is maintained across our network, both now and in the future to meet demand under a range of operational and environmental scenarios. All appropriate efforts must be undertaken to understand and monitor supply headroom, including the use of forecasting, scenario planning, and stress testing.
- We prioritise proactive investment and planning to ensure resilience in the long term, recognising that maintaining significant headroom is essential to safeguarding service continuity and public confidence. However, we must operate within our regulatory financial constraints and AMP based targets are met.
- We must ensure that we have sufficient mitigation plans in place to respond to new regulation regarding emerging contaminants in line with DWI expectations.

Mitigation and controls include

- Water Resource Management Plan, maintaining the supply/demand balance now and for the long term.
- Mature drinking water safety planning approach that meets regulatory requirements.
- Management and monitoring of the water we abstract.
- Risk-based prioritisation process for the maintenance and replacement of our assets.
- ISO 9001 (Quality management) certified.
- Robust monitoring of our operations 24/7.
- Rigorous sampling/testing programme.
- Emergency planning and business continuity plan.
- Water Smart training.
- Continued engagement with regulatory and advisory bodies including Water UK and UKWIR.

Wastewater and Bioresources

Risk Exposure: ***Unchanged***
Risk Level : ***High***

Description of the risk

Failure of the business to provide a safe and reliable service to manage and treat wastewater and bioresources that prevents material harm to the environment.

Context

Our waste operations treat 490 million litres of sewage from 2.9 million customers each day. Escape of sewage into the environment impacts on our region's watercourses; its wildlife and the land. Sewer flooding into and around our customers' homes has a significant impact on our customers.

Risk Appetite statement

- We have a conservative approach to managing the risks associated with wastewater and bioresources, and the associated risks that could impact our customers, the environment and regulatory compliance.
- We will consider stakeholder perception in addition to regulatory compliance when making decisions.
- We will seek to avoid incidents that could have a material impact on our customers and/or the environment and will prioritise investing in mitigating these risks. Where possible we will prioritise interventions with multiple benefits.
- We will ensure that base compliance is always achieved and avoid all regulatory breaches but accept that technical breaches will sometimes occur.
- We will ensure that AMP8 includes enhancement plans that deliver the targeted benefits in terms of reducing discharges to the environment that result in significant environmental harm. We will prioritise maintenance activities to ensure that asset failures will not result in premature discharges to the environment. We acknowledge that the elimination of discharges to the environment will be resolved over multiple AMPs, and we will always look to provide innovative solutions within funding constraints
- We will continue to engage with regulators and government on using nature-based solutions as a solution for groundwater induced storm overflows as this the lowest impact option to the environment and right for customers.

Mitigation and controls include

- Increasing our wider stakeholder engagement on such matters as catchment markets, storm overflows and vulnerability.
- Pollution Incident Reduction Plan, which include mitigating measures for groundwater.
- Drainage and wastewater management plan.
- Rigorous sampling, testing and monitoring programme.
- National lobbying of wet wipe manufacturers.
- EDM monitoring of overflows.
- Rainwater Harvesting Project.
- Rising main monitoring programme.
- Robust self reporting culture.
- Use of stormharvester machine learning/artificial intelligence network modelling to predict potential problems.
- Storm Overflow Assessment Framework and action plan.

Delivery

Risk Exposure: ***Unchanged***
Risk Level : ***Moderate***

Description of the risk

Failure to adequately support the delivery of our strategic objectives. This includes inadequate planning, investment, or coordination in areas such as infrastructure, technology, security, physical security, and third-party management, which may result in the business being unable to deliver value-for-money services to required standards or adapt to future demands.

Context

The Company needs to manage supporting services (such as security, programme management and purchasing etc) to provide our essential services of water and waste. Delivery of capital programmes and investment are essential to meeting tightening regulatory targets, which requires a reliance on third-party supply chains and contractors. There are also opportunities to find innovative solutions to traditional infrastructure builds.

Risk Appetite statement

- We recognise that supporting teams play a key role in achieving our objectives. These teams must ensure that policies, processes, and systems are fully aligned with corporate goals, operate efficiently, are inherently safe, and are effectively coordinated with other functions.
- We will seek to avoid risks that could impact our ability to deliver value-for-money services to our customers and meet licence conditions through improving resilience, specifically avoiding sourcing services and products from a single supplier unless there is no alternative supplier available.
- We recognise that disruptions can occur which may impact on our ability to meet statutory and regulatory expectations. We will proactively engage with our third parties and government or statutory officials where appropriate to agree on reprioritised plans to mitigate such instances, ensuring robust response and recovery plans are in place.
- We will be mindful of carbon emissions and seek to invest in low carbon solutions where possible, but operational compliance will always take priority.

Mitigation and controls include

- Strong relationships with the supply chain, with early procurement of key materials and alternative arrangements for emergency call-off.
- Capital programme governance.
- Corporate risk management oversight.
- Asset management framework.
- Operational performance monitoring.
- Detailed and tested contingency arrangements and disaster recovery in place.
- Security education and awareness.
- Robust governance frameworks.
- ISO standard accreditation.
- Assurance activities across all lines of defence.
- Robust monitoring of our operations 24/7.
- SEMD compliance.
- Threat intelligence, understanding and vulnerability management.

Information Security

Risk Exposure: *Increasing*
Risk Level : *High*

Description of the risk

Failure to ensure adequate security and management of our digital assets and systems leading to operational disruption, reputational damage, or financial loss.

Context

Threats to information security and resilience range from activism and criminal activity, and up to Nation State sponsored threats. The company needs to counter and contain such threats and to recover quickly from incidents and protect information assets, information technology and operational technology.

Risk Appetite statement

- We will continually assess the threat landscape to understand the level of risk and adapt our investment in our capabilities to minimise the risk of incidents that could adversely affect our operations, customers, reputation, and stakeholders.
- We will ensure our people are aware of cyber risk and their role in preventing and detecting a cyber security breach.
- We will understand the threats posed by our third-party suppliers and their cyber controls. Where they have insufficient controls, we will risk assess the impact of these and implement appropriate mitigations.
- We must avoid material incidents that affect personal data and operational capability. Response and recovery plans must be in place to ensure we maintain delivery of essential services in the event of a cyber incident.

Mitigation and controls include

- Security Education and Awareness
- Compliance with Regulatory Standards, security control frameworks and certification (including NIS regulations and ISO27001)
- Secure architecture and 'Secure by Design' processes
- System and Security Engineering (including secure designs and patterns)
- Threat Intelligence and understanding, including the support of the Centre for the Protection of National Infrastructure (CPNI) and National Cyber Security Centre (NCSC)
- Incident Response preparedness (including training and exercises)
- Vulnerability Management (including discovery, assessment and mitigation)
- Business Continuity and Disaster Recovery planning
- Specialist and technical auditing and testing, including Penetration Testing
- Continuous Monitoring, Detection and Response (including 24/7 Cyber Security Operations Centre (CSOC) services)
- Capability Development and continuous improvement activity (including the Operational Technology Security Improvement Programme)

Data Driven Decision Making

Risk Exposure: ***Unchanged***
Risk Level : ***High***

Description of the risk

Inadequate data and information points or ability to interrogate data sources resulting in sub-optimal decision-making leading to inaccurate financial and regulatory returns; sub-optimal day to day business operations; siloed working; resourcing; and performance.

Context

Decisions need to be informed and reliant on systems and adequate data and information. Failure to make the right decision can have a direct impact on cost, increase the risk profile, or create service impact.

Risk Appetite statement

- We acknowledge the criticality of data in the business and will seek to continually invest in our capabilities to minimise risks where inaccurate or incomplete data could materially compromise effective decision making.
- Where we invest in our data capabilities we will prioritise data that supports operational compliance, regulatory reporting and strategic business planning and ensure that there is a clear return on investment.
- Information provided externally should have appropriate levels of assurance to reduce the risk of misreporting to as low as reasonably practicable.

Mitigation and controls include

- Data and Analytics Strategy, AI and continuous improvement plan.
- Multiple corporate systems to house robust data that has an assigned data owner and data steward.
- Information Management Steering Group.
- Information Management Framework.
- Established data access layer improving access and transparency.
- Data quality review.
- Development and implementation of the asset management framework.
- Implementation of Field Service, our work management system for assets.
- Detailed and tested contingency arrangements in place.

People

Risk Exposure: ***Unchanged***
Risk Level : ***Moderate***

Description of the risk

Failure to have the right resources with the right expertise and skills, led, managed and developed in line with our values, behaviours, standards and culture will have an impact on our ability to operate effectively and deliver on our strategic objectives.

Context

We have around 2900 employees undertaking a wide range of roles and with varying skills and experience. We need to replenish, develop and nurture those skills and experience to be resilient for the future. In addition there is a national shortage of STEM (Science, Technology, Engineering and Maths) skills.

Risk Appetite statement

- We ensure the right people, expertise and skills are in the right place at the right time, addressing single points of failure, aging employees and building team capability.
- We will create a strong employer brand and run efficient, inclusive recruitment processes that attracts top talent and deliver a positive candidate experience without extending recruitment timeframes.
- We aim to create a high-performance culture, equipping colleagues with the skills, support, and leadership they need to thrive. We invest in development frameworks, feedback and leadership growth.
- We are committed to creating and sustaining an excellent employee experience where everyone feels respected, engaged, and inspired. We foster a culture of inclusion, wellbeing, productivity, and personal growth, and we embrace opportunities to evolve our leadership behaviours, recognition practices, and communication approaches.
- We provide our people with the tools, systems, and policies they need to contribute fully to the business and its strategic goals. We actively pursue the use of technology and data to enhance decision-making, improve accessibility, and strengthen governance across our people practices.

Mitigation and controls include

- Growing our apprenticeship programmes.
- Leading recruitment and retention of colleagues.
- Succession planning for senior and key positions.
- Continued commitment to training and development.
- Evolving the YTL Academy.
- Promoting our Culture, Inclusion and Diversity programme.
- Accredited Employer Provider of Apprenticeships through the YTL Wessex Academy.
- Living Wage Employer.

Health and safety

Risk Exposure: ***Unchanged***
Risk Level : ***High***

Description of the risk

Failure of operational controls, plant or an external hazard that affects the health and safety of employees, contractors, or the public.

Context

Working with and around water, sewage, gas, construction sites, plant and equipment exposes employees, contractors and the public to man-made and naturally occurring hazards. The Board remains committed to understanding our occupational and process safety risks and ensuring that they are appropriately managed as our lowest possible appetite.

Risk Appetite statement

- We have a very low appetite for health and safety risks for our employees, contractors, the public and those who may be affected by our daily operations and activities.
- We seek to build and maintain a strong Health and Safety culture across the company, focusing on inherent safe design, competence, safe systems of work, and a company-wide understanding of the issues and responsibilities surrounding plant, processes, and people.
- Where risks are identified, controls and mitigations must be put in place to reduce the risk to a level that is as low as reasonably practicable (ALARP).

Mitigation and controls include

- Dedicated Health and Safety Committee and an expert Advisory Board
- Cross-business health and safety management process.
- Detailed process safety review of sites.
- Embedding process safety into our decision-making framework
- Full Health and Safety risk register.
- Compliance with regulatory requirements including COMAH and DSEAR.
- Embedded behavioural safety programmes.
- Maintained ISO 45001 certified for our engineering and construction activities.
- Easy reporting of incidents, near misses and observation through our health and safety app ensuring data is used to drive proactive intervention.
- Supporting our employees through resilience building, mental health and financial wellbeing initiatives.
- Communication to employees on health and safety issues.
- Sharing of best practice and advice between Water UK members.
- Ensuring employees and contractors are trained to have a full understanding of the safety processes on all our sites and follow them at all times.
- Strong supply chain relationships.

Financial viability

Risk Exposure: ***Unchanged***
Risk Level : ***Moderate***

Description of the risk

Inability to raise finance at sufficient levels and/or manage cash/gearing to maintain the Company's financial viability, provide a sufficient return on investment to its shareholders and meet all regulatory obligations.

Context

The Company has an ambitious capital investment programme supported by a stable debt portfolio. This is a well-managed risk, but it is important to maintain our focus and standards to mitigate the risk.

Risk Appetite statement

- We will ensure that the company remains financially resilient now and for the duration of our long-term viability statement.
- We recognise the importance of being regarded by lenders and investors as financially robust.
- We strive to avoid decisions based on short-term benefits that result in false efficiency in the delivery of our long-term outcomes.

Mitigation and controls include

- Maintain communications and strong relationships with financial institutions and credit rating agencies.
- Maintain and annually review borrowing policy.
- Regular monitoring of position, horizon scanning and forecasting.
- More detailed modelling of financial viability scenarios.
- Focusing on maintaining industry leading customer service and environmental performance.
- Robust sustainable financing framework.

Long-term viability statement

Basis

The Company has a long-term commitment to the provision of resilient services for the communities it serves and plans for stewardship in perpetuity.

Our 2025-30 business plan sets out our long-term delivery strategies and outlines operational plans out to 31 March 2035. Given this, the Directors have determined 2035 as an appropriate planning horizon for the Company's long term viability statement.

This long-term viability statement reflects the outcomes of the CMA's final determinations for the Company that were made on 10 March 2026.

Going concern

For the near-term analysis up to 31 December 2027 the Directors have considered:

- the current financial position of the Company, its cash deposits and available funds,
- the expected turnover from customer charges,
- that the larger capital expenditure programme is of a similar nature to that delivered in previous regulatory control periods, allowing the Directors to be able to predict the cost of construction with some certainty,
- that borrowing facilities in place are in the majority long-term and maturing after 31 December 2027,
- that the mix of borrowings is spread between fixed, floating and index-linked,
- predictions of interest rates,
- the need and costs of additional financing,
- that there are sufficient finance facilities in place to fund our working capital requirements,
- the principal risks as outlined in this document on pages 136 to 138,
- the shocks and stresses shown in the Company's resilience action plan,
- the liquidity of the Company over the coming two years, and
- compliance with financial covenants in respect of gearing and interest cover.

Having considered the above, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to 31 December 2027. Further details are given in Note 1 on page 171 of the financial statements.

Long-term viability risks

The Company's approach to risk in general is detailed in the previous section of this Annual Report and Accounts document (see pages 134 to 150). This includes assessment of the full range of risks, including common external risks that affect both the water sector and specific Company risks.

When assessing financial viability over a longer period, Directors considered:

- the financial and operational impact if the risks identified in the corporate risk register were to occur,
- the impact on Wessex Water if risks related to the wider group were to occur,
- the wider economic and regulatory environment, and
- the impact of any other foreseeable risk.

This ensures that all operational, financial, and regulatory risks are fully considered. The assumptions used in stress testing for this viability statement are consistent with this wider risk assessment reported elsewhere in the Company's accounts.

The Corporate risk register is regularly updated and reviewed by the Company's risk management group and Board every six months. The potential financial impacts (shocks) of the principal risks contained in the Corporate risk register are summarised in the table below:

Principal risk	Financial Impact Type
External Perception and Trust	Decreased collections, reduced performance regarding measures of experience
Political, Regulatory and Legislative change	Unfunded obligations
Climate Volatility	Increased cost, reduced performance, unfunded obligations
Asset management	Increased cost, reduced performance
Water Supply	Short term cost increase, reduced performance, regulatory fines
Wastewater and Bioresources	Short term cost increase, reduced performance, regulatory fines
Delivery	Short term cost increase, reduced performance, regulatory fines
Information Security	Short term cost increase, reduced performance, regulatory fines
Data Driven Decision-Making	Increased cost, reduced performance
People	Short or long term increase in costs, reduced performance
Health and Safety	Short term cost increase, reduced performance, regulatory fines
Financial Viability	Shortfall in finance, reduced performance, regulatory fines

Quantified financial shocks

We quantified the potential financial shocks to the Company arising from the above principal risks based on historical precedent (both on Company performance, that of its peers or analogous risks that have occurred in other sectors), independent expert forecasts (e.g. Office for National Statistics), and where appropriate guidance within the final PR24 methodology. The quantified shocks are summarised in the table below.

Impact area	Impact description
Inflation	1. Sustained lower (up to 1%) than forecast CPIH, reducing revenues and RCV growth, 2. short-term deflationary scenario with negative CPIH (down to -2%) over two years, reducing allowed revenues and RCV growth, 3. short-term higher (up to 6%) than forecast CPIH over two years, increasing costs, and 4. short-term increase in the wedge (up to 2%) between RPI and CPIH for two years on top of current forecasts, increasing interest payable on debt without increases in revenues.
Revenues	1. Sustained lower demand (2.5% below baseline revenue for household and 5% below baseline for commercial customers), reducing revenues collected, 2. lower allowed revenues (up to 1% of RoRE via Outcome Delivery Incentive (ODIs)) through poor operational performance, and 3. decreased collections and an increase in customers' inability or refusal to pay (up to 3% decrease in revenue).
Capital expenditure	1. Short term mismatch between construction inflation and CPIH (up to 1.5%) over two years, increasing capital costs, 2. long term mismatch between construction inflation and CPIH (up to 0.5%) sustained over the whole model period, increasing capital costs, 3. short-term increases (up to £30m) in capital expenditure due to widespread unfit water, asset damage/failure, low information maturity, major liabilities or major public incidents, 4. sustained increase (up to 10%) in capital maintenance expenditure, and 5. significant unfunded obligations (up to £30m) for two years.
Operational expenditure	1. Short term mismatch between general operational expenditure and CPIH (up to 3%) over two years, increasing operational expenditure, 2. short-term increases (up to £30m) in operational expenditure due to widespread unfit water, asset damage/failure, major liabilities or major public incidents, 3. sustained increase (up to £5m per year) in operational expenditure due to climate or low information maturity, 4. significant regulatory fines (up to 10% of revenue), and 5. significant unfunded obligations (up to £10m) for two years.
Financing	1. Credit rating downgrade, resulting in higher (up to 0.5%) costs of raising new debt, 2. sustained increase (up to 1.7% per year) in cost of raising new debt above the forecast benchmark indices, and 3. poor market performance of pension assets resulting in a pension deficit (up to £50m).

Scenario development

Scenarios were then developed through combinations of the shocks listed above. We ensured that the analysis correctly identified, linked, and compounded risks.

<table>
<tr><th>Scenario</th><th>Scenario description and applicable impacts</th></tr>
<tr><td>Wastewater incident</td><td rowspan="2">This might include a major pollution incident or the widespread distribution of unfit water as a result of an operational failure or asset failure.

Scenarios combine customer payment strikes, ODI underperformance payments, regulatory fines and unfunded obligations that increase operational and capital expenditure.</td></tr>
<tr><td>Water supply incident</td></tr>
<tr><td>Simultaneous water and wastewater incidents</td><td>As above but assumes incidents occur concurrently.</td></tr>
<tr><td>Macroeconomy</td><td>A sustained economic downturn in the UK that increases input prices and reduces productivity resulting in sustained overspends of regulatory cost allowances while depressing indices of consumer prices and reducing Company revenues. An accompanying credit squeeze means that the costs of new finance increase.

Scenarios combine sustained lower inflation, a short-term mismatch where operational expenditure grows at a faster rate than CPIH, sustained reduced volume shocks, and economy wide cost of debt increases.</td></tr>
<tr><td>Combined operational and macroeconomic shock</td><td>An operational failure coincides with higher input costs resulting in consistent overspends against regulatory allowances. Alongside this depressed consumer price indices reduce revenues and regulatory value. Increased severity by assuming demand and sales volumes also decrease and the higher interest costs through a credit rating downgrade.

Scenarios combine the macroeconomy scenario with an additional customer payment strike, credit rating downgrade, and operational shock (wastewater / water supply incident scenario).</td></tr>
<tr><td>New unfunded obligations</td><td>This scenario assumes that government or regulators impose new obligations on the Company that create additional costs and diverts management focus, leading to operational failure that increases both operational and capital expenditure.

These are modelled individually and then alongside operational or macroeconomic shocks to fully test the resilience of the Company.</td></tr>
<tr><td>Extreme weather event</td><td>An extreme weather event (either a cold ‘beast from the east’ or a prolonged dry period) causes asset failures.

Scenarios include increased costs, ODI underperformance payments and unfunded obligations.</td></tr>
</table>

Climate change	Ongoing climate change causes more uncertain weather, drier summers and wetter winters leading to fines, unfunded obligations and cost increases. This was modelled individually and alongside operational and macroeconomic shocks.

The individual shocks, scenarios, and levels of severity considered within the financial viability assessment are reviewed and agreed by senior management across the finance, risk, and economic regulation teams. Our full approach to risk identification, management and mitigation is described on pages 134 to 150 of this Annual Report and Accounts. These are then presented to the Company's Audit and Risk Committee for review.

In total the Company modelled 35 scenarios, the most severe of which consider multiple concurrent and linked risks.

Viability and thresholds

When considering long term financial viability, the Directors primarily considered the ability of the Company to retain credit metrics consistent with an investment grade credit rating, as this would continue to grant access to the debt and equity markets for the Company to finance its functions.

In many of these scenarios we see pressure on key credit rating metrics (gearing and interest covers) that may threaten the Company's investment grade credit rating, and cause breaches to the financial covenants on our debt facilities.

This is of particular note where there is sustained low inflation and significant totex overspends, and on interest covers with sudden reductions in revenue and significant fines.

Mitigations

Multiple control measures are in place to mitigate or prevent impacts. These include:

- *Insurance against employer's liabilities and significant business interruption such as flooding* – This will help the Company recover some of the totex incurred in specific shocks where they are driven by insurable external risks.
- *The suite of regulatory reconciliation mechanisms in place to allocate risk between the Company and customers* – The impact of reduced demand on revenues will be mitigated by the revenue forecasting incentive mechanism. Significantly reduced revenues due do ODIs are partially mitigated by the aggregate (performance) sharing mechanism. The impact of additional expenditure is partially mitigated through the totex sharing and aggregate (cost) sharing mechanisms. In addition, further, smaller scale, protections to the RCV and revenues exist, such as the cost of debt indexation mechanism.
- *Reducing expenditure with limited short or medium-term benefits* – This can help offset other increases in totex. However, given the challenging determination and the scale of the upcoming capital programme, this mitigation can only partially offset increases in costs, and these levers will have lower impact than in previous assessments. It is important to note that if this restriction on expenditure is required over the longer term this will place more stress on the business and reduce its long-term resilience.

- *Restricting dividends* – We retain in our base case the reinvestment of dividends to fund real RCV growth. The Company has always committed to ensuring it maintains a solid investment grade credit rating and operates a flexible dividend policy that will help ensure this. The Directors note that dividends can be restricted before the new cash lock up clause in the licence comes into force if there is foresight of the risks.

Modelling results

The table below sets out the most extreme case for each scenario and indicates the pre- and post-mitigation impact on gearing (threshold of <80%), and interest covers (AICR target >1.2x and covenant EBITDA / Interest target >2.75x). Red represents sustained breaches, amber represents short-term breaches and green represents limited issues.

Scenario	Pre-Mitigation		Post Mitigation	
	Gearing	Interest Covers	Gearing	Interest Covers
Wastewater incident	🟢	🔴	🟢	🟢
Water supply incident	🟢	🟡	🟢	🟢
Simultaneous water and wastewater incidents	🟢	🔴	🟢	🟢
Macroeconomy	🟢	🔴	🟢	🟢
Combined operational and macroeconomic shock	🔴	🔴	🟡	🟡
New unfunded obligations	🟢	🟢	🟢	🟢
Extreme weather event	🟢	🔴	🟢	🟡
Climate change	🟢	🟡	🟢	🟢

The Directors note that in a significant majority cases the mitigations outlined were sufficient to restrict the breaches to short-term failures relating to specific shocks, where further action would have limited immediate impact. The Directors considered that in these cases the impact would not affect the underlying viability of the Company as credit rating agencies focus more on the overall trends and sustained exceedance of metrics.

Where there are still sustained breaches then this is resolved through equity issuance. In the next five years, the majority of sustained breaches are resolved with equity issuance of less than £0.25bn and the remainder resolved by issues of less than £0.5bn. If the scale of investment continues post 2030, the worst possible and therefore highly unlikely scenario would require additional equity of less than £0.75bn by 2035.

Our long-term shareholder has retained sole ownership of Wessex Water for over two decades. They are committed to the long-term financial stability of the Company with an intention to maintain gearing at around 70%. By 2030 the value of regulated equity in the business, at par, is expected to surpass £2.2bn. It is therefore likely that equity injections, at the scale represented above, would be forthcoming, given the equity value at stake. However, valuations remain contingent on a fair return within a stable and predictable regulatory framework.

The Directors also note the further protections in the regulatory model that are not included in the mitigations modelled above, (such as interim determinations, the cost change process, or subsequent price determinations recognising a material shift in the balance of risk), which in many of these scenarios would allow turnover to be adjusted upwards in the event of a substantial adverse effect on the financial position of the Company.

Directors statement on long term viability

Following these assessments, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to 31 March 2035.

Before agreeing this statement, the Directors, through the Audit and Risk Committee which comprises all Independent Directors, challenged Company management on its analysis of the risks and of the mitigations.

In making this statement the Directors have made the following reasoned and reasonable assumptions:

- that, at future price reviews, returns and the balance of risk, reward and investment are set so as to attract the necessary equity investment;
- that debt and equity funding remain available;
- that the stability of the financial regulatory framework does not deteriorate further; and
- that the Company has a supportive and long-term shareholder committed to long-term stewardship and investment for a fair return.

Directors' report

The Directors have pleasure in presenting their report and the audited non-statutory financial statements (subsequently referred to as accounts) for the year to 31 March 2026. The financial year end of all Group Companies is 30 June, but under the conditions of appointment of the Company (under the Water Industry Act 1991) the Company is required to prepare a regulatory Annual Performance Report for the 12 months ended 31 March each year.

Non-statutory accounts have been prepared for the same period to allow users of the regulatory Annual Performance Report to reconcile those results to the Company accounts. Under the terms of its Licence as a water and sewerage undertaker the Company is required to prepare a statement of corporate governance as if it were a listed company. Please refer to page 85 for the statement of corporate governance arrangements.

The Directors consider the annual report and non-statutory accounts taken as a whole, to be fair, balanced and understandable and it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In reaching decisions the Board, individually and collectively, takes account of the requirements of s.172 of Companies Act 2006 and the impact of decisions on the Company's stakeholders

Principal activities

The main activities of the Company are the supply of water and the treatment and disposal of waste water.

Results

The trading results for the year ended 31 March 2026 and the Company's financial position at that period end are shown in the attached financial statements. The Company has generated revenue of £797.5m during the year (2025: £652.6m) resulting in a profit before taxation of £95.8m (2025: £17.0m). For further detail on the results for the year see page 44.

The Directors consider the trading performance for the year to be adequate and they are confident of the future prospects of the Company.

Dividends

The Directors did not declare a dividend for the year (2025: £66.5m). Instead, profits have been retained and reinvested back into the business to fund service improvements, environmental performance and asset resilience. This reflects a clear priority to use available resources to deliver better outcomes for customers over the long term, rather than paying dividends. The Directors are satisfied that this approach is in line with the Company's dividend policy, supports financial resilience and maintains appropriate credit metrics, while ensuring that returns remain aligned with performance.

Going concern

An overview of the business activities of Wessex Water Services Limited is given in the Strategic Report on pages 2 to 84. A review of the principal risks that the company faces is given in the risk management section on pages 134 to 150. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 20.

The Company meets its day-to-day working capital requirements and medium and long term funding requirements through the cash and short term deposits described in note 19 and the facilities described in note 20. Under some of the facilities the Company is required to comply with an interest cover and gearing covenant tested quarterly.

The Directors have considered the financial position of the Company and cash flow forecasts for the period from the date of approval of these Financial Statements through 31 December 2027 (the going concern review period) and have concluded they will be able to meet their liabilities as they fall due and comply with the covenants for the going concern review period. In coming to this conclusion, the directors have evaluated the impact of current macroeconomic and geopolitics on revenues and debt, the repayment of loans maturing in the going concern review period, the required future financing requirements of the company and the Competition and Markets Authority (CMA) announcement of the PR24 final determination. More on the CMA outcome can be found at https://www.wessexwater.co.uk/news/update-on-business-plan-appeal.

The Directors note that, while there are no significant debt repayments due during the going concern period, significant additional funding will be required to support the scale of the investment programme. In assessing this requirement, the Directors have considered the Company's consistently strong operating performance, prevailing market conditions and experience across the water sector, the current level of leverage and credit ratings of the outstanding bonds, and the Company's strong track record of accessing debt markets over the past 20 years, most recently through the successful bond issuance in March 2025. Based on these factors, together with the time available to secure the necessary funding, the Directors are satisfied that the debt issuance assumed within the forecasts for the going concern period, primarily to finance the capital investment programme, is achievable. In order to facilitate the future issuance of bonds the Company established a £5bn Euro medium-term note programme on 6 September 2023, with the latest issuance taking place in March 2025. The programme was renewed on 16 December 2025.

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

Accordingly, after considering the forecasts, appropriate sensitivities, available facilities and the ability to raise additional debt, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to comply with its financial covenants for the going concern review period through to 31 December 2027; therefore, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Environment, social purpose and governance

Wessex Water Services Ltd has a vision that guides our progress towards being a responsible and sustainable water company, ensuring that our activities meet the demands of our environmental, social and governance stakeholders and responsibilities now and in the future.

Ethical policy

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

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

Our people

It takes great people and great teamwork to provide water and sewerage services to nearly three million customers, 24 hours a day, seven days a week. That is why we encourage and reward our employees for their contribution to achieving our aims. We seek their ideas and put them into practice, celebrate success at our annual awards and encourage them to 'Go the Extra Mile' with our GEM scheme. In addition, our People Programme is a dedicated programme of initiatives to address current and future strategic people priorities in areas including resourcing, talent management, reward and recognition, future working, diversity, and employee wellbeing.

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

Employment

Wessex Water Services Limited is an equal opportunities employer. No person or group of persons applying for a job with the Company is treated less favourably than any other person or groups of persons because of their gender, race, class, colour, nationality, ethnic origin, marital status, sexual orientation, age, trade union membership or activity, religious belief or physical or mental disability.

Selection procedures and criteria ensure that individuals are selected and promoted based on their relevant merits and abilities. These procedures are monitored and regularly reviewed.

Where necessary, the Company provides staff with ongoing professional development to enable them to compete or qualify for positions, or to progress, within the Company.

Streamlined energy and carbon reporting

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

Emissions for 2025-26 are shown on page 70. All the emissions shown use location-based reporting.

The Modern Slavery Act 2015

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

Environment policy

The Company protects conserves and improves the environment and operates in a socially responsible manner. This is important to our colleagues, customers, and shareholder. Working practices are continually revised as improved techniques and technologies become available. The environment policy is reviewed annually.

Research and development

The Company undertook research and development activities aimed at improving the reliability, resilience and effectiveness of its water and wastewater services. These activities included collaborative projects with the Universities of Bath and Bristol and other academic and scientific institutions, focusing on innovative technologies, advanced data analysis and operational improvements. The resulting insights support the continual improvement of existing operations and help address future industry challenges.

Market value of land and buildings

In the opinion of the Directors, the market value of land and buildings of the Company exceeds the book value of these assets at 31 March 2026.

Suppliers

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

The payment policy in respect of suppliers is to agree the payment terms for transactions in advance and to make payments in accordance with those terms. At 31 March 2026, trade creditors represented approximately 20 days trade purchases (2025: 17 days).

The Company does not follow any specific external code or standard on payment policy.

Community and charitable donations

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

During the year £1,136,735 was donated to UK charities (2025: £835,211) of which £281,403 (2025: £264,012) was donated to local debt advice agencies to help provide debt and financial advice to customers in our area who are struggling to pay their water bills.

Disclosure of information to auditor

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

Auditor

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

By order of the Board

Ruth Jefferson
Chief Executive
Claverton Down
Bath
BA2 7WW
6 July 2026

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the non-statutory financial statements (subsequently referred to as accounts) in accordance with applicable United Kingdom law and regulations.

The Company's licence conditions, as set by the Water Services Regulation Authority, require the Directors to prepare Company accounts for each financial year to 31 March.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with UK adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the company's financial statements, state whether UK adopted international 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 appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

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

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

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

Non-statutory financial statements

Income Statement

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Revenue	*3,4*	**797.5**	652.6
Expected credit loss charge		**(31.3)**	(12.3)
Other expenses		**(521.6)**	(481.7)
Total operating costs	*5*	**(552.9)**	(494.0)
Other operating Income	*5*	**4.6**	6.4
Operating profit	*3*	**249.2**	165.0
Financial income	*10*	**4.2**	1.2
Financial expenses	*9*	**(157.6)**	(149.2)
Net financing expense		**(153.4)**	(148.0)
Profit before tax		**95.8**	17.0
Tax on profit	*11*	**(25.2)**	(5.3)
Profit for the year		**70.6**	11.7

Statement of Other Comprehensive Income

For the year ended 31 March 2026

	Note	**2026** **£m**	2025 £m
Profit for the year		**70.6**	11.7
Other comprehensive (loss)/profit			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	*22*	**(6.6)**	14.5
Income tax on items that will not be reclassified to profit or loss	*11*	**1.7**	(3.6)
Other comprehensive (loss)/profit for the year, net of income tax		**(4.9)**	10.9
Total comprehensive income for the year		**65.7**	22.6

Statement of Financial Position

At 31 March 2026

	Note	**2026**	2025
		£m	£m
Non-current assets			
Property, plant and equipment	*13*	**5,047.0**	4,718.2
Right of use assets	*14*	**8.0**	5.7
Intangible assets	*15*	**29.8**	33.2
Retirement benefit assets	*22*	**15.9**	21.3
		5,100.7	4,778.4
Current assets			
Inventories	*17*	**6.3**	7.6
Trade & other receivables	*18*	**236.4**	209.2
Corporation tax receivable	*18*	**0.4**	0.6
Cash and cash equivalents	*19*	**0.4**	558.5
		243.5	775.9
Total assets		**5,344.2**	5,554.3
Current liabilities			
Bank overdraft	*20*	**(11.0)**	-
Other interest-bearing loans and borrowings	*20*	**(12.5)**	(184.3)
Trade & other payables	*21*	**(291.3)**	(290.1)
Provisions	*24*	**(1.3)**	(0.4)
		(316.1)	(474.8)
Non-current liabilities			
Other interest-bearing loans and borrowings	*20*	**(3,507.6)**	(3,659.3)
Contract liabilities	*21*	**(5.5)**	(5.8)
Provisions	*24*	**(0.9)**	-
Retirement benefit deficit	*22*	**(0.6)**	(0.6)
Deferred grants and contributions	*23*	**(346.6)**	(335.1)
Deferred tax liabilities	*25*	**(604.3)**	(580.8)
		(4,465.5)	(4,581.6)
Total liabilities		**(4,781.6)**	(5,056.4)
Net assets		**562.6**	497.9
Equity			
Share capital	*26*	**-**	-
Capital contribution reserve		**1.0**	1.0
Retained earnings		**561.6**	496.9
Total equity		**562.6**	497.9

Approved by the Board on 6 July 2026 and were signed on its behalf by:

Ruth Jefferson, Director

Statement of Changes in Equity
For the year ended 31 March 2026

	Note	Share capital £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
Balance at 01 April 2024		-	-	540.8	540.8
Total comprehensive profit for the year					
Profit for the year		-	-	11.7	11.7
Other comprehensive profit for the year		-	-	10.9	10.9
Total comprehensive profit for the year		-	-	22.6	22.6
Transactions with owners, recorded directly in equity					
Dividends	*12*	-	-	(66.5)	(66.5)
Other capital contribution reserve movements		-	1.0	-	1.0
Total contributions by and distributions to owners		-	1.0	(66.5)	(65.5)
Balance at 31 March 2025		**-**	**1.0**	**496.9**	**497.9**
Balance at 01 April 2025		-	1.0	496.9	497.9
Total comprehensive profit for the year					
Profit for the year		-	-	70.6	70.6
Other comprehensive loss for the year		-	-	(4.9)	(4.9)
Total comprehensive profit for the year		-	-	65.7	65.7
Transactions with owners, recorded directly in equity					
Dividends	*12*	-	-	-	-
Other capital contribution		-	-	(1.0)	(1.0)
Total contributions by and distributions to owners		-	-	(1.0)	(1.0)
Balance at 31 March 2026		**-**	**1.0**	**561.6**	**562.6**

Statement of Cash Flows

For the year ended 31 March 2026

	Note	2026 £m	2025 £m
Cash flows generated from operating activities			
Profit for the year		70.6	11.7
Adjustments for:			
Depreciation and amortisation		137.2	127.5
Loss on disposal of property, plant & equipment		2.0	2.5
Net loss on derecognition of intangible assets		1.5	12.7
Financial income		(4.2)	(1.2)
Financial expense		157.6	149.2
Taxation		25.2	5.3
		389.9	**307.7**
Working capital adjustments			
Decrease/(increase) in inventories		1.3	(0.6)
(Increase) in trade and other receivables		(33.3)	(6.1)
Increase in trade and other payables		5.2	25.0
Increase/(decrease) in provisions and employee benefits		0.9	(0.7)
		(25.9)	**17.6**
Tax received		-	0.3
Net cash flows generated from operating activities		**364.0**	**325.6**
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		2.7	4.6
Interest received		4.2	1.2
Acquisition of property, plant and equipment		(447.0)	(418.4)
Acquisition of intangible assets		(9.3)	(10.6)
Purchase of financial instruments		(50.0)	-
Sale of financial instruments		50.0	-
Proceeds from infrastructure charges and capital contributions		7.4	11.4
Net cash flows used in investing activities		**(442.0)**	**(411.8)**
Cash flows (used in)/generated from financing activities			
Proceeds from new borrowings		-	1,013.6
Interest paid		(111.7)	(116.8)
Repayment of borrowings		(363.0)	(190.0)
Payment of lease liabilities		(1.6)	(1.4)
Dividends paid		(14.8)	(66.5)
Net cash flow (used in)/generated from financing activities		**(491.1)**	**638.9**
Net (decrease)/increase in cash and cash equivalents		(569.1)	552.7
Cash and cash equivalents at 1 April		558.5	5.8
Cash and cash equivalents at 31 March	19,20	**(10.6)**	**558.5**

Notes to the non-statutory financial statements

1. Accounting policies

1.1 Basis of preparation

Wessex Water Services Limited (the 'company') is a private company limited by share capital, incorporated, domiciled and registered in England in the UK.

The registered number is 2366648 and the registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

These financial statements do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The latest statutory financial statements have been reported on by the Company's auditor for the year ended 30 June 2025 and have been delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Company financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards. These financial statements present information for the company only as a single entity.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

1.2 Measurement convention

The financial statements are prepared on a cost basis and presented in pounds sterling which is the company's functional and presentational currency.

1.3 Going concern

An overview of the business activities of Wessex Water Services Limited is given in the Strategic Report on pages 2 to 84. A review of the principal risks that the company faces is given in the risk management section on pages 134 to 150. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 20.

The Company meets its day-to-day working capital requirements and medium and long term funding requirements through the cash and short term deposits described in note 19 and the facilities described in note 20. Under some of the facilities the Company is required to comply with an interest cover and gearing covenant tested quarterly.

The Directors have considered the financial position of the Company and cash flow forecasts for the period from the date of approval of these Financial Statements through 31 December 2027 (the going concern review period) and have concluded they will be able to meet their liabilities as they fall due and comply with the covenants for the going concern review period. In coming to this conclusion, the directors have evaluated the impact of current macroeconomic and geopolitics on revenues and debt, the repayment of loans maturing in the going concern review period, the required future financing requirements of the company and the Competition and Markets Authority (CMA) announcement of the PR24 final determination. More on the CMA outcome can be found at https://www.wessexwater.co.uk/news/update-on-business-plan-appeal.

1. Accounting policies *(continued)*

1.3 Going concern (continued)

The Directors note that, while there are no significant debt repayments due during the going concern period, significant additional funding will be required to support the scale of the investment programme. In assessing this requirement, the Directors have considered the Company's consistently strong operating performance, prevailing market conditions and experience across the water sector, the current level of leverage and credit ratings of the outstanding bonds, and the Company's strong track record of accessing debt markets over the past 20 years, most recently through the successful bond issuance in March 2025. Consistent with the Group's established financing structure, any bond issuances are undertaken by Wessex Water Finance plc, a wholly owned financing subsidiary, rather than directly by the Company, with the proceeds made available to the Company through intra-group arrangements. Based on these factors, together with the time available to secure the necessary funding, the Directors are satisfied that the debt issuance assumed within the forecasts for the going concern period, primarily to finance the capital investment programme, is achievable. In order to facilitate the future issuance of bonds, a £5bn Euro medium-term note programme was established on 6 September 2023, with the latest issuance taking place in March 2025. The programme was renewed on 16 December 2025.

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

Accordingly, after considering the forecasts, appropriate sensitivities, available facilities and the ability to raise additional debt, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to comply with its financial covenants for the going concern review period through to 31 December 2027; therefore, the Directors continue to adopt the going concern basis in preparing the Financial Statements. An overview of the business activities of Wessex Water Services Limited is given in the Strategic Report on pages 2 to 52. A review of the principal risks that the company faces is given in the risk management section on pages 97 to 114. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 18.

1.4 Foreign currency

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1. Accounting policies *(continued)*

1.5 Financial instruments

Cash and cash equivalents

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient. The Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost includes intercompany loans repayable in more than 12 months, and trade receivables.

1.5 Financial instruments *(continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when: the right to receive cash flows from the asset have expired, or; the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement – loans and borrowings

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 18.

Derecognition

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

1. Accounting policies *(continued)*

1.6 Property, plant and equipment

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

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

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

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

- land and buildings — 10 to 80 years
- infrastructure assets — 60 to 200 years
- plant, equipment and motor vehicles — 2 to 30 years
- office and IT equipment — 3 to 10 years

Infrastructure assets comprise these eight components:

Impounding reservoirs 150 years, raw water mains 100 years, treated water mains 100 years, communication pipes 100 years, sewers 200 years, sewage pumping stations 60 years, combined sewer overflows 80 years and sea outfalls 60 years.

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

1.7 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Specialised computer software — 10 years
- In-house computer software development — 5 years
- Other computer software — 3 years

1.8 Inventories

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

1. Accounting policies *(continued)*

1.9 *Impairment excluding inventories and deferred tax assets*

Financial assets (including receivables)

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables and contract assets is disclosed in Note 27.

The company considers a financial asset in default when contractual payments are 80 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

1. Accounting policies *(continued)*

1.10 Employee benefits

Defined benefit plans

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

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

Re-measurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets. The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

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

The Company's employees are members of the Wessex Water Ltd Group pension scheme. The Company recognizes a cost equal to its contribution payable for the period. The assets of the scheme are held separately from those of the Group. The scheme has been closed to new members since 2009.

Defined contribution plans

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

Short-term benefits

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

1. **Accounting policies** *(continued)*

1.11 Provisions

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

1.12 Deferred grants and contributions

Grants and contributions in respect of specific expenditure on non-infrastructure property, plant and equipment are treated as contract liabilities and recognised in the income statement over the expected useful economic lives of the related assets.

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

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

1.13 Revenue

Supply of water and sewerage services

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

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

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

1. **Accounting policies** *(continued)*

1.13 Revenue (continued)

Financing component

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

Other revenue - general

Other Revenue which includes income from related parties and smaller non-core income streams is recognised by reference to each distinct performance obligation promised in the contract with customer. Depending on the substances of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Other income - Developer Services

These are services related to the obligation under statute to allow property developers to establish an authorised connection to the water and/or sewerage network.

In obtaining the connection the developer may contribute to the Company's capital costs through the following:

- requisition fees for water and waste water mains
- other capital contributions in relation to connecting the development to the water and waste water mains
- adoptions by the company of infrastructure built by the developer
- infrastructure charges, being a contribution to network reinforcement

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

1.14 Expenses

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

1. Accounting policies *(continued)*

1.14 Expenses (continued)

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

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

1.15 Taxation

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

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

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

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

1.16 Dividends

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

1.17 Contract balances

Contract assets

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

1. Accounting policies *(continued)*

1.17 Contract balances *(continued)*

Contract liabilities

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

1.18 Leases

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

Company as a lessee

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

i) Right-of-use assets

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

- land and buildings — 4 to 97 years
- motor vehicles and other equipment — 3 to 4 years

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

ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

1. Accounting policies *(continued)*

1.18 Leases (continued)

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

The Company's lease liabilities are included in Interest-bearing loans and borrowings (see Note 20).

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

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

Company as a lessor

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

1.19 Software-as-a-Service (SaaS)

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

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

1. Accounting policies *(continued)*

1.20 Changes in accounting policies and disclosures

There were no changes to accounting policies or related disclosures during the period under review.

1.21 IFRS Standards issued but not effective

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

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

On 27 May 2026, the IASB issued IFRS 20 Regulatory Assets and Regulatory Liabilities. The standard introduces a comprehensive accounting model for entities subject to rate-regulated activities, where a regulatory framework determines the amount and timing of consideration charged to customers for goods or services.

IFRS 20 requires entities to recognise regulatory assets and regulatory liabilities arising from differences between the timing of delivery of regulatory goods or services and the timing of related customer billing ("timing differences"), and provides guidance on their measurement, presentation and disclosure. The standard also includes enhanced disclosure requirements to improve transparency over the effects of rate regulation on financial performance and position.

IFRS 20 is effective for reporting periods beginning on or after 1 January 2029, with earlier application permitted. IFRS 20 is currently not endorsed by the UK Endorsement Board, however the Company continues to assess the impact of IFRS 20 on its financial statements.

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

2. Changes in accounting estimates

There were no changes in accounting estimates during the period under review. All estimates applied in the preparation of financial information remain consistent with those used in prior periods and continue to reflect management's best assessment based on the information available at the reporting date.

3. Business unit performance

Operating segments are reported in a manner consistent with internal reporting provided to the Board. The water business comprises the regulated water and waste water services undertaken by Wessex Water. Unregulated activities include the provision of services to other companies within the YTL(UK) group.

	2026	2025
	£m	£m
Turnover		
Regulated	**769.8**	634.1
Unregulated	**27.7**	18.5
	797.5	652.6
Operating profit		
Regulated	**249.1**	164.8
Unregulated	**0.1**	0.2
	249.2	165.0
Net assets		
Regulated	**561.9**	497.3
Unregulated	**0.7**	0.6
	562.6	497.9

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

The Board monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a combination of turnover, operating profit and net asset value and is measured consistently with the consolidated financial statements.

4. Revenue from contracts with customers

Current year	**House-hold £m**	**Non-house-hold £m**	**Total £m**
Wholesale revenue – water supply			
Unmeasured	**63.0**	**2.0**	**65.0**
Measured	**137.3**	**66.2**	**203.5**
	200.3	**68.2**	**268.5**
Wholesale revenue – wastewater			
Unmeasured	**131.3**	**2.6**	**133.9**
Measured	**280.4**	**79.4**	**359.8**
	411.7	**82.0**	**493.7**
Other revenue			
Regulated			**7.6**
Unregulated			**27.7**
Total revenue			**797.5**

Prior year	House-hold £m	Non-house-hold £m	Total £m
Wholesale revenue – water supply			
Unmeasured	58.5	1.3	59.8
Measured	122.2	55.4	177.6
	180.7	56.7	237.4
Wholesale revenue – wastewater			
Unmeasured	108.5	1.3	109.8
Measured	212.7	62.9	275.6
	321.2	64.2	385.4
Other revenue			
Regulated			11.3
Unregulated			18.5
Total revenue			652.6

4. **Revenue from contracts with customers** (continued)

The Company categorises its customer base into measured and unmeasured segments for the purposes of billing and revenue recognition. Measured customers are those with a water meter installed at their premises, and charges are based on actual water consumption recorded by the meter. Unmeasured customers, by contrast, do not have a water meter, and their charges are assessed using a fixed tariff derived from the rateable value of the property.

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removing and treating of waste water. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, though following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams including those relating to activities, typically performed opposite property developers, including activities that facilitate the creation of an authorised connection through which properties can obtain water and waste water services.

Contract balances

Contract assets of £1.7m (2025: £6.3m) are included in the statement of financial position under trade and other receivables, see note 18. At the year-end there were liabilities for receipts in advance relating to contracts of £75.0m (2025: £76.3m), see note 21.

5. Operating costs

The analysis of the Company's other gains and losses for the year is as follows:

	Note	**2026** **£m**	2025 £m
Employee costs	*7*	**170.1**	171.8
Power		**55.9**	50.7
Raw Materials and consumables used		**26.2**	20.6
Business rates		**25.6**	25.0
Expected credit loss charge	*27*	**31.3**	12.3
Service charges		**12.3**	9.8
Depreciation of property, plant and equipment	*13*	**127.5**	118.9
Depreciation on right of use assets	*14*	**1.7**	1.0
Amortisation of intangible assets	*15*	**11.2**	10.6
Net loss on derecognition of intangible assets	*15*	**1.5**	12.7
Property, plant and equipment written off		**3.4**	5.8
Short-term lease expenses	*14*	**5.0**	11.2
Expenses relating to short-term leases		**0.4**	0.4
Software licencing, configuration and customisation		**20.8**	12.3
Infrastructure maintenance		**22.6**	22.0
Ofwat licence fee		**2.0**	2.5
Charges from other group companies		**36.3**	33.4
Other operating costs		**99.3**	108.3
		653.1	629.3
Own work capitalised		**(100.2)**	(135.3)
		552.9	494.0
Other operating income			
Gain on disposal of property, plant and equipment		**(1.4)**	(1.9)
Amortisation of deferred income		**(3.2)**	(3.1)
Property damage compensation	*21*	**-**	(1.4)
		(4.6)	(6.4)

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

Software licensing, configuration and customisation includes £5.2m in connection with the first year of implementation and configuration of a new Software-as-a-Service (SaaS) based customer billing platform over a multiple year implementation period.

6. Auditors' remuneration

	2026	2025
	£000	£000
Audit of these financial statements	**339**	326
Audit related assurance services	**38**	35
Other non-audit services	**96**	96
	473	457

Audit-related assurance services are in connection with the Company's regulatory reporting requirements for Ofwat. The non-audit services include £96,000 relating to bond issuances.

7. Staff costs

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

	Number of employees	
	2026	2025
Average number of employees	**2,827**	2,963

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

	2026	2025
	£m	£m
Wages and salaries	**133.8**	137.2
Social security costs	**18.0**	16.5
Pension costs - defined contribution scheme	**12.9**	12.2
Pension costs - defined benefit scheme	**5.4**	5.9
	170.1	171.8

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2026	2025
	£000	£000
Total Directors' remuneration including benefits in kind	**1,780**	1,590
Remuneration of highest paid Director	**791**	440

Details of Directors' remuneration can be found in the Governance Report. Directors' remuneration is in respect of two Executive Directors, five Non-Executive Directors and six YTL appointed Directors (2025: four Executive Directors, six Non-Executive Directors and six YTL appointed Directors).

9. Interest receivable and similar income

	2026	2025
	£m	£m
Interest receivable on short-term bank deposits	**4.2**	1.2
Total finance income	**4.2**	1.2

10. Interest payable and similar expenses

	2026	2025
	£m	£m
Interest payable to subsidiary company	**(157.5)**	(132.1)
Interest on bank loans	**(20.0)**	(38.8)
Interest expense on leases	**(0.3)**	(0.1)
Net interest on net defined benefit pension liability	**1.2**	0.3
Interest payable before capitalisation	**(176.6)**	(170.7)
Interest capitalised	**19.0**	21.5
Net interest payable	**(157.6)**	(149.2)

In accordance with IAS 23 borrowing costs of £19.0m (2025: £21.5m) associated with the funding of eligible capital projects have been capitalised at an average interest rate of 5.1% (2025: 5.6%).

11. Income tax

Tax charged in the income statement

	2026	2025
	£m	£m
Current taxation		
UK corporation tax	**-**	0.1
UK corporation tax adjustment to prior years	**-**	(0.1)
	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	**24.6**	5.4
Arising from previously unrecognised tax losses/credits or temporary differences of prior years	**0.6**	(0.1)
	25.2	5.3
Tax expense in the income statement	**25.2**	5.3

Taxation recognised in other comprehensive income

	2026	2025
	£m	£m
Remeasurements of defined benefit surplus	**(1.7)**	3.6
Tax (credit)/expense	**(1.7)**	3.6

Reconciliation of effective tax rate

	2026	2025
	£m	£m
Profit for the year	**95.8**	17.0
Corporation tax at standard rate	**24.0**	4.3
Adjustment with respect of prior periods	**0.6**	(0.2)
Increase from the effect of expenses not deductible in determining taxable profit	**0.8**	1.0
Other tax effects for reconciliation between accounting profit and tax income	**(0.2)**	0.2
Total tax expense	**25.2**	5.3

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

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

11. Income tax *(continued)*

The Company is not expected to be impacted by the Pillar 2 income taxes. As a result, no tax charge has been recognised in the current year and prior year. The Company has applied the mandatory exemption under IAS 12 in relation to the accounting for deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules.

12. Dividends

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

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

In particular the Board takes into account:

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

The company intends to maintain an investment grade credit rating at all times.

	2026	2025
	£m	£m
Interim dividends for the current year	**-**	51.7
Final dividend for the current year	**-**	14.8
	-	66.5

13. Property, plant and equipment

	Land & buildings £m	Infra-structure assets £m	Plant & equipment £m	Motor vehicles £m	Office & IT equipment £m	Assets under construction £m	Total £m
Cost							
Balance at 1 April 2024	1,070.7	2,581.2	2,084.2	49.0	44.9	405.6	6,235.6
Additions in year	-	-	-	-	-	431.7	431.7
Transfers on commisioning	71.9	81.2	174.1	7.1	6.4	(340.7)	-
Disposals	(8.9)	(0.2)	(15.0)	(6.0)	-	-	(30.1)
Balance at 31 March 2025	1,133.7	2,662.2	2,243.3	50.1	51.3	496.6	6,637.2
Balance at 1 April 2025	1,133.7	2,662.2	2,243.3	50.1	51.3	496.6	6,637.2
Additions in year	-	-	-	-	-	463.2	463.2
Transfers on commisioning	101.9	74.4	188.8	8.7	3.9	(377.7)	-
Disposals	(6.6)	(1.8)	(13.0)	(8.7)	-	-	(30.1)
Balance at 31 March 2026	1,229.0	2,734.8	2,419.1	50.1	55.2	582.1	7,070.3
Depreciation							
Balance at 1 April 2024	(380.2)	(206.9)	(1,174.8)	(30.5)	(31.3)	-	(1,823.7)
Depreciation charge for the year	(17.8)	(18.9)	(70.7)	(6.3)	(5.2)	-	(118.9)
Depreciation on disposals	5.5	-	13.3	4.8	-	-	23.6
Balance at 31 March 2025	(392.5)	(225.8)	(1,232.2)	(32.0)	(36.5)	-	(1,919.0)
Balance at 1 April 2025	(392.5)	(225.8)	(1,232.2)	(32.0)	(36.5)	-	(1,919.0)
							-
Depreciation charge for the year	(19.1)	(21.0)	(77.9)	(5.9)	(5.5)	-	(129.4)
Depreciation on disposals	3.6	1.5	12.7	7.3	-	-	25.1
Balance at 31 March 2026	(408.0)	(245.3)	(1,297.4)	(30.6)	(42.0)	-	(2,023.3)
Net Book Value							
At 1 April 2024	690.5	2,374.3	909.4	18.5	13.6	405.6	4,411.9
At 31 March 2025	741.2	2,436.4	1,011.1	18.1	14.8	496.6	4,718.2
At 31 March 2026	**821.0**	**2,489.5**	**1,121.7**	**19.5**	**13.2**	**582.1**	**5,047.0**

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

There are no impairment losses recognised in these financial statements (2025: £nil). Cumulative borrowing costs capitalised and included above were £85.3m (2025: £66.3m).

Included in freehold land and buildings above is an amount of £16.0m (2025: £16.0m) in respect of land which is not depreciated.

14. Leases

Company as a lessee

The Company has lease contracts for various items of property, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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

	Land & buildings £m	Plant & equipment £m	Motor vehicles £m	Total £m
Cost				
Balance at 1 April 2024	2.1	0.2	1.3	3.6
Cost of ROU assets	-	0.4	3.8	4.2
ROU assets terminated	-	-	(0.2)	(0.2)
Balance at 31 March 2025	2.1	0.6	4.9	7.6
Balance at 1 April 2025	2.1	0.6	4.9	7.6
Cost of ROU assets	-	0.8	3.2	4.0
Balance at 31 March 2026	2.1	1.4	8.1	11.6
Depreciation				
Balance at 1 April 2024	(0.4)	(0.1)	(0.6)	(1.1)
Depreciation on ROU assets	(0.1)	(0.1)	(0.8)	(1.0)
Depreciation on ROU assets terminated	-	-	0.2	0.2
Balance at 31 March 2025	(0.5)	(0.2)	(1.2)	(1.9)
Balance at 1 April 2025	(0.5)	(0.2)	(1.2)	(1.9)
Depreciation on ROU assets	(0.1)	(0.1)	(1.5)	(1.7)
Balance at 31 March 2026	(0.6)	(0.3)	(2.7)	(3.6)
Net Book Value				
At 1 April 2024	1.7	0.1	0.7	2.5
At 31 March 2025	1.6	0.4	3.7	5.7
At 31 March 2026	**1.5**	**1.1**	**5.4**	**8.0**

14. Leases *(continued)*

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

			2026 £m
As at 1 April 2025			5.5
Additions			4.0
Accretion of interest			0.3
Payments			(1.9)
As at 31 March 2026			7.9
Current	Note	20	2.1
Non-current	Note	20	5.8

The maturity analysis of lease liabilities is also disclosed in Note 20.

The following are the amounts recognised in profit or loss:

	2026 £m	2025 £m
Depreciation expense of right-of use assets	**1.7**	1.0
Interest expense on lease liabilities	**0.3**	0.1
Expenses relating to short-term leases	**5.0**	11.2
	7.0	12.3

The Company had total cash outflows for leases of £6.9m in 2026 (2025: £12.6m). The Company also had non-cash additions to right-of-use assets and lease liabilities of £4.0m in 2026 (2025: £4.2m).

Company as a lessor

The Company has entered into operating leases consisting of certain land and buildings. Rental income recognised by the Company during the year is £0.7m (2025: £0.8m).

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2026 are as follows:

	2026 £m	2025 £m
Less than one year	**0.3**	0.4
After one year but not more than five years	**0.9**	1.0
More than five years	**0.6**	0.6
	1.8	2.0

15. Intangible assets

	Software £m	Software Development £m	Total £m
Cost			
Balance at 1 April 2024	82.9	15.1	98.0
Additions	-	10.6	10.6
Transfer on commissioning	7.6	(7.6)	-
Impairment	(0.2)	(12.5)	(12.7)
Disposals	(1.7)	-	(1.7)
Balance at 31 March 2025	88.6	5.6	94.2
Balance at 1 April 2025	88.6	5.6	94.2
Additions	-	9.3	9.3
Transfer on commissioning	7.6	(7.6)	-
Disposals	-	(1.5)	(1.5)
Balance at 31 March 2026	96.2	5.8	102.0
Depreciation and impairment			
Balance at 1 April 2024	(51.8)	-	(51.8)
Depreciation charge for the year	(10.6)	-	(10.6)
Disposals	1.4	-	1.4
Balance at 31 March 2025	(61.0)	-	(61.0)
Balance at 1 April 2025	(61.0)	-	(61.0)
Depreciation charge for the year	(11.2)	-	(11.2)
Balance at 31 March 2026	(72.2)	-	(72.2)
Net Book Value			
At 1 April 2024	31.1	15.1	46.2
At 31 March 2025	27.6	5.6	33.2
At 31 March 2026	**24.0**	**5.8**	**29.8**

As at 31 March 2025, accumulated depreciation and impairment included £16.7m impairment recognised due to delays in the completion of internally developing a new Billing and Customer service platform. In assessing impairment, management estimated the recoverable amount based on expected future cash flows and used an appropriate discount rate of 4.45% based on the Company's cost of capital.

After assessing the most effective way to complete the project, the Company has made the decision to transition to a Software as a Service (SaaS) solution. Therefore, in the current year the asset was derecognised resulting in a net loss of £1.5m, as future economic benefits are no longer expected from the use of the asset.

16. Investments

The Company has an investment of £13,001 (2025: £13,001) in 100% of the ordinary share capital of a subsidiary company Wessex Water Services Finance Plc, whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

17. Inventories

	2026	2025
	£m	£m
Raw materials and consumables	**6.3**	7.6

There was no significant write-down of inventories to net realisable value in either year.

18. Trade and other receivables

	2026	2025
	£m	£m
Amounts receivable from customers	**157.3**	140.7
Owed by immediate holding company	**15.8**	16.3
Owed by fellow subsidiary companies	**23.4**	17.7
Owed by other group companies	**0.9**	0.2
Owed by associated companies	**0.9**	1.0
Prepayments	**16.7**	13.1
Contract assets	**1.7**	6.3
VAT debtors	**9.8**	5.7
Other receivables	**9.9**	8.2
	236.4	209.2

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

Trade receivables are expected to be recovered in no more than 12 months.

All outstanding related party receivable balances are owed on commercial terms and arise through normal business operations. The company has considered the present value of the contractual cash flows and compared this to a prudent assessment of the present value of the cash flows that are expected to be received. Having performed this assessment, the company has determined that no material expected credit loss provisions are required as at year end for related party balances owed. The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 27 "Financial instruments".

18. Trade and other receivables *(continued)*

Contract assets

	2026 £m	2025 £m
Balance at 1 April	**6.3**	6.4
Additions	**3.2**	6.7
Utilisations	**(7.8)**	(6.8)
Balance at 31 March	**1.7**	6.3

19. Cash and cash equivalents

	2026 £m	2025 £m
Cash at bank	**0.4**	558.5
	0.4	558.5

Included within cash and cash equivalents is £1.4 million (2025: £nil) of cash which is ring-fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.

Cash and cash equivalents in the statement of cash flows comprise of cash in hand stated above and bank overdrafts of £11.0m (2025: £nil) in Note 20.

20. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 27(e).

	2026 £m	2025 £m
Current loans and borrowings		
Bank overdraft	**11.0**	-
Bank borrowings	**10.4**	183.0
Current portion of long-term lease liabilities	**2.1**	1.3
	23.5	184.3
Non-current loans and borrowings		
Bank borrowings	**328.9**	518.9
Lease liabilities	**5.8**	4.2
Loans owed to subsidiary company	**3,172.9**	3,136.2
	3,507.6	3,659.3

Lease liabilities: terms and debt repayment schedule:

	Minimum lease payment 2026 £m	**Interest** 2026 £m	**Principal** 2026 £m	**Minimum lease payment** 2025 £m	**Interest** 2025 £m	**Principal** 2025 £m
Less than one year	**2.4**	**(0.3)**	**2.1**	1.5	(0.2)	1.3
Between one and five years	**5.0**	**(0.3)**	**4.7**	3.6	(0.5)	3.1
More than five years	**1.5**	**(0.4)**	**1.1**	1.3	(0.2)	1.1
	8.9	**(1.0)**	**7.9**	6.4	(0.9)	5.5

20. Other interest-bearing loans and borrowings *(continued)*

Other interest-bearing loans and borrowings: terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Issue value 2026 £m	Carrying amount 2026 £m	Issue value 2025 £m	Carrying amount 2025 £m
EIB Loans	Sterling	5.77%	2025	-	-	50.0	50.0
KfW Bank loan £200m	Sterling	5.70%	2026	-	-	200.0	127.8
KfW Bank loan £200m	Sterling	5.70%	2030	200.0	120.0	-	-
KfW Bank loan £75m	Sterling	5.70%	2029	75.0	69.7	75.0	74.4
NatWest bank loans	Sterling	5.73%	2032	150.0	149.6	150.0	149.7
Revolving credit	Sterling	6.29%	2027	300.0	-	300.0	300.0
Loans owed to subsidiary company							
Fixed	Sterling	5.38%	2028	200.0	199.7	200.0	199.7
Fixed	Sterling	5.75%	2033	350.0	347.0	350.0	347.1
Fixed	Sterling	1.50%	2029	250.0	249.0	250.0	248.8
Fixed	Sterling	1.25%	2036	300.0	296.6	300.0	296.2
Fixed	Sterling	5.13%	2032	300.0	297.6	300.0	297.4
Fixed	Sterling	6.50%	2033	35.0	34.8	35.0	34.8
Fixed	Sterling	6.50%	2035	35.0	34.8	35.0	34.7
Fixed	Sterling	6.50%	2038	65.0	64.3	65.0	64.2
Fixed	Sterling	6.50%	2043	65.0	64.6	65.0	64.6
Fixed	Sterling	6.13%	2034	350.0	344.7	350.0	344.0
Fixed	Sterling	6.50%	2040	250.0	245.9	250.0	245.6
Index Linked	Sterling	4.05%	2039	50.0	95.7	50.0	91.8
Index Linked	Sterling	3.53%	2046	75.0	152.4	75.0	147.0
Index Linked	Sterling	3.53%	2051	75.0	152.4	75.0	147.0
Index Linked	Sterling	2.76%	2057	75.0	152.4	75.0	147.0
Index Linked	Sterling	2.77%	2057	75.0	152.4	75.0	147.0
Index Linked	Sterling	2.79%	2058	50.0	96.2	50.0	93.1
Index Linked	Sterling	2.80%	2058	50.0	96.2	50.0	93.1
Index Linked	Sterling	2.81%	2058	50.0	96.2	50.0	93.1
				3,425.0	**3,512.2**	**3,475.0**	**3,838.1**

Bank overdrafts and leases are excluded from this schedule.

The loans owned to subsidiary company relate to funds on lent on back-to-back terms from Wessex Water Services Finance Plc, a 100% subsidiary (Note 16), from the issuance of bonds. The bonds of Wessex Water Finance Plc are listed on the London Stock Exchange. Interest is payable based on the nominal interest rate as disclosed. Index-linked bonds increase in value annually in line with the Retail Prices Index.

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

The Company fully repaid drawings under its revolving credit facility (RCF) during the year, with the balance reducing to £nil (2025: £300.0m). The repayments under the RCF occurred in advance of the facility's contractual maturity and reflect the Company's active management of liquidity and funding requirements. The facility remains available until contractual maturity.

20. Other interest-bearing loans and borrowings *(continued)*

Changes in liabilities arising from financing activities

	1 April 2025 £m	**Cash flows £m**	**New leases £m**	**Other £m**	**31 March 2026 £m**
Current interest-bearing loans and borrowings (excluding items listed below)	183.0	(363.0)	-	201.4	**21.4**
Current obligations under leases and hire purchase contracts	1.3	(1.6)	0.6	1.8	**2.1**
Non-current interest-bearing loans and borrowings (excluding items listed below)	3,655.1	-	-	(153.3)	**3,501.8**
Non-current obligations under leases and hire purchase contracts	4.2	-	3.4	(1.8)	**5.8**
	3,843.6	(364.6)	4.0	48.1	**3,531.1**
Interest Accrued under Trade and other payables	42.7	(111.7)	-	141.0	**72.0**
	3,886.3	(476.3)	4.0	189.1	**3,603.1**

	1 April 2024 £m	Cash flows £m	New leases £m	Other £m	31 March 2025 £m
Current interest-bearing loans and borrowings (excluding items listed below)	66.0	(66.0)	-	183.0	183.0
Current obligations under leases and hire purchase contracts	0.2	(1.4)	0.4	2.1	1.3
Non-current interest-bearing loans and borrowings (excluding items listed below)	2,900.7	889.6	-	(135.2)	3,655.1
Non-current obligations under leases and hire purchase contracts	2.3	-	4.0	(2.1)	4.2
	2,969.2	822.2	4.4	47.8	3,843.6
Interest Accrued under Trade and other payables	36.1	(116.8)	-	123.4	42.7
	3,005.3	705.4	4.4	171.2	3,886.3

20. Other interest-bearing loans and borrowings *(continued)*

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

The Company's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in note 27 "Financial instruments".

21. Trade and other payables

	2026	2025
	£m	£m
Current		
Amounts payable to suppliers	**36.3**	72.8
Owed to subsidiary company	**66.8**	30.0
Owed to other group companies	**42.0**	1.9
Dividend	**-**	14.7
Other payables	**8.7**	9.7
Taxation and social security	**4.2**	6.6
Accrued expenses	**63.8**	83.9
Contract Liabilities	**69.5**	70.5
	291.3	290.1
Non-current		
Contract Liabilities	**5.5**	5.8
	296.8	295.9

Accrued expenses includes capital accruals of £31.7m (2025: £41.7m) and interest accruals of £5.2m (2025: £12.7m). The remainder of the balance mainly consists of accruals for other operating costs. Amounts owed to subsidiary company represent interest accrued on listed bonds.

Analysis of Contract Liabilities

	2026	2025
	£m	£m
At 1 April	**76.3**	69.4
Deferred during the year	**172.5**	158.8
Recognised as revenue during the year	**(173.8)**	(151.9)
At 31 March	**75.0**	76.3

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

22. Retirement benefits

Pension plans

	2026	2025
	£m	£m
Fair value of scheme assets	**547.3**	538.2
Present value of scheme liabilities	**(531.4)**	(516.9)
Net surplus for defined benefit obligations	**15.9**	21.3
Unfunded and compensatory added years pension	**(0.6)**	(0.6)
Total retirement benefits	**15.3**	20.7

The company sponsors a funded defined benefit pension plan for qualifying UK employees, the Wessex Water Pension Scheme. The scheme is administered by a separate board of trustees, which is legally separate from the company. The trustees are composed of representatives of both the employer and employees. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

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

Liabilities for an unfunded arrangement and a compensatory payment for added years' service are held outside the defined benefit scheme. The Company also operates a defined contribution section within the main pension scheme. During the year the Company paid £8.1m (2025: £12.2m) to the defined contribution section and at 31 March 2026 owed £0.6m (2025: £0.8m).

Profile of the scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees, and current pensioners. Broadly, about 20% of the DBO is attributable to current employees, 13% to deferred pensioners and 67% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 11-12 years, reflecting the appropriate split of defined benefit obligation between current employees (duration of c15-16 years), deferred members (duration of c16-17 years) and current pensioners (duration of c9-10 years).

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 30 September 2022 and showed a funding deficit of £35.3m. The company was not required to pay any deficit contributions during the year due to improvements in the scheme's funding position which have put it into a surplus position. No company deficit contributions are due during the period 1 April 2026 to 31 March 2027. The next funding valuation is due no later than 30 September 2025 and is currently underway.

22. Retirement benefits *(continued)*

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

Risks associated with the scheme

Asset volatility – The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

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

Inflation risk – The majority of the scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy – The majority of the scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the DBO.

Virgin Media vs NTL Case

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

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

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

Reporting at 31 March 2026

The initial results of the latest funding valuation at 30 September 2025 have been adjusted to the new balance sheet date, taking account of experience over the period since 30 September 2025, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

22. Retirement benefits *(continued)*

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

	31.03.26	31.03.25
Rate of increase in salaries – long term	**1.90%**	1.80%
Rate of increase in pensions		
- WWPS and 1/80ths members	**2.90%**	2.80%
- MIS members	**2.60%**	2.40%
- Reduced level members	**2.00%**	1.90%
- Post 88 GMP	**2.10%**	2.00%
Discount rate	**6.10%**	5.80%
Inflation assumption – RPI	**3.10%**	2.90%
Inflation assumption – CPI	**2.60%**	2.40%

Mortality assumptions:

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

	2026 Male years	**2026 Female Years**	2025 Male years	2025 Female Years
Life expectancy - current age 60	**27.1**	**29.0**	25.3	28.2
Life expectancy - current age 40	**47.5**	**50.1**	46.6	49.4

The mortality table adopted is based upon standard tables S4PMA/S4PFA_M adjusted to allow for individual years of birth. Future improvements are assumed to be in line with the CMI 2025 projection, with a long-term improvement rate of 1.0% p.a. for all members.

Members are assumed to take four times their pre-commutation pension as cash at retirement.

Sensitivity analysis

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

A reduction in the discount rate of 0.1% would increase the scheme liabilities by £5.8m from £531.4m to £537.2m, reducing the scheme surplus to £10.1m.

An increase in the inflation assumption of 0.1% would increase the scheme liabilities by £5.6m from £531.4m to £537.0m, reducing the scheme surplus to £10.3m.

An increase in life expectancy of 1 year would increase the scheme liabilities by £14.6m from £531.4m to £546.0m, reducing the scheme surplus to £1.3m.

22. Retirement benefits *(continued)*

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

The value of the assets:

	2026	2025
	£m	£m
Equities	**134.6**	145.4
Property	**38.4**	35.6
Government bonds	**57.5**	42.0
Corporate bonds	**292.6**	302.0
Other	**24.2**	13.2
	547.3	538.2

The amounts recognised in the income statement and other comprehensive income:

	2026	2025
	£m	£m
Operating cost – service cost		
Current service cost	**3.9**	4.9
Administration expenses	**1.2**	1.0
Past service cost (including curtailments)	**0.2**	-
Financing cost		
Interest on net benefit asset	**(1.2)**	(0.3)
Pension expense recognised in Income Statement	**4.1**	5.6
Re-measurements in OCI		
(Return)/charge on plan assets below that recognised in net interest	**(7.3)**	54.3
Actuarial losses/(gains) due to changes in financial assumptions	**13.6**	(0.9)
Actuarial (gains) due to changes in demographic assumptions	**(11.5)**	(71.4)
Actuarial losses due to liability experience	**11.8**	3.5
Losses/(gains) recognised in OCI	**6.6**	(14.5)
Losses/(gains) recognised in Income Statement and OCI	**10.7**	(8.9)

22. Retirement benefits *(continued)*

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

	2026	2025
	£m	£m
Present value at start of year	**516.9**	583.1
Current service cost	**3.9**	4.9
Interest expense on defined benefit obligation	**29.2**	27.4
Actuarial (gains) due to changes in financial assumptions	**(11.5)**	(71.4)
Actuarial losses/(gains) due to changes in demographic assumptions	**13.6**	(0.9)
Actuarial losses due to liability experience	**11.8**	3.5
Net benefits paid out	**(32.7)**	(29.7)
Past service cost (including curtailments)	**0.2**	-
Present value at end of year	**531.4**	516.9

Changes to the fair value of scheme assets during the year

	2026	2025
	£m	£m
Fair value at start of year	**538.2**	589.8
Interest on scheme assets	**30.4**	27.7
Return on plan assets, excluding amount included in interest income/(expense)	**7.3**	(54.3)
Contributions by employer	**5.3**	5.7
Net benefits paid out	**(32.7)**	(29.7)
Administrative costs incurred	**(1.2)**	(1.0)
Fair value at end of year	**547.3**	538.2

Additional analysis:	**2026**	2025
	£m	£m
Actual return on scheme assets		
Interest income on scheme assets	**30.4**	27.7
Re-measurement losses on scheme assets	**7.3**	(54.3)
Actual return on scheme assets	**37.7**	(26.6)

23. Deferred grants and contributions

	Requisi-tions £m	Other contribu-tions £m	Adopted sewers £m	Infrastr-ucture charges £m	Total £m
Balance at 1 April 2024	39.7	33.9	115.4	133.2	322.2
Received during the year	4.6	4.3	4.6	2.5	16.0
Amortised in year	(0.3)	(0.6)	(0.8)	(1.4)	(3.1)
Balance at 31 March 2025	**44.0**	**37.6**	**119.2**	**134.3**	**335.1**
Balance at 1 April 2025	44.0	37.6	119.2	134.3	335.1
Received during the year	2.3	2.7	7.2	2.5	14.7
Amortised in year	(0.4)	(0.5)	(0.9)	(1.4)	(3.2)
Balance at 31 March 2026	**45.9**	**39.8**	**125.5**	**135.4**	**346.6**

Amortised amounts are included as part of ‘other operating income’ in the Income Statement.

24. Other provisions

	Claim costs £m	Restructuring costs £m	Total £m
Balance at 1 April 2025	0.3	0.1	0.4
Additional provisions	1.9	1.4	3.3
Provisions used	(0.3)	(1.2)	(1.5)
Balance at 31 March 2026	**1.9**	**0.3**	**2.2**
Current liabilities	1.0	0.3	1.3
Non-current liabilities	0.9	-	0.9
	1.9	**0.3**	**2.2**

In the ordinary course of business, the company is sometimes subject to claims and potential litigation, whether from regulatory bodies, individuals or particular groups, related to one off matters. The Directors consider that, where it is possible to be estimated, a reasonable and appropriate position has been taken in reflecting such items in these Financial Statements in the note above. The provisions disclosed will be utilised with 12 months of 31 March 2026.

As part of the wastewater undertakings agreed with Ofwat (see page 216), £1.1m has been provided for committed additional contributions to the ‘Rainwater Management Fund’, which will provide grants and expert support to customers in managing rainwater sustainably. This is expected to be paid at £0.3m in each of the next four years.

25. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities 2026	Liabilities 2025	**Assets 2026**	Assets 2025	**Net 2026**	Net 2025
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Property, plant and equipment	**790.9**	770.3	**(53.5)**	(51.6)	**737.4**	718.7
Employee benefits	**4.0**	5.3	**-**	-	**4.0**	5.3
Losses and interest restriction	**-**	-	**(137.1)**	(142.8)	**(137.1)**	(142.8)
Provisions	**-**	-	**-**	(0.4)	**-**	(0.4)
Tax (assets)/liabilities	**794.9**	775.6	**(190.6)**	(194.8)	**604.3**	580.8
Offsetting of tax assets/liabilities	**(190.6)**	(194.8)	**190.6**	194.8	**-**	-
	604.3	580.8	**-**	-	**604.3**	580.8

Movement in deferred tax during the year

	1 April 2025	**Recognised in income**	**Recognised in equity**	**31 March 2026**
	£m	**£m**	**£m**	**£m**
Property, plant and equipment	**718.7**	**18.7**	**-**	**737.4**
Employee benefits	**5.3**	**0.4**	**(1.7)**	**4.0**
Losses and interest restriction	**(142.8)**	**5.7**	**-**	**(137.1)**
Provisions	**(0.4)**	**0.4**	**-**	**-**
	580.8	**25.2**	**(1.7)**	**604.3**

Movement in deferred tax during the prior year

	1 April 2024	Recognised in income	Recognised in equity	31 March 2025
	£m	£m	£m	£m
Property, plant and equipment	658.1	60.6	-	718.7
Employee benefits	1.7	-	3.6	5.3
Losses and interest restriction	(87.8)	(55.0)	-	(142.8)
Provisions	(0.1)	(0.3)	-	(0.4)
	571.9	5.3	3.6	580.8

26. Share capital

	2026	2025
	£	£
Issued, allotted, called up and fully paid		
Ordinary shares of £1each		
	2	2
Shares classified as liabilities	**-**	-
Shares classified in shareholders' funds	**2**	2
	2	2

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

27. Financial instruments

(a) Fair values of financial instruments

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

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

The fair values of long-term fixed-rate inter-company borrowings are classified as level 1 in the IFRS 13 fair value hierarchy and have a carrying value of £2,179.0m and a fair value of £2,022.8m. The fair values of long-term index-linked inter-company borrowings are classified as level 1 in the IFRS 13 fair value hierarchy and have a carrying value of £993.9m and a fair value of £1,144.1m. Bank loans are classified as level 2 and have a carrying value of £339.3m and fair value of £339.3m. All other loans and leases are classified as level 2 and have a carrying value and fair value of £7.9m.

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

27. Financial instruments *(continued)*

(a) Fair values of financial instruments *(continued)*

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

Financial liabilities	Carrying amount 2026 £m	Fair value 2026 £m	Level 1 2026 £m	Level 2 2026 £m
Interest-bearing loans and borrowings:				
Fixed rate borrowings	2,179.0	2,022.8	2,022.8	-
Floating rate borrowings	347.2	347.2	-	347.2
Index-linked borrowings	993.9	1,144.1	1,144.1	-
Total financial liabilities	**3,520.1**	**3,514.1**	**3,166.9**	**347.2**

Financial liabilities	Carrying amount 2025 £m	Fair value 2025 £m	Level 1 2025 £m	Level 2 2025 £m
Interest-bearing loans and borrowings:				
Fixed rate borrowings	2,177.1	2,020.3	2,020.3	-
Floating rate borrowings	707.4	707.4	-	707.4
Index-linked borrowings	959.1	997.6	977.6	-
Total financial liabilities	**3,843.6**	**3,725.3**	**2,997.9**	**707.4**

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

(b) Credit risk

Financial risk management

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

Other financial assets are short term deposits with terms of more than three months. The counterparties have a credit rating of A1+/P1 or A1/P1, and hence there is minimal exposure to credit risk for these values.

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

27. Financial instruments *(continued)*

(b) Credit risk *(continued)*

	2026	2025
	£m	£m
Cash and cash equivalents	**0.4**	558.5
	0.4	558.5

The concentration of credit risk for amounts receivable from customers at the balance sheet date by geographic region was:

	2026	2025
	£m	£m
South West England	**157.3**	140.7
	157.3	140.7

Billed and unbilled receivables are from domestic and business customers. No individual customer or industrial sector has a material balance outstanding at either year end, aside from £14.5m from Water 2 Business Ltd, a fellow subsidiary in the water industry.

No credit risk exists in relation to amounts owed by fellow group companies.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

	2026	2025
	£m	£m
Billed receivables	**111.4**	103.4
Unbilled receivables	**103.5**	82.9
Expected credit losses	**(57.6)**	(45.6)
	157.3	140.7

The ageing of receivables is as follows:

	Gross 2026 £m	**ECL rate 2026 %**	**ECL 2026 £m**
Less than 1 year	**163.4**	**12.7%**	**(20.8)**
1 to 2 years	**20.1**	**59.2%**	**(11.9)**
2 to 3 years	**14.0**	**70.7%**	**(9.9)**
3 to 4 years	**11.1**	**78.4%**	**(8.7)**
More than 4 years	**6.3**	**100.0%**	**(6.3)**
	214.9	**27.6%**	**(57.6)**

27. Financial instruments *(continued)*

(b) Credit risk *(continued)*

	Gross 2025 £m	ECL rate 2025 %	ECL 2025 £m
Less than 1 year	126.3	11.4%	(14.4)
1 to 2 years	20.3	47.8%	(9.7)
2 to 3 years	14.1	59.6%	(8.4)
3 to 4 years	15.6	52.6%	(8.2)
More than 4 years	10.0	49.0%	(4.9)
	186.3	24.5%	(45.6)

The movement in the expected credit loss allowance in respect of trade receivables during the year was as follows:

	2026 £m	2025 £m
Balance at 1 April	**(45.6)**	(45.4)
Written off	**19.3**	12.4
Adjustment for non-paying customers	**0.3**	0.8
Non-payers subsequently becoming payers	**(0.3)**	(1.1)
Charge to Income statement	**(31.3)**	(12.3)
Balance at 31 March	**(57.6)**	(45.6)

The expected credit loss provision policy is shown in the accounting policies (note 1.9).

(c) Cash flow hedges

The Company does not have any cash flow hedges (2025: none).

27. Financial Instruments *(continued)*

(d) Liquidity risk

Financial risk management

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

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

2026 Financial liabilities	Carrying amount £m	Contractual cash flow £m	Year 1 £m	Years 2 to 5 £m	Over 5 years £m
Trade payables	221.8	221.8	221.8	-	-
Bank overdraft	11.0	11.0	11.0	-	-
Lease liabilities	7.9	8.9	2.4	5.0	1.5
Unsecured bank loans	339.3	478.9	25.1	300.8	153.0
Inter-company loans	3,172.9	5,677.9	122.2	906.3	4,649.4
Total financial instruments	**3,752.9**	**6,398.5**	**382.5**	**1,212.1**	**4,803.9**

2025 Financial liabilities	Carrying amount £m	Contractual cash flow £m	Year 1 £m	Years 2 to 5 £m	Over 5 years £m
Trade payables	219.6	219.6	219.6	-	-
Lease liabilities	5.5	6.4	1.5	3.4	1.5
Unsecured bank loans	701.9	795.8	214.9	411.2	169.7
Inter-company loans	3,136.2	5,643.0	120.7	914.2	4,608.1
Total financial instruments	**4,063.2**	**6,664.8**	**556.7**	**1,328.8**	**4,779.3**

27. Financial instruments *(continued)*

(e) Market risk

There is no exposure to equity or foreign currency risk, the interest rate risk is shown below.

Interest rate risk

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

	2026	2025
	£m	£m
Fixed rate instruments	**2,179.0**	2,177.0
Floating rate instruments	**358.2**	707.5
Index linked instruments	**993.9**	959.1
	3,531.1	3,843.6

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

Sensitivity

The floating rate instruments are sensitive to interest rate movements. If there was a 1% increase in interest rates on those floating rate instruments at the balance sheet date, there would be an additional interest charge to the income statement of £3.6m.

Inflation sensitivity

Index linked bonds are sensitive to movements in the inflation rate. A 1% increase in the inflation rate at the balance sheet date would result in an additional interest charge to the income statement of £9.9m.

28. Capital management

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

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

	2026	2025
	£m	£m
Cash at bank	**(0.4)**	(558.5)
Bank overdraft	**11.0**	-
Bank loans	**339.3**	701.9
Finance leases	**7.9**	5.5
Bonds	**3,172.9**	3,136.2
Total Net Debt	**3,530.7**	3,285.1
RCV at 31 March	**4,950.5**	4,568.1
Gearing	**71.3%**	71.9%

The RCV at March for each regulated water and sewerage company is published by Ofwat here:

https://www.ofwat.gov.uk/publications/regulatory-capital-value-updates/

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2026 and 2025.

29. Commitments

Capital expenditure contracted but not provided at 31 March 2026 was £119.2m (2025: £155.4m).

The Company has guaranteed Bonds of £3,172.9m (2025: £3,136.2m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc.

The Company has provided performance guarantees on its own behalf of £0.4m (2025: £0.5m).

At 31 March 2026, the Company had entered into and/or authorised commitments in respect of capital projects related to the wastewater performance improvement programme agreed with the economic regulator. These commitments, which primarily comprise construction and upgrade of network assets that will be owned and operated by the Company, total £8.6m.

The Company expects to incur these expenditures over the period FY2027–FY2030, funded from operating cash flows and committed facilities. The commitments do not give rise to a present obligation under IAS 37 and will be recognised in property, plant and equipment as incurred in accordance with IAS 16.

30. Contingent liabilities

Environmental regulatory matters

The Company is subject to a number of legal, regulatory and environmental investigations and proceedings arising in the ordinary course of its operations.

In particular, the Company's wastewater activities are subject to ongoing regulation and oversight by environmental authorities, including investigations relating to compliance with environmental permits, wastewater discharges and pollution incidents.

Where appropriate, provisions are recognised in respect of such matters in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. However, where an outflow of economic benefits is not considered probable or cannot be reliably estimated, no provision is recognised and the matter is disclosed as a contingent liability.

At the reporting date, the Company is engaged in a number of ongoing discussions and investigations with regulators. The timing and outcome of these matters remain uncertain and may result in fines, penalties, remediation costs or other enforcement actions. As a result, no provision has been recognised in respect of these matters.

The Directors do not consider that the ultimate resolution of these contingent liabilities will have a material adverse impact on the Company's financial position, although the outcome of individual matters is inherently uncertain.

Incident at Avonmouth Water Recycling Centre

Investigations into the incident at Avonmouth in December 2020 are ongoing. We continue to co-operate with the investigating authorities. In June 2026 it was confirmed that Wessex Water will face prosecution for offences under the Health and Safety at Work Act 1974. Until further detail of the charges and prosecution case is provided it is not possible to assess any financial penalties or related costs that could be incurred as a result.

30. Contingent liabilities *(continued)*

Flow to full treatment investigation

In November 2021, Wessex Water Services Limited, along with all other wastewater companies, was contacted by the EA and Ofwat in relation to measures to ensure permitted Flow to Full Treatment (FFT) requirements were being achieved at wastewater treatment works. In March 2022 Ofwat opened an enforcement investigation. We have cooperated throughout this process and took prompt action when our initial investigations identified a small number of sites where the required level of FFT may not have always been achieved.

On 16 December 2025, Ofwat concluded its investigation. We have provided undertakings amounting to £11.0m to fund additional environmental improvements and support local communities, in order to provide redress where we have contravened certain of our statutory and regulatory obligations. These additional investments will be fully paid for by the company and its shareholders and not paid for by our customers.

The additional investments comprise:

- £1.3m accelerating installation of flow monitors at 133 sites;
- £8.6m allocated between investment in sealing privately owned drains and sewers on private land in order to reduce the level of infiltration into the company's own network, and investing to reduce spills at specific storm overflows that were not previously scheduled for improvement until after 2030; and
- £1.1m creating a Rainwater Management Fund, which will support customers in managing rainwater sustainably at their properties, providing grants and expert support to prevent rainwater entering combined sewers and reducing potable water use, thereby reducing customer bills.

The first two investments relate to our assets and £1.3m of this has already been invested and is recognised within property, plant and equipment (note 13), with the remaining £8.6m committed in future years (see note 29). A provision has been made for the additional Rainwater Management Fund contributions (see note 24).

The Company continues to cooperate with the parallel but separate investigation by the EA which is ongoing.

31. Significant transactions with related parties

There were no transactions with key management personnel.

Directors' emoluments have been disclosed in the Remuneration Committee Report.

There have been no transactions with pre-penultimate, penultimate and ultimate holding companies described in note 32.

All other transactions with related parties and balances at the year-end are summarised in the following table:

	2026	2025
	£m	£m
Sales of goods and services:		
Fellow subsidiaries	**106.9**	92.2
Other group companies	**9.1**	1.3
Immediate holding company	**1.6**	0.8
Associated companies	**1.7**	1.4
Purchase of goods and services:		
Fellow subsidiaries	**5.6**	5.3
Other group companies	**279.7**	95.4
Immediate holding company	**0.1**	0.4
Associated companies	**17.7**	15.3
Interest expense:		
Subsidiary	**157.5**	132.1
Year-end balances owing by:		
Fellow subsidiaries	**23.4**	17.7
Other group companies	**0.9**	0.2
Immediate holding company	**15.8**	16.3
Associated companies	**0.9**	1.0
Year-end balances owing to:		
Subsidiary	**3,239.7**	3,166.2
Other group companies	**42.0**	1.9
Immediate holding company	**-**	14.8

The year-on-year increase in purchases from other group companies reflects the establishment of YTL Infrastructure in November 2024, which was created to deliver WWSL's capital programme, with the current period representing its first full year of operations.

Terms and conditions of transactions with related parties

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

At present the Company has no expected credit loss on intercompany receivables. The Company has assessed the amounts of future cash flows and probability of default and concluded that no material provision is required.

31. Significant transactions with related parties *(continued)*

The Company has guaranteed Bonds of £3,172.9m (2025: £3,136.2m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc. The bond proceeds are lent to WWSL on the same terms as the bonds themselves.

32. Ultimate parent company and parent company of larger group

The parent of the smallest group in which these financial statements are consolidated is Wessex Water Limited, a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The company's immediate parent is Wessex Water Limited; a company registered in England. The pre-penultimate and penultimate holding companies are YTL Corporation Berhad and Yeoh Tiong Lay & Sons Holdings Sdn Bhd (both registered in Malaysia).

The ultimate parent is Yeoh Tiong Lay & Sons Family Holdings Ltd registered in Jersey.

The most senior parent entity producing publicly available financial statements is YTL Corporation Berhad incorporated in Malaysia. These financial statements are available upon request from Menara YTL, 205 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

33. Non adjusting events after the financial period

On 23 June 2026, the Company extended its £300m revolving credit facilities by a further 12 months, resulting in a revised maturity date of June 2028.

34. Critical accounting judgements and key sources of estimation uncertainty

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

Significant estimates

a) Defined benefit pension scheme surplus

In recognising the surplus on the balance sheet there are several assumptions concerning inflation, rate of increase of salaries and pensions, mortality rates and interest rates that can have a significant effect on the surplus recorded. These assumptions are discussed with independent qualified actuaries and disclosed in note 22 to the financial statements. The sensitivities around these assumptions are also reflected in the note.

b) Expected credit loss provision

The expected credit loss on outstanding receivables is a key estimate under IFRS 9. We base our estimate of recoverability by grouping customers into similar economic profiles and applying a percentage loss rate based on forward looking judgements on the future collection rates that are likely to be achieved. For the year ended 31 March 2026 this has included additional considerations of the possible impact of the ongoing economic uncertainty on the expected collection rates of outstanding receivables at the balance sheet date. A 1% reduction in collection rates would increase the expected credit loss allowance by £6.5m.

34. Critical accounting judgements and key sources of estimation uncertainty (*continued)*

c) Revenue recognition

The unbilled income accrual from metered water services requires an estimation of the amount of commissioning unbilled charges at the period end. This is calculated using system generated information based on average customer volume usage. A 2% movement in average consumption equates to a £1.1m movement in the unbilled income accrual.

d) Asset lives

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

Significant judgements

e) Classification of capital expenditure

Due to the high value of capital expenditure, the judgements made on the classification of expenses as operating or capital, and within capital between maintenance and enhancement, are key to the preparation of the accounts. The Company follows both accounting standards and guidelines issued by Ofwat in making these judgements.

f) Climate-related matters

The Company has considered the potential impacts of climate change in the preparation of these financial statements, including the effect on significant judgements and estimates, the carrying value of assets and liabilities, and the expected useful economic lives and residual values of property, plant and equipment. This assessment has been informed by the Company's climate related governance and risk management processes, together with scenario analysis as described in the Strategic Report, including disclosures aligned to the Task Force on Climate related Financial Disclosures (TCFD). These processes incorporate consideration of both transition risks, such as evolving regulatory and policy requirements, and physical risks, including changes in weather patterns and the increasing frequency and severity of extreme weather events.

In performing this assessment, management has exercised judgement in evaluating the extent to which climate related developments may affect the Company's financial position and performance. This has included consideration of the potential impact of future regulatory and legislative changes on the use of assets, operating cost profiles and capital investment requirements, as well as assumptions regarding future climate conditions, including temperature and precipitation trends and associated impacts on operations. The assessment also considers the pace of technological change and the availability and cost of decarbonisation solutions, together with potential changes in customer demand and operational requirements, including abstraction reductions and system capacity. These factors are inherently uncertain and reflect management's best estimate based on currently available information.

34. Critical accounting judgements and key sources of estimation uncertainty (*continued)*

f) Climate-related matters *(continued)*

The Company has further considered whether climate related matters give rise to material sources of estimation uncertainty in the financial statements. This has included an assessment of the extent to which climate related risks are reflected in cash flow forecasts, the determination of useful economic lives and residual values of assets, and the recognition and measurement of provisions and contingent liabilities where relevant. While such risks may influence these areas over the longer term, the associated financial effects are subject to significant uncertainty and are expected to arise over time horizons that extend beyond those generally reflected in the measurement of assets and liabilities at the reporting date.

The climate scenarios and related assumptions disclosed in the Strategic Report form an integral part of the Company's long term strategic and investment planning processes, including its resilience and capital programmes. These scenarios primarily affect the timing and profile of future capital expenditure and longer-term operational cost expectations. In preparing the financial statements, management has considered the extent to which these longer-term considerations are appropriately reflected in current measurements, including ensuring consistency between assumptions used in financial reporting and those applied in strategic planning.

Based on the assessment performed, management has concluded that there is no material adjustment required to the carrying amounts of assets and liabilities at the reporting date as a result of climate related risks. In addition, climate related considerations have been appropriately reflected in the judgements and estimates applied, where relevant, and do not give rise to material additional sources of estimation uncertainty in the current reporting period. Notwithstanding this conclusion, climate related risks and uncertainties are expected to have a more pronounced effect over the medium to long term, including through increased capital investment requirements and potential changes in operating costs. The Company will continue to monitor developments in climate related risks, regulation and market conditions and will update its assumptions and disclosures as appropriate in future reporting periods.

Independent Auditor’s Report to the members of Wessex Water Services Limited

Opinion

We have audited the financial statements of Wessex Water Services Limited (the ‘Company’) for the year ended 31 March 2026 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 34, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the company’s affairs as at 31 March 2026 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period to 31 December 2027.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 163 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
    - UK adopted international accounting standards
    - Tax Legislation (Governed by HM Revenue and Customs)
    - General Data Protection Regulation
    - The UK Bribery Act
    - Anti-Money Laundering Legislation

- Health & Safety Legislation
- Ofwat Regulations
- The Water Act (2003; 2014)
- Environment Act (1995; 2021)

• We understood how the Company is complying with those frameworks by enquiring with management to understand how the Company maintain and communicate its policies and procedures in relation to these areas. We evaluated the entity level control environment through discussion with management and in-house legal counsel, and inspecting policies and observing the control environment.

• We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing non-routine manual journals, adjustments to accrued income and capitalisation of costs, and were designed to provide reasonable assurance that the financial statements were free from material fraud..

• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of key management and in-house legal counsel, reviewing key policies, inspecting legal registers and correspondence of non-compliance from the relevant authorities and reports from any external legal teams, and reading board meeting minutes. We performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year that haven't been disclosed and to ensure that the management is in compliance with the applicable framework. For any non-compliance noted, we assessed the accounting implications and read the financial statements to evaluate the appropriateness of the disclosures.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with our engagement letter dated 2 July 2024. Our audit work has been undertaken so that we might state to the company's directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

Eleri James (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol