Northumbrian Water Limited Annual Report and Financial Statements

FOR THE YEAR ENDED 31 MARCH 2026

NORTHUMBRIAN WATER *living water* | ESSEX&SUFFOLK WATER *living water*

Registered company number 02366703

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Welcome to our 2025/26 Annual Report

Further information and all publications in our reporting suite are available on our website.

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Strategic Report

OUR PURPOSE

We care for the essential needs of our communities and environment, now and for generations to come.

We are a purpose-led water company, providing essential water and wastewater services to communities across the North East of England, and water services in the East of England. Every day, we support public health, enable economic activity and protect the environment.

Our purpose is to care for the essential needs of our communities and environment, now and for generations to come. We provide reliable and affordable services, operating efficiently and investing prudently to maintain a resilient and sustainable business over the long term.

As a provider of critical national infrastructure, we take a long-term view of our responsibilities. Our approach is guided by five strategic themes – Customer, Environment, Competitiveness, People and Communities – which reflect what matters most to us, our customers and stakeholders. Together, they provide a clear framework for how we run the business, allocate investment and measure success.

Our Business Plan for 2025–30 sets out our largest ever investment programme, focused on improving resilience, delivering environmental improvements and maintaining affordable services for customers.

During the year, the conclusion of the Competition and Markets Authority redetermination process provided greater clarity for our 2025–30 investment programme. Wider sector reform proposals are expected to shape the regulatory and policy framework in the years ahead, and we will continue to engage constructively as they develop.

This report forms part of a wider suite of publications, alongside our Annual Performance Report and Sustainability Report, which together provide a connected view of our performance, priorities and long-term value.

Click here to view Our Business Plan for 2025-30.

OUR PURPOSE

We fulfil our purpose by providing reliable and affordable water and wastewater services for our customers.

HIGHLIGHTS

Industry-leading customer experience
Ranked **#1** for C-MeX.

Supporting customers who need it most
With more than 160,000 receiving affordability support.

Continued focus on innovation
Marking ten years of the Innovation Festival and applying new technologies to improve performance.

Strong colleague engagement
With 86% of employees saying NWG is a great place to work.

OUR PURPOSE

We care by making a positive difference by operating efficiently and investing prudently, to maintain a sustainable and resilient business.

HIGHLIGHTS

Reliable services for customers
With low levels of supply interruptions and reduced internal sewer flooding.

Improving river and coastal water quality
With storm overflow spills reduced to 17.70 per overflow and 33 of 35 bathing waters rated Good or Excellent.

Reducing water leakage
With continued strong performance across both Northumbrian Water and Essex & Suffolk Water regions.

Supporting local economies
With over 60p in every £1 spent with suppliers in our operating regions.

OPERATING AREAS

Who we are

We provide essential water and wastewater services to customers across two distinct regions of England.

In the **North East of England**, trading as **Northumbrian Water**, we provide both water and wastewater services to homes and businesses across major urban centres, coastal communities and rural areas.

In the **East of England,** trading as **Essex & Suffolk Water**, we provide water services to customers across a diverse region that includes towns, cities, coastal communities and areas of significant housing growth.

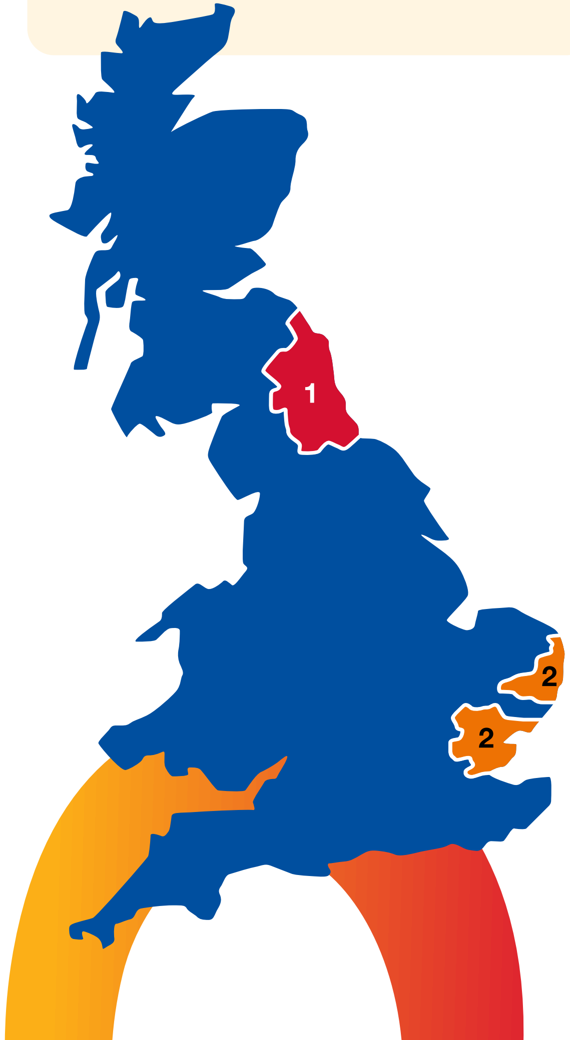
Across our operating areas, we supply around **1.1 billion litres of water every day** and maintain extensive infrastructure, including treatment works, pumping stations, service reservoirs and thousands of kilometres of water mains and sewers. This network underpins the reliable delivery of clean water and the safe removal and treatment of wastewater every day.

While we operate as one group, each region has distinct characteristics and challenges. In the North East, we manage both water and wastewater systems across a large and varied geography, with a mix of densely populated urban centres, rural communities and an extensive coastline. In the East of England, we focus on water supply in one of the driest regions of the country with different water resource pressures, including areas more vulnerable to drought, population growth and increasing demand.

These differences shape how we plan, invest and operate. They require a tailored approach to maintaining resilient services, protecting the environment and meeting the needs of customers in each region, while drawing on the scale, expertise and shared capabilities of the wider Group.

WE EMPLOY:

4,200 people



WE OPERATE AND MAINTAIN:

50 water treatment works

385 water pumping stations

304 water service reservoirs

26,366km of water mains

412 sewage treatment works

966 sewage pumping stations

30,237km of sewers

BUSINESS OVERVIEW

Ownership structure and strategic framework

Northumbrian Water Group Limited (NWGL) is the parent company of the Group, with Northumbrian Water Limited as its principal regulated subsidiary.

In addition to its core water and wastewater operations, NWGL owns a number of related businesses, including NWG Commercial Solutions Limited, which acts as a holding company for other non-regulated trading companies, and a 50% interest in Wave Ltd, which operates in the non-household retail market providing billing and customer service to those customers. The Group is ultimately owned by a consortium of long-term infrastructure investors, including companies within the CK Hutchison group and KKR. This ownership structure supports a long-term approach to investment and the delivery of resilient, sustainable services for customers and communities.

CHAIRMAN'S STATEMENT

Caring today because we care about tomorrow

For most of our customers, we are the sole provider of vital water and wastewater services. The Board and I recognise the responsibility that comes with this role, and the importance of strong governance, committed long-term ownership and sustained investment in maintaining high standards of service, resilience, affordability and environmental performance for the communities we serve.

This year marked the start of the 2025–30 regulatory period and the beginning of the largest investment programme in NWL's history. We have maintained close oversight of this transition, with particular focus on delivery readiness, financial resilience, risk management and the Company's ability to meet increasing expectations from customers, regulators and wider stakeholders.

A J Hunter, Chairman

Our purpose – caring for the essential needs of our communities and environment, now and for generations to come – continues to guide the decisions we make. I see that purpose reflected in the way we balance investment, affordability, service performance and long-term resilience, and in the governance arrangements that support our strategy.

BOARD OVERSIGHT AND PERFORMANCE

The Board's priority is to ensure NWL continues to deliver the standards customers expect, while responding to the areas where improvement is needed. During the year, NWL delivered strong performance in a number of important areas, including customer service, reliable water supplies, support for customers who need additional help and continued progress on key operational measures.

I am particularly proud that this was recognised through our continued high performance in C-MeX, Ofwat's measure of customer experience, and the Consumer Council for Water's measure of trust. NWG was named Water Company of the Year at the Water Industry Awards 2026, reflecting the commitment of colleagues across the business and the progress being delivered for customers, communities and the environment.

> "We have a clear purpose, strong operational foundations, a track record of leading customer service, a major investment programme and a continued focus on innovation, efficiency and responsible delivery."

The Board recognises the importance of affordability as bills rise to fund essential investment across the sector. We will continue to monitor how NWL balances investment, service improvement and targeted support for vulnerable customers.

Environmental performance remains one of our most important areas of oversight. The Company delivered improvements in many areas, but we also recognise that performance was not where it needed to be in others, including pollution performance and discharge compliance. We are clear that further improvement is needed and we continue to monitor closely the actions being taken to reduce pollution risk, improve compliance and strengthen resilience across our assets and operations.

INVESTMENT AND LONG-TERM RESILIENCE

The scale of investment required across the water sector is significant. Ageing infrastructure, climate change, population growth and higher environmental standards all require long-term planning and sustained investment, while customers rightly expect bills to remain affordable and support to be available for those who need it most.

Our 2025–30 plans represent a major step-up in investment and delivery, with over £4.5 billion planned across the period to support improvements in water and wastewater services, environmental performance and long-term resilience. The Board has focused on ensuring that NWL is prepared for this increase in activity, including oversight of capital delivery, supply chain readiness, operational resilience, financial planning and organisational capability.

CHAIRMAN'S STATEMENT

Delivering this programme will require NWL to manage a more complex operating environment, balancing substantially higher capital investment, efficiency expectations, supply chain capacity, affordability pressures and stretching service and environmental outcomes. Our role is to ensure NWL takes a long-term view, balancing the needs of current and future customers while maintaining a resilient and sustainable business.

During the year, the Competition and Markets Authority (CMA) concluded its redetermination of the 2025–30 price settlement. The Board considered the CMA process carefully, after Ofwat's Final Determination and in light of the Company's view that some important areas, particularly around storms, asset health and resilience, had not been adequately reflected. The conclusion of the CMA's review provides greater clarity as NWL moves forward with delivery of its plans.

Maintaining financial resilience is essential to delivering this programme. During the year, shareholders injected £400 million of equity to support delivery of the AMP8 business plan. This additional support strengthens NWL's ability to progress investment, maintain momentum on priority projects and continue improving services for customers and the environment. It also demonstrates the importance of having owners with a long-term commitment to critical national infrastructure, the financial capacity to support investment and a strong track record in regulated utilities.

That stability matters as NWL delivers a larger and more complex programme, and as the sector works to maintain confidence in the regulatory framework that supports investment, rewards strong performance and holds companies to account where improvement is needed.

REGULATORY REFORM AND STAKEHOLDER CONFIDENCE

The wider regulatory and policy environment continues to evolve. Following the Independent Water Commission, also known as the Cunliffe Review, and the Government's Water White Paper, reform is expected to shape the future framework for the sector over the coming years.

We support the ambition to strengthen confidence, accountability and long-term planning across the sector. For the Board, the priority is that reform supports important outcomes for our customers: reliable and affordable services, improved environmental performance, effective long-term planning and the investment needed to maintain and improve critical national infrastructure.

At a time when public confidence in the sector remains under pressure, it is important that reform and scrutiny are targeted at the areas of greatest underperformance, while recognising companies that continue to deliver strongly for customers, communities and the environment. This distinction matters if reform is to support better outcomes across the sector while also recognising where good performance is being delivered.

Authentic relationships with customers, communities, regulators, government, suppliers and partners are central to this. The Board recognises the importance of open engagement and transparent reporting, particularly at a time when expectations of the sector are rightly increasing.

GOVERNANCE, ASSURANCE AND CULTURE

Strong governance is central to delivering our purpose and maintaining the trust of customers and stakeholders. During the year, the we have continued to review performance through Company's balanced scorecard, with oversight across customer, environmental, operational, people, community and financial measures.

We also continued to oversee the Company's risk management framework, supported by the Risk and Compliance Sub-Committee, including the principal risks that could affect delivery, resilience, financial performance, compliance and stakeholder confidence. In particular, we have focused on the risks associated with delivering a substantially larger capital programme, maintaining supply chain and organisational capacity, managing cost and efficiency pressures, improving environmental compliance and sustaining customer and stakeholder trust during a period of sector reform and heightened scrutiny. Through this ongoing oversight, the Board is satisfied that the Company is taking a robust, proactive and integrated approach to managing risk and maintaining resilience in a complex and evolving environment.

As NWL grows its investment programme and adapts to changing expectations, culture and capability remain important areas of focus. A safe, engaged and values-led workforce is essential to delivering the improvements customers and stakeholders expect.

LOOKING AHEAD

The years ahead will require sustained focus and disciplined delivery. The Board will continue to oversee how NWL manages the step-up in activity, cost pressures, stretching performance expectations and the need to support customers through a challenging economic period.

I believe NWL is well placed to respond. We have a clear purpose, strong operational foundations, a track record of leading customer service, a major investment programme and a continued focus on innovation, efficiency and responsible delivery.

On behalf of the Board, I would like to extend the Board's sincere appreciation to Bridget Rosewell CBE, who stepped down as an Independent Non-Executive Director on 30 June 2026 following five years of dedicated service and contribution to the business. I would also like to thank all colleagues for their hard work and commitment during the year. Their efforts remain central to the Company's performance and to our ability to deliver the long-term improvements our customers and stakeholders expect.

A J Hunter
Chairman

CHIEF EXECUTIVE OFFICER'S WELCOME

We are putting our customers and the environment first.

Our priority throughout the year has been delivery: maintaining strong day-to-day performance for customers, beginning the 2025–30 regulatory period with momentum and preparing for the largest investment programme in our history. Expectations of the water sector continue to rise, and we remain committed to meeting them while providing reliable and affordable services for the people who depend on us every day.

H Mottram CBE, CEO

DELIVERING FOR CUSTOMERS

Providing excellent customer service remains one of our defining strengths. I am delighted that we again delivered industry-leading customer performance during 2025/26. We ranked first for C-MeX, Ofwat's measure of customer experience, and were also recognised as the top and most trusted water and wastewater company by the Consumer Council for Water, the independent voice for water customers.

Our customer-focused approach ensured we continued to perform strongly in other customer experience measures, including BR-MeX and D-MeX, where we respectively achieved third and fourth industry positions.

These results reflect the culture of care shown by dedicated colleagues across the business, whether they are speaking directly to customers, maintaining our networks, treating water and wastewater, responding to incidents or supporting communities during challenging periods.

Customers continue to place a high priority on the reliable provision of clean, clear, great-tasting water and we delivered on that promise with good quality water and supply interruptions at an average time of only six minutes and 35 seconds per customer per year, helping keep disruption low across our regions.

Property flooding was also kept at very low levels with just 72 properties impacted during the year – a reduction of 34% – and we will strive to lower this even further in future.

We recognise that many households continue to face financial pressure. During the year, we provided assistance to more than 161,000 customers through a range of support measures, including social tariffs, payment assistance and tailored services for customers in vulnerable circumstances.
We remain on track to achieve our target to eradicate water poverty by 2030. We also continued to expand our Priority Services Register, which now supports 14.4% of our customer base with services targeted to their additional needs.

Affordability will remain a key priority as bills rise to support the investment needed across the sector. We know this will be difficult for some customers, and we will continue to work hard to target support where it is needed most while maintaining our focus on efficient delivery and value for money. Our Northumbrian Water bills are the lowest in the country.

PROTECTING THE ENVIRONMENT

Protecting and enhancing the environment is one of our most important responsibilities. In 2025/26, we continued to invest in improvements to water quality, pollution prevention and the resilience of our assets and operations.

We delivered improved storm overflow performance, with average spills per overflow reducing significantly from 26.30 to 17.76. Bathing water quality remained strong, with 33 out of 35 bathing waters rated Good or Excellent.

We know there is more to do and remain fully focused on delivering sustained progress. Our customers and communities care deeply about rivers, coastal waters and the wider natural environment, and so do we.

There were also areas where performance was not where we want it to be. Discharge compliance was 98.52%, and we were disappointed to have two serious wastewater pollution incidents during the year, our first since 2021.

At the time of writing, the latest Environment Agency Environmental Performance Assessment (EPA) had not been finalised, but we expect it to reflect the areas where we need to improve, particularly pollution performance and discharge compliance.

Where we fall short, we are focused on understanding the causes, taking action quickly and delivering sustained progress over time.

Innovation continues to play an important role in this work. During the year, we continued to develop programmes such as Smart Sewers, our world-leading intelligent wastewater management system, alongside smart river monitoring and advanced data and AI-led approaches. These tools are helping us identify issues earlier, strengthen resilience and support better environmental performance over the long term.

CHIEF EXECUTIVE OFFICER'S WELCOME

This reflects a wider shift across our operations towards more predictive and preventative ways of working. We are committed to using data, artificial intelligence, automation and new partnerships to improve performance, reduce risk and deliver better value for customers and the environment.

Our Innovation Festival continues to support this culture of collaboration and practical problem-solving. Since launching in 2016, the festival has welcomed more than 24,000 attendees from over 6,000 organisations, spanning more than 40 countries and 45 sectors. We were delighted to have our reputation in this area independently accredited when we became the first water company in the world to gain a BSI Kitemark for Innovation.

We continue to work with partners on nature-based and catchment-led solutions, such as wetlands, sustainable drainage, habitat restoration and measures that slow the flow of rainwater before it enters our networks.

These approaches recognise that flooding, pollution risk and water quality are influenced by land use, drainage, highways, farming, development and customer behaviour, as well as by our own assets.

RELIABLE AND RESILIENT SERVICES

Providing reliable services in a changing climate remains a central priority. In spring and summer 2025, prolonged dry and warm weather placed additional demands on water networks in many areas, reinforcing the importance of careful operational management and continued investment in our assets.

We continually invest in technology and operational improvements to manage leakage, monitor our networks more effectively and support customers to use water wisely. Leakage reduced from 180.0 to 168.1 megalitres per day on a three-year average basis, reflecting continued focus on finding and fixing leaks across our network.

Smart meters, advanced analytics and new approaches to leakage detection are helping us find and fix problems earlier, while giving customers better information about their own water use. By April 2026, we had installed 388,000 smart meters across our operating areas, supporting our persistent work to identify customer-side leaks faster and encourage more efficient use of water.

As climate change increases the likelihood of more frequent and more intense weather events, resilience will remain one of the defining challenges for our business. Our long-term plans are designed to ensure we can continue to provide reliable services while adapting to changing conditions and supporting the needs of growing communities.

OUR PEOPLE AND COMMUNITIES

Our achievements are only possible because of our hard-working people. Safety remains one of our highest priorities, and we continue to invest in wellbeing, learning and leadership development so colleagues have the skills, support and confidence they need to do their jobs well.

During the year, we expanded the NWG Academy, welcomed 19 Asset Graduates and increased apprentices to 104, our highest ever number. These investments are helping us build the capability we need for the future, particularly as we increase the scale of our capital programme and respond to new operational, environmental and technological demands.

We were also pleased to report further progress in our gender pay gap performance, with our median gender pay gap reducing to 9.9%, the lowest we have achieved to date. We know there is more to do, but this progress reflects the sustained focus we are placing on inclusion, representation and fair access to opportunity across the business.

We were proud to be recognised again as a Great Place to Work, with 86% of colleagues saying NWG is a great place to work, a level which places us in the top 50 super large employers in the country. This reflects the importance we place on building a safe, inclusive and supportive culture where colleagues can do their best work.

Beyond our core services, we remain proud of the role we play in communities through volunteering, partnerships, environmental programmes and targeted support for local causes. Through Just an Hour, 2,100 colleagues – 53.7% of our workforce – completed more than 3,300 volunteering activities in 2025, supporting almost 1,000 charitable and community causes across our regions.

Recognising our vital role in economic growth, we once again contributed strongly to our local economies through our supply chain, with more than 60p in every £1 spent with suppliers in our operating regions. This local contribution matters because our investment and day-to-day operations multiply jobs, skills and economic activity across the communities we serve.

LOOKING AHEAD

We enter the new regulatory period with a clear strategy, ambitious plans and talented people determined to make a difference.

The coming years will be demanding, but we are prepared. We will need to deliver a major step-up in activity while continuing to manage cost pressures, meet stretching performance expectations and support customers through a challenging economic period. To do this we are building from a strong position, with leading service performance, a clear plan and a culture focused on improvement.

We will remain focused on the things that matter most: high-quality, reliable services, affordable support for customers who need it, stronger environmental performance, resilient infrastructure and long-term value for the communities we serve.

Reflecting on the year, what stands out most is the importance of turning plans into visible progress. We have strong foundations and committed people, but we know trust is earned through consistent delivery and sustained improvement for customers, communities and the environment.

I was delighted that the dedication and diligence of our people and everything that they do for our customers was recognised when we were named Water Company of the Year at the Water Industry Award 2026.

By combining operational discipline, innovation and a continued focus on customers, we are well placed to deliver the next stage of our journey.

Heidi Mottram CBE
Chief Executive Officer

OUR BUSINESS MODEL

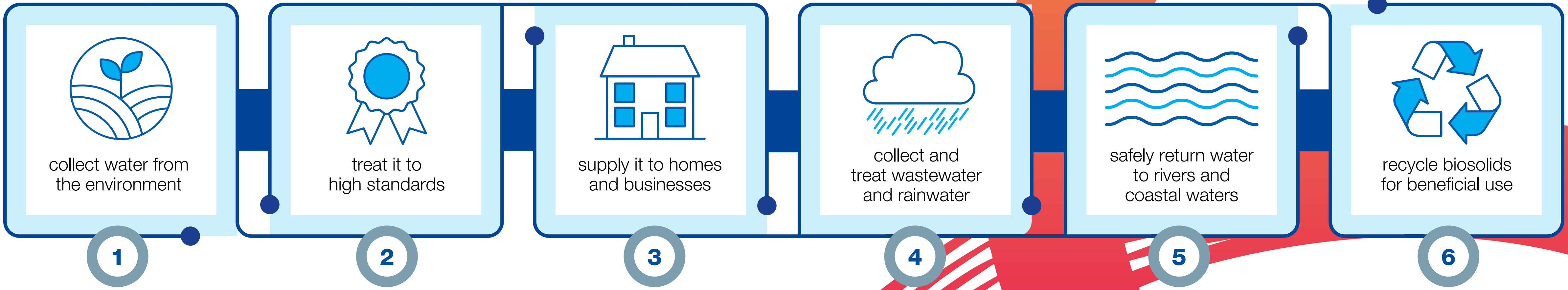
Our Business model

Our business model describes how we deliver essential water and wastewater services, supported by the resources, relationships and capabilities that enable us to operate effectively and sustainably.

Because customers fund much of what we do through their bills, efficiency is central to our model. We focus on operating well, investing prudently, reducing waste and using innovation to deliver improvements at the lowest sustainable cost.

At the centre of our model is a clear, end-to-end system that reflects how water moves through our operations.

We:



OUR BUSINESS MODEL

1

COLLECT WATER

We source water from reservoirs, rivers and underground aquifers across our operating regions. These resources are carefully managed to balance environmental protection with the long-term needs of customers, communities and future generations. Through catchment management, planning and investment, we work to maintain resilient supplies in the face of climate change, population growth and increasing demand.

2

TREAT WATER

Our water treatment works clean and purify raw water to rigorous quality standards before it enters the network. We continually invest in treatment processes, monitoring and technology to maintain high standards of drinking water quality and regulatory compliance, while improving efficiency and resilience across our operations.

3

SUPPLY WATER TO HOMES AND BUSINESSES

Through an extensive network of water mains, pumping stations and service reservoirs, we deliver around 1.1 billion litres of water every day to households and businesses. We work continuously to maintain reliable supplies, reduce interruptions, improve resilience and minimise leakage across our networks.

4

COLLECT AND TREAT WASTEWATER AND RAINWATER

Our sewerage networks collect wastewater and surface water from homes, businesses and communities, transporting it to treatment works. There, wastewater is treated to meet strict environmental standards before discharge. Our systems also help manage rainfall and reduce the risk of flooding during severe weather events.

5

RETURN RECYCLED WATER

Following treatment, water is safely returned to rivers, estuaries and coastal waters in accordance with environmental permits and regulatory standards. We continue to invest in infrastructure, monitoring and operational improvements to enhance water quality and support healthier rivers and coastlines.

6

RECYCLE BIOSOLIDS

The treatment process also produces biosolids, which are recycled for beneficial use where appropriate, including use in agriculture to improve soil health and support crop growth. This helps recover value from waste, reduce disposal needs and contribute to a more circular economy.

This end-to-end system underpins the essential services we provide every day. It supports public health, protects the environment and enables economic activity across the regions we serve and helps us deliver services efficiently for customers.

OUR BUSINESS MODEL

The value chain at the centre of our business model has six components.

1 2 3 Northumbrian Water
Essex & Suffolk Water

4 5 6 Northumbrian Water

Artificial Intelligence

1. COLLECT WATER
2. TREAT WATER
3. SUPPLY WATER TO HOMES AND BUSINESSES
4. COLLECT AND TREAT WASTEWATER
5. RETURN RECYCLED WATER
6. RECYCLE BIOSOLIDS

We manage the following resources and relationships to ensure the long-term success of our business model.

RESOURCES

- Physical assets
- Natural resource
- Financial capital
- Data, technology and innovation

RELATIONSHIPS

- Customers and communities
- Our people
- Suppliers and partners
- Regulators

OUR BUSINESS MODEL

Resources and relationships

RESOURCES

PHYSICAL ASSETS

We operate extensive water and wastewater infrastructure across our regions, including treatment works, pumping stations, reservoirs and thousands of kilometres of water mains and sewers. Continued investment in these assets is essential to maintaining reliable services, strengthening resilience and meeting future needs.

NATURAL RESOURCES

Our business depends on healthy natural systems, including reservoirs, rivers, groundwater, catchments, coastal waters and land. Protecting and enhancing these resources is fundamental to sustainable water supplies, environmental improvement and long-term resilience.

FINANCIAL CAPITAL

Long-term access to funding enables us to maintain and improve critical infrastructure, deliver major investment programmes and respond to future challenges. Our financing arrangements support prudent long-term investment for customers, communities and the environment.

DATA, TECHNOLOGY AND INNOVATION

We use data, digital tools and innovation to understand asset performance, identify risks earlier and improve operational decisions. This includes sensors, advanced analytics and artificial intelligence, which support smarter network management, faster leak detection, optimised treatment processes and greater efficiency for customers.

RELATIONSHIPS

CUSTOMERS AND COMMUNITIES

We serve millions of customers across the North East, and the East of England. Ongoing engagement helps shape our priorities, improve service and target support where it is most needed, while our investment also supports communities and regional economies.

OUR PEOPLE

Our colleagues are central to our success. Their operational expertise, technical capability and commitment enable us to deliver safe, reliable services every day. We continue to invest in learning, leadership, wellbeing and inclusion to build the workforce we need for the future.

SUPPLIERS AND PARTNERS

We work with a wide range of suppliers, contractors and strategic partners who provide expertise, innovation and delivery capability. Strong partnerships help us deliver investment efficiently, improve resilience and bring new ideas into the business.

REGULATORS

Constructive engagement with regulators helps ensure accountability, high standards and long-term planning. These relationships are important in helping shape performance expectations, investment priorities and environmental outcomes.

STRATEGIC REPORT

Our strategy

Our five strategic themes reflect what matters most to our customers, communities and stakeholders. They guide how we operate, where we invest and how we measure success, providing a clear and consistent framework for delivering long-term value.

CUSTOMER

We provide reliable, affordable and responsive services that customers can trust. This includes strong service performance, support for customers who need extra help, clear communication and continued investment in resilient networks.

ENVIRONMENT

We protect and enhance the natural environment through improved water quality, reduced pollution, lower leakage, biodiversity gains and progress towards net zero.

COMPETITIVENESS

We improve our performance through efficient operations, disciplined investment and innovation and keep bills as low as possible. Financial resilience also supports long-term access to funding.

PEOPLE

We provide a safe, inclusive and high-performing workplace where colleagues can develop skills, build careers and contribute to meaningful work.

COMMUNITIES

We support our communities through local employment, supply chain spend, volunteering, partnerships, education and community investment.

STRATEGIC REPORT

Review of performance by strategic theme - overview and KPIs

PERFORMANCE REVIEW

To track delivery of our Business Plan and goals, we use a Balanced Scorecard covering the areas most important to our customers, communities and stakeholders. It brings together a focused range of measures across customer service, environmental performance, competitiveness, people and communities, helping us assess performance in a clear and balanced way.

STRETCHING TARGETS

Our ambition to be an industry-leading water company guides decision-making and actions across all aspects of the business. Each year, the Executive and Board undertake a rigorous assessment of our targets, informed by customers and stakeholders and aligned to our wider vision and purpose. This means we set stretching targets to support leading performance across the sector.

In line with best practice, our scorecard includes a metric-by-metric indicator showing how each target has been set and why it can be considered stretching. This reflects the Measures of Success and Performance Commitments set through the PR24 Final Determination, Ofwat's final regulatory settlement for the 2025–30 period, which sets the service targets, investment allowances and customer outcomes expected of water companies. We report against our full range of Performance Commitments in our Annual Performance Report.

We reviewed our balanced scorecard measures for 2025/26 to ensure continued alignment with our strategic priorities and the new AMP8 performance framework. This included adding measures for storm overflows and BR-MeX, focusing on overall C-MeX performance rather than the separate sub-measures of Customer Service and Customer Experience, and continuing to include D-MeX, the industry measure of developer and new connections customer experience. Repeat sewer flooding was removed from the scorecard because it was a bespoke measure from the previous regulatory period and did not continue into the PR24 framework, although it remains an important measure that we monitor within the business.

We are pleased that performance remained strong across much of the scorecard during the year, with leading customer service results, continued operational improvements and positive progress in a number of internal measures. We remain focused on those areas where performance did not meet our ambitions and continue to take action to drive further improvement.

The upper section of the table (blue header blocks) shows performance against our external customer and environmental targets.

The lower section (green header blocks) reports performance against internal targets covering our Competitiveness, People and Communities outcomes, which remain important indicators of the long-term health, resilience and reputation of the Group.

- 🟢 Performance met or exceeded our target
- 🟠 Not fully met our performance target but still generated a reward or not incurred a penalty
- 🔴 Not met our performance and have incurred a penalty

Stretching targets key

IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales
PC	Performance Commitment	Performance target set in our last regulatory price determination from Ofwat
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment
TP	Transformation Plan	Performance improvement plan agreed with Defra

STRATEGIC REPORT

		Performance							
Measure of success	**Units**	2021/22	2022/23	2023/24	2024/25	2025/26 Target	**2025/26**	2026/27 Target	Stretching target
CUSTOMER									
C-MeX[1]	Position	n/a	n/a	n/a	n/a	Median	**1st**	Median	UQ
D-MeX	Position	5th	6th	4th (3rd overall)	2nd WASC	Median	**4th**	Median	UQ
Br-MeX	Position	n/a	n/a	n/a	n/a	Median	**3rd**	Median	UQ
Interruptions to supply greater than three hours	mm:ss	05:52	08:17	05:32	04:40	08:25	**06:35**	07.34	UQ/PC+
Internal sewer flooding	Number	238	158	159	136	<= 204	**72**	194	UQ/PC+
Water Quality Compliance – Compliance Risk Index (CRI)	Score	6.36	7.62	3.45	10.94	0 (deadband to 1.5)	**3.90**	0 (deadband to 1.5)	UQ/TP
ENVIRONMENT									
Leakage NW (three-year average)	Ml/d	134.70	129.80	123.10	118.6	<=115.8	**115.7**	<=110.4	UQ/PC+
Leakage ESW (three-year average)	Ml/d	63.10	60.30	55.20	53.70	<=52.6	**52.4**	<=53.1	IL/PC+
Storm overflow spills	Average	n/a	n/a	n/a	n/a	19.33 / 97%	**17.70 / 95.0 %**	18.39 /97.25%	N/A
Discharge permit compliance	%	98.03	98.52	98.54	97.21	100 (deadband 99)	**98.52**	100% (deadband 99%)	IL/PC
Serious pollutions (Cat 1-2)[2]	Number	1	0	0	0	0	**2 (Cat 2)**	0	IL
Net greenhouse gas emissions - water[3]	Tonnes of CO_2e	n/a**	n/a**	n/a**	n/a**	99,645	**109,771**	97,380	PC
Net greenhouse gas emissions - wastewater[3]	Tonnes of CO_2e	n/a**	n/a**	n/a**	n/a**	96,684	**99,645**	99,197	PC

STRATEGIC REPORT

		Performance							
Measure of success	**Units**	2021/22	2022/23	2023/24	2024/25	2025/26 Target	**2025/26**	2026/27 Target	Stretching target
COMPETITIVENESS									
Financial covenant gearing	%	69.8	68.3	70.0	71.4	<=77.5	**60.4**	<=77.5	N/A
Regulated gearing	%	69.7	68.3	70.2	72.4	<=70	**61.3**	<=70	N/A
Interest cover	Times	2.3	3.2	2.9	3.0	>=2.4	**3.4**	>=2.4	N/A
PEOPLE									
Employee engagement – trust index	%	67	70	77	78%	>=78	**81%**	>=78%	N/A
Lost time accidents	Number	14	14	15	15	<=6	**6**	<=6	N/A
COMMUNITIES									
Trust – Ethisphere	Award	Awarded	Awarded	Awarded	Awarded	Awarded	**Not awarded**	Awarded	N/A

[1] C-Mex is reported from 2025/26 as an overall customer experience measure. In previous years, we reported the Customer Service and Customer Experience components as separate metrics.

[2] Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020 or a serious wastewater incident since 2021.

[3] Greenhouse Gas emissions reported on new basis for AMP8. Reported values use ODI methodology as they are compared against the performance commitment levels.

STRATEGIC REPORT

Review of performance by strategic theme - Customer

Every day, millions of people rely on us for safe drinking water, effective wastewater services and responsive support when they need it. Our objective is to provide excellent service, reliable supplies and to take good care of the essential infrastructure we and our customers will be depending upon for generations to come.

Customers rightly judge us on the things that matter most in everyday life: whether water is there when they need it, whether services are easy to access, how quickly we respond when issues arise and whether we provide support when circumstances become more challenging. These priorities continue to shape how we invest, how we operate and how we measure success across the business.

During 2025/26, we delivered strong performance across many of our most important customer measures.

We finished **1st overall** in C-MeX, the sector's customer experience measure

We finished 1st overall in C-MeX, the sector's customer experience measure, exceeded target performance for water supply interruptions and internal sewer flooding, and improved our Compliance Risk Index (CRI) – a measure of our drinking water quality – compared with the previous year.

CUSTOMER EXPERIENCE (C-MEX)

Delivering industry-leading customer service remains a core priority. C-MeX is the water sector's principal measure of household customer experience. It combines feedback from customers who have recently contacted us with wider perceptions from a representative survey of customers across our regions. It therefore provides an important measure not only of service performance, but also of how customers feel about dealing with us more broadly.

We are delighted to report that we finished 1st overall in C-MeX in 2025/26, confirming our position as a sector leader for customer service. This continued strong performance reflects the commitment of colleagues across the business who work every day to put customers first, resolve issues quickly and communicate clearly when customers need us.

Independent customer feedback also shows strong levels of trust in our services. In the Consumer Council for Water's latest Water Matters research, Northumbrian Water was ranked as the most trusted water and sewerage company, with a score of 7.02 compared with the water and sewerage company average of 5.96. Essex & Suffolk Water was ranked third among water-only companies, with a score of 6.89 compared with the water-only company average of 6.47. For us, earning and maintaining trust depends on delivering reliable services, communicating clearly and supporting customers when they need us.

Our results were supported by consistently positive feedback on trust, ease of contact and how effectively issues were resolved. We know customers judge us not only when something goes wrong, but on how easy we are to deal with and how well we put things right.

We therefore continue to focus on making every interaction as straightforward and helpful as possible.

During the year, we made it easier for customers to get help by telephone, digital and self-service channels. We enhanced website and app functionality, simplified online journeys and continued to improve the accessibility of our online services, including recognition against WCAG 2.2 AA standards, and trialled new tools such as our Bill Explainer, helping customers better understand bills, payments and available support.

We also continued our Local Action approach, using tailored community engagement to keep customers informed about investment activity and local work in their area.

We continued to improve how customers access affordability and vulnerability support. During 2025/26, our affordability schemes supported more than 161,000 customers, including £24.6 million in bill discounts, while our Priority Services Register grew to support 14.4% of our customer base. Through our Water Without the Worry campaign, digital tools, referrals and partnerships with trusted organisations such as ReachOut, we are helping more customers find and access the support available to them before problems escalate.

D-MEX

D-MeX measures the experience of developer services customers and combines qualitative customer feedback with quantitative performance against service levels.

In 2025/26, we finished 4th overall, meeting our target of at least median performance. Our combined score was 86.50, made up of a qualitative score of 79.90 and a quantitative score of 99.73. This compares with 3rd place in 2024/25 and remains a strong overall position.

STRATEGIC REPORT

The reduction in score was driven mainly by price increases, which affected many water companies, alongside a change in survey methodology, including the introduction of email responses, which typically score lower than telephone surveys.

We continue to focus on improving the end-to-end developer customer journey. This includes extending Salesforce to more teams that support developer services, helping us manage interactions in a more joined-up way and creating opportunities to communicate with and support customers more effectively.

BR-MEX

BR-MeX was introduced in 2025/26 as a new measure of business customer and retailer experience. It brings together three components: B-MeX, which measures non-household customer experience; R-MeX, which measures retailer experience; and the Market Performance Framework, which assesses specific areas of market performance.

In the first year of BR-MeX, we finished 3rd overall, with an average score of 83.64, meeting our target of at least median performance. This reflected strong performance across the year, particularly in B-MeX, where customers rated us highly and we finished 2nd overall. We also finished 1st for B-MeX in the final quarter, achieving our strongest quarterly score of the year.

Communication remains one of the key drivers of business customer satisfaction, particularly where customers are waiting for updates on outstanding work.

We are therefore continuing to raise awareness across the business of the importance of service to non-household customers, reinforcing that every customer interaction matters.

Retailer feedback also helped identify opportunities for improvement, including the consistency of metering invoicing and the way changes to policies and operational activity are communicated. In response, we developed an R-MeX action plan, introduced a retailer newsletter and continued regular engagement with retailers to understand and act on feedback.

We also made progress against the Market Performance Framework measures, including improvements in premises data accuracy, completing service level agreements on time and reducing the average lateness of failed service levels. These areas will remain a focus as we continue to strengthen performance and build on our first-year BR-MeX result.

CASE STUDY

Smart meters: helping customers understand and manage their water use

CHALLENGE

Customers need clear, timely information to help them understand how much water they use, identify opportunities to save water and manage their bills. At the same time, climate change, population growth and increasing pressure on water resources mean we need to help reduce demand and protect resilient water supplies for the future.

ACTION

During 2025/26, we accelerated delivery of our Smart programme, reaching 100,000 smart meter installations in the year across our three operating regions. This is the highest number of annual installations since the programme began in 2021 and reflects the growing momentum behind one of our most ambitious customer programmes.

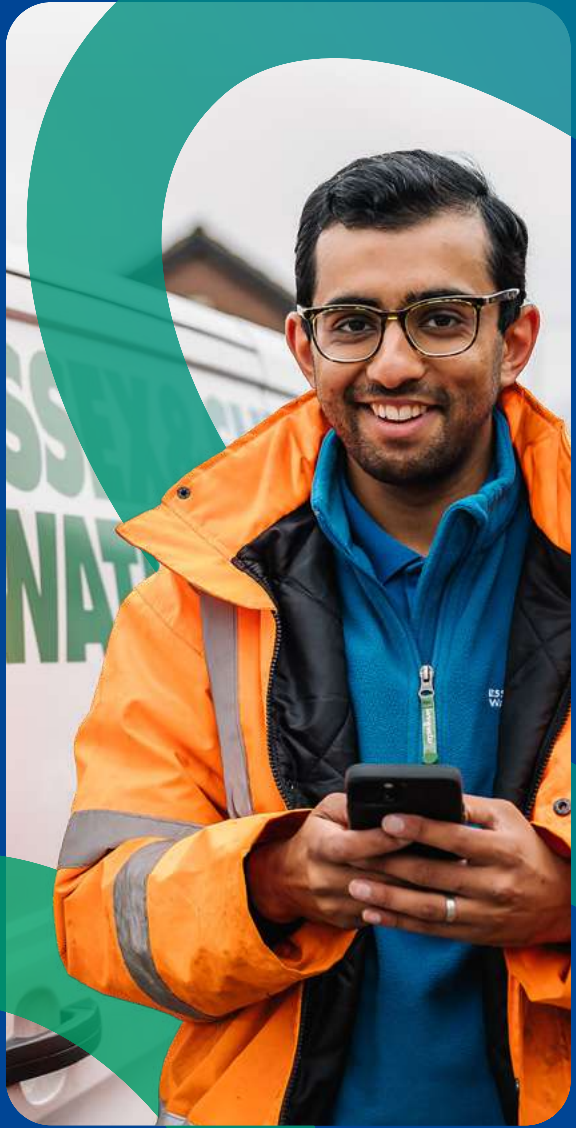
Smart meters provide more regular and accurate information about water use. This can help customers see how much water they are using, identify opportunities to save water and, where relevant, manage their bills more effectively. The data can also help identify potential customer-side leaks earlier, allowing us to contact customers proactively and support them to take action before more water is lost.

The programme is being delivered by our Metering Operations teams, with support from our strategic delivery partners, including Connexin, Arqiva, United Infrastructure, Network Plus and CLC.

IMPACT

Across AMP7 and AMP8, we have now installed 388,000 smart meters, which collectively communicate more than one billion readings per year. Delivery has increased significantly, with around 1,000 installations now being completed each day. This puts us on track to meet, and potentially exceed, our end of March target of 116,101 installations.

By giving customers better information and helping us identify potential leaks earlier, smart meters are supporting more informed water use, improved water efficiency and more resilient services for the future.



STRATEGIC REPORT

WATER SUPPLY INTERRUPTIONS

Providing reliable water supplies and minimising disruption for customers remains one of our most important operational responsibilities.

In 2025/26, our performance on water supply interruptions was 6 minutes and 35 seconds per customer, measured as the average time lost across our customer base for interruptions lasting three hours or more. This outperformed our target of 8 minutes and 25 seconds, although it was higher than the 4 minutes and 40 seconds reported last year. This remains a strong level of service performance and reflects the resilience of our network and the focus we place on maintaining dependable day-to-day supplies for customers.

We achieved this through proactive maintenance, network monitoring, rapid response capability and careful operational planning. We continue to invest in the upkeep of our machinery and buildings and use operational insight to identify potential issues early, helping reduce both the likelihood and duration of interruptions.

Where interruptions do occur, our priority is always to restore supplies as quickly and safely as possible. During incidents, we use a range of mitigations including temporary mobile water storage units (MOWBIs), network rezoning and temporary overland supplies where appropriate, helping minimise disruption for customers.

During the prolonged warm and dry weather experienced in spring and summer 2025, customer demand increased across our operating areas and dry ground conditions added pressure to leakage performance. In anticipation of higher demand and the increased potential impact of any outage during this period, we positioned maintenance teams at key sites to enable rapid response. Alongside careful management of available resources, active network management, pressure management and targeted leakage activity, this helped us maintain supplies for customers and avoid the need for Temporary Use Bans (TUBs), otherwise known as hosepipe bans.

STRATEGIC REPORT

INTERNAL SEWER FLOODING

Preventing sewer flooding, particularly internal sewer flooding where wastewater enters a customer's home or business, and reducing the disruption and distress these incidents can cause customers remains a major priority.

In 2025/26, our performance was 0.54 incidents per 10,000 wastewater connections, equivalent to 72 incidents. This was materially better than our target of 1.54 and represents a further 47% reduction compared to the previous year, when performance was 1.03 incidents per 10,000 connections, equivalent to 136 incidents. We continue to be a leading company in this area.

Although drier weather is likely to have contributed to our performance during the year, we also continued to drive and monitor performance through our sewer flooding tactical plan. This included introducing new interventions such as Customer Sewer Alarm monitors, which help us respond to emerging risks in the sewer network at strategic locations before flooding has occurred.

Since installation began, these monitors have helped teams identify and resolve issues quickly, preventing several internal and external flooding incidents. They have also helped detect 51 blockages during the period, enabling teams to clear issues before they became service-impacting and reducing clean-up costs, customer disruption and the risk of repeat incidents.

Customer behaviour also plays an important role in keeping sewers flowing freely. Our Bin The Wipe campaign, now adopted by others, continues to deliver strong results in reducing sewer flooding incidents caused by blockages. Since the integrated marketing campaign launched in 2020, we have engaged with more than one million households, raising awareness of the impact that flushing wipes can have on our network.

We now review all internal sewer flooding incidents on the next working day after they occur. This helps us improve our service by accelerating our response, keeping customers better informed about the root cause and planned actions, and ensuring Guaranteed Standards Scheme payments are processed more quickly.

Our overall performance and the initiatives we have in place to help reduce sewer flooding were recognised by Ofwat in its Sewer Flooding Customer Care Review. Ofwat identified us as leading in several areas of best practice, praising our top-tier speed of response to incidents of sewer flooding, as well as our proactive risk management and communication.

STRATEGIC REPORT

DRINKING WATER QUALITY (CRI)

Providing clean, safe drinking water and maintaining the confidence customers place in the quality of our water remains fundamental to our purpose.

Performance is measured through the Compliance Risk Index (CRI), which assesses water quality across the source-to-tap journey, including treatment works, networks and customer taps. It is an important measure of compliance and operational control across the full drinking water system, with lower scores indicating better performance.

In 2025/26, our CRI performance was 3.90. This represented a significant improvement on the previous year, but did not meet our target level or the standards we expect of ourselves. While performance improved, we recognise further progress is required and we continue to work closely with the Drinking Water Inspectorate (DWI) to deliver sustained improvement.

During the year, we progressed a broad programme of operational improvements and physical upgrades at treatment works to reduce risk and improve treatment resilience. This included refurbishment of treatment processes, filter media renewal, improved on-line monitoring capability, enhanced operational controls and targeted investment at higher-risk sites. These actions are designed both to improve current performance and to strengthen resilience for the future.

Treatment works-related CRI reduced significantly, from 8.5 to 0.55, reflecting the impact of focused improvement activity. Around a third of approximately 2,700 improvements identified through our hazard review process have now been completed.

Customer tap samples accounted for a significant proportion of sample failures, often linked to internal plumbing or property supply pipes. Where this occurs, we work with customers to investigate the issue, provide advice and take action where needed.

Climate change and changing raw water conditions, such as higher temperatures, heavier rainfall and periods of drought affecting rivers and reservoirs, continue to create new challenges for drinking water treatment. For example, heavier rainfall can wash more natural material and nutrients into water sources, while warmer conditions can increase the risk of algal growth. Our long-term plans are therefore designed not only to address current risks, but also to ensure we are well placed to meet future expectations.

Customers also care about how their water looks, tastes and smells. Our water quality contacts performance was 1.02 per 1,000 population, equivalent to 4,778 contacts. This was slightly above our target of 0.95, but remains comparatively low by wider industry standards. We remain focused on reducing contacts further through proactive network management and innovative techniques such as Comprex Impulse Cleaning, which helps clean water mains more efficiently and reduce the risk of discolouration.

LOOKING AHEAD

We will continue to build on our strong customer service performance while evolving the support and services we provide in response to changing customer expectations and needs. This includes further improving affordability and vulnerability support, strengthening the resilience and responsiveness of our water and wastewater services, and continuing to invest for the long term so customers can rely on resilient, affordable and high-quality services for generations to come.

We will also continue to benchmark our services externally and work with trusted, recognised bodies to help validate and improve our approach. This includes progressing our reaccreditation journey with the Institute of Customer Service for its ServiceMark accreditation, following our fifth consecutive TrainingMark standard, and working towards the British Standards Institution (BSI) Kitemark for Service Excellence. This builds on the BSI Kitemark for Inclusive Service, which recognises that our services are accessible, inclusive and tailored to customers' different needs and circumstances.

STRATEGIC REPORT

Review of performance by strategic theme - Environment

Our long-term ambitions are set out through our Environment Strategy, Restore and Regenerate, which provides a clear framework for how we plan, invest and operate.

It focuses on priorities including protecting water resources, improving river and coastal water quality, tackling climate change, using resources responsibly and helping nature and communities thrive. These priorities shape day-to-day operational decisions, major investment programmes, innovation activity and long-term planning across the business.

During 2025/26, we delivered progress in several important areas, including reductions in leakage and storm overflow spills, while also maintaining strong bathing water quality performance. At the same time, we recognise that performance in some areas fell short of our expectations and targets, particularly discharge permit compliance and total pollution incidents. We are committed to honest reporting of both progress and challenges, and remain focused on driving sustained improvement through investment, operational delivery, innovation and stronger resilience across our assets and networks.

LEAKAGE

Reducing leakage helps protect precious water resources, improve resilience and support long-term affordability for customers. Every litre of water saved reduces pressure on the environment, lowers treatment and pumping requirements and strengthens resilience against future pressures such as climate change, population growth and changing demand patterns.

During 2025/26, we delivered reductions in leakage across both Northumbrian Water and Essex & Suffolk Water. Performance in both operating areas was better than the corresponding annual WRMP24 target and achieved the three-year rolling performance commitment target.

Northumbrian Water

In Northumbrian Water, annual leakage reduced to **110.1 megalitres per day** (around 14.4% of total production), a **7.0 Ml/d improvement** compared to 2024/25. This met our performance commitment exactly and was also below the corresponding annual WRMP24 target.

We began the year in a strong position, but leakage increased during the spring and summer due to prolonged dry conditions. While we were able to improve performance in the autumn, a freeze/thaw event in January caused leakage to rise by approximately 30% over a very short period, requiring a determined effort to recover performance before the end of the year.

Several key initiatives helped deliver the improvement seen this year. Pressure management activities, including the optimisation of pressure reducing valves and deployment of controllers, allowed for decisive and effective pressure management during the drought period. We also expanded the use of specialist contractors to manage active leakage control across more areas, which has been effective and will continue into the next year.

Other successful initiatives included satellite-based leakage detection, distribution input meter verification activities and trials of fixed network logging technologies. Programmes to increase the number of continuously logged business customers, split our largest district metered areas and refresh the plumbing losses study are also underway. These will be delivered throughout 2026, and we expect to see the benefits later in the year.

Essex & Suffolk Water

In Essex & Suffolk Water, annual leakage reduced to **51.6 megalitres per day** (around 8.8% of total production), compared to **54.8Ml/d in 2024/25**. This was below the annual WRMP24 target and achieved our three-year rolling performance commitment target.

As in the North East, we began the year in a strong position, but leakage increased during the spring and summer due to prolonged dry conditions. We brought in additional resources to help recover performance, improving our position into the winter.

In January, a freeze/thaw event caused leakage to rise by approximately 50% over a very short period. Teams worked hard to find and fix the leaks that resulted from the cold weather, recovering our position within four weeks. This brought performance back under the target profile quickly, which we were able to maintain until the end of the year.

There were no major projects in the Essex region, with most improvements delivered through existing teams by continuously improving leakage targeting and detection processes.

In Suffolk, we introduced additional analytical and operational support, enabling the deployment and maintenance of 1,000 temporary leakage detection loggers. This has proved very successful and will continue. In addition, meter replacements and splitting district metered areas helped improve leakage targeting and calculation.

Alongside reducing leakage, helping customers use less water remains an important part of our long-term approach to protecting water resources. Household water use remained above target during the year, with Per Capita Consumption (PCC) at 153.0 litres per person per day (three-year average), compared with a target of 148.9. We continue to support customers through practical advice, metering, data and targeted water efficiency programmes.

STRATEGIC REPORT

STORM OVERFLOW SPILLS

Reducing storm overflow spills and improving river and coastal water quality are a priority. Many storm overflows are designed and built as part of combined sewer systems, which carry both wastewater and rainwater. They operate during periods of heavy rainfall to protect homes and communities from flooding, but reducing their use and environmental impact is a major focus for the sector.

During 2025/26, Event Duration Monitoring (EDM) data showed average storm overflow spills reduced to 17.70 spills per overflow, compared with 26.3 in the previous year and better than our target of 19.33. Total spill numbers also reduced significantly, from 40,792 to 27,756. This represented strong progress and reflects the benefits of continued investment, operational focus and smarter network management. EDM monitor operability was slightly below target during the year, which contributed to a small penalty under the performance commitment.

We continued to invest significantly in wastewater infrastructure, storage, monitoring and maintenance activity designed to reduce infiltration, increase capacity and improve resilience during wet weather events. This includes targeted interventions at priority sites and across catchments where improvements can have the greatest impact.

Average storm overflow spills reduced to 17.70 spills per overflow, compared with 26.3 in the previous year and better than our target of 19.33.

Alongside these targeted interventions, our Smart Sewers programme is helping to support longer-term improvements in how we manage flows across the sewer network. The programme uses sensors, rainfall forecasting and digital modelling to better understand network performance and make more dynamic use of available capacity during wet weather. While tactical interventions at priority sites have been central to the progress made this year, Smart Sewers is expected to play an increasingly important role as it continues to expand, building on deployment in Tyneside and further rollout activity elsewhere.

Reducing storm overflow spills and maintaining strong bathing water quality are both important parts of our wider focus on protecting and improving rivers and coastal waters. For the 2025 bathing season, 33 out of 35 designated bathing waters were classified as either Excellent or Good, with 24 rated Excellent and nine rated Good. This contributed to a reported performance score of 83.2%*, ahead of our target.

The two sites that did not meet the required standard were Cullercoats and Littlehaven, both classified as Poor. We continue to work with the Environment Agency, local authorities and other partners to understand the factors affecting these locations and identify the actions needed to support improvement.

Extensive investigations and work undertaken with our partners at Cullercoats since 2017 has found that contaminated groundwater is the most likely reason for the deterioration in bathing water classification.

In December 2022, groundwater flows from a polluted drainage culvert belonging to the local authority was diverted into our combined sewerage network because it was shown to contain high levels of bacteria.

A hydrogeological study to understand the pathways of groundwater into the Cullercoats bathing water was completed in September 2023. The recommendation to drill monitoring boreholes to determine the flows and quality of the contaminated groundwater across the catchment was implemented in time for the 2025 bathing season. This jointly funded work, with contributions from our partners North Tyneside Council and the EA, is ongoing to help identify the likely source or sources of contamination.

Littlehaven beach was designated in 2024 following a consultation by Defra which we were pleased to support following work with South Tyneside Council and the EA on the proposal. This coastal bathing water is located within the mouth of the River Tyne and given its estuarial topography there are complex factors behind its ongoing classification of 'Poor'. A detailed Water Industry National Environment Programme (WINEP) investigation, which will be completed in April 2027, is underway to understand sources of bacteria impacting bathing water quality and develop integrated improvement plans. The 2025 reforms to the bathing water regulations allows further time to put in place the necessary investment required to meet the bathing water standards.

Our bathing waters continue to be amongst the cleanest in the country, and we were again ranked third in 2025 for the percentage of Excellent and Good coastal bathing waters compared with water companies in England.

* Under the bathing water regulations, high amenity sites are designated as bathing waters to protect human health and are classified every year as either: Excellent, Good, Sufficient or Poor. These classifications are calculated using the previous four years of regulatory sample results taken by the Environment Agency during the bathing season (May to September). The Ofwat ODI looks at a fuller set of samples than our headline published figures, and an overall % score is calculated based on the proportion of sites at each standard. For the 2025 bathing season, under Ofwat's ODI, this results in an average score of 83.2%, beating the performance commitment. Two sites that didn't meet the required standard are Cullercoats (Poor) and Littlehaven (Poor) which was designated as a new bathing water in 2024.

CASE STUDY

Smart Skies Healthy Waters: using drones and robotics to transform water quality monitoring

CHALLENGE

Customers and communities want clear, timely information about the health of rivers, beaches and bathing waters. Traditional water quality monitoring is important, but it can be limited by how often samples can be taken and the time needed to transport and analyse them in a laboratory.

Faster, more frequent monitoring has the potential to give water companies, regulators and communities a clearer picture of changing water quality, helping identify emerging risks earlier and supporting action to protect the environment.

ACTION

We are leading the Smart Skies Healthy Waters project, a world-first innovation project that combines autonomous drones, robotics, real-time sensors and a mobile riverside “lab-in-a-box” to transform how coastal and inland waters are monitored.

The project received almost £6 million through the Ofwat Innovation Fund’s fifth Water Breakthrough Challenge and is being delivered with partners including Kohtari, Skyports Drone Services, Proteus Instruments, Newcastle University, United Utilities, South West Water and Southern Water.

Earlier drone-based approaches focused mainly on collecting water samples from locations that can be difficult, time-consuming or less efficient to reach manually. Smart Skies Healthy Waters takes this further by connecting drone-enabled sample collection with on-site analysis. Drones will collect water samples and return them to a deployable mobile laboratory, where robotics and specialist testing equipment can process and analyse samples close to the water’s edge.

This lab-in-a-box approach is designed to reduce reliance on transporting samples away for analysis, helping provide near real-time, lab-grade insight into water quality. Alongside this, sensors will stream environmental data to the cloud, while artificial intelligence will help build a clearer picture of how different conditions affect water quality over time.

This approach is designed to complement traditional monitoring by enabling faster, more frequent testing and more actionable water quality insight.

IMPACT

Smart Skies Healthy Waters has the potential to reduce the time taken to understand water quality from days to minutes, helping provide earlier visibility of changes in water quality and supporting faster, better-informed decision-making.

The project is progressing from design towards practical application, with trial flights and sampling expected during 2026 and 2027. In March 2026, it reached a key technical milestone with the filing of a patent for a component of the solution, and it has also been shortlisted for Best Real-Time Water Quality Monitoring Project at the Environmental Monitoring Awards 2025.

By bringing together drones, robotics, rapid testing and artificial intelligence, Smart Skies Healthy Waters is helping to create a new approach to water intelligence. It supports our commitment to innovation, transparency and healthier waters for customers, communities and the environment.

STRATEGIC REPORT

DISCHARGE PERMIT COMPLIANCE

Discharge permit compliance measures whether discharges from wastewater treatment works and water treatment works meet the environmental standards set out in permits issued by the Environment Agency and other regulators. Maintaining high compliance is essential to protecting rivers, coastal waters and the wider environment.

During 2025/26, discharge permit compliance was 98.52%, below our target of 100%, with a regulatory buffer zone to 99%. This reflected failures at three sites out of a total of 204: Billingham Wastewater Treatment Works (WwTW), Haggerston Castle WwTW and Morpeth WwTW.

We recognise that performance fell short of the standard we expect. At Billingham and Haggerston Castle, we completed full root cause analysis to understand the issues and identify any mitigation or training requirements. We also continued to run our discharge compliance tactical plan across both water and wastewater treatment works, with further interventions identified to support improved performance.

Improving discharge permit compliance remains a key priority as we progress through AMP8, supported by our discharge compliance tactical plan, targeted interventions and investment across relevant water and wastewater treatment works.

ENVIRONMENTAL PERFORMANCE ASSESSMENT

The Environment Agency's Environmental Performance Assessment (EPA) looks at water companies' environmental performance, including pollution incidents, discharge permit compliance, self-reporting and delivery of environmental schemes. EPA is assessed by calendar year, so the 2024/25 result reflects 2024 performance; the 2025 result will be confirmed by the Environment Agency later in 2026.

In the most recently published assessment, our rating was two stars, reflecting red ratings for category three pollution incidents and discharge permit compliance. We recognise this performance needs to improve and are taking action through our Pollution Incident Reduction Plan, operational improvements and targeted investment across our wastewater assets.

From 2026, changes to Environment Agency reporting requirements through the Water Industry Regulation Incidents (WIRI) guidance will affect how pollution incidents are reported, including changes to Category 4 classifications, dry day spill reporting and the assessment of third-party interference. This will affect future reported pollution numbers and year-on-year comparisons, but our focus remains on reducing pollution risk through targeted investment, operational improvements and greater use of data and monitoring.

Click here to see our Pollution Incident Reduction Plan.

POLLUTION INCIDENTS

Preventing pollution incidents is fundamental to responsible water and wastewater operations. Pollution events can affect rivers, land, wildlife and communities, and every incident matters. Our approach combines prevention, rapid response, root cause analysis and learning to reduce risk over time.

During 2025/26, total wastewater pollution incidents increased to 151, equivalent to 50.29 incidents per 10,000km of sewer served, compared with 117 incidents, or 38.97 per 10,000km, in 2024/25. This was worse than our 2025/26 target of 27.44 incidents per 10,000km. Two wastewater pollution incidents were classified as Category 2 serious pollution incidents. Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020 or a serious wastewater incident since 2021.

We were disappointed by this deterioration in performance and recognise clearly that it needs to improve. Sewage treatment works and sewage pumping stations were the main asset types contributing to our 2025 performance, accounting for 38% and 33% of incidents respectively. External power interruptions, including power dips and outages that typically occur during storms, remained a significant root cause, accounting for 18% of all events and 46% of sewage pumping station events. The increase also reflects increased Environment Agency oversight and inspection activity during 2025, particularly towards the end of the year as the sector prepared for formal methodology and reporting changes taking effect from 1 January 2026.

Strengthening resilience at critical sites is therefore an important AMP8 priority, supported by investment in standby generation and wider asset upgrades to reduce future risk.

Alongside this longer-term investment, our 2026 Pollution Incident Reduction Plan focuses on higher-risk assets and repeat risk locations. This includes strengthened maintenance regimes, additional inspections, improved alarm management, enhanced telemetry and increased operational resource in critical areas.

Innovation is also playing an increasing role in pollution prevention. Tools such as Smart Sewers, which helps optimise flows across the wider sewer network, and StormHarvester, which uses real-time control systems to improve the operation of storm tanks and pumping assets at treatment sites, together with wider data-led monitoring, help identify developing issues earlier and enable intervention before failures occur. We also review every incident carefully to understand root causes and apply learning across the wider business. Protecting the environment requires relentless focus and we remain fully committed to reducing pollution incidents and improving performance. We also review every incident carefully to understand root causes and apply learning across the wider business. Protecting the environment requires relentless focus and we remain fully committed to reducing pollution incidents and improving performance.

CASE STUDY

Smart Sewers: using data and AI to manage wastewater flows more intelligently

CHALLENGE

Heavy rainfall can quickly put pressure on wastewater networks, increasing the risk of storm overflow spills and sewer flooding. Traditionally, reducing this risk has often relied on building new infrastructure, such as larger tanks, sewers or treatment capacity. While investment remains essential, we also need to make better use of existing capacity across our network so we can respond more quickly and efficiently when rainfall affects different parts of a catchment.

This is particularly important as climate change, growth and increasing environmental expectations place greater demands on wastewater systems. Customers, communities and stakeholders expect us to reduce the impact of storm overflows and protect rivers, bathing waters and the wider environment.

ACTION

We are developing Smart Sewers, an innovative approach that uses sensors, rainfall forecasting, digital modelling and artificial intelligence to manage wastewater flows in real time.

The system collects live data from sensors across the network and combines it with weather forecasts to create a digital twin of the sewer system. Around 800 sensors are now installed across the Tyneside catchment, giving us up to 12 hours' notice of where pressure is likely to build and where spare capacity may be available.

This helps our teams make better decisions about how to hold, slow or redirect flows across the network, making better use of existing pipes, pumping stations and storage tanks before storm overflows operate. The programme is being delivered with HydroDigital, whose smart network approach has already been used internationally to reduce spills and improve river health.

Tyneside has been the first major focus for the programme, where the system is now integrated with our operational control systems and supporting a more dynamic approach to managing flows across the catchment. We are also applying the learning from Tyneside to Marske, helping us take a more catchment-wide view of how existing capacity, monitoring and future investment can work together.

The wider Smart Sewers programme represents a £25 million investment, following an initial £20 million commitment and a further £5 million following successful trials.

IMPACT

Smart Sewers is helping us move from a reactive approach to a more predictive and proactive way of managing the wastewater network. By giving colleagues earlier visibility of pressure in the system, it supports better operational decisions and helps reduce the likelihood of spills and flooding during wet weather.

In Tyneside, the programme has already shown how live data and smarter control can help us make better use of existing assets. For example, optimisation at Ouseburn has helped reduce spill volumes by around 30%, while data from the sensor network has improved confidence in network modelling and helped avoid the need for short-term flow surveys.

The programme has also attracted wider interest across the sector, with other water companies looking to learn from our approach. It demonstrates how innovation can complement traditional infrastructure investment, helping us deliver environmental improvements more efficiently and provide better value for customers.

As the programme develops, learning from Tyneside and Marske will help shape how we use smart network technology in other catchments, supporting our wider commitment to reduce storm overflow spills, improve resilience and protect the environment for future generations.

STRATEGIC REPORT

GREENHOUSE GAS EMISSIONS

Reducing greenhouse gas emissions and adapting to climate change are central to the long-term resilience of our business. Climate change affects water availability, drought risk, flooding, storm intensity, treatment processes, asset health and customer demand across our regions. At the same time, our own operations use energy and generate emissions that must reduce over time.

During 2025/26, the way we report greenhouse gas emissions changed as we moved into AMP8. Our regulatory performance commitments now cover a wider scope and we report water and wastewater emissions separately. Emissions from our water activities were 109,771 tonnes CO_2e, compared with a target of 99,645 tonnes CO_2e, largely reflecting the operational impact of dry weather during the summer. Emissions from our wastewater activities were 91,357 tonnes CO_2e, compared with a target of 97,380 tonnes CO_2e, meaning we outperformed this measure.

Our wider emissions inventory is calculated using a different methodology and increased significantly compared to previous years, mainly due to an updated emissions factor for nitrous oxide emissions from wastewater treatment. This increased reported wastewater process emissions from 30 $ktCO_2e$ to 126 $ktCO_2e$. This does not indicate a deterioration in operational performance, but reflects improved methodological accuracy and transparency.

We continued to consider carbon impact in investment and operational decision-making, including through lower-carbon design principles, energy efficiency, renewable generation and improved operational performance across energy-intensive assets.

Further detail on our emissions performance, renewable energy activity and climate resilience work is included in our Sustainability Report.

During the year, our 9.2MW solar farm at Broken Scar Water Treatment Works completed its first full year of operation, directly supporting treatment operations with renewable electricity. We also continued to increase renewable generation, grow biomethane exports, use HVO in our bioresources fleet and introduce electric vehicles where possible.

Alongside reducing emissions, we continued to strengthen climate resilience across our operational sites, including measures to improve backup power and site resilience during severe weather and energy disruption. Climate scenario analysis and long-term planning continue to inform our understanding of future risks and opportunities across both our northern and southern operating areas.

WATER ENVIRONMENT IMPROVEMENTS

Through Bluespaces, our partnership programme to improve rivers, coasts, wetlands and other accessible water environments, partners delivered 8.8km of enhancements during the year, taking the cumulative total to 256.9km since the scheme began. We also committed £840,000 of funding during the year to support future delivery. Projects supported through Bluespaces help improve biodiversity, wellbeing and public access, with a long-term ambition to enhance 500km of Bluespaces by 2030.

Through Branch Out, our community environmental fund, we support projects that restore habitats, improve biodiversity and strengthen local resilience. Between 2020 and 2025, Branch Out supported more than 105 projects, awarded over £1 million of funding and engaged around 335,000 people, including 11,200 school children and 187 community or school groups. A further £1.2 million has been committed to 2030.

Together, Branch Out and Bluespaces complement our long-term investment in essential services, helping improve the places people value most.

LOOKING AHEAD

In 2026/27, we will continue to deliver our largest ever investment programme, with a focus on reducing pollution risk, improving discharge compliance, reducing storm overflow spills and strengthening resilience across our water and wastewater assets.

We will build on the progress made during the year by combining targeted infrastructure investment with smarter, more preventative approaches. This includes further use of monitoring, data and artificial intelligence through programmes such as Smart Sewers, continued delivery of our sewer flooding tactical plan, and customer engagement activity such as our Bin the Wipe campaign, which encourages customers to dispose of wipes in the bin rather than flush them, helping to reduce avoidable blockages.

We will also continue to progress our long-term environmental priorities, including leakage reduction, water efficiency, climate resilience, renewable energy, resource recovery and partnership-led improvements to rivers, catchments and habitats. While there is more to do, particularly on pollution and discharge compliance, our focus is clear: to deliver sustained improvement, restore trust and protect the natural environment for current and future generations.

STRATEGIC REPORT

Review of performance by strategic theme - Competitiveness

Delivering essential water and wastewater services requires a strong and sustainable financial platform.

Our competitiveness depends on maintaining the resilience, discipline and flexibility needed to invest for the long term, while continuing to provide value for customers and supporting the communities we serve. Strong financial foundations enable us to respond to changing market conditions, maintain investor confidence and continue funding the infrastructure and services on which customers rely.

During 2025/26, we entered the first year of AMP8, our 2025-2030 regulatory period and largest investment programme to date. We will deliver over £4.5 billion of major capital improvements to infrastructure, environmental performance and customer service across our operating areas.

Maintaining a prudent financial framework is essential to delivering this programme responsibly, efficiently and at pace.

2025/26 FINANCIAL RESILIENCE PERFORMANCE

During 2025/26, financial covenant gearing and interest cover remained better than target. Regulatory gearing reduced to 61.3%, comfortably below the c.70% target, primarily reflecting the £400 million equity injection from shareholders on 31 March 2026. This strengthened the Company's capital structure, supported financial resilience and provided additional headroom to deliver our AMP8 investment programme.

These measures remain important indicators of long-term resilience and help demonstrate that the business remains appropriately financed, financially disciplined and well placed to meet its obligations while continuing to invest for customers. Our AMP8 investment programme is funded through a combination of customer bills, debt finance and shareholder equity.

As a regulated water company, the revenue we can recover from customer bills is set through the price review process.

However, the scale and timing of investment needed across 2025-2030 means expenditure will exceed the revenue recovered from customers in any single year. We therefore use external financing to fund long-term investment, balancing debt and equity in a way that supports efficient financing costs for customers while maintaining financial resilience and strong investment grade credit ratings.

As part of this funding mix, in March 2026 shareholders injected a £400 million equity investment to support delivery of our AMP8 business plan. This additional funding strengthens our ability to progress investment rapidly, maintain momentum on priority projects and continue improving services for customers and the environment. It also reflects shareholder confidence in the long-term future of the business and the importance of sustained investment across our regions.

The year also brought the conclusion of the Competition and Markets Authority's PR24 redetermination process, an independent review of Ofwat's decision on the prices, service levels and investment framework for 2025–30, providing greater clarity for the 2025–30 period. With the regulatory framework now confirmed, our focus is firmly on delivery and ensuring investment is directed where it can create the greatest long-term benefit.

Alongside shareholder support, we continue to manage our finances prudently through a disciplined approach to capital structure, liquidity and financial risk. Our financial resilience is measured through key scorecard indicators including regulatory gearing and interest cover, which provide an important assessment of the strength and sustainability of our capital structure and independently assessed by two rating agencies. During the year, these measures remained within target levels, consistent with a strong investment grade credit rating, reflecting continued financial discipline and supporting our ability to fund long-term investment while maintaining appropriate headroom. We monitor a range of measures to help ensure the business remains resilient, appropriately financed and well placed to meet its obligations in a changing economic environment. Following the CMA's final decision, the independent rating agency Moody's upgraded our credit rating from 'Baa1 with negative outlook' to 'Baa1 stable outlook', with Fitch also removing their negative outlook to 'BBB+ stable outlook', giving us ratings consistent with the one targeted by Ofwat and CMA for the notional firm in their final determinations.

STRATEGIC REPORT

We also remain focused on securing value from every pound we spend. Through efficient procurement, careful cost control and robust investment prioritisation, we aim to maximise the benefits delivered through AMP8 for customers, communities and the environment, while maintaining affordability over the long term.

INNOVATION CREATING VALUE AT SCALE

Our strong financial platform helps create the conditions for innovation to thrive. By combining long-term investment with an open, collaborative culture, we continue to develop new ways to improve services, strengthen resilience and deliver greater value for customers and the environment.

Innovation is one of our core strengths and remains central to how we respond to the changing demands facing the water sector. From climate pressures and ageing infrastructure to rising customer expectations and evolving environmental standards, innovation helps us solve complex challenges faster, more efficiently and more sustainably.

We focus on innovation that delivers practical outcomes. This means bringing together the expertise of our people with partners, suppliers, academics, technology specialists and organisations from far beyond the water sector to turn ideas into real-world solutions that can be scaled across our operations.

RECOGNISED INNOVATION LEADERSHIP

During the year, our innovation culture and capability were independently recognised when we became the first water company in the world to achieve the BSI Kitemark for Innovation. This recognises the systems, leadership, culture and processes that support effective innovation across the business, and demonstrates that innovation is embedded in how we work rather than treated as a standalone activity.

Our Innovation Festival continues to be a flagship part of this approach. Since launching in 2016, the festival has welcomed more than 24,000 attendees from over 6,000 organisations, spanning more than 40 countries and more than 45 sectors. Participants have taken part in 295 innovation sprints and hacks, helping progress more than 350 ideas with the potential to improve our business, the wider sector and society.

The festival has helped build a significant innovation pipeline, with ideas developed through the programme estimated to have potential value of more than £100 million per year. Just as importantly, it has helped create a culture where curiosity, pace and collaboration are embedded across the business.

TURNING IDEAS INTO OPERATIONAL RESULTS

Innovation only matters when it makes a real difference. We therefore focus on scaling successful ideas into day-to-day operations where they can improve performance, resilience and efficiency.

STRATEGIC REPORT

Our Smart Sewers programme uses artificial intelligence, predictive analytics and real-time network data to optimise wastewater flows, helping make better use of existing network capacity and improve resilience. Origin Find and Fix combines satellite-enabled leak detection, artificial intelligence and no-dig repair techniques to identify and resolve leaks more quickly, helping reduce water loss and customer disruption.

Other examples include Pipebot Patrol, our autonomous sewer robot designed to inspect networks and identify blockages early; River Deep Mountain AI, which uses artificial intelligence and catchment data to help identify likely pollution sources and target interventions more effectively; and Smart Skies, Healthy Waters, which combines drone-based monitoring with rapid field analysis to assess water quality faster.

Together, these examples show how ideas developed through innovation are being translated into practical tools that improve services, protect the environment, reduce costs and strengthen operational performance.

Backing innovation with action

Our innovation capability continues to be recognised externally. We have secured 19 successful Ofwat Innovation Fund bids, helping accelerate new projects, attract external funding and share learning across the wider water sector.

Innovation is embedded across our business, from frontline operations and engineering to customer service and environmental improvement. By combining financial discipline with innovation leadership, we are creating practical solutions that strengthen long-term competitiveness, improve resilience and deliver better outcomes for the communities we serve.

ORIGIN FIND AND FIX

Combines satellite-enabled leak detection, artificial intelligence and no-dig repair techniques to identify and resolve leaks more quickly, helping reduce water loss and customer disruption.

PIPEBOT PATROL

Our autonomous sewer robot, is designed to inspect networks, identify blockages early and help prevent flooding before it happens, reducing the need for more disruptive manual interventions.

RIVER DEEP MOUNTAIN AI

Uses artificial intelligence, remote sensing and integrated catchment data to help identify likely pollution sources, predict river conditions and target interventions more effectively.

TOTAL RECALL

An AI-enabled knowledge platform designed to support lone workers in the field with real-time guidance, while helping preserve critical operational expertise for future generations.

PROVIDENCE

Uses real-time network monitoring and predictive analytics to anticipate pressure loss and discolouration risks in water networks, enabling earlier action and improving service reliability.

OUR SMART SKIES

Healthy Waters initiative combines drone-based monitoring with rapid field analysis to assess water quality faster, helping teams respond more quickly to environmental risks.

CASE STUDY

Repurposing grit

CHALLENGE

During the screening stage of wastewater treatment, grit is removed to protect treatment processes and downstream assets. This material is made up largely of inorganic matter such as sand, gravel, road stone and glass, but because it is classified as waste, its reuse is tightly controlled. As a result, it is often sent to landfill, creating disposal costs and missing the opportunity to recover value from a material produced through essential wastewater treatment.

At the same time, reducing waste and making better use of operational by-products is an important part of our wider approach to resource efficiency and circular economy thinking. Finding a more sustainable outlet for grit helps reduce reliance on landfill while supporting efficient service delivery for customers.

ACTION

For the past ten years, we have repurposed the majority of grit removed during wastewater treatment within Teesside. Rather than sending this material to landfill, it is combined with other materials and used in land reclamation at Seal Sands.

Seal Sands forms part of the wider Tees Estuary, an area shaped by a long history of industrial activity and land reclamation. Using grit in this way provides a practical, local reuse route for a material that would otherwise need to be disposed of, while supporting the restoration and reuse of previously developed land.

IMPACT

Each year, we repurpose an average of around 36,000 tonnes of grit through this approach, diverting a significant volume of material from landfill. Based on current prices, sending grit for land reclamation costs around £66 per tonne, compared with around £117 per tonne for landfill, delivering an estimated annual saving of approximately £1.8 million.

The programme delivers both environmental and financial benefits: reducing unnecessary landfill, supporting land restoration, lowering disposal costs and recovering value from an operational by-product. It is a practical example of circular economy thinking in action, helping us use resources more carefully while delivering long-term value for customers and the environment.

STRATEGIC REPORT

Review of performance by strategic theme - People

Measure of success	Units	2021/22	2022/23	2023/24	2024/25	2025/26 Target	Performance 2025/26		2026/27 Target	Stretching target
Employee engagement – trust index	%	67	70	77%	78%	>=78%	81%	●	>=78%	N/A
Lost time accidents	Number	14	14	15	15	<=6	6	●	<=6	N/A

NWG's people strategy is focused on building a safe, inclusive and high-performing workplace where people can grow, speak up and deliver essential services with pride. By investing in our people, we strengthen the capability, resilience and culture needed to deliver long-term success.

The scale of our ambitions for the years ahead, including our largest ever investment programme, depends on attracting, developing and retaining talented people in a changing and competitive labour market. We therefore continue to focus on the two measures at the heart of our People scorecard – employee engagement and safety performance – supported by wider investment in wellbeing, skills, leadership and inclusion.

During 2025/26, we delivered another strong year of colleague engagement and continued to maintain a clear focus on health and safety across the business. We also launched new capability-building programmes, progressed our inclusion agenda and strengthened the support available to colleagues.

STRATEGIC REPORT

EMPLOYEE ENGAGEMENT

Creating a workplace where people feel valued, trusted and motivated to give their best remains central to our long-term success. High levels of engagement help us attract and retain talented people, build capability and deliver better outcomes for customers and communities.

During the year, we were proud to achieve 86% in our Great Place to Work survey, meaning 86% of colleagues agreed that NWG is a great place to work, exceeding our target of 80% and improving on 79% in the previous year. We were also ranked 28th in the Super Large Organisations category in the UK's Best Workplaces 2026 list. This reflects strong levels of colleague trust, pride and engagement, and demonstrates the strength of our culture and the commitment colleagues feel to the work they do and the communities they serve.

We were also recognised as one of the UK's Best Workplaces for Women for the fourth consecutive year, reinforcing the progress we continue to make in creating an inclusive and supportive working environment.

We continue to listen to colleagues through a range of formal and informal channels including leadership roadshows, CEO Q&A sessions, cascade meetings, and digital platforms. These touchpoints help ensure colleague feedback informs decision-making, supports transparency and drives continuous improvement across the business.

A strong employee experience is also shaped by opportunities to grow and develop. During the year, we launched the NWG Academy, a long-term investment in learning and development designed to build the skills we need now and in the future.

The Academy brings together three areas of focus: Foundations, supporting role competence and safety; Personal Growth, focused on career development and leadership; and Community, supporting early careers and outreach to attract the next generation of talent.

We introduced seven new Competent Operator Schemes across Water and Wastewater, providing structured development pathways with mentoring and formal competence assessment. We also continued to strengthen management capability, with 160 managers completing our enhanced people manager induction programme.

We remain committed to developing future talent through apprenticeships, graduate programmes and work experience. Apprentice numbers increased to 104, our highest level to date, while we welcomed 19 Asset Graduates and delivered outreach initiatives including the Young Citizens Festival, engaging more than 400 students.

INCLUSION AND CULTURE

We want NWG to be a place where everyone feels respected, represented and able to succeed. Creating an inclusive workplace remains a strategic priority and an important contributor to colleague engagement.

During the year, we began refreshing our TIDE (Together for Inclusion, Diversity and Equity) strategy, setting out the next phase of our inclusion, diversity and equity ambitions to 2030. The strategy includes ambitions for new hires, including 40% female hires, 7% of new hires from ethnic minority backgrounds and 6% of new hires declaring a disability by 2030. It also strengthens business-area action plans, inclusive recruitment and external benchmarking of progress.

STRATEGIC REPORT

We also reported further progress in gender representation. During the year, our median gender pay gap reduced to 9.9%, the lowest level recorded to date. This reflects sustained focus on attraction, progression and fair access to opportunity across the business.

Our colleague networks continue to play an important role in shaping culture and supporting inclusion, including WiSTEM, Thisability, REACH and the Rainbow Support Network. These networks provide insight, advocacy and practical support while helping colleagues feel connected and represented across the organisation.

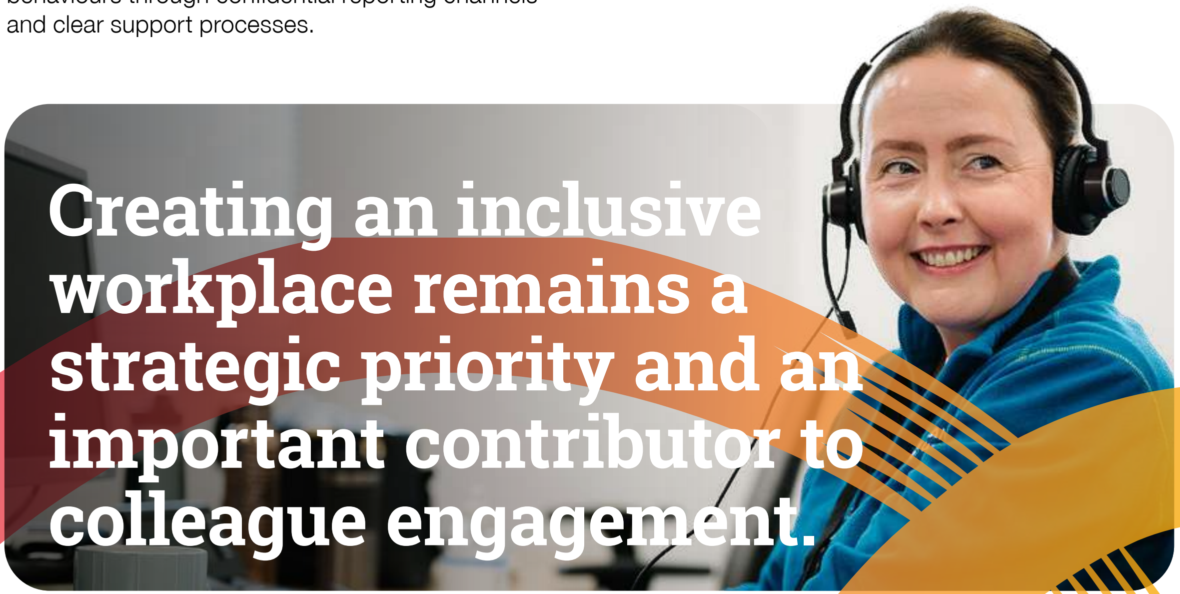
A strong culture also depends on openness, accountability and trust. During the year, our Safe to Say programme continued to strengthen psychological safety and make it easier for colleagues to raise concerns about culture or unacceptable behaviours through confidential reporting channels and clear support processes.

Since launch, around 27 reports have been received across our 4,500 colleagues, helping us identify themes, respond appropriately and continue learning.

SAFETY

The safety of our people and everyone affected by our operations remains our highest priority. We work in operational environments that can involve significant hazards, making strong health and safety performance essential.

During 2025/26, we recorded six lost time accidents (workplace injuries resulting in an employee being unable to work for at least one scheduled shift or day). One injury is one too many and we remain focused on continuous improvement in safety performance.



Our approach is built on visible leadership, personal responsibility and learning from experience, underpinned by our commitment that everyone should return home safe every day.

During the year, colleagues completed more than 105,000 safety checks, over 9,400 safety conversations and more than 1,100 job stops, where work was paused to address potential risks before incidents occurred. These actions help identify hazards early, reinforce safe behaviours and prevent incidents before harm occurs.

We also carried out more than 4,500 contractor monitoring checks and 215 Principal Contractor Assurance Visits, helping maintain high standards across our supply chain as we continue to mobilise our largest ever investment programme.

Alongside physical safety, we continue to support mental, financial and emotional wellbeing through our Living Well programme, which provides practical support for colleagues and their families. During the year, we expanded our preventative health offer, including cancer screening support and access to wider wellbeing services.

LOOKING AHEAD

Our future success depends on having the skills, leadership and culture needed to deliver for customers, communities and the environment as our business grows and our investment programme increases in scale. In 2026/27, we will continue to strengthen capability across the business, with a focus on operational competence, leadership development, safety and future talent.

We will build on the launch of the NWG Academy by embedding structured development pathways, including Competent Operator Schemes and enhanced 'Licence To' management training, while increasing focus on mandatory training completion. We will also review Our Way, our culture programme, engaging colleagues and stakeholders to help shape how our values, behaviours and ways of working evolve as the business changes.

Alongside this, we will maintain our focus on safety and wellbeing, embed our refreshed TIDE strategy to support inclusion, diversity and equity across the business, and continue to build a resilient talent pipeline through apprenticeships, graduate development, schools engagement, the Young Citizens Festival and activity linked to National Inclusion Week.

86%
of colleagues agreed that NWG is a Great Place to work

CASE STUDY

Reducing our gender pay gap through representation, progression and colleague-led action

CHALLENGE

Improving gender balance across the business is an important part of building a more inclusive workplace and strengthening our future workforce. Like many organisations with a large operational and technical workforce, we have historically had lower female representation in some areas of the business, particularly in STEM and field-based roles.

This has contributed to our gender pay gap, particularly where women are under-represented in some higher-paid or technical roles. While pay gap reporting is only one measure of progress, it helps us understand where we need to focus action on recruitment, progression, representation and access to opportunity.

ACTION

Through our TIDE strategy, we have continued to take targeted action to improve representation and create a workplace where more colleagues can develop, progress and thrive. This includes inclusive recruitment practices, early careers outreach, leadership development and stronger use of data to understand where action is needed most.

A key part of this work is our Women in STEM network, WiSTEM. Established in 2023, the network supports women in science, technology, engineering and mathematics roles, as well as colleagues who want to move into STEM-related careers. It provides peer support, mentoring, development opportunities and visible role models across operational and technical areas.

WiSTEM has grown to more than 520 members, including male allies. Over the past year, the network has supported mentoring circles for early careers colleagues, hosted events on topics including confidence, impostor phenomenon, menopause and hormonal health, and helped colleagues access sector-wide development opportunities through partnerships with organisations such as the Women's Utility Network, British Water and WISE.

The network has also helped influence practical workplace improvements, including revised maternal and breastfeeding policy provisions, footstool banks at core sites and sanitary bins at operational locations. WiSTEM members have also supported STEM outreach activity, helping inspire more women and girls to consider technical and operational careers.

IMPACT

Gender pay gap reporting follows a separate statutory timetable, so the latest published data relates to 2024/25. In that reporting period, our median gender pay gap reduced to 9.9%, the lowest level we have recorded to date.

Female representation across our workforce has increased to 34%, supported by strong representation in early careers, with women making up 37% of apprentices, 55% of graduates and 75% of undergraduates. Women also make up 41% of managers and 44% of our Executive Leadership Team.

We are also seeing positive progress in STEM roles, where female representation has increased from 30% in 2024 to 40% in 2025. This reflects the impact of sustained action across recruitment, development, workplace support and colleague-led networks such as WiSTEM.

This progress has been recognised externally, with NWG named one of the UK's Best Workplaces for Women by Great Place to Work for the fourth consecutive year. While there is more to do, including addressing structural factors such as role distribution and representation across pay quartiles, we have set a clear ambition through our TIDE strategy to reduce our gender pay gap to 7% by 2030.

STRATEGIC REPORT

Review of performance by strategic theme - Communities

Measure of success	Units	Performance 2021/22	2022/23	2023/24	2024/25	2025/26 Target	2025/26	2026/27 Target	Stretching target
Trust – Ethisphere	Award	Awarded	Awarded	Awarded	Awarded	Awarded	**Not awarded** ●	Awarded	N/A

As a provider of vital public services, we are deeply rooted in the regions we serve and closely connected to the people who rely on us every day. The decisions we make, the investments we deliver and the way we operate can have a lasting impact on local communities, economies and environments.

Our role in communities is about creating lasting social value by serving essential needs well, strengthening local economies, investing in places, working in partnership and helping communities become more resilient.

For us, being a trusted regional institution means more than providing reliable services. It means acting responsibly, listening to local priorities and creating benefits that extend beyond our core operations. We therefore remain focused on high standards of ethics, governance and accountability in how we operate.

The principal external measure within our Communities scorecard is recognition through the Ethisphere World's Most Ethical Companies programme. While we were not recognised in the latest awards cycle, we remain proud to have been recognised 14 times previously and continue to benchmark ourselves against leading global standards of ethical business practice.

We have reviewed the outcome of this year's submission and are using the insights gained to strengthen our approach in future cycles. Our focus remains unchanged: doing business the right way, maintaining strong governance, encouraging colleague voice and acting responsibly for customers, communities and the environment.

"Our **£4.5 billion** investment programme between 2025 and 2030 is expected to support around **3,000 jobs** across our supply chain and the wider economy and contribute approximately **£5.7 billion** to local economies."

STRATEGIC REPORT

SUPPORTING STRONGER LOCAL ECONOMIES

Our investment and procurement decisions make an important contribution to regional economies across the North East, Essex and Suffolk.

During the year, 60.88p in every £1 we spent was with suppliers based in our operating regions, helping to support local businesses, jobs, skills and apprenticeships. This reflects our continued focus on creating wider value through our supply chain as well as through direct employment and investment.

As AMP8 gets underway, our £4.5 billion investment programme between 2025 and 2030 is expected to support around 3,000 jobs across our supply chain and the wider economy and contribute approximately £5.7 billion to local economies through suppliers and contractors.

We continue to embed responsible procurement standards across our supply chain, helping create wider social, economic and environmental value alongside the essential services we deliver.

WORKING IN PARTNERSHIP

Strong communities are built through collaboration. We work closely with local authorities, charities, environmental organisations, developers and community groups to understand priorities and deliver shared outcomes.

This partnership approach is particularly important as communities respond to long-term challenges such as climate change, flooding risk, housing growth and affordability pressures. By planning ahead and working with others, we can help ensure our services continue to support sustainable and resilient communities.

During the year, we continued to deliver partnership-led resilience improvements, such as progressing our £18 million South Moor flood alleviation scheme in the North East and launching consultation on the Suffolk Water Recycling, Transfer and Storage Project, a major partnership initiative designed to strengthen long-term water resilience in the East of England.

JUST AN HOUR

Our colleagues continue to make a positive difference through volunteering, fundraising and practical support for local causes.

Through Just an Hour, colleagues are given paid time to volunteer in support of charities, schools, environmental projects and community organisations. During the year, 54% of colleagues supported almost 1,000 charitable and community causes, completing more than 3,300 volunteering activities across our regions.

These activities make a practical difference locally while also reflecting the pride our people take in supporting the communities they serve.

LOOKING AHEAD

In 2026/27, we will continue to strengthen how we plan, prioritise and measure the social and economic value we create through our activities, investment and partnerships.

We will further develop our Community Investment Strategy, bringing together activity such as colleague volunteering, community funding, education and heritage programmes, and environmental partnerships including WaterAid, Branch Out and Bluespaces. Alongside this, we will continue to embed our social value framework across relevant investment, procurement and partnership activity, helping ensure our support is targeted, locally informed and delivers clear benefits for the communities we serve.

CASE STUDY

Community Hubs: helping customers engage with local investment

CHALLENGE

Many of our investment projects take place in the heart of the communities we serve. They deliver important long-term benefits, such as reducing flood risk, improving resilience, protecting water supplies and enhancing the environment, but they can also cause short-term disruption while work is under way.

Customers need clear, timely and accessible information about what is happening in their area, why the work is needed and how it may affect them. They also need simple ways to ask questions, share feedback and understand how projects are progressing.

ACTION

In 2025, we launched new online Community Hubs for Northumbrian Water and Essex & Suffolk Water, replacing our previous Community Portals. The Hubs provide a clearer and more interactive way for customers to find out about investment schemes and community initiatives in their local area.

Through the Hubs, customers can stay informed by following local projects and receiving updates, have their say by sharing feedback and asking questions, and get involved by engaging directly with project managers and community members.

The Hubs are already supporting engagement on a wide range of projects across our operating areas. In South Moor, Stanley, customers can follow progress on a £3.8m flood risk reduction scheme being delivered through the Northumbria Integrated Drainage Partnership, working with Durham County Council and the Environment Agency. The scheme will install more than 1.8km of new surface water sewers, helping separate rainwater from the existing combined sewer system and reduce the risk of heavy rainfall overloading the network.

In Essex, the Hub is also being used to support engagement on our work at Gallows Corner, Romford, where we are diverting and upgrading a water main alongside Transport for London's major improvement works. Regular updates have helped explain progress, traffic impacts, technical challenges and the steps being taken to protect water supplies while work is completed.

IMPACT

The Community Hubs give customers a simpler way to stay informed about investment in their local area, follow progress and provide feedback as work develops. They help make engagement more transparent and accessible, particularly on complex projects where customers may be affected by traffic management, road closures or construction activity.

They also support our wider partnership approach. Through projects such as South Moor, we are working with local authorities and the Environment Agency to reduce flooding from sewers, rivers and surface water runoff. At Gallows Corner, close coordination with Transport for London and delivery partners is helping us complete essential water resilience work alongside wider transport improvements.

By bringing project information, updates and feedback into one place, the Community Hubs are helping customers better understand the investment taking place in their communities and how it supports more reliable, resilient and sustainable services.

STRATEGIC REPORT

Financial performance and structure

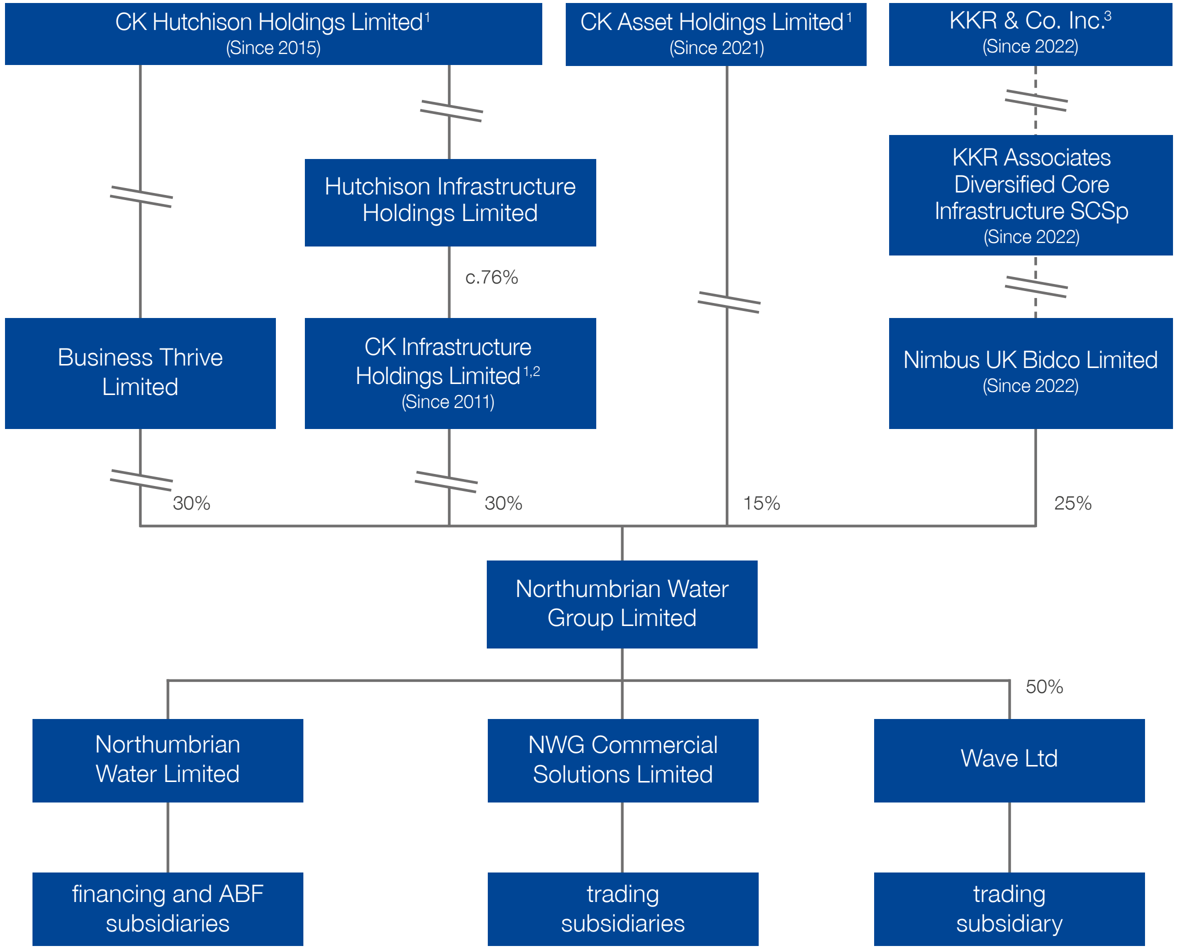
NWL is a private limited company registered in England and Wales with company number 02366703. and is a member of the Northumbrian Water Group (NWGL Group). It is a direct wholly owned subsidiary of Northumbrian Water Group Limited, which is a private limited company registered in England and Wales with company number 04760441.

The NWGL Group comprises NWGL together with all its direct and indirect subsidiaries (including NWL). NWGL is the UK parent of the NWGL Group (including NWL).

NWGL has one other direct wholly owned subsidiary, NWG Commercial Solutions Limited (a private limited company registered in England and Wales with company number 10028815), which acts as a holding company for other non-regulated trading companies. NWGL also directly owns 50% of a joint venture company, Wave Ltd (a private limited company registered in England and Wales with company number 06492265) which through its trading subsidiary, Anglian Water Business (National) Limited, carries out non-household water and wastewater related retail activities in England and Scotland.

The chart below shows the summarised corporate structure of the NWGL Group, including the principal intermediate holding companies and subsidiaries in the structure, which are wholly owned or controlled unless otherwise shown or stated. The dates shown in brackets denote the periods of ownership for material and majority investors.

CKHH, CK Infrastructure Holdings Limited (CKI), Business Thrive Limited, KKR & Co. Inc., KKR Associates Diversified Core Infrastructure SCSp, Nimbus UK Bidco have provided Ultimate Controller undertakings to the Company, and NWGL has provided an undertaking as the Company's holding company, all in accordance with the provisions of the Company's Instrument of Appointment (Licence).



KEY

[1] Listed on The Stock Exchange of Hong Kong Limited
[2] Secondary listing on the London Stock Exchange
[3] Listed on the New York Stock Exchange

Indicates the presence of intermediate companies in the structure chain

Indicates ownership

Indicates control

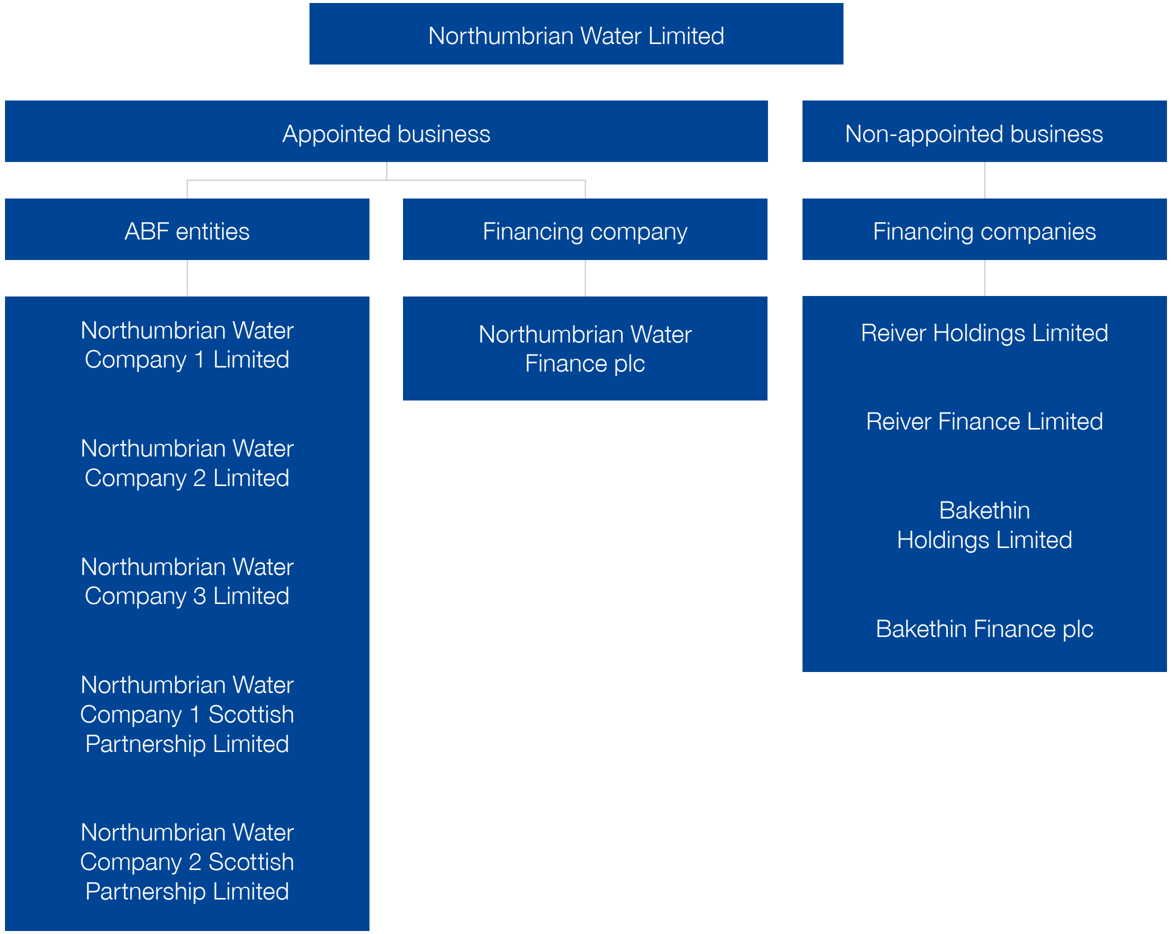
STRATEGIC REPORT

NWL GROUP STRUCTURE

In 2023/24 NWL entered an Asset Backed Funding (ABF) arrangement in respect of its defined benefit pension scheme. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. This is beneficial to both the pension scheme and NWL's customers, as it spreads the pension deficit recovery payments over a longer period, improves short term cash flows and improves financial resilience.

The ABF introduced additional subsidiaries to NWL, shown as 'ABF entities' on the chart below, and additional accounting transactions between NWL and these subsidiaries. NWL has therefore produced consolidated accounts which eliminate these additional accounting transactions and gives a clearer representation of the NWL Group of companies, including the net impact of the ABF arrangement.

In addition, the existing financing companies set up for the Kielder securitisation transaction in 2004 are also included in the consolidated position. The chart below shows the NWL Group companies included in the consolidated accounts, and where they sit in relation to the regulatory ring-fence.



FINANCIAL PERFORMANCE

The Financial Statements on pages 128 to 163 have been prepared on a consolidated historical cost basis for the NWL Group under International Financial Reporting Standards (IFRS). The Company Financial Statements on pages 173 to190 have been prepared in accordance with Financial Reporting Standard (FRS) 101, reflecting IFRS with reduced disclosures.

The Group's consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement are set out on pages 128 to 131. The key accounting policies are summarised in note 1 to the Financial Statements on pages 132 to 138. The following financial commentary relates to the consolidated financial statements.

The financial KPIs we report in our balanced scorecard on page 20 reflect the financial covenants underpinning our committed bank facilities and regulatory gearing, which are reported at each Board meeting. The gearing metrics are a measure of debt to Regulatory Capital Value (RCV). The financial covenant gearing and interest cover KPIs remained better than the target for the year. Regulatory gearing is 61.3%, a significant reduction from the prior year driven by the £400m equity injection by shareholders on 31 March 2026, bringing the ratio comfortably below the c.70% target.

Revenue was £1,182.0m for the year ended 31 March 2026 (31 March 2025: £1,017.2m), an increase of £164.8m. (See note 2 to the Financial Statements). This was primarily driven by a £157.3m increase in combined household and non-household water and wastewater revenue, reflecting higher allowed revenues under the new AMP8 price control.

STRATEGIC REPORT

Operating costs, including capital maintenance costs, for the year ended 31 March 2026 were £798.7m (31 March 2025: £726.3m), an increase of £72.4m. (See note 3 to the Financial Statements). This increase was primarily driven by higher employee costs of £42.7m, reflecting increased resourcing to support delivery under AMP8 and inflationary salary increases, together with a £22.1m increase in other operating costs and a £17.5m increase in depreciation of property, plant and equipment as the asset base continues to grow. These increases were partially offset by higher levels of own work capitalised, which increased by £13.9m year on year.

The Group operates a hedging strategy to manage exposure to energy cost volatility. The strategy is designed to mitigate risks arising from wholesale electricity market fluctuations, variability in renewable generation and changes in costs incurred through the UK Government's Contracts for Difference scheme. The Group's policy is to hedge energy requirements progressively over a three-year horizon using a combination of physical energy purchases, financial derivatives (swaps) and longer-term Power Purchase Agreements (PPAs). As a result of this approach, the majority of the Group's forecast energy requirements for the coming 24 months are fixed. The Group's average unit cost of electricity decreased by approximately 20% during the year. Prior year costs included energy purchases secured during the exceptionally high wholesale market conditions experienced in summer 2022, whereas current year costs benefited from the subsequent decline in wholesale electricity prices.

Operating profit, or Earnings before interest and tax (EBIT), increased to £383.3m (31 March 2025: £290.9m) and EBITDA (earnings before interest, taxation, depreciation and amortisation) increased year-on-year, principally reflecting the outcome of the CMA's Final Determination and the resulting increase in allowed revenues from the start of AMP8. These benefits were partially offset by higher operating costs arising from inflation, increased employee costs and higher depreciation associated with continued investment in infrastructure. The improvement in earnings and cash generation provides a strong platform to support delivery of our investment programme and long-term service commitments.

Net interest payable was £209.8m in the year ended 31 March 2026 (31 March 2025: £177.2m), an increase of £32.6m. This was primarily due to higher accretion (£12.7m) on index-linked bonds and swaps as inflation rose in the year. Interest charges on loans increased by £15m, reflecting new borrowings raised in the year to finance the growth in the capital investment programme. See note 7 to the Financial Statements for further detail.

This resulted in a profit before tax of £173.5m for the year ended 31 March 2026 (31 March 2025: £113.7m).

There was a net tax charge to the consolidated income statement of £45.1m (31 March 2025: £29.4m), mainly due to movements in deferred tax liabilities. Further details are provided in note 8 to the Financial Statements on pages 141 to 144.

The Board's dividend policy recognises the Company's commitments to various stakeholders including customers, employees and investors, and takes account of performance for customers and the environment, as well as longer term financial resilience and the underlying risk profile of the business.

For the year ended 31 March 2026 the Board approved payment of an interim dividend of £46.3m and, after the balance sheet date, a final dividend of £56.2m. This equates to a regulatory dividend yield of 4.0% in respect of 2025/26. In reaching these decisions, the Board has taken into account performance for customers and the environment, including the level of totex compared to regulatory allowances, and the need to retain financial resilience in order to be able to deliver the Company's Business Plan commitments for stakeholders. More information is provided in note 9 to the Financial Statements.

Capital investment

Total fixed asset additions in the year ended 31 March 2026 were £612.6m (31 March 2025: £606.6m), including intangible assets, an increase of £6.0m.

2025/26 included launching our largest ever capital investment programme, centred on a large and complex Storm Overflow (SO) programme, itself part of a wider Water Industry National Environment Programme (WINEP) programme of works. By the end of the year we had successfully launched 75% of our capital programme by value into our design and construction process. Priority work has included establishing the key regulatory and technical framework for our SO programme, conducting hydraulic model validation and rapidly assessing options to enable us to move to the construction phase as fast as practicable.

We have also successfully mobilised, into active delivery, our Enterprise delivery model, which will design and build the majority of our Enhancement portfolio. This is a long term framework, specifically designed to secure a high-quality supply chain early, enable us to drive value and efficiency into a capital programme and enable AMP8 delivery success, whilst preparing well for AMP9.

The programme includes OFWAT Gated/Large Gated/RAPID schemes, where specifically our Suffolk Resilience, Brand Sands Long Sea Outfall and Howdon Growth projects.

All of these schemes have progressed this year, with emerging maturity on timelines, solutions and costs.

Our Base (capital maintenance) programme, includes a larger Pro-Active Mains Renewal replacement programme and continued focus to complete our Drinking Water Inspectorate (DWI) Hazard Review (HazRev) deliverables.

Capital structure and liquidity

In October 2022, the Group established a £6bn European Medium Term Note (EMTN) programme enabling more regular and efficient issuance of bonds. Up to and including the balance sheet date, a total of £1.6bn had been issued from the programme, leaving £4.4bn in remaining capacity.

In June 2025, the Group signed a £50m three-year term loan with one of its relationship banks, the proceeds of which were received in September 2025. In October 2025, the Group issued a £300m 6¾ year public bond under NWF plc's EMTN programme, the proceeds of which were received in the same month.

On 31 March 2026, the Group's immediate parent company, Northumbrian Water Group Limited, received a £400m equity injection from its shareholders. The proceeds were then further injected into Northumbrian Water Limited via a purchase of new shares.

The Group's long-term debt structure therefore remained largely unchanged with 64% fixed at an average rate of 4.7%, 31% index-linked at an average real rate of 1.4% and 5% on a variable rate basis, after allowing for hedging instruments and excluding the Kielder debt.

STRATEGIC REPORT

At 31 March 2026, £600m of this facility was undrawn (31 March 2025: £375m).

After the balance sheet date, a request to exercise a one-year extension option for the RCF was submitted to the Group's relationship banks which, if accepted, would extend the final maturity of the RCF to April 2029. A further option to extend the RCF maturity to April 2030 remains and expires in October 2027.

Our RCV, on which our allowed regulatory revenue is based, increased to £6,620.3m at 31 March 2026, from £5,805.0m at 31 March 2025, primarily reflecting significant investment in the asset base under the new AMP8 price control, together with CPIH indexation.

The Group gearing (excluding Kielder debt), which is measured per the financial covenant for the committed facility, decreased significantly from 71.4% to 60.4% due to the shareholder equity injection, showing substantial headroom to the lock-up threshold of 77.5%. Regulatory gearing decreased from 72.4% to 61.3%, lower than our target of retaining regulatory gearing below c.70%. The interest cover ratio improved from 3.0x to 3.4x.

The Group has maintained its strong investment grade credit ratings and following the balance sheet date saw both its negative outlooks resolved due to the £400m equity injection. Moody's removed its negative rating for Northumbrian Water Limited and affirmed its long-term issuer rating of Baa1 in April 2026. Fitch then removed their negative outlook and affirmed NWL's senior unsecured debt rating at BBB+ in June 2026. We report on our financial resilience in our viability statement on pages 120 to 125.

STRATEGIC REPORT

TREASURY POLICIES

The Board is responsible for the financing strategy of the Group which is determined within treasury policies set by NWGL. In September 2025 the Group refreshed its Treasury Policy and will renew this at least annually. The treasury policies set out how the risks associated with treasury activities are managed, which are summarised below. On occasion, derivatives are used as part of this process, but the treasury policy prohibits their use for speculation

FUNDING RISK

The level of capital expenditure which NWL is obliged to incur is such that regular debt financing is required in addition to internally generated sources to be principally used to fund the long-term assets required by the regulated business. To raise this finance efficiently, the Board's aim is to retain prudent investment grade credit ratings and diversify funding sources where it is economical to do so.

LIQUIDITY RISK

The Group's policy is to maintain a mixture of committed borrowing facilities and cash and cash equivalents sufficient to cover its operational and funding requirements for the proceeding twelve months. In addition, the Group's main committed bank borrowing facility, its RCF, must have an availability period no less than six months preceding. At 31 March 2026, NWL had £600m (31 March 2025: £375m) of undrawn bank facilities, maturing in April 2028, with an option to extend to April 2029 in the process of being exercised and a further option to extend to April 2030 available until October 2027.

INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and borrowings, maintaining a diversified funding strategy across instrument types, markets and maturities. Borrowings comprise a mix of fixed, floating and rate and inflation-linked debt, with derivatives used where appropriate to manage interest rate exposures in line with the approved risk management framework and solely for hedging purposes. The Group seeks to maintain a prudent balance between fixed and variable debt, with exposure to floating rates of interest limited to 20% of borrowings with a long-term target of no more than 10%, and index-linked exposure currently limited to a maximum of 40%. In addition, our policies aim to reduce refinancing and interest rate concentration risk by diversifying maturity dates where possible.

CREDIT RISK

In accordance with its Treasury Policy and liquidity risk management framework, the Group invests surplus cash on a short-term basis with approved financial institutions that have a minimum credit rating of A-/A3 from S&P/ Fitch and/or Moody's. The Group also transacts derivatives with certain financial institutions which can sometimes have mark-to-market in the Group's favour. Exposure limits and maximum investment tenors are set per institution based on their credit ratings and are reviewed regularly to manage credit risk. There is no material customer credit risk as no individual customer accounts for a significant proportion of income or debt. Note 1(p) of the Financial Statements sets out the Group's bad debt policy.

STRATEGIC REPORT

FOREIGN CURRENCY RISK

The Group manages foreign currency risk in accordance with its Treasury Policy, with exposures arising from committed transactions and, where material, translation exposures identified and assessed on an ongoing basis. Foreign currency risks are hedged using derivative instruments where appropriate, in line with the Group's risk management objectives and solely for risk mitigation purposes. The policy requires that a proportion of material foreign currency exposures be hedged, within defined limits, as soon as they are identified to manage earnings volatility while retaining flexibility to respond to prevailing market conditions. All non-GBP borrowings must be hedged back to GBP at inception. At 31 March 2026, the Group had forward foreign exchange contracts of £2.2m (31 March 2025: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases (see note 20).

MARKET PRICE RISK

The Group's exposure to market risk primarily reflects interest rate risk arising from its financing structure. The Group manages this risk through maintaining an appropriate balance of fixed and floating rate debt, including the use of derivative instruments where necessary and solely for hedging purposes, in line with its Treasury Policy and low risk appetite. Interest rate exposures are monitored on a continuous basis and assessed through sensitivity analysis to evaluate the potential impact of reasonably possible changes in market conditions. See table in Note 20 Financial Instruments under market price sensitivity (page 152) for the related sensitivity analysis.

STRATEGIC REPORT

This year's Climate-related Financial Disclosures (CFD) strengthen our ongoing work to understand, manage and respond to the risks and opportunities presented by a changing climate.

Click here to see our Climate Adaptation Report.

EXECUTIVE SUMMARY

This year's Climate-related Financial Disclosures (CFD) strengthen our ongoing work to understand, manage and respond to the risks and opportunities presented by a changing climate. Climate change is already influencing the reliability, cost and sustainability of the services we provide. Our Environment Strategy to 2050, Long-Term Strategy 2025-50 and AMP8 investment plan together recognise climate change as one of the most material long-term challenges facing our business, our customers and the natural environment, and they set out the actions and investments required to build resilience and deliver our commitment to Net Zero.

Our latest Climate Adaptation Report, upon which this CFD disclosure builds, confirms that climate-related net zero physical risks are material and intensifying, with varying impacts across our operating regions. Scenario analysis using the Met Office's UK Climate Projections (UKCP18) demonstrates how future climate hazards may affect our asset base, operational resilience and long-term affordability under different warming pathways. At the same time, transition risks linked to evolving policy, markets, technology and stakeholder expectations continue to emerge, alongside opportunities in renewable energy, low-carbon operations and sustainable finance. By strengthening our governance, improving the quality of our climate-risk data and embedding internal carbon pricing into decision-making, we are enhancing transparency and ensuring our strategic choices remain robust. This report summarises our progress to date, the areas where we will continue to improve our understanding of climate-related risks and opportunities, and the investments required to maintain resilient, sustainable and affordable services in a changing climate.

STRATEGIC REPORT

INTRODUCTION

This year's CFD build on our previous reporting and continue to be an important step in strengthening how we integrate climate considerations into strategic decision making.

We disclose in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, and have incorporated enhanced elements that align with the International Financial Reporting Standards (IFRS) S2 (Sustainability Disclosure Standard for Climate-related Disclosures), issued by the International Sustainability Standards Board (ISSB). This approach ensures compliance with CFD while laying the foundation for broader sustainability reporting under the emerging UK Sustainability Reporting Standards (UK SRS), which will bring the ISSB global baseline into the UK regulatory framework in future periods. It aims to enhance transparency and enable stakeholders to make informed decisions regarding our sustainability strategies and financial performance.

Climate change poses the single greatest threat to our natural environment and continues to be one of the most significant long term challenges facing our company. Our operations are directly influenced by climate change, whether through more frequent and intense storms, prolonged dry-periods affecting water availability, or increased pressures on our wastewater network. Therefore, understanding how climate change may affect our assets, our customers, and the natural environment is essential to safeguarding the long-term reliability and affordability of the services we deliver.

Playing our part in mitigating and adapting to climate change is essential to maintaining resilient services for our customers and protecting the environment we depend on. 'Restore and Regenerate: Our Environment Strategy to 2050' strengthens our response to climate change through our five Environmental Priorities, supported by our Guiding Principles of systems thinking, natural solutions first and a partnership mindset, ensuring that climate resilience is delivered through integrated catchment management, nature based solutions and collaborative action across our regions.

Our 'Shaping our future: Our Long-term strategy 2025-50, assesses the long-term challenges we face and the scale of investment required to meet them sustainably. It identifies achieving net zero greenhouse gas (GHG) emissions by 2050 as one of our five core investment priorities and establishes a strategic pathway for delivering resilient, affordable and environmentally responsible services in a changing climate. Our AMP8 investment plan (2025-30) translates this direction into near-term actions, focusing on strengthening asset resilience, improving water resources and wastewater services, and meeting evolving environmental expectations.

Our compliance with CFD is integrated into this annual report, ensuring our climate-related risks and opportunities are communicated throughout. The table below indicates where specific information aligning with CFD and IFRS S2 recommendations can be found within this annual report.

Click here to see the Shaping our future: Our Long-term Strategy 2025-50 report.

STRATEGIC REPORT

Location of CFD Requirements within this Annual Report:

<table>
<tr><th>CFD requirements</th><th>Location in this Annual Report</th></tr>
<tr><td>(A) a description of the of the company or LLP’s governance arrangements in relation to assessing and managing climate-related risks and opportunities.</td><td>The Board has overall accountability for climate-related risk and opportunities.
The Risk and Compliance Sub-Committee has oversight of the scope and effectiveness of the Group’s risk management systems, including climate-related matters.
The ESG Committee has oversight of ESG topics, including a specific focus on climate-related risk and opportunities within the Risk Management Framework.
Corporate Governance page 79 to 115.</td></tr>
<tr><td>(B) a description of how the company or LLP identifies, assesses, and manages climate-related risks and opportunities.</td><td rowspan="2">The Risk Management Framework defines our approach to identifying, analysing, and evaluating risks across the business, including climate related risks. Emerging risks, those that are foreseeable but not yet quantifiable within the corporate risk model, are recorded in the Risk Register and reviewed annually by a Board sub group.
Risk Report page pages 61 to 67.</td></tr>
<tr><td>(C) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company or LLP’s overall risk management process.</td></tr>
<tr><td>(D) a description of
(i) the principal climate-related risks and opportunities arising in connection with the company’s operations, and
(ii) the time period by reference to which those risks and opportunities are assessed.</td><td rowspan="2">The Climate related Risks and Opportunities, along with the supporting scenario analysis, are detailed in this CFD report. Climate change is also identified as one of our Principal Risks and Uncertainties within the Risk Report.
Risk Report page 61 to 67.</td></tr>
<tr><td>(E) a description of the actual and potential impact of the principal climate-related risks and opportunities on the company or LLP’s business model and strategy.</td></tr>
<tr><td>(F) an analysis of the resilience of the company or LLP’s business model and strategy, taking into account consideration of different climate-related scenarios.</td><td>The Viability Statement assesses the business’s financial resilience over a ten year horizon, incorporating the impacts of Principal Risks and Uncertainties. The scenario analysis in this CFD report evaluates climate related risks and opportunities across multiple time horizons and Representative Concentration Pathway scenarios.
Viability Statement pages 120 to 125.</td></tr>
</table>

STRATEGIC REPORT

CFD requirements	Location in this Annual Report
(G) a description of the targets used by the company or LLP to manage climate-related risks and realise climate-related opportunities and of performance against those targets.	• The Company set greenhouse gas reduction targets in its PR19 Business Plan for April 2025 to March 2030. Progress is reported through Energy and Carbon Reporting, including metrics that track emissions intensity. Longer term commitments are outlined in our Environment Strategy and Long Term Delivery Strategy to 2050. • Energy and Carbon Reporting pages 118 to 119.
(H) the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	• Our short term environmental KPIs are reported in the Annual Performance Report - this includes our GHG emission targets for water and wastewater (specifically the “F Outputs sheet). Longer term targets addressing climate related risks and opportunities are outlined below, though they remain qualitative at this stage.

Additional reporting	Location in this Annual Report
Internal Carbon Pricing: an explanation of whether and how the entity is applying a carbon price in decision-making.	• Information regarding our internal carbon pricing can be found on page 60.
Approach to Measuring GHG Emissions.	• Our greenhouse gas emissions are reported within our Energy and Carbon Reporting, and our approach is outlined in this CFD report on page 50. • Energy and Carbon Reporting pages 118 to 119.

STRATEGIC REPORT

Risk and opportunities assessment

Our climate-related risks and opportunities have been assessed to understand the potential impact on our business model and the delivery of our strategy. The assessment builds on our previous CFD and our latest Climate Adaptation Report.

We actively monitor, identify, and assess climate-related risks, with co-ordination led by dedicated Risk Champions within each area of the business. These risks include the impact of extreme weather events, changes in precipitation patterns, and regulatory impacts related to water quality standards. All climate-related risks are integrated into our Risk Management Framework and captured within our departmental and corporate Risk Registers. Each risk is evaluated using our established methodology, which considers likelihood and consequence, the effectiveness of existing and planned management controls and the internal and external sources of assurance that support our understanding of risk exposure. Addressing these risks forms part of our process when creating our five year business plans, unless anything significant arises in the interim periods.

We understand that we have different climate challenges in our operating regions. This includes flood-prone rural regions in Northumbrian Water while Essex & Suffolk Water has drought-sensitive areas leading to risks from storms and winter flooding in Northumbrian Water and risks from summer heat and water scarcity in Essex & Suffolk Water.

While our Climate Adaptation Report looks into risks and adaptations on regional basis, this CFD report focuses on consolidated company risks rather than detailing region-specific vulnerabilities. We are preparing to expand our CFD approach by deepening our climate risk assessment to capture region specific vulnerabilities, assess differentiated physical and transition risks, and reflect more granular asset level impacts. Strengthening this analysis will enable us to better target resilience investment, refine our adaptation plans, and ensure that our risk management processes remain robust as climate related hazards evolve across our operating regions.

The table below outlines the material operational climate-related risks and opportunities identified across both physical and transition categories, including their actual and potential impacts of each, and the mitigation actions in place to manage and adapt to them, which are all at a good level of maturity. For clarity, we classify these as follows:

- Physical risks (acute and chronic): risks arising from the physical impacts of climate change, such as extreme weather events, flooding and drought, which may lead to event-driven disruptions, or long-term shifts in climate change patterns.
- Transition risks: risks associated with the transition to a low-carbon economy, including policy and legal changes, market dynamics, technology developments, and reputational considerations.

The time horizons for these risks are discussed further in the Scenario Analysis section.

STRATEGIC REPORT

Climate Related Risks and Opportunities:

Impact type	Impact category	Risk	Potential impact on business	Risk mitigation examples
Physical risks	Acute	Potential for poor water quality or interruptions to water supply.	Remediation costs, legal liabilities, and potential fines which will impact our long-term sustainability and undermine public trust.	Detailed resilience plans set out in our WRMP. Established critical asset assessments and zonal strategic studies used to develop our 2025-30 plans. Ongoing innovation to reduce the impact of climate change on our assets.
	Acute	Constraints on the effective treatment and management of sludge (bioresources).	Threat to water quality through contamination from incorrect disposal. Risk to reputation from loss of trust and regulatory non-compliance. A negative or harmful effect on the environment, such as pollution or habitat destruction. Inability to deploy biosolids to an agriculture landbank.	Provision of 90-day strategic cake storage and increased high solids dewatering which provide resilience in the supply chain. Sludge to land supply chain resilience from high solids dewatering at Howdon and Bran Sands. Development of reactive short-term plans. On-going strategic workshops to ensure our future operations are ready to mitigate this risk sufficiently.
	Chronic	Exposure of assets to flooding – including riverine, from surface and groundwater, and coastal.	Damage to infrastructure or equipment interrupt the delivery of our services, creating financial problems, through costs of repairs and increased resilience measures.	Implementation of our Storm Overflows Reduction Plan. Establishing and developing working partnerships within the areas we serve. Research and understanding on interdependencies and the risk associated with supply chains.
	Chronic	Exposure of systems and networks to ground subsidence.	Infrastructure damage and disruption of our water supply, leading to financial problems and diminished customer confidence in our reliability.	Assessed the key risks to our networks from temperature by 2030. Investment in 2025-30 to protect key chemicals from heatwaves, and to accommodate higher water temperatures. Targeted investment to strengthen resilience against subsidence in 2025-30.
	Chronic	Vulnerability of our network to cascading failures.	Cascading failures impact an interconnected system, leading to service disruption and reduction in water quality from widespread water outages and infrastructure damage.	Asset resilience is built into our business planning activities to ensure we have an investment plan for climate change adaptation. Research and understanding on interdependencies and the risk associated with interconnected supply chains.
	Chronic	Exposure of aquifers from sea-level rise and saltwater intrusion.	Threat to water quality and quantity that is being distributed. There will be the need for innovation and restoration of aquifers which pose a financial risk.	Continued assessment of the impact of sea level rises and saline incursion for specific sources (e.g. Sunderland). Shortfalls have been considered by the schemes in our WRMP.

STRATEGIC REPORT

Impact type	Impact category	Risk	Potential impact on business	Risk mitigation examples
Physical risks	Chronic	Reduced water availability affecting the reliability of public water supplies.	Threat to our ability to meet public demand and business growth, potentially leading to shortages and disruptions. Long-term implications include strained resources and heighten operational cost.	Dry year scenarios that form part of our forward-look in our WRMP. Customer engagement campaigns with a focus on water savings. Work with local economic development agencies to locate high water demand businesses in suitable locations. Regional drought plans in place for 2025-30.
	Chronic	Potential for reduced electricity network resilience and increased power outages driven by adverse weather events, with additional grid instability associated with growing renewable generation.	Inability to meet operational requirements due to power issues and increased cost to due financial penalties. Failure to meet regulatory compliance.	Our power resilience improvement programme.
Transition risks	Technology	Operational and logistical challenges associated with the transition to a fully Electric Vehicle (EV) fleet.	Reduced operational efficiency due to limited EV infrastructure. Inability to meet operational requirements due to a large-scale power outage.	Adopting a risk based, phased strategic EV allocation. Our power resilience improvement programme.
	Policy and legal	Potential inability to meet mandatory and regulatory carbon performance commitments.	Reputational damage and increased negative media coverage. Increased cost due to financial penalties.	Impacts have been accounted for as part of our net zero programme. Ongoing regulatory engagement.
	Market	Increased operational and financial exposure resulting from external carbon pricing mechanisms (e.g. UK Emissions Trading Scheme).	Increased operational and capital costs. Operational resilience risk due to increase supply chain costs.	Increased use of renewable energy such as installation of solar arrays and use of biodiesel.

STRATEGIC REPORT

Impact type	Impact category	Risk	Potential impact on business	Risk mitigation examples
Transition risks	Reputation	Uncertainty arising from differing carbon commitments standards and expectations across the sector.	Reputational damage due to unclear climate commitments.	Public commitment to net zero by 2050 as set out in our Environment and Long-term Strategy, supported by our customers.
Transition opportunities	Market	Access to sustainable finance instruments, such as green bonds, to support investment in climate-aligned and resilience projects.	Access to ESG-focused debt investors and/or those with specific sustainability mandates. Create social and economic value through funding local projects in the areas we operate.	Robust financial control procedures. Developing a Sustainable Finance framework.
	Energy source	Expansion of self-delivered renewable generation and/or on-site energy storage.	Financial upside as it is a lower cost than other alternatives. Reduced carbon emissions from operational electricity consumption.	Our renewable delivery programme ensures we capitalise benefits of this opportunity.
	Energy source	Transitioning the vehicle fleet from petrol or diesel to EVs.	Reduced carbon footprint. Financial savings because of a change in energy source.	Adopting a risk based, phased strategic EV allocation.

STRATEGIC REPORT

Scenario analysis

We undertake a physical climate scenario analysis to understand how climate-related hazards could affect our operations over time, drawing on the assessment presented in our Climate Adaptation Report. This scenario analysis helps us explore future climate conditions and the potential implications for our assets, services and long-term resilience.

Our physical climate-risk scenarios draw on the Met Office's UK Climate Projections 2018 (UKCP18) Representative Concentration Pathways (RCPs) to capture plausible climate outcomes for the UK. These pathways represent different trajectories of future greenhouse gas concentrations and the associated physical climate outcomes they produce, enabling us to explore a wide range of plausible future conditions for the UK.

We applied RCP2.6, RCP6 and RCP8.5, using a 50th percentile threshold to quantify uncertainty in our climate projections, representing a Best Case, Middle Ground and Worse Case future, respectively, each associated with increasing levels of global warming and climate-related physical impacts, as detailed in the following table.

RCP 2.6	RCP 6	RCP 8.5
Best Case Limited global warming to ~ 1.6°C by 2100	**Middle Ground** Global warming of ~2.8°C by 2100	**Worst Case** Global warming of ~4.3°C by 2100

This approach aligns with sector practice, as UKCP18 forms the national evidence used to support Water Resources Management Plans (WRMPs) and underpins Ofwat's prescribed scenarios for PR24, the 2024 price review which sets funding and performance expectations for the 2025–30 regulatory period. By comparing outcomes across these pathways, we can identify key vulnerabilities, assess exposure across time horizons, and develop adaptive strategies to strengthen the resilience of our assets and services under varying degrees of future climate change.

The time horizons selected for the scenario analysis align to our AMP8 investment plan over the short-term, with the Environment Strategy over the medium to long-term, and with our planning horizons for WRMP, DWMP and our Long-term Strategy, as depicted below. .

Short-term	Medium-long term
2025-30 PR24 Price Control Period	**2030-50** Long-Term Strategy

STRATEGIC REPORT

Our scenario analysis evaluates the material climate-related risks using a high, medium, or low rating. These ratings reflect our current understanding of exposure and sensitivity under each RCP pathway. The definitions used in our assessment are provided in the table below, followed by the scoring of the physical risks.

We expect the risk scores after 2030 to be higher because for both RCP 6.0 and RCP8.5, the global mean temperatures are much higher. This results in stronger climate hazards and faster physical risk escalation by mid-century.

RISKS:

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

	2025-2030			2030-2050		
Risk	RCP2.6	RCP6	RCP8.5	RCP2.6	RCP6	RCP8.5
Potential for poor water quality or supply interruptions.	Low	Low	Low	Medium	High	High
Contraints on the effectively treatment and management of sludge (bioresources).	Low	Low	Low	Medium	Medium	Medium
Exposure of assets to flooding – including riverine, from surface and groundwater, and coastal.	Medium	Medium	Medium	Medium	High	High
Exposure of systems and networks to subsidence.	Low	Low	Low	Medium	Medium	Medium
Vulnerability of our network from cascading failures.	Medium	Medium	Medium	Medium	High	High
Risks to aquifers from sea levels and saltwater intrusion.	Medium	Medium	Medium	Medium	High	High
Reduced water availability, risking public water supplies.	Medium	Medium	Medium	Medium	High	High
Risk power network resilience reduces, and power outages increase due to increased renewables and more frequent adverse weather.	Medium	Medium	Medium	Medium	High	High

STRATEGIC REPORT

Our current assessment of climate-related risks focuses primarily on the physical impacts and does not incorporate external drivers outside our direct control, such as future regulatory changes, evolving environmental standards, shifts in customer expectations or technology developments.

As part of our commitment to improve transparency, comparability, and decision-usefulness under CFD and IFRS S2, we will enhance our scenario analysis by developing a more comprehensive transition risk assessment. Expanding our assessment in this way will enable us to explore how different climate, policy and economic futures could affect our operational costs, access to capital, compliance requirements, and long-term financial and strategic resilience.

Similarly, the existing climate-related risk assessment reflects pre-mitigation exposure. Our DWMP, WRMP, PR24 business plan and Long-term Strategy discuss options and approaches to mitigate these risks. The DWMP prioritises reducing flood risk, improving wastewater resilience, and protecting the environment through targeted infrastructure upgrades and partnership working. The WRMP addresses drought and demand pressure through enhancing water efficiency, leakage reduction and long-term climate adaptation. Our PR24 Business Plan and Long-Term Strategy underpin these strategies combined with targeted investment in asset health, service resilience, and affordability. Going forward, we will integrate these existing mitigation measures into the climate risk assessment to more accurately reflect the residual risks, improving decision-usefulness and transparency.

Completing this scenario analysis against the RCPs over short-, medium- and long-term time horizons enables us to produce a business model in which we can manage our climate-related risks and opportunities.

Assessing against a short-term time horizon allows us to identify immediate risks and opportunities, which helps to inform strategic decisions and investment strategies. Over the medium term, this analysis allows us to prepare for future climate impacts. A forward-looking approach ensures that our business model is resilient and adaptable to anticipated risks and opportunities. This is demonstrated through our PR24 Business Plan and our long-term plans including our DWMP and WRMP.

USE OF CARBON PRICING

We consider the climate impact of all our activities, with our Service Value Framework incorporating both our internal carbon pricing and the wider societal value of carbon established in HM Treasury's Green Book.

For AMP8 (2025-2030), our internal carbon price is set at £188/tonne of CO_2e, which is aligned with the incentive rate applied under Ofwat's Operational GHG Performance Commitment. This value reflects around 70% of the UK Government's central non-trade carbon value for 2027, the mid-point of AMP8.

Aligning our internal carbon price with the PR24 Final Determination ensures that the financial implications of emissions are applied consistently across our governance, performance incentives, and investment appraisal processes. The PR24 Final Determination is Ofwat's final decision following the 2024 price review, setting out the funding allowances, performance commitments and regulatory requirements for the 2025–30 period. This supports transparent decision-making, and ensures that projects and programmes are evaluated in line with our net zero commitment and the broader societal cost of carbon, ultimately strengthening our long-term resilience.

APPROACH USED TO MEASURE GREENHOUSE GAS EMISSIONS

To meet regulatory expectations and maintain consistency across the UK water industry, we calculate and report our operational GHG emissions using the UK Water Industry Research (UKWIR)'s Carbon Accounting Workbook (CAW), which is designed in line with the Greenhouse Gas Protocol (GHG) standard, providing a true and fair account of GHG emissions from our operations and value chain. This methodology underpins both our long-term net zero commitment and our compliance with the Operational GHG Performance Commitment to drive improvements across the sector.

It is important that we have robust assurance arrangements to make sure such information is accurate, clear, and transparent. Our GHG performance is monitored on a quarterly basis through the Balanced Scorecards, and targets are reviewed internally by our Energy Carbon and Risk Management Committee. Our GHG inventory and underlying data is independently assured annually at a Limited assurance level by our third-party assurance partner Achilles in accordance with ISO 14064-1:2018 This is included as part of our Data Assurance statement as part of our annual reporting.

CONCLUSION

We recognise that climate-related risks and opportunities will continue to evolve over time, and we remain committed to refining our approach in line with emerging best practice, regulatory developments and stakeholder expectations. Our resilience is underpinned by the long-term climate risk assessment and adaptation planning embedded within our WRMP and DWMP, which support informed investment decisions and operational preparedness.

By proactively managing these risks and embedding climate mitigation and adaptation considerations into strategic decision-making, we are strengthening the resilience of our assets and services and supporting the long-term sustainability of the communities and environments we serve.

To deliver our long-term targets and address the climate challenges facing our operating regions, we have identified four areas where new investment will be required:

- Ensuring sustainable water supplies.
- Protecting the local environment.
- Delivering net zero; and
- Maintaining resilience.

These priorities form the foundation of our strategic plan to 2050. At the same time, we recognise the need to remain flexible and responsive. As new information becomes available, we will adapt accordingly. To support this, we have identified several key trigger points at which updated climate evidence, regulatory guidance and technological developments will be incorporated into our plans, helping to guide future investment pathways.

As part of our commitment to transparency, and accountability under CFD, aspects of IFRS S1 and future UK SRS, we will continue to enhance our climate-related disclosures, ensuring that they are decision-useful. By integrating climate considerations across our governance, strategy, risk management, and metrics and targets, we are positioning the organisation to navigate the transition to a low-carbon economy effectively. Climate change is a dynamic challenge, and we will remain committed to reporting annually, reflecting on our progress and continually improving our approach.

RISK REPORT

Risk report

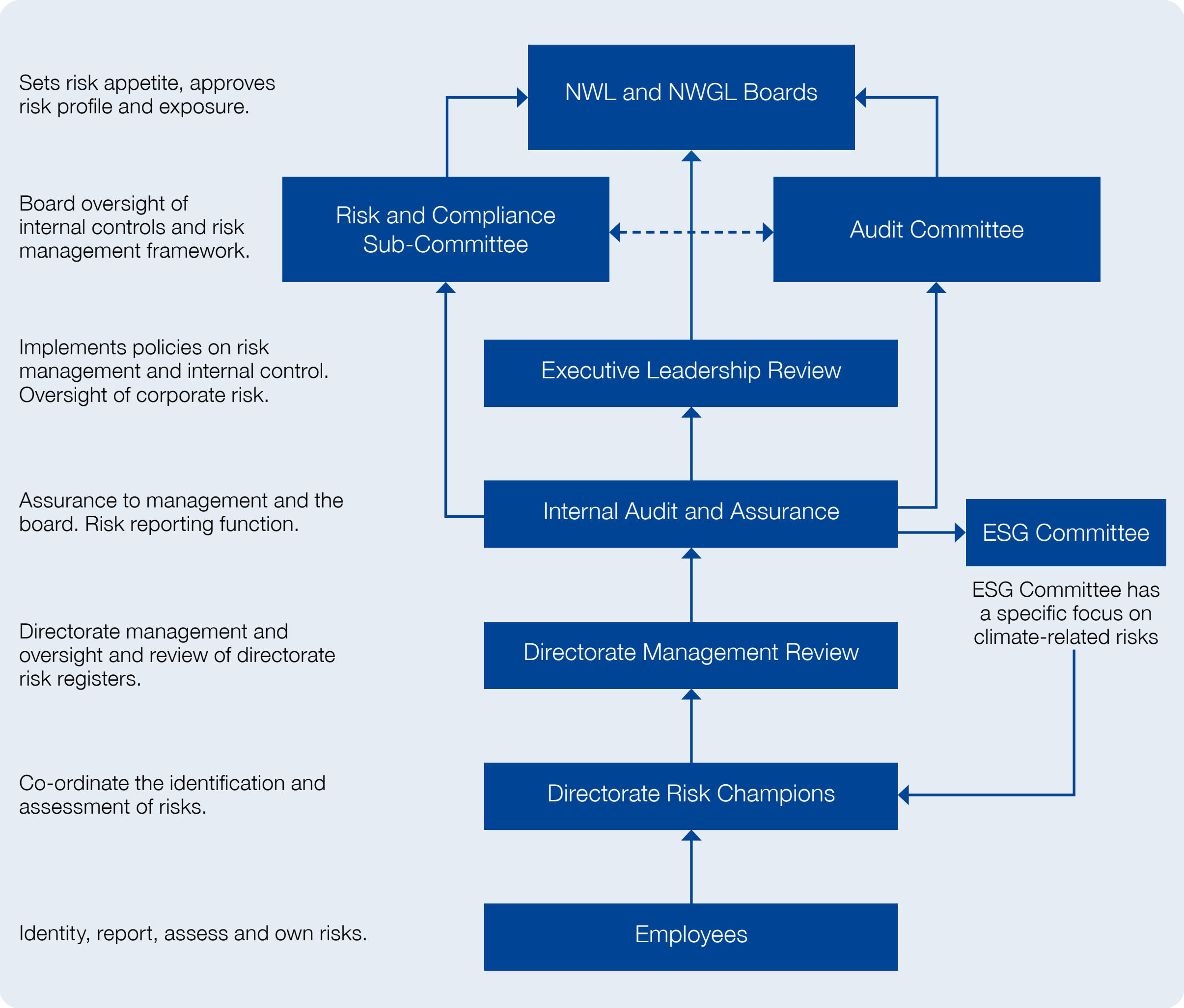
RISK MANAGEMENT FRAMEWORK

The Board sets the tone for risk management within the Company, supported by the Risk and Compliance Sub-Committee (R&CSC), and determines the appropriate risk appetite. The Board's view of acceptable risk is based on a balanced view of all of the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion and opportunities. The Board's approach to monitoring, managing and mitigating risk, and the work undertaken by the R&CSC during the year, is set out in the Governance Report.

The Executive Leadership Team (ELT) implements policies on risk management and internal control, ensuring that risks are appropriately controlled, managed and reported and that remedial action is taken as appropriate. The Company's approach to risk management is set out in our Risk Management Framework, which has been endorsed by the R&CSC, and is managed through a corporate risk model.

Climate-related risks, as described in our Climate-related financial disclosures on pages 50 to 60, are integrated into the Risk Management Framework. The ESG Committee has a specific focus on climate-related risks.

The diagram below describes the overall approach to risk management and responsibilities of various groups within the process.



The Risk Management Framework sets out our process for identifying, analysing and evaluating risk across the business. Risk champions within each area of the business co-ordinate the identification and assessment of risks for their area of responsibility and record these in a departmental risk register. Risk champions meet on a quarterly basis to share learning and ensure consistency of approach.

Each risk is assessed against defined likelihood and consequence criteria on both an unmanaged (inherent) and managed basis, producing a risk score. The management controls and responsibilities are documented and the effectiveness of the control assessed. An assurance map details the external and internal assurance provided over the controls. We also set a target risk and, where this is below the current managed risk score, set out an action plan to achieve the desired risk reduction.

Those risks in the departmental risk registers with a managed risk score above a defined threshold are classed as 'significant risks' and are reported monthly to ELT and at each meeting of the R&CSC.

We define emerging risks as those which are foreseeable, but not with sufficient clarity to be assessed within the corporate risk model. These are captured in an Emerging Risk Register and a sub-group of the Board carries out a review of these risks annually, most recently in February 2026. These risks are also reported to the R&CSC at each of their meetings and can be amended throughout the year.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

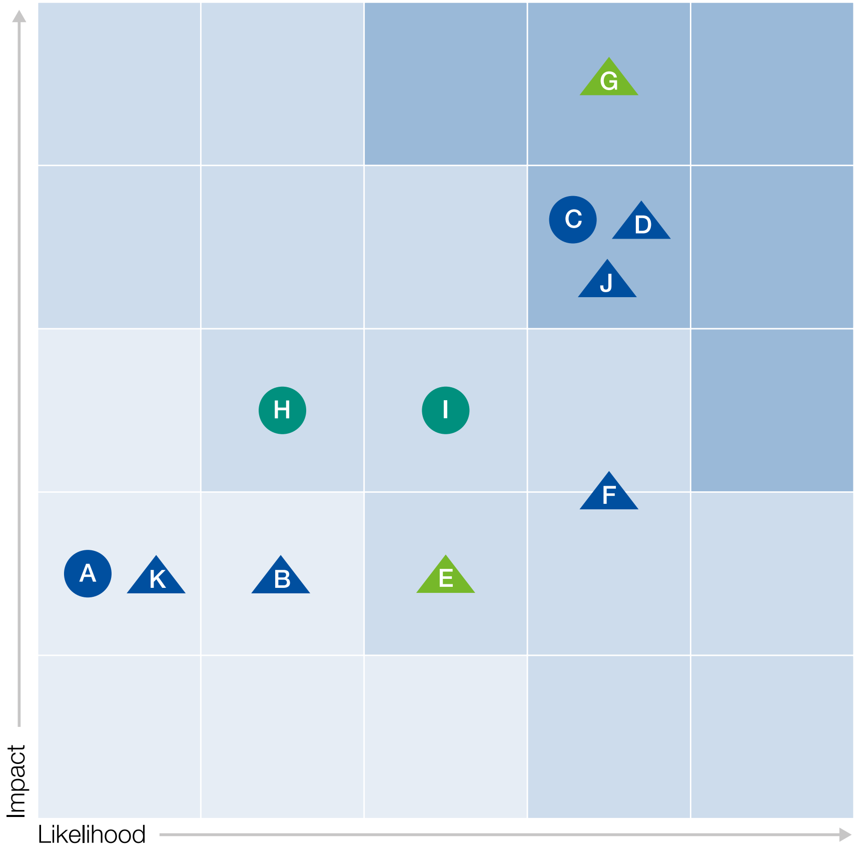
The R&CSC, on behalf of the Board, carries out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, taking account of both the highest rated risks on our Corporate Risk Register and the Strategic Risk Register.

The conclusions of this assessment are summarised on the heat map below. This shows the current exposure of each of the principal risks and an indication of whether the risk is increasing, stable or reducing. The table on pages 63 to 67 then describes each of the principal risks in more detail, along with our approach to mitigating these risks. The risks are not set out in order of priority. These principal risks have also been considered in our assessment of financial resilience, as set out in our viability statement on pages 120 to 125.

The Board, based on the work of the R&CSC, decided that the Principal Risks remained the same as the prior year, albeit the description and mitigation of the risks has been updated.

A. Health and safety
B. Customer trust and confidence
C. Water service failure
D. Wastewater service failure
E. Cyber security / Information management
F. Effect of climate change
G. Regulatory and political changes
H. Funding and liquidity
I. Financial performance
J. Asset health / delivery of capital projects
K. Supply chain failure

Operational | Risk increasing
Financial | Risk stable
Compliance | Risk decreasing



STRATEGIC REPORT

OPERATIONAL RISKS

Description of risk	Mitigation	Risk environment
Health and safety The nature of our operational and construction activities means there is inherent risk to the health and safety of our people, our supply chain and, in some cases, members of the public who may gain unauthorised access to operational sites. Maintaining a strong safety culture and preventing harm are critical to the way we operate.	The health and safety of our people, contractors and members of the public is our highest priority. Health and safety matters are given a high priority at all meetings of our ELT and Board. Long-term planning and targets are set to drive continuous improvement. This is underpinned by our focus on improving behavioural safety and creating a great safety culture. Our health and safety management system defines clear arrangements and responsibilities throughout the Company. This is supported by a programme of leader safety visits, compliance audits, training and safety awareness tools. All accidents and incidents are investigated and follow up actions tracked. Security fencing and warning signage is in place where appropriate.	Risk is stable with strong safety culture in place. Focus on continuous improvement.
Customer and stakeholder trust and confidence Trust and confidence may be damaged if we fail to meet our commitments to customers or the environment, or if public perception of the sector continues to be negative. This risk is heightened by the speed at which misinformation and disinformation can spread through traditional and social media, often without proper context. Persistent external scrutiny, particularly on environmental performance such as storm overflows, can adversely influence stakeholder sentiment even where underlying performance is improving.	Our focus on getting things right first time, quickly, every time supports our commitment to delivering a world class service. This includes ongoing investment in our people and in our customer facing systems and the digital experience we offer to our customers. We continue to improve our support for customers in vulnerable circumstances, through our Inclusivity Strategy, StepChange partnership and range of financial support arrangements. We are committed to eradicating water poverty across our supply areas. We have set out nine pledges in A Vision for our Coasts and Rivers and are reporting our progress against them.	Risk environment is increasing due to the significant public and media attention on storm overflows and pollution.

STRATEGIC REPORT

OPERATIONAL RISKS

Description of risk	Mitigation	Risk environment
Water service failure A failure within our water system could lead to a significant loss of supply or the provision of water that is not fit for consumption. This could result from extreme weather events, the failure of critical mains or treatment assets, power outages, contamination, or increasing pressures in the environment. These risks can impact our ability to maintain consistent and resilient water services.	We have well developed business continuity plans in place for managing incidents, down to a site-specific level. These are regularly tested. We restrict access to our treated water network through authorisation and physical security measures. We are taking steps to understand the impact of micro plastic pollution in the water environment. Our long-term planning, as set out in the WRMP, aims to address long-term supply/demand challenges.	Risk stable with continued focus on improving water quality and understanding the impact of micro plastic pollution.
Wastewater service failure A failure within our wastewater system could result in environmental pollution or flooding of customer properties. Contributing factors include insufficient network capacity during severe weather, changing rainfall patterns, the failure of strategic wastewater assets, sewer blockages or collapses, and wider environmental pressures. These challenges can affect both service performance and environmental outcomes.	We have set out nine pledges in A Vision for our Coasts and Rivers and are reporting our progress against them. We continue to invest heavily in preventing pollution and sewer flooding and have a pollution management programme with multiple workstreams to tackle the root causes. We engage with our customers and local communities to deliver sustainable solutions. We are also investing significantly in proactive maintenance and cleaning of the network, real time monitoring and analysis, flooding mitigation and investment to increase network capacity. Our long-term planning, is set out in our DWMP.	Risk environment is increasing due to the continued focus on storm overflows, pollution and flooding.
Supply chain failure There is a risk of supply chain disruption due to increased demand across the sector, particularly as companies scale up delivery for AMP8. This may affect the availability, capability and cost of key suppliers and materials needed to deliver our operational and capital programmes. Although steps have been taken to strengthen our delivery model and supply chain resilience, wider sector pressures could still impact our ability to deliver planned outcomes.	In response to the anticipated scale of the AMP8 investment programme, we have created our Living Water Enterprise, with 12 lead partners to deliver longer cycle and higher complexity projects, and increased the number of other framework partners to over 80 to support shorter cycle and lower complexity work.	Risk environment increasing due to the scale of AMP8 capital investment across the sector placing increased demands on the capital supply chain.

STRATEGIC REPORT

OPERATIONAL RISKS

Description of risk	Mitigation	Risk environment
Asset health deterioration Insufficient funding for asset maintenance and renewal, combined with incomplete information on asset condition, could lead to deterioration in asset health and reduced service performance. Limited insight into the state of assets may result in sub optimal investment decisions and increased operational risk. Securing adequate funding and improving asset data and understanding remain essential to maintaining performance and resilience.	We are ISO 55001 (Asset Management) certified on a company-wide basis and follow best practice in the long-term management of our assets with outcome-based strategic planning. We are investing in improving our understanding of long term asset health to improve investment decision making and prioritisation. Our Asset Management Investment Board is overseeing a prioritised asset health inspection plan. We have submitted our case for additional asset health investment to Ofwat to be considered as a reopener. We will engage with Ofwat's Roadmap for enhancing Asset Health understanding.	Risk environment is increasing due to insufficient funding allowances for asset health investment over time.
Effect of climate change Climate change is increasing the frequency and severity of extreme weather events, placing pressure on our water and wastewater networks and potentially affecting environmental outcomes. In the longer term, changes in climate patterns may impact the resilience of water resources and the condition of assets, with wider implications for the natural environment. These risks are influenced by population growth and urbanisation, both of which can increase demand on environmental systems and infrastructure. Climate-related risks are described in more detail in our Climate-related financial disclosures on pages 50 to 60.	Our approach to mitigating short-term risks of service failures on our water and wastewater businesses are set out in the risks above. We consider the longer-term impacts of climate change in our long-term planning, such as our WRMP and DWMPs, and identify long term solutions to future potential resilience issues well in advance. Our Environment Strategy sets out our priorities for effective climate action alongside our Emissions Possible plan to achieve net zero and our Climate Adaptation Report to show how we will adapt out operations and infrastructure. The ESG Committee has a specific focus on climate-related risks. While management acknowledges the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2026.	Risk environment increasing over both the short term, from extreme weather events, and the long term impacts on resources and assets.

STRATEGIC REPORT

COMPLIANCE RISKS

Description of risk	Mitigation	Risk environment
Cyber security / Information management A cyber-attack or failure of information security controls could lead to the loss of key business systems or the unauthorised release of sensitive data. Evolving external threats continue to increase the risk of disruption to operations.	Information Security policy sets out our commitment to the continuous improvement of information security controls and culture throughout the business. This is delivered through software and hardware access controls, additional web-based security and clear policies and procedures and user awareness. We successfully delivered our enhanced cyber resilience strategy in AMP7, including 24/7 Security Operations Centre, monitoring, enhanced anomaly detection, privilege access management and next generation security tools. We are now commencing our AMP8 programme. Data is protected through access controls, laptop encryption and awareness briefings. A ten-point data protection action plan has been developed to further mitigate the risks.	Risk environment remains high and increasing due to global cyber threats, though mitigated by continued investment in enhanced security.
Regulatory and political changes There is an increasing level of regulatory intervention across the sector, including more detailed and demanding compliance requirements and changes to regulatory methodologies. In some cases, regulators are applying new or revised compliance expectations to past performance, creating uncertainty and making it harder to rely on previously established standards. Shifts in political priorities, alongside ongoing reviews of the sector including importantly the Water White Paper, add further unpredictability to the regulatory landscape. These factors increase the complexity and cost of compliance and could affect the stability, predictability and long term confidence in the framework within which we operate.	We engage in robust dialogue with regulators and others on policy and rules to try to prevent unintended consequences or constraints on our ability to manage our assets and deliver our services. We continue to engage with all political stakeholders, both directly and through Water UK, to ensure that any debate is well-informed. We have actively engaged with the Commission led by Sir John Cunliffe. We engage actively with all regulators, including Ofwat, DWI and EA.	Risk environment remains high and increasing due to public scrutiny of the regulatory system and increasing regulatory intervention introducing uncertainty.

STRATEGIC REPORT

COMPLIANCE RISKS

Description of risk	Mitigation	Risk environment
Funding and liquidity Future funding may become more difficult or more expensive to secure due to market volatility, credit rating changes or wider economic conditions. Liquidity risk could arise through breaching financial covenants or from increased funding requirements for AMP8. These pressures could affect the Company's ability to maintain financial stability and deliver planned investment.	The Board periodically approves funding strategies and plans which set out frameworks to meet funding needs over certain time periods. These are supported by a treasury policy which sets out how we manage multiple key treasury risks (see pages 48 to 49 including funding and liquidity). The Group has increased the size of its core Revolving Credit Facility to £600 million in April 2025, of which £nil was drawn down at 31 March 2026, and makes use of a £6 billion EMTN programme, of which £1.6 billion was utilised to date, allowing more regular and frequent issuance of bonds. In addition, the Group put in place two Private Placement shelf facilities for $500 million in total with two US investors in June 2026, giving the Group its first access to the USPP market. NWL also received a £400 million equity injection on 31 March 2026, demonstrating the shareholders' commitments to ensuring a strong investment grade credit for NWL and which provides additional liquidity to cover capital expenditure over the next financial year. We are committed to maintaining our investment grade credit ratings and manage our financial plans accordingly. Our viability statement on pages 120 to 125 reports on the financial resilience of our plan over a nine year time horizon.	Risk environment stable largely due to the equity injection This is balanced by the scale of funding required for AMP8 capital investment across the sector.
Financial performance Failure to deliver planned financial performance could reduce expected shareholder returns and adversely impact financial resilience. This may result from rising costs, adverse movements in interest or tax, or under delivery of efficiency commitments. Broader economic factors, including inflation volatility, also influence long term financial resilience.	We are implementing a range of efficiency actions for both operating and capital expenditure and progress is reported monthly to ELT. The Group's treasury policy is reviewed annually and contains limitations on the amount of floating and index-linked debt. We maintain more than 50% of our borrowings on fixed rates, providing a high degree of certainty over interest costs. We also maintain a systematic energy hedging strategy that ensures the Group is sufficiently hedged against near term volatility in energy prices over the next two to three years. Our viability statement on pages 120 to 125 reports on the financial resilience of our plan over a nine-year time horizon.	Risk stable, though delivery of AMP8 performance targets within funding allowance is challenging.

Approved by the Board and signed on its behalf:

H Mottram CEO
15 July 2026

STRATEGIC REPORT

Our Stakeholders

Strong relationships with stakeholders are fundamental to delivering long-term success. As a provider of essential water and wastewater services, our decisions affect customers, businesses, communities, colleagues, suppliers, partner organisations, local authorities, MPs, shareholders, regulators and the environment. Listening to their views helps us understand changing expectations, improve performance, manage risk and make better long-term decisions.

During the year, stakeholder priorities continued to focus on affordability, environmental improvement, resilient services, investment delivery and trust in the sector. We responded through ongoing engagement, transparent reporting and collaborative working across our regions.

Stakeholder perspectives are considered through day-to-day operations, formal consultations, governance processes, partnerships and targeted engagement activity. This helps ensure that decisions taken today support long-term value for current and future generations.

Trust is earned through consistent delivery, openness and responsiveness. We aim to build confidence by showing how stakeholder views inform our decisions and actions.

OUR PRINCIPLE STAKEHOLDERS GROUPS

CUSTOMERS (HOUSEHOLD AND BUSINESS)

Why they matter

Depend on reliable, affordable services every day

How we engage

Service interactions, research, surveys, panels, consultations

COMMUNITIES

Why they matter

Host our assets and are directly affected by our operations and investment

How we engage

Partnerships, local engagement, community programmes, engagement with politicians across all tiers of government

COLLEAGUES

Why they matter

Deliver our services and shape our culture

How we engage

Surveys, forums, leadership engagement, internal communications

REGULATORS AND GOVERNMENT

Why they matter

Set policy, standards and performance expectations

How we engage

Formal reporting, meetings, consultations, submissions

SHAREHOLDER AND LENDERS

Why they matter

Support long-term funding and resilience

How we engage

Results reporting, meetings, governance engagement

SUPPLY CHAIN PARTNERS

Why they matter

Help deliver services and capital programmes

How we engage

Contract management, collaboration, innovation activity

ENVIRONMENTAL AND CIVIL SOCIETY GROUPS

Why they matter

Provide challenge, expertise and partnership opportunities

How we engage

Catchment working, forums, partnership programmes

STRATEGIC REPORT

WHAT WE HEARD AND HOW IT SHAPED OUR PRIORITIES

We consider stakeholder priorities across each of our five strategic themes.
This helps ensure engagement is connected directly to the issues that matter most.

CUSTOMER

Customers continued to place strong importance on reliable service, responsive support and fair bills, particularly during ongoing cost-of-living pressures.

How this shaped our priorities

- Continued focus on affordability support and targeted assistance
- Ongoing investment in network resilience and service reliability
- Simplifying customer journeys and improving responsiveness
- Prioritising support for customers in vulnerable circumstances

ENVIRONMENT

Communities, regulators and environmental stakeholders expect sustained progress on river health, pollution reduction, leakage and climate resilience.

How this shaped our priorities

- Continued environmental improvement programmes
- Targeted investment in wastewater and network performance
- Ongoing focus on leakage reduction and water efficiency
- Strengthening long-term climate resilience planning

COMPETITIVENESS

Our shareholder, lenders, innovation partners and wider stakeholders expect a financially resilient, efficient and well-governed business capable of delivering long-term investment.

How this shaped our priorities

- Maintaining prudent financial management
- Delivering efficient expenditure and value for money
- Supporting innovation that improves performance and lowers cost
- Strengthening long-term planning and resilience

PEOPLE

Colleagues told us that safety, wellbeing, inclusion, development and visible leadership remain essential to a high-performing organisation.

How this shaped our priorities

- Continued focus on health, safety and wellbeing
- Investment in skills, leadership and future capability
- Progressing inclusion and diversity commitments
- Strengthening colleague engagement and listening channels

COMMUNITIES

Communities value visible local impact, responsible operations and support for regional prosperity.

How this shaped our priorities

- Continuing responsible local procurement
- Supporting community programmes and partnerships
- Investing in education, employability and volunteering initiatives
- Working collaboratively with local stakeholders on shared challenges

Stakeholder priorities are considered through management processes and Board governance, helping inform decisions on investment, customer support, resilience and long-term planning.

STRATEGIC REPORT

Stakeholder priorities and our response

Constructive challenge and feedback help us improve. Examples during the year included:

Stakeholder priority	Our response
Bills remain under pressure for many households	Continued affordability support for **161,000 customers** and promoted assistance schemes
Reliable everyday service matters most	Prioritised resilience, maintenance and service improvement activity
Environmental progress must be visible and sustained	Continued investment in pollution reduction, storm overflow improvements and wider environmental outcomes
Businesses should support local economies	Spent **60.88p** in every **£1** with suppliers in our operating regions
Inclusion and opportunity matter	Continued delivery of TIDE initiatives and broader people programmes
Communities value practical local support	Continued community partnerships, volunteering and targeted funding initiatives
Innovation should solve real operational challenges	Continued collaboration through innovation programmes and partnerships
Strong governance and resilience are essential	Maintained prudent financing, transparent reporting and active stakeholder engagement

We recognise that stakeholder expectations continue to evolve. Ongoing engagement helps us respond to changing needs while balancing affordability, service, environmental stewardship and long-term investment.

STRATEGIC REPORT

Section 172 statement

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

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

Further information on how we engage proactively with a wide range of stakeholders to understand their views is detailed on pages 68 to 70.

THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM – S172(A)

The nature of our business, with its pricing and activities regulated by Ofwat, the EA and the DWI, requires that the Board always considers the longer-term consequences of our decisions, and this is enshrined in our Purpose Statement.

This long-term perspective underpinned the Board's strategy for the PR24 Business Plan, which set out an ambitious investment plan of an unprecedented scale, critical to achieving net zero carbon and ensuring our water and wastewater infrastructure remains reliable and resilient to serve future generations.

A significant matter considered by the Board during the year was the conclusion of the CMA's redetermination of the 2025–30 price review. The Board assessed the implications of the CMA outcome for customers, investors, employees and the environment, including the Company's ability to deliver its investment commitments relating to resilience, environmental performance and service improvements. Following careful consideration, the Board concluded that accepting the CMA determination would provide the regulatory certainty required to support delivery of the Company's AMP8 programme and long-term strategic objectives.

The Board, through its Risk and Compliance Sub-committee (R&CSC), monitors the principal risks and uncertainties facing the business including longer-term emerging risks. A detailed review of the emerging risks is carried out each year, most recently in February 2026, which considers horizon scanning reports from external sources. The principal risks and uncertainties, and how they are mitigated, are reported on pages 62 to 67. The Board, based on the work of the R&CSC, decided that the Principal Risks remained the same as the prior year, albeit the description and mitigation of the risks has been updated.

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

THE INTEREST OF THE COMPANY'S EMPLOYEES – S172(B)

Our employees are essential to everything we do and achieve, and their commitment to our purpose and values is critical to the Company's long-term success.

The health, safety, and wellbeing of our employees is a fundamental area of focus and is the first matter considered by the Board at each meeting. Board discussions centre around any lost time accidents or high-risk incidents and the learning points taken from them as well as performance against leading and lagging indicators.

Confidential, truthful employee feedback on what it is like to work for NWL through our annual colleague engagement survey is always encouraged. Employee feedback has provided the Board with insight and challenge and has allowed employee interests to remain a priority when considering key concerns. To further support our colleagues to share their views and report any concerns, we have continued to promote our 'Safe to Say' initiative to ensure that we have robust processes and channels so that colleague voices can be heard and acted upon, and to help us to strengthen our transparent and inclusive culture. We welcome the increased usage of our 'Safe to Say' reporting facility and have continued to investigate and respond to concerns raised promptly.

We continue to monitor the engagement statement relating to Safe to Say in our most recent colleague survey, which confirmed that 89% of colleagues agree that "It's Safe to Say here - I can raise a concern about culture or behaviours, no matter how big or small" (+4pp vs previous year). This demonstrates the confidence of the majority of our employees to speak up when they have concerns.

Regular updates are provided to the Board and its Environment, Social and Governance and Audit Committees on culture, engagement, diversity and inclusion, gender pay gap and employee pay.

It is vital that we have a diverse workforce, thriving in an inclusive culture. The Board supported the launch of our first Diversity and Inclusion Strategy in October 2022. The Strategy explains why NWL needs to be more representative of our customers and the value of ensuring that all our colleagues are included in our inclusion objectives. The Strategy is refreshed for 2026, documenting progress to date with clearly stated ambitions which are to be measured by the end of 2030.

The organisation has continued to strengthen its external employer reputation through the Great Place to Work Institute, achieving a ranking of #28 in the 2026 UK Best Workplaces™ (Super Large category), improving from #36 in 2025. Performance has been consistently strong across key people priorities, with repeated recognition for development, wellbeing and gender equality, including a top 25 ranking for Best Workplaces for Women and sustained inclusion among the Best Workplaces for Development and Wellbeing. The organisation has also maintained

STRATEGIC REPORT

sector leadership, ranking in Construction, Engineering & Property in 2024 demonstrating sustained progress and competitive positioning as an employer of choice.

This is in recognition of our colleague health and wellbeing offering, which includes our award-winning 'Living Well' hub – a digital one stop shop for wellbeing, sports and social clubs, wellbeing webinars, flu vaccinations and cancer screening, digital GP service and our colleague-led support networks, which champion and support employees from under-represented backgrounds. We have achieved Ambassador status for our Better Health at Work Award, which recognises the efforts of employers in the North East and Cumbria in addressing health issues within the workplace.

The Board encourages our ambition to support the diverse needs of employees and ensure everyone goes home safe every day, no matter who they are, or what their role is.

THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHERS – S172(C)

During 2025/26, the Board has continued to place strong emphasis on maintaining and strengthening the Company's relationships with its key stakeholders, recognising that long term success depends on constructive, transparent and trusted partnerships across our supply chain, customer base and wider stakeholder community.

Suppliers and partners

The Company recognises the critical role of its suppliers and delivery partners in achieving its operational and capital programme objectives. The Board supports a collaborative, fair and responsible approach to procurement and contract management, underpinned by clear standards on safety, ethics, sustainability and value for money. Strategic supplier relationships are managed through structured frameworks designed to promote innovation, resilience and efficiency. The Board also monitors supply chain risks, including financial resilience and ESG performance, to ensure continuity of supply and alignment with the Company's values and regulatory obligations.

Customers

The Company remains committed to delivering high-quality, reliable water and wastewater services while keeping bills fair and providing appropriate support to those in vulnerable circumstances. The Board receives regular updates on customer performance metrics, including service levels, complaints, and customer satisfaction indicators. Customer insight, including feedback from engagement forums and independent research, informs both operational improvements and strategic planning. The Board also continues to oversee the delivery of customer commitments agreed through the regulatory process, ensuring that customer priorities are embedded in decision-making.

The Board appreciated the opportunity to understand the different perspectives of key stakeholders regarding the challenges facing the sector. Through the Water Forum, the Independent Challenge Group for NWL, which is composed of a balanced blend of industry regulators, subject experts, and independent members, champions on behalf of customers and challenges the company to understand the impact of decisions before they are made. Their challenges begin at a very early stage and continue throughout business planning and the delivery of plans. Additionally, the Board benefits from direct input and feedback from members through the attendance of an Independent Non-Executive Director (INED) at Water Forum meetings.

Everyday business relationships are managed by the Executive Leadership team under the supervision of the Board, and details of how the wider Company engages with suppliers are included in the Our Stakeholders section on pages 68 to 70.

The Board is cognisant of the impact its decisions have on suppliers and receives regular updates on supplier relationships and the capital investment programmes at each Board meeting. This update allows the Directors to review and challenge progress across the different investment programmes. In addition, under the terms of reference of NWL's Board, it must approve contracts with suppliers above a certain value which ensures that there is the appropriate level of oversight of these key contracts.

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

THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT – S172(D)

The Company's interaction with and impact on both the communities it serves and the environment are of particular interest to Directors. The R&CSC leads on mitigation of environmental considerations and other risks on behalf of the Board. The Performance Review section in the Strategic Report, on pages 27 to 32, provides further detail on the Company's activities in relation to climate and environmental concerns. Further information can also be found in our Sustainability report.

NWL's Purpose, Vision and Values are clearly defined and understood inside and outside of the company. Together they drive a strong positive culture, which is evidenced by an employee trust score of 81% (2024: 78%) in the 2025 Great Place to Work Survey.

Whilst ESG matters have always been central to how NWL operates, in 2024 the Board formalised NWL's commitment in this area at Board level by establishing an ESG Committee (ESGC). This Committee has regularly met since that date and has oversight of, and responsibility and specific duties for, the ESG aspects of the Company's organisation to ensure that it operates ethically and transparently.

As part of its oversight duties, the ESGC ensures that the Company's practices align with regulatory requirements and stakeholder expectations that risks related to ESG factors are identified and mitigated and formally reports to the Board on ESG issues. As a water and wastewater operator, the water environment is at the heart of everything we say and everything we do as a business. However, our care and respect for our natural environment goes far beyond any regulatory requirements. We are proud of the level of environmental investment we committed to in the current five-year investment period, but we understand that times and expectations have changed. Our challenge now is to demonstrate how we can do even more to restore and regenerate our natural environment, and our Environment Strategy sets our long-term environmental ambition for this.

STRATEGIC REPORT

Our 2025-30 plan includes £1.7 billion for the environment, with around £1 billion for storm overflows. We'll reduce nutrient pollution, boost biodiversity, and monitor rivers for future improvements, focusing on sustainable solutions and partnerships to protect and restore nature.

The Board has received reports in relation to routine operational performance and how we work constantly to protect and enhance coasts, rivers and watercourses. The Directors have encouraged the Company's use of technologies and new innovations to minimise disruption to customers, the environment and communities in our network. Our AMP8 delivery structure (The Living Water Enterprise) has been established and incorporates non-financial targets linked to business objectives. Investment choices will be expected to support environmental priorities, including carbon reduction, eliminating waste and biodiversity net gain, and social value aims, such as promoting local skills and employment and healthier, safer and more resilient communities.

We also play an active role in our communities, supporting them through charitable endeavours and generating a positive impact on our communities worldwide. Our business relies on resilient communities; we have extensive experience of making a difference in the communities we serve, both locally and internationally. As we have done for many years, we reinvested at least 1% of our profits into our communities, through activities such as our employee donation programme, Cheque it Out, and our funding programmes Branch Out, and our Community Foundations.

THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT – S172(E)

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

NWL adheres to Ofwat's Board leadership, transparency and governance principles, subject to the exceptions explained on pages 82 to 86. It also operates in accordance with the Wates Corporate Governance Principles for Large Private Companies and explain our compliance with the principles on pages 92.

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

The Board also recognises the increasing importance of environmental, social and governance (ESG) considerations in shaping the Company's reputation. During the year, oversight has continued in relation to the Company's sustainability commitments, environmental performance and responsible business practices across its operations and supply chain. The Board supports a proactive approach to ESG risks and opportunities, ensuring that these are embedded within strategy, decision-making and reporting.

Training and awareness programmes are in place to ensure that employees understand the standards expected of them and are equipped to act in accordance with the Company's values. The Board supports an open and inclusive culture in which individuals feel able to raise concerns without fear of retaliation, and it monitors the effectiveness of whistleblowing arrangements and broader cultural indicators.

THE NEED TO ACT FAIRLY AS BETWEEN THE MEMBERS OF THE COMPANY – S172(F)

The composition of the Company's Board is detailed on pages 79 to 81.

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

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

Five INEDs have held positions on the Board since April 2021, bringing a wide range of relevant expertise and experience, and for consistency with good corporate governance practice regarding INED tenure.

Whilst the Board will continue to work as an integrated whole, the INEDs each have areas of special focus, drawing on their professional expertise and backgrounds and working with particular stakeholder groups. Richard Sexton chairs both the Audit and Risk and Compliance Committees and has a strong accountancy, risk and financial background; Peter Vicary-Smith pays particular attention to customer-related matters; Jacqueline McGlade brings a strong environmental perspective; Bridget Rosewell provides insight on asset management; and Alan Bryce works closely on employee matters. This enhances the Board's effectiveness and provides constructive challenge to the Company's management where this is appropriate and to help develop strategy.

SECTION 172 DUTY

The Directors of NWL consider, both individually and together, that they have acted in a way they consider, in good faith, would most likely be to promote the long-term success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2026.

Governance Report

CHAIRMAN'S INTRODUCTION

The Board recognises that it is a privilege to be entrusted with providing essential services to millions of customers in NWL's operating areas each and every day.

A J Hunter, Chairman

With this comes a series of important responsibilities to our communities and the environment, as well as the opportunity to contribute positively to them. We are a large employer in our operating regions, a buyer of goods and services, and have significant influence as an 'anchor institution'.

On pages 82 to 86 below, we explain how we meet the four high-level objectives Ofwat expects regulated companies to deliver under its principles for board leadership, transparency and governance. The Board has agreed that it would also be appropriate to report compliance with the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), and that our standards of corporate governance should remain at least as high as in previous years and higher wherever appropriate.

As a private company with NWL's ownership structure, we believe it is consistent with good corporate governance for there to be significant shareholder representation on the Board, including the Chairmanship. We also accept that there needs to be an appropriate balance and as such our Board consists of five Independent Non-Executive Directors (INEDs), four Non-Executive Directors (NEDs), including me as Chairman, and one Executive Director (being the CEO), this continues to ensure that INEDs remain the largest single group on the Board.

The INEDs play a very significant role in the functioning of the Company and are instrumental in all aspects of the Board's work, taking a leading role on the various Committees, which the Board relies on.

The INEDs are highly experienced, capable and independently minded people with a diverse range of relevant experience and talents

The Committees are led by the INEDs (within agreed parameters) and handle a significant volume of important work and present options and proposals to the Board.

The INEDs are highly experienced, capable and independently minded people with a diverse range of relevant experience and talents. Working with the other NEDs, they scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. We believe our current governance arrangements, with strong INED leadership, ensure that there is always sufficient independent membership and judgement on the Board, further supporting the Board and its Committees in making high-quality decisions that address diverse customer and stakeholder needs.

The Board functions as an integrated whole. All Directors have the same legal responsibilities, and each Director understands his or her individual responsibility to act in the best interests of the Company, as well as the importance of the service provided to our customers and our environmental responsibilities.

CHAIRMAN'S INTRODUCTION

All Directors play a full part in Board meetings and shape the Company's strategy, as well as ensuring that customers' interests are fully considered in any investment and operational decisions. The composition of the Board ensures a sound balance of experience, knowledge and independence and that decision making is not dominated by any single group.

Alan Bryce, our Senior INED, sets out in his report (on pages 77 to 78) how the INEDs are fully involved in all the main aspects of NWL's governance and, throughout the year, were invited to all the Board meetings of our holding company, NWGL (except in relation to NHH retail business).

In practice, the Company complies with the 2019 Ofwat Objectives and, with very few exceptions, the supporting Provisions. The effective arrangements, which the Board and its Committees have in place to ensure such compliance, are explained in some detail below in the Corporate Governance Report (on pages 79 to 115).

A J Hunter
Chairman

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR'S REPORT

I am pleased to be able to describe the continuing role of NWL's INEDs, and the key role played by the INEDs in the Board Committees and Sub-committees.

A A Bryce, Senior Independent Non-Executive Director

I am happy to endorse the Chairman's explanation of the key role which the INEDs continue toplay in NWL's governance, assurance and decision making.

Fellow INED, Richard Sexton, chairs the Audit Committee (AC) and the R&CSC, and fellow INED, Professor Jacqueline McGlade, chairs the Environment, Social and Governance Committee (ESGC). As and when required, the Board constitutes a sub-group of members, including INEDs, to conduct detailed work on specific areas and to scrutinise and inform recommendations made to the full Board, chaired by me or by a fellow INED. INEDs sit on all sub-groups and committees and sub-committees and are in the majority on the AC, the R&CSC, the ESGC, the Remuneration Committee and the Nomination Committee.

We are therefore fully involved in all the main aspects of NWL's governance, and the Board is satisfied that this enables it to ensure that sound governance is maintained.

Although the INEDs are not members of the NWGL Board, we have again been present at its Board meetings this year, which has continued to encourage a cohesive approach at both NWGL and NWL Board level and given us full transparency. However, in order to maintain proper governance in relation to the NHH market (the 'level playing field') we have not received papers relating to the NHH retail market or been present when that has been under discussion by the NWGL Board.

All INEDs have continued to take part in extensive sessions with management on business risk. The involvement of INEDs in the ESGC ensures that environmental and social considerations are embedded across NWL and that the Company is run ethically and transparently. We have also met from time to time without management or the other Directors being present (with and without the Company's auditors) and have attended a number of other events relating to the water sector, including non-executive director events hosted by Ofwat. Beyond the formal work of the Board and its various committees, we have also continued to develop a broader insight into the work of the Company through other meetings and events.

In preparation for Ofwat's new Consumer Involvement Rule, we have formalised engagement between our INEDs and both our Customer teams and our Independent Challenge Group (ICG), ensuring that our INEDs have regular and appropriate engagement on consumer matters. For example a report on customer service performance goes to each Board meeting, 'deep dives' on customer topics are presented and discussed at the Board and the ESGC, and visits take place each year to the customer contact centres which enable INEDs to listen to live customer calls. Furthermore, Peter Vicary-Smith's role has been formalised as the lead INED in this area and he has monthly meetings with our Customer and Corporate Services Director, thereby ensuring that he is well-briefed and able to challenge on our approaches, priorities and plans, and he also attends our ICG meetings as an observer.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR'S REPORT

In conclusion, the INEDs as a group believe that the Board and its Committees and Sub-committees have sufficient independent membership. I am confident that the INEDs do, through their leading role in the Committees, continue to exert significant influence in setting the direction which the Board takes in all key areas of strategy and business planning, monitoring, governance and reporting.

Alan A Bryce

A A Bryce
Senior Independent Non-Executive Director

CORPORATE GOVERNANCE

Board membership

A J HUNTER

(Non-Executive Chairman) joined the Board in October 2011. Mr Hunter is Co-Managing Director of CKI, which is listed on The Hong Kong Stock Exchange and the London Stock Exchange and is a substantial shareholder in the NWGL Group. Mr Hunter is also an Executive Director of CK Hutchison Holdings Limited and Chairman of Power Assets Holdings Limited, both of which are listed companies. He has been an Executive Director of CKI since December 2006, Deputy Managing Director since May 2010, and Co-Managing Director since January 2026. Prior to his appointment to the board of Power Assets Holdings Limited in 1999, Mr Hunter was Finance Director of the Hutchison Property Group. He holds a Master of Arts degree, a Masters degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. Mr Hunter chairs the Remuneration and Nomination Committees.

KEY STRENGTHS:

Leadership, strategic overview, finance and infrastructure.

A A BRYCE

(Senior Independent Non-Executive Director) joined the Board in April 2021. Mr Bryce was, until 2009, Managing Director of ScottishPower Energy Networks, and before that Managing Director of ScottishPower Generation. He is a Non-Executive Director of Northern Ireland Electricity Networks. He was formerly a Non-Executive director of Jersey Electricity plc until 2024, Scottish Water, Infinis Energy plc, and Chair of Viking Energy Shetland. As an advisor in the utilities industry, Mr Bryce served on Ofgem's Network Innovation Competition Expert Panel and the RIIO-2 Customer Challenge Group. He is a member of the AC, R&CSC, ESGC, and Remuneration and Nomination Committees and has a special focus on the Group's workforce and culture and its activities in the North East of England.

KEY STRENGTHS:

Utilities, engineering and asset management and strategy.

L S CHAN

(Non-Executive Director) joined the Board in 2016. He has been an Executive Director of CKI since January 2011, Chief Financial Officer of CKI since January 2006, General Manager of CKI since January 2026 and a member of the Executive Committee of CKI since April 2005. Mr Chan is also an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr Chan joined the CK Group in January 1992. Mr Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia). He is a member of the AC.

KEY STRENGTHS:

Finance, infrastructure and corporate overview.

T K HARRIS

(Non-Executive Director) joined the Board in February 2026. Mr Harris is the senior Water Industry advisor to KKR & Co. Inc. and has over 40 years' experience in managing, investing in and advising on infrastructure and utility services businesses, predominately in the water, energy networks and renewables sectors in the UK and Europe. He was deputy CEO at Wessex Water Limited and CFO for over 10 years (until March 2010), having previously held a series of senior management and board positions there.

Mr Harris has previously held a number of non-executive directorships, including with Ervia, Gas Networks Ireland, and South Staffordshire Plc. His other roles have included Industry Partner at AIP, an Advisory Board member of private equity firm, Buckthorn Partners, Vice Chairman of NRR, and a Board member of the Royal Agricultural College.

KEY STRENGTHS:

Strategic leadership, corporate finance, business transformation, governance and audit and risk oversight.

CORPORATE GOVERNANCE

H L KAM

(Non-Executive Director) joined the Board in October 2011, having been appointed by CKH, a wholly-owned subsidiary of CK Hutchison Holdings Limited of which he is the Deputy Managing Director. Mr Kam is also Group Managing Director of CKI, a position he has held since its incorporation in May 1996. He is the Deputy Managing Director of CK Asset Holdings Ltd., President of CK Life Sciences Int'l. (Holdings) Inc., as well as Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a listed real estate investment trust. Mr Kam holds a Bachelor of Science degree in Engineering and a Masters degree in Business Administration.

KEY STRENGTHS:

Leadership, strategic overview, finance and infrastructure.

D N MACRAE

(Non-Executive Director)* joined the Board in October 2011, and represents CKI, where he holds the position of Head of International Business. Mr Macrae has many years' experience in the infrastructure investment field and holds a Bachelor's degree and a Master's degree in Philosophy, Politics & Economics. He is a member of the Remuneration Committee and Nomination Committee.

KEY STRENGTHS:

Utilities, engineering and asset management and strategy.

*(Mr Macrae resigned as a director on 17 February 2026, but acts as an alternate director for A J Hunter and L S Chan)

H MOTTRAM

(CEO) joined the Board in 2010, when she was appointed as CEO of NWL and NWGL. Ms Mottram is a Non-Executive Director of Water UK. She was awarded an OBE in 2010 for services to the rail industry and a CBE in 2018 for services to the water industry and business community.

KEY STRENGTHS:

Leadership, corporate overview, infrastructure and customer service.

PROF J MCGLADE

(Independent Non-Executive Director) joined the Board in July 2021. A natural scientist by training, Prof McGlade is qualified in both the UK and Canada and is recognised globally as a leading researcher in climate change, natural capital and carbon sequestration. Prof McGlade is currently at University College London and Strathmore Business School and is a founder and shareholder of Downforce Technologies, a start-up for natural capital analytics. Prior to this, she was appointed as UN Environment Chief Scientist and Global Director of Science 2013-2017 and Executive Director of the European Environment Agency 2003-2013, where she was responsible for 32 EU, EEA and Associate member states' data, reporting and assessment on the environment and major sectors. Earlier posts include Director of UK Natural Environment Research Council Centre for Coastal and Marine Science, Professor at Warwick University, Director Ecosystems Modelling Institute German Federal Government, and Senior Research Scientist Federal Government of Canada. Prof McGlade was a Board Member of the Environment Agency England and Wales from 1998-2003, and in 2020 was appointed a member of Essex County Council's Climate Action Commission. She is a member of the AC and R&CSC, is chair of the ESGC and has a special focus on the Group's environmental performance and its activities in Essex and Suffolk.

KEY STRENGTHS:

Water and climate sciences, environmental technologies and R&D, conservation and environmental policy.

CORPORATE GOVERNANCE

B C ROSEWELL

(Independent Non-Executive Director) joined the Board in April 2021. Ms Rosewell is an economist by background, with a track record in advising public and private sector clients on key strategic issues. She is Chair of Flood Re and of the M6 Toll Company. She is a founder and Senior Adviser of Volterra Partners a Director of AWE and a Senior Associate for Prysm Global. Ms Rosewell has been Senior Independent Director for Network Rail, Chair of Risk for Ulster Bank and Chief Economic Adviser to the Greater London Authority. Ms Rosewell was appointed CBE in December 2018 and is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science and the Society of Professional Economists. Ms Rosewell is a member of the AC, R&CSC and the ESGC, and Remuneration and Nomination Committees and has a special focus on the Group's asset management and its activities in the North East of England.

Bridget Rosewell CBE stepped down as an Independent Non-Executive Director on 30 June 2026 following five years of dedicated service and contribution to the business.

KEY STRENGTHS:

Strategic leadership, economics, risk and infrastructure.

R G SEXTON

(Independent Non-Executive Director) joined the Board in April 2021. Mr Sexton is a Fellow of the Institute of Chartered Accountants and was a partner in PricewaterhouseCoopers LLP (PwC) from 1992 until 2018, where he was lead partner on a diverse range of FTSE 100 and Fortune 500 clients. He also held a number of senior management roles in PwC including Vice Chairman, Global Assurance from 2013 to 2018. In January 2024, Mr Sexton became a trustee of the International Financial Reporting Standards Foundation where he chairs the Budget and Funding Committee and sits on the Strategy, Audit and Risk and Nomination Committees.
In February 2022, Mr Sexton joined the Board of Our Future Health and sits on the Nomination and Remuneration Committees and the Culture and Values Committee, and is Chair of the Audit and Risk Committee. He is Chair of the Audit Committee and Risk & Compliance Sub-committee and has a special focus on the Group's activities in Essex and Suffolk.

KEY STRENGTHS:

Finance, risk and corporate governance.

P VICARY-SMITH

Independent Non-Executive Director) joined the Board in July 2021. Mr Vicary-Smith was for 14 years the Chief Executive of the consumer organisation Which?. Prior to that his background was in marketing, and included roles as a strategy consultant at McKinsey, leading fundraising for Oxfam, and as Commercial Director at Cancer Research UK. He was Chair of Oxford Brookes University, currently chairs BMJ Publishing Group and advises both established companies and digital start-ups on engaging with their customers and putting their customers' needs front and centre of decision-making. He is a member of the AC, R&CSC and Remuneration and Nomination Committees and has a special focus on the Group's customers.

KEY STRENGTHS:

Customer engagement, strategy and corporate governance.

MEMBERS OF THE BOARD AND ATTENDANCE AT BOARD MEETINGS

There were five scheduled meetings during the year ended 31 March 2026. The Board considered this sufficient to enable it to discharge its duties effectively and met out of the agreed cycle for time-critical matters or significant matters that arose as necessary.

Membership of the Board and attendance at the five scheduled meetings during the year was as follows:

Name	Attendance
A J Hunter	5
A A Bryce	5
L S Chan	5
H L Kam (or his alternate)*	5
D N Macrae	5
J M McGlade	5
H Mottram	5
B C Rosewell	3
R G Sexton	5
P D Vicary-Smith	3

(*C Ng acted as alternate for H L Kam).

CORPORATE GOVERNANCE

Statement

The Boards of the Group and its holding company, NWGL, are committed to high standards of corporate governance. Ofwat has embedded the 2019 Ofwat Objectives in the Company's Licence, to ensure that governance is sound and that the Company's Directors, acting as such, do so independently of its parent companies.

The arrangements and functioning of the Board, its Committees, Sub-committees and Sub-groups adhere to the Wates Principles and the 2019 Ofwat Objectives, with the latter being subject to the minor exceptions explained below. As set out above, at 31 March 2026, there were five INEDs, a further four NEDs, including the Chairman, and one Executive Director (being the CEO). Mrs Rosewell (INED) resigned from the Board on 30 June 2026 and a replacement is INED currently being recruited.

The Chairman ensures that the Board works in a collegiate way, in the best interests of the Group and its stakeholders, and that each Director has an equal voice. All members of the Board are content that the balance of the Board is appropriate. The Directors have all been able to allocate sufficient time to the Company to discharge their responsibilities effectively.

As the Chairman says in his introduction (on page 75), the INEDs, within agreed parameters, effectively lead the work of the Committees and Sub-Committees, which hold very full meetings with considerable workloads, to prepare the ground for the Board.

Directors' and Officers' liability insurance cover for the benefit of all Directors of the Company is in place. In addition, NWGL entered into a Deed of Indemnity on 21 March 2017 to provide Directors of NWGL and its subsidiaries further protection against potential liability.

BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE – THE 2019 OFWAT OBJECTIVES (AND SUPPORTING PROVISIONS)

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

OBJECTIVE 1

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

Our comments below on compliance with the relevant supporting Provisions explain how the Group meets this Objective:

(i) The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.

The Group's purpose statement (set out on pages 4 to 6) has been informed by an extensive research and consultation exercise with customers, suppliers, and employees. The statement captures how NWL cares for the essential needs of our communities and the environment, now and in the future, and the positive difference it makes by investing over the long term to create a sustainable and resilient business.

There is a comprehensive and continuous programme of engagement with customers around the Group's purpose and full details are set out in the Group's APR.

This open and consultative culture is embedded in how the Group does business. It is also maintained through a very broad programme of engagement, including regular meetings at Chief Executive level with local authorities across our operating areas, and participation in regional and national business organisations. The Group also hosts site visits by MPs, civil servants, and senior regulators to encourage open and transparent debate about the challenges faced by the sector and to enable the Group to understand their respective concerns and priorities.

Our Sustainability Report, which replaces our previous Our Purpose report, is a record of our purpose-led work, bringing to life our activities, outcomes and progress for customer and stakeholders

(ii) The Board makes sure that the Company's strategy, values and culture are consistent with its purpose.

The Board has reviewed and discussed the Group's strategy, values and culture and is satisfied that these are consistent with the Group's purpose. The Board recognises that the Group's strategy needs to reflect the purpose, as well as customers' long-term priorities and to take account of Ofwat's emphasis on public value.

CORPORATE GOVERNANCE

The Group's purpose statement is designed to convey why the business exists and guide strategy and behaviours; consider the role business can play to improve society and apply this to services and customer experience.

Our Purpose statement is therefore underpinned by key principles which demonstrate that NWL:

- cares for the essential needs of our communities and environment, now and for generations to come.

We do this by:

- providing reliable and affordable water and wastewater services for our customers;
- making a positive difference by operating efficiently; and
- investing prudently, to maintain a sustainable and resilient business.

First and foremost, our core role is as a provider of water and wastewater services, which places us at the heart of our communities and our natural environment. Caring for them is always our priority.

(iii) The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the Company's purpose. Where it finds misalignment it takes corrective action.

The Board has received and discussed detailed feedback on an extensive employee engagement survey conducted through the Great Place to Work UK programme, which provided a comprehensive insight into the alignment of behaviour throughout the business with the Group purpose and values. The survey findings were very positive, resulting in NWL achieving a ranking in the top 30 Best Workplaces in the UK, as part of an elite list of companies leading the way in creating a positive and healthy workplace environment and culture.

Although the entire Board will engage closely with the workforce, it has designated the Senior INED, Alan Bryce, to have a special focus on our people and the culture of the business. Mr Bryce meets regularly with senior management to discuss people issues, including where there is any requirement to take corrective action in the event of any identified misalignment with the Group's purpose.

The People team keeps Group policies and procedures under review to ensure that these properly reflect the Group purpose and to embed it where this is appropriate.

(iv) Annual reporting explains the Board's activities and any corrective action taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves.

The Board receives detailed reports from the CEO in advance of Board meetings, covering each aspect of the Group's activities.

The Chairman leads the Board and ensures that all items on the Board agendas are discussed openly and that all Directors have an opportunity to express their views. He encourages constructive challenge, so that ideas and proposals are tested and explored fully. The Board recognises that customers' interests are best served when the Group is flexible and innovative, so the ELT is always encouraged to think laterally and consider a range of solutions for each issue.

The Board makes key strategic decisions, approves the annual budget and notes the medium-term business plans. It also approves key regulatory submissions and very significant investments or expenditure which is not in the normal course of business. Investments which form part of projects within approved business plans are authorised by the Committees below Board level.

Although this formal framework is very effective, the ELT takes great care to ensure that matters which relate to the quality of the Group's services to customers, leakage, water quality and environmental performance are presented to the Board.

The Standing and Executive Committees of the Board can take decisions not delegated to specific committees between Board meetings within the parameters of applicable terms of reference. All Directors receive notice of Standing Committee meetings and may participate if they wish. Decisions taken by the Standing or Executive Committees are reported at the next Board meeting. The Company's Board meets at least five times each year.

During the year, the Board received regular detailed updates from the CEO and other members of the ELT on each aspect of the Group's work. There are also regular reports on each Board agenda on customer service, operational performance, health and safety and management of key business risks, the investment programme and regulatory matters. A safety update is provided at the commencement of every Board meeting. There is a strong focus on the Group's success in delivering its key outcomes, as explained in the Strategic Report. The Chairs of the AC, ESGC, R&CSC and Sub-groups report fully to the Board on their work. In addition, the following significant matters were considered by the Board, as a matter of sound governance:

- **a.** the Annual Report and Financial Statements;
- **b.** the annual business plan;
- **c.** internal governance and control framework;
- **d.** decisions on tariffs;
- **e.** approval of significant capital projects;
- **f.** review of performance commitment targets and related investment priorities;
- **g.** environmental impact;
- **h.** customer satisfaction;
- **i.** regulatory and governmental policy developments;
- **j.** health, safety and security plan;
- **k.** transparency in supply chains;
- **l.** treasury policy and transactions; and
- **m.** reputation management;

A Board statement as detailed above is included in NWL's APR for the year ended 31 March 2026.

CORPORATE GOVERNANCE

OBJECTIVE 2

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

NWL clearly meets this Objective. The Board sets, implements and supports the Group's vision, values, standards and strategy and ensures compliance with policies and legal and regulatory obligations. We comment below on compliance with the relevant objectives:

(i) The regulated company sets out any matters that are reserved to shareholders or parent companies (where applicable) and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.

Although proper regard is given to the interests of shareholders, in accordance with company law, NWL's Board has full responsibility for all aspects of the Group's business, including the freedom to set, and accountability for, all aspects of NWL's strategy.

The Group has adopted matters reserved to the Board for approval and terms of reference which set out matters which are, or can be, delegated to its Committees and Sub-committees. These are published on the Group's website.

The Group has also adopted financial approval rules which set out the authorisation processes and financial limits to be applied to financial transactions within the Group. The Board reserved matters, terms of reference and financial approval rules are reviewed periodically by the Board and were last reviewed at the meeting of the Board in July 2025.

Although certain limited matters (such as extensions of directors' appointments, large contract awards and significant borrowing arrangements) are referred to the NWGL Board, this is regarded as a formality. The NWGL Board accepts that it is required to have full responsibility for all aspects of the Group's business and, to that end, has never rejected a recommendation of the Board.

(ii) Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.

All the Board Committees report into the NWL Board and final decisions are made at that level.

(iii) The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

The Board is absolutely focused on the sustainable, long-term success of the Group. Any conflicts of interest are declared and Directors do not speak or vote on matters where a potential conflict arises.

It is a key principle of the shareholders that the boards of directors of companies within the NWGL Group, of which the Group is part, manage their own affairs.

While support and assistance is provided when asked for, it is recognised that local management has hands-on knowledge of the operational business and of customers' needs and priorities. Consequently, non-NWL interests of shareholders are never a factor in decision-making of the Board and this approach is regularly re-affirmed by the NEDs in the clearest possible terms.

OBJECTIVE 3

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

Our comments below on the relevant supporting provisions explain how the Group meets this Objective. The provisions require publication of the following in a clear and accessible manner:

(i) An explanation of group structure.

This is provided at page 45.

(ii) An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).

The dividend policy, and how the policy has been applied in the year, is explained in note 9 to the Financial Statements

(iii) An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

The Board has ultimate responsibility for risk management and determines appropriate risk appetite. The Board's view of acceptable risk is based on a balanced assessment of all the risks in the operating environment and aims to ensure an appropriate balance between risk aversion and opportunities. The Board monitors the management of risks and approves major decisions affecting the Group's risk profile. The Board is supported in this by the R&CSC, from which it receives regular and detailed reports.

The Board requires management to identify and assess the impact of risks to the business using a corporate risk model.

Outside of formal meetings, INEDs meet with senior management to review emerging risks which could impact the Group and in February 2026 they met to also consider the Group's risk appetite in conjunction with considering insights and emerging trends from external risk reports.

An explanation of principal risks, and our approach to mitigating these risks, is provided on pages 62 to 67.

(iv) Details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.

Details of Board and Committee membership and meetings and attendance is set out at page 81 and pages 87 to 94. No votes were held at any relevant meeting and all decisions were reached by consensus.

CORPORATE GOVERNANCE

(v) An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

A detailed explanation of the Group's executive pay policy is provided in the Remuneration Committee Report on pages 93 to 115, including how the criteria for the short-term incentive plan have significant linkage to benefits for our customers and the wider environment.

OBJECTIVE 4

The Board of the Appointee and its committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

Our comments below on the relevant supporting provisions explain how the Group meets this Objective.

(i) Boards and committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

The Board has determined that A Bryce, J McGlade, B C Rosewell, R G Sexton and P Vicary-Smith are independent. Their backgrounds and skills are described in their biographies on pages 79 to 81.

The Board therefore has an excellent balance of skills, experience, independence and knowledge of the Group. The CEO has very significant experience in the water sector and in another customer-facing utility, whilst the INEDs make full use of their individual professional expertise and personal interests to make a significant contribution to addressing the needs of all stakeholders and customers.

The Board therefore believes that the Board, its Committees, Sub-committees and Sub-groups have sufficient independent membership to meet this Objective.

The non-independent NEDs bring extensive knowledge and experience of global infrastructure, finance, customer engagement, environmental policy and corporate governance.

(ii) INEDs are the largest single group on the board.

INEDs are the largest single group on the Board.

(iii) The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.

The Chairman was not independent of investors on appointment when the Group had a single ultimate controlling shareholder.

Given the balance of the Board and the strong group of INEDs, the fact that the Chairman is not independent is not considered to be an issue for concern. The recent externally facilitated Board evaluation noted that that the Chair was regarded as highly skilled in facilitating Board meetings and with a strong independent non-executive element of the Board, the Board continued to function very effectively. .

There is a clear division of responsibilities between the running of the Board and the executive running the business and this is documented in the Board's terms of reference, clearly stipulated matters which are reserved for the Board and the Company's articles of association.

(iv) There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

The Board undertakes an annual evaluation of its performance and effectiveness. In 2025, this comprised an externally facilitated Board effectiveness review, which included a confidential questionnaire completed by all directors and selected senior executives, together with individual interviews conducted on an anonymous basis. The evaluation assessed the balance of skills, experience, independence and knowledge on the Board, its composition and diversity, the quality of Board and committee processes, and how effectively the Board addresses stakeholder needs and delivers the Company's strategic and regulatory objectives.

The review concluded that the Board continues to operate effectively and benefits from a strong Independent non executive presence, with a broad range of skills and experience relevant to the business and its regulatory environment. The Board's operating model, including the extensive use of committees and focused sub groups, supports effective challenge, informed decision making and close oversight of matters of importance to customers, regulators, shareholders and employees. The review also recognised a strong culture, constructive Board dynamics and good alignment between the Board and executive management on strategy and purpose. The questionnaire results identified a confidence by the Board and senior management that there was a high level of Board effectiveness and performance, in particular compared to the questionnaire provider, BoardClic's peer client group.

Areas identified for further strengthening included formalising succession planning, enhancing the communication of committee activity to the full Board, and ensuring time and focus for deep dive discussions on topics such as strategy, regulation, innovation and emerging risks. The Board has considered these findings and has reviewed succession planning via the Nomination Committee. The Board receives a verbal update at each of its meetings from the Chair of the AC, R&CSC and ESG at each Board meeting. Moving into 2026, the Board will again evaluate its performance through an internal evaluation facilitated by the Company Secretary.

CORPORATE GOVERNANCE

(v) There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

There is such a procedure in place. The most recent recruitment campaign for the INEDs which occurred involved a leading executive search agency to ensure that candidates were drawn from as wide a pool as practicable and was consistent with the highest standards of best practice. Post appointment, feedback on the recruitment process was requested and it was described as 'thorough', 'fair' and 'effective in identifying a good range of highly able and experienced candidates'. The appointees reported that the interviews showed that the Board 'had a clear vision about the roles, skills and experience it was looking for and selected a group of individuals who complement each other and cover a range of characteristics and expertise that the Board needs'.

On appointment, INEDs participate in a comprehensive on-boarding and induction programme, covering all key aspects of the Group's operations, responsibilities and financial structure. 'Teach-ins' with senior colleagues and visits to key sites take place during the year. These site visits continue as a method of providing enhanced understanding of the workings of the Group to the Board. The programme is flexible and appointees are encouraged to help shape it.

(vi) To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.

The Company has adhered to this. Most recently Mr Harris was appointed to the Board and fully engaged with Ofwat prior to appointment with a pre-appointment meeting between Mr Harris and Ofwat taking place on 29 January 2026.

(vii) There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

There is a majority of INEDs on the AC, Nomination Committee and Remuneration Committee. The latter two Committees are chaired by the Group's Chairman, and are therefore not independently led, which the Board considers appropriate in the context of the Group's ownership structure.

The INEDs play a leading part in the Committees and Sub-committees. Importantly, the AC is chaired by an INED with appropriate financial experience and five of the six members are INEDs. The R&CSC is, similarly, chaired by an INED and all five members are INEDs. More specifically, the AC and R&CSC deliver much of the preparatory work on the Annual Report and Financial Statements and APR, review the work of the internal audit function, review risk management and advise the Board on risk appetite and monitoring compliance with covenants and management of debt. At the AC, there is a particular focus on matters of compliance with regulatory obligations. The AC and R&CSC report fully and frame proposals on such matters for the Board to consider. Therefore, in addition to their direct input to the Board, the influence of the INEDs and their contribution to the running of the Group, through the AC and R&CSC, is very significant and highly valued.

AUTHORISATION OF DIRECTORS' CONFLICTS OF INTEREST

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

WORK OF THE COMMITTEES

Details of the work of the AC, R&CSC, ESGC and Nomination Committee are set out below.

GOVERNANCE REPORT STATEMENT

Audit Committee Report

INTRODUCTION BY THE CHAIRMAN OF THE COMMITTEE, R G SEXTON

The role of the AC is to assist the members of the Boards of NWL and its subsidiaries to discharge their individual and collective responsibilities in relation to:

- ensuring the financial and accounting systems of each Group company are providing accurate and up-to-date information on its current position;
- ensuring the published Financial Statements of the Group companies represent a true and fair reflection of this position;
- ensuring the integrity of the Group's regulatory reporting systems and the accuracy of its regulatory reports; and
- assessing the integrity of internal financial controls, thereby mitigating against financial loss or mis-statement.

The AC also maintains oversight of internal and external auditors. I have worked with the members of the AC and with management and key advisors to produce an action plan for the Committee, setting out the business to be addressed at each meeting. This plan is dynamic and is updated throughout the year. The members of the AC are updated regularly on developments in financial reporting requirements and on any changes in NWL's regulatory environment.

MEMBERS OF THE AUDIT COMMITTEE

The members of the AC during the year were R G Sexton (Chairman), A A Bryce, B C Rosewell, J M McGlade, P D Vicary-Smith and L S Chan.

The CEO, Chief Financial Officer, Regulation and Assurance Director, Internal Audit Manager and the external auditor normally attend the AC's meetings by invitation and R Somerville (General Counsel and Company Secretary) acted as Secretary to the Committee. Other senior managers, independent technical auditors and advisers are invited to attend as appropriate.

THE WORK OF THE AUDIT COMMITTEE

During the year, and up to the date of approval of these Financial Statements, the AC assisted the CEO and NEDs to discharge their individual and collective responsibilities. Its work included the following:

EXTERNAL AUDIT

- reviewing the draft Financial Statements and APR, considering reports from the external auditor setting out the audit approach and plan, significant audit risks and conclusions on the Group's internal controls and risk management;
- considering the key areas of judgement in the Financial Statements, reviewing reports from management, and ensuring these are consistent with those set out in note 1(r) to the Financial Statements on pages 127 to 191;
- reviewing the appropriateness of accounting policies and evidence supporting the going concern basis for the Financial Statements and recommending approval of the Financial Statements to the Board;
- reviewing and monitoring the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- approving the external auditor's fees for both audit and non-audit services, by reference to the agreed policy (see further details below).

The AC monitors the independence of the audit through different reviews and actions including:

- confirmation that the auditor is, in its professional judgement, independent of the Group;
- obtaining from it an account of all relationships which may affect the firm's independence and the objectivity;
- rotation of the lead audit partner every five years; maintaining a policy regarding the engagement of the auditor to conduct non-audit work and monitoring the level of audit fees compared to non-audit fees (see further details below);
- considering audit tender requirements, being tenders every 10 years and mandatory rotation after 20 years;
- considering new accounting standards and reviewing their applicability to the Group;
- reviewing the approaches taken to bad debt and taxation provisioning as well as unbilled revenue recognition; and
- reviewing reporting from management or the external auditor on the accounting judgements associated with property, plant and equipment, and assumptions taken regarding valuing financial instruments and the defined benefit pension scheme liability.

In addition, the AC considers the effectiveness of the external audit, and considers the level of experience, industry knowledge and expertise of the audit team, and its delivery of appropriate challenge in a knowledgeable and constructive manner.

NON-AUDIT FEES

The Group has adopted a formal policy on the provision of audit services, which was updated with effect from 1 April 2017, to reflect the FRC's Revised Ethical Standards 2016.

The policy provides for general pre-approval of a range of services which are generally regarded as audit related, where the fees are equal to or less than £50k. It also sets out a broad range of prohibited activities.

Services which are not prohibited, but which have not been pre-approved and in respect of which the fee is equal to or less than £50k, can be approved by the AC Chairman, who reports such approval to the AC. If the fee for such services will exceed £50k the approval of the AC is required.

The policy imposes a cap on non-audit fees equal to 70% of average audit fees for the previous three years.

Where Deloitte LLP is engaged to provide non-audit services, this results from its extensive knowledge on NWL's business and the sector generally, as well as demonstrating the required expertise and capability to provide good value for money.

GOVERNANCE REPORT STATEMENT

Non-audit related work undertaken by Deloitte LLP in 2025/26 amounted to fees of £95k, comprising assurance services related to an annual update of the EMTN programme and third party contracts. The fees paid are set out in note 4 to the Consolidated Financial Statements on 139.

INTERNAL AUDIT

The Group operates a blended model for its internal audit function. Under this model, the internal audit team conducts most of the work, including core financial controls and regulatory reporting reviews. Reviews of specialist technical areas are outsourced to firms with appropriate experience and qualifications when felt necessary.

The Committee reviews and approves the internal audit plan for the year. Its review is designed to ensure that focus is given to the areas of highest risk for the Group and that the audit work focuses on key controls.

Internal audit reports reviewed by the Committee during 2025/26 included the reports below from the Northumbrian Water Internal Audit team:

- Review of Asset Investment.
- Review of People Services and Payroll.

They also received reports from the wider CKI group's Internal Audit team covering:

- IT General Controls and The Technical Maintenance Work Order Process.

In addition, at each of its scheduled meetings the Committee received reports detailing progress with implementing recommendations previously raised by internal audit and is satisfied that management has taken appropriate steps to implement the recommendations raised.

The Chair of the Committee, independent of management, maintains regular and direct contact with both the internal and external auditor, allowing open dialogue and feedback.

WORK WITH OTHER ASSURANCE PROVIDERS

Support with data assurance work for the Annual Performance Report was provided by Deloitte LLP for financial tables and PwC and our Internal Audit team for non-financial tables. Further information and the reports from the various audit teams can be found in the Annual Performance Report and accompanying Data Assurance Summary.

Our overall approach to assurance of regulatory data has been approved by the Committee and is described below:

- business as usual assurance for our ongoing data capture and measurement processes;
- each piece of data must be provided by the nominated data provider and reviewed before being audited. This is controlled by a workflow system; and
- additional independent technical assurance was procured (from PwC as our External Technical Auditor) to examine areas that were identified as being higher risk as defined by our regulatory data risk management framework as approved by the Committee. Our approach is described in our draft and final assurance plans with the results being described in our Data Assurance Summary annually.

Reports from Deloitte LLP, PwC and Internal Audit are received and reviewed by the Committee.

FURTHER COMPLIANCE AND OTHER MATTERS

- reviewing and commenting on the APR, including the underlying assurance, reviewing evidence to support the Condition P certificate (ring-fencing certificate) and long-term Viability Statement and recommending their approval to the Board;
- approving arrangements for monitoring compliance with the Group's procedures designed to prevent bribery, having regard to the Bribery Act 2010 and the code of conduct 'Our Way at NWG', including receiving reports on any whistleblowing allegations;
- reviewing management of tax compliance matters and other tax issues, and discussing key matters with HMRC; and
- reviewing the Group's Long-Term Viability Statement.

The AC Chairman reports formally to the Board following each AC meeting, and its minutes are circulated to both NWL and NWGL Boards.

Attendance at the four AC meetings during the year was as follows:

Name	Attendance
R G Sexton	4
A A Bryce	4
L S Chan (or his alternate)*	4
J M McGlade	4
B C Rosewell	4
P D Vicary-Smith	4

(*C Ng acted as alternate for H L Kam).

R G Sexton
Chairman of the Audit Committee

RISK & COMPLIANCE SUB-COMMITTEE REPORT

Audit Committee Report

INTRODUCTION BY THE CHAIRMAN OF THE COMMITTEE, R G SEXTON

The role of the R&CSC is to assist the CEO, NEDs and INEDs to discharge their individual and collective responsibilities in relation to assessing the scope and effectiveness of the Group's risk management systems and the integrity of its internal financial controls.

MEMBERS OF THE RISK & COMPLIANCE SUB-COMMITTEE

The members of the R&CSC during the year ended 31 March 2026 were R G Sexton (Chair), A A Bryce, B C Rosewell, J M McGlade and P D Vicary-Smith.

THE WORK OF THE RISK & COMPLIANCE SUB-COMMITTEE

The ELT implements policies on risk management and internal control and ensures that risks are appropriately identified and managed within the business, to ensure that the Group's resources and capacity to deliver services as required by customers remain resilient. This approach is set out in a Risk Management Framework, which has been endorsed by the R&CSC. The ELT reviews the approach to risk management in detail every year and reviews the significant risks every month. Any significant issues are reported by the CEO to the Board. Senior management implements policies on risk management and internal control.

The R&CSC, on behalf of the Board, has performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, resilience, future performance, solvency or liquidity. These principal risks, and how they are managed, are described on pages 62 to 67 in the Strategic Report.

The internal control framework supports the risk management process, ensuring that risks are appropriately managed, that controls are effective and that appropriate remedial action is taken where identified. Risks are mapped against the providers of assurance, whether this be management, internal or external assurance. The Board is supported by the AC in monitoring the effectiveness of the internal control framework with primary assurance being provided by the internal audit team.

The R&CSC, on behalf of the Board, has carried out an annual review of the effectiveness of the Group's risk management and internal control systems. This review confirmed that the Group has strong systems of internal control and robust processes in place to enable it to identify, evaluate and manage the risks it faces and to ensure that its obligations are met. These systems and processes are embedded in the organisation and are reviewed regularly by the Board, its Committees and Sub-committee. The annual review confirmed that the risk management and internal control systems have operated effectively through the year and that there have been no significant failings or weaknesses.

TREASURY SUB-GROUP

In order to enhance existing governance arrangements, the R&CSC established a Treasury Sub-group to consider and oversee certain proposed treasury arrangements and transactions affecting the Company.

The Treasury Sub-group is required to review and satisfy itself as to the appropriateness of proposed treasury transactions and the effective implementation of the Group's financing strategy. The Treasury Sub-group also considers and, as applicable, approves or recommends strategies and policies to the Board in relation to areas of treasury management. This includes financing opportunities, liquidity management and forecasting, investor relations and treasury internal control and governance policies.

ACTIVITY IN THE YEAR

During the year, and up to the date of approval of these Financial Statements, the work of the R&CSC included the following:

- reviewing reports at each meeting on the top-rated managed risks and priorities for assurance (being those risks with the biggest reduction between the business (gross) and managed (net) risk scores), representing key control areas for the Group;
- reviewing high impact, low likelihood risks which have a rare to unlikely likelihood of occurrence but a potentially catastrophic level of impact;
- reviewing risk assessment processes as well as keeping the effectiveness of the risk and internal control management systems under review;
- reviewing the Group Safety Plan;
- monitoring compliance with covenants and treasury risks;
- reviewing management of customer debt; and
- reviewing the risk and control framework and reporting; and
- through the Treasury sub-group, reviewing and recommending approval of the near-term financing plan, which will enable the Group to raise sufficient debt financing to meet its needs for at least the next 12 months.

Attendance at the five scheduled R&CSC meetings during the year was as follows:

Name	Attendance
R G Sexton	5
A A Bryce	5
J M McGlade	5
B C Rosewell	5
P D Vicary-Smith	5

The R&CSC holds a special meeting with other members of the Board each year to conduct a separate Strategic Risk review exercise.

R G Sexton
Chairman of the Audit Committee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE REPORT

Introduction by the Chair of the ESG Committee, Professor Jacqueline M McGlade

ESG is central to NWL's operations and stakeholder expectations. In recognition of this, and to enhance governance, the Board approved formalising its approach to ESG through a dedicated Board Committee in 2024. The role of the ESGC is to provide strategic oversight and guidance on ESG matters, align practices with regulatory and stakeholder expectations and identify and mitigate ESG-related risks.

MEMBERS OF THE ESG COMMITTEE

The members of the ESGC during the year ended 31 March 2026 were Professor J M McGlade (Chair), K Slaminka, C Ng, B C Rosewell, A A Bryce and H Mottram.

THE WORK OF THE ESG COMMITTEE

The ESGC's primary function is to assist the Board in fulfilling its oversight responsibilities relating to ESG matters. The ESGC may take the lead in key areas such as affordability and vulnerable customers, employees and culture, nature and the environment and climate change. Relevant ESG topics include, but are not limited to:

i. Environmental

a. Water management for the environment and people (taking less water from the environment, minimising the amount of water that's wasted, minimising the amount of water that's used).

b. Healthy catchments, rivers, and coastal waters (enhancing the quality of the water environment through regeneration of nature and catchments; supporting excellent bathing waters; significantly reducing the occurrence and impacts of storm overflows; helping to significantly reduce flood risk).

c. Effective climate action (minimising greenhouse gas emissions from our activities; working in partnership to reduce emissions from others; managing environmental risks from climate change to provide a resilient service to customers and business).

a. Valuing resources and eliminating waste (reducing resource use and sourcing sustainably; recovering energy and materials from our processes; eliminating avoidable waste).

b. Thriving nature and communities (restoring, protecting, and enhancing biodiversity; connecting communities to nature; improving local air quality).

ii. Social

a. Attracting and developing the right people and the right skills (putting the frameworks in place to support an engaged, competent, and expert workforce).

b. Creating the right culture for all (delivery of the NWL Together for Inclusion, Diversity and Equity strategy outlining our commitment to representing different cultures, backgrounds and lived experiences; targeted engagement and advocacy of underrepresented groups in NWL workforce and customer populations).

c. An enabled, performing and thriving workforce (making sure everyone in NWL and its supply chain goes home safe every day; supporting colleagues' health and wellbeing through the NWL Living Well initiative) This is to be carried out in conjunction with the Risk Sub-Committee, which is responsible for reviewing the annual Health Safety and Security Plan, and for overseeing the associated risk management.

d. Designing and implementing policies and services which are inclusive and affordable for all (tackling water poverty; supporting customers in vulnerable circumstances; promoting water for health)

e. Building Successful Economies in our Regions (supporting our communities by giving time, expertise, and resources to their important causes; working in partnership with organisations to achieve the goals that are most important to our customers; investing in our local economies by committing to spend £60p in every £1 in our regions).

iii. Governance

a. Monitoring of the Board's responsibilities to ensure that the behaviours and culture of NWL are aligned to its Purpose, Vision and Values

b. Reporting, transparency, and governance arrangements engender trust and ensure accountability (appropriate ESG indices are completed; annual ESG reporting on performance; valuing open data as a way of building trust and enabling positive outcomes for customers and the environment).

c. Oversight and monitoring of internal company processes designed to protect ethical behaviours (oversight and reporting on business ethics, whistleblowing, anti-bribery and corruption programmes, data privacy and security). This is to be carried out in conjunction with the Risk Sub Committee whose duties are set out in its Terms of Reference.

d. Considering business activities in a holistic and long-term context while being cognisant of diverse customer and stakeholder needs ('horizon scanning', identification of emerging ESG threats and opportunities based on external data).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE REPORT

ACTIVITY IN THE YEAR

The Committee met four times during the year and at those meetings it has:

- endorsed the Committee's Terms of Reference;
- considered future ESG reporting requirements and approach;
- reviewed a report for the Task Force for Nature Related Financial Disclosures;
- reviewed the Company's new sustainability report;
- received a deep dive on the Company's leisure strategy;
- received a deep dive in relation to the Company's approach to delivering social value in the community;
- Reviewed the Company's approach to embedding a sustainable finance framework;
- Reviewed case studies in relation to customer affordability, the Company Blue Spaces initiative, Biodiversity and the Company's Together for Inclusion, Diversity & Equity strategy;
- reviewed the Company's results and approach to its Great Place to Work survey; and
- considered the Company's approach to ESG related external audits and certification.

Attendance at the four scheduled ESGC meetings during the year was as follows:

Name	Attendance
J M McGlade	4
A A Bryce	4
B C Rosewell	4
H Mottram	4
C Ng	4
K Slaminka	4

J M McGlade
Chair of the ESG Committee

GOVERNANCE REPORT

Nomination Committee

The Nomination Committee has wide-ranging terms of reference which are available on the Group's website. The members of the Nomination Committee during the year were A J Hunter (Chairman), D N Macrae (resigned: 17 February 2026), L S Chan (appointed 17 February 2026), A A Bryce, B C Rosewell and P D Vicary-Smith.

COMPLIANCE WITH THE WATES PRINCIPLES

The Board considers that it complies with the relevant provisions of the Wates Principles, through the corporate governance arrangements described in detail above, and the further arrangements set out below.

Principle One – Purpose and Leadership

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

Please see the comments on compliance with Objective 1 of the 2019 Ofwat Objectives, on pages 82 to 83.

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.

Please see the comments on compliance with Objective 4 of the 2019 Ofwat Objectives, on pages 85 to 86.

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 Group has in place clear corporate governance practices which provide clear lines of accountability and responsibility. The members of the ELT have clearly defined responsibilities and levels of authority are set out in Financial Approval Rules (as explained in the comments in relation to Objective 2 of the 2019 Ofwat Objectives on page 84. The Board's approach to conflicts of interest and the relationship between the Group and its owners is also explained in that section of the Report.

The Chairman and Company Secretary discuss governance processes from time to time to confirm they remain fit for purpose and consider initiatives which could strengthen governance and matters reserved to the Board for approval and terms of reference of its Committees and Sub-committees are reviewed periodically by the Board (as also explained in the comments in relation to Objective 2 of the 2019 Ofwat Objectives on page 84).

Details of the Board's Committees and Sub-Committees are set out in the comments on Ofwat's 2019 Objective 4, on pages 85 to 86.

Details of processes which are in place to ensure systems and controls are operating effectively and that information provided to the Board is robust are set out throughout this document and in the Group's APR and Data Assurance Summary.

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 Group is a long term business and ensuring its long term sustainable success is a key driver underpinning the work of the Board and its Committees and Sub-Committees, as described in detail in this Report. The Board's approach to oversight of the identification and mitigation of risks is detailed in the Risk Report on pages 62 to 67.

Principle Five – Remuneration

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

A detailed explanation of the Group's executive pay policy is provided in the Remuneration Committee Report on pages 93 to 115.

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 Group's extensive stakeholder engagement programme are set out on pages 68 to 70.

CODE OF CONDUCT

The NWGL Group has a code of conduct, 'Our Way at NWG', covering its relationships with customers, employees, suppliers, local communities, shareholders, other investors and regulators. This document, in conjunction with relevant policies, provides guidance to employees in relation to personal conduct, conflicts of interest, the anti-bribery policy and a number of other matters.

Remuneration committee report

REMUNERATION COMMITTEE REPORT

Remuneration annual statement

The Remuneration Committee report has been produced in accordance with section 35A of the Water Industry Act 1991. It also has regard to the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of directors' remuneration reporting for quoted companies, albeit in the context of a company which is not a listed public limited company.

The Remuneration Committee is committed to complying with the Company's Licence obligation to meet Ofwat's Board leadership, transparency and governance principles on performance-related executive pay and ensuring alignment to market practice.

The work of the Remuneration Committee comprises the adoption of principles and standards in relation to executive remuneration and benefits, as well as agreeing individual remuneration packages. All decisions regarding Directors' remuneration are taken by the Remuneration Committee, other than where stated.

Members of the Remuneration Committee

Remuneration committee meetings were held in June 2025 and January 2026. All members of the remuneration committee attended these meetings, with the exception of B C Rosewell who was absent from the June meeting.

A J HUNTER (CHAIRMAN)

A A BRYCE

D N MACRAE

B C ROSEWELL

P D VICARY-SMITH

H Mottram attends but does not participate in discussions relating to her own remuneration.

REMUNERATION COMMITTEE REPORT

Key responsibilities of the committee

- Determining and recommending to the Board the policy for executive director remuneration, having reviewed and considered NWL's purpose, vision, strategic themes and values, and external benchmarking.
- Reviewing incentive plans based on a view of what constitutes stretching targets and a balanced, stakeholder driven view of performance.
- Reviewing incentive plans and decisions based on updates to the regulatory environment.
- Considering the impact of changes to statutory and regulatory requirements in respect of remuneration processes and structures.
- Agreeing Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) payments, including confirming whether or not the gateway assessment requiring NWL to meet minimum environmental criteria has been successfully achieved, and reviewing performance against the balanced scorecard measures.
- Setting STIP and LTIP performance targets, and ensuring that targets are at stretching levels aligned to industry-leading performance.

REMUNERATION COMMITTEE REPORT

Alignment to Our Purpose

Our approach to pay is designed to incentivise and reward behaviours that align with our Strategic Themes, Purpose and Vision.

Our purpose, which includes making a positive difference by operating efficiently and caring for the essential needs of our communities and environment, now and for generations to come, is central to the remuneration decisions we make.

We aim to not only meet but exceed the expectations of all the stakeholders and communities we serve and minimise the impacts we have on our environment. By linking compensation to a rounded and stretching view of performance, we foster a culture of excellence that reinforces our dedication to running a successful company and driving long-term positive impact across all areas of delivery.

This alignment helps to make sure that senior management and directors, whose bonuses are directly linked to the balanced scorecard, are motivated in a holistic sense, ensuring their deep commitment to contributing to NWL's vision and purpose.

REMUNERATION COMMITTEE REPORT

Annual statement from the Chair of the Remuneration Committee

On behalf of the NWL and NWGL boards, I present the directors' Remuneration Report for 2025/26. This statement describes the work of the NWL Remuneration Committee ('RemCo') over the year, sets out the context in which pay decisions were made, and provides summary details of how our directors' remuneration policy ('policy') was both implemented for 2025/26 and how RemCo intends to implement it in the year ahead.

THE WORK OF THE REMCO

The RemCo has delegated responsibility to act for the NWL Board, while the NWGL Board itself determines pay for that company, after having regard to any recommendations from the RemCo. On this basis, the RemCo has overall responsibility for the design of pay arrangements which contribute to the delivery of long-term sustainable success and to achieving positive outcomes for all of NWL's stakeholders. These goals are underpinned by the following overarching principles:

- Arrangements should be transparent and aligned with the interests of customers and other key stakeholders.
- A significant proportion of the package should be linked to the Group's performance and KPIs.
- Remuneration should be competitive, but not excessive, and sufficient to recruit, retain and motivate individuals of the calibre required to deliver long-term success.
- The approach should support our organisational purpose and values.

The RemCo seeks to take account of the full range of stakeholder views when designing the pay arrangements. The degree of scrutiny of remuneration in the water sector has continued to build over the last 12 months and views on executive pay in the sector are increasingly polarised. Balancing these competing views whilst putting our pay principles into effect is challenging. However, the RemCo is clear that high calibre, proven and stable leadership is key to the delivery of long-term success, particularly at this stage in the company's growth, including its increased programme to deliver significant improvements to our environmental performance. As we embark on a transformational investment programme over AMP8, the Board views it as fundamental that we retain our talented executive team.

Recently there has been an exceptionally high turnover in CEOs amongst water and sewerage companies ('WASCs'), with three changes announced in the second half of 2025 alone. Currently, fewer than half of the WASC CEOs have tenures in role exceeding 24 months. Our CEO is one of the most experienced and highly-regarded executives in our industry. Mrs Mottram has a strong track record and is a highly marketable individual working in a sector where remuneration is exceptionally highly regulated and often subject to media scrutiny. As well as being marketable both within and outside of the sector, after a long and successful career (including 16 years' service as CEO at NWL), Mrs Mottram is now at a stage in her life where she could choose to take other paths. The RemCo has identified the potential loss of our CEO as a serious retention risk and has taken steps aimed at ensuring continuity over AMP8.

Against this challenging background, the RemCo reviewed the policy during the course of 2025/26 and made some important changes which we describe on the next page.

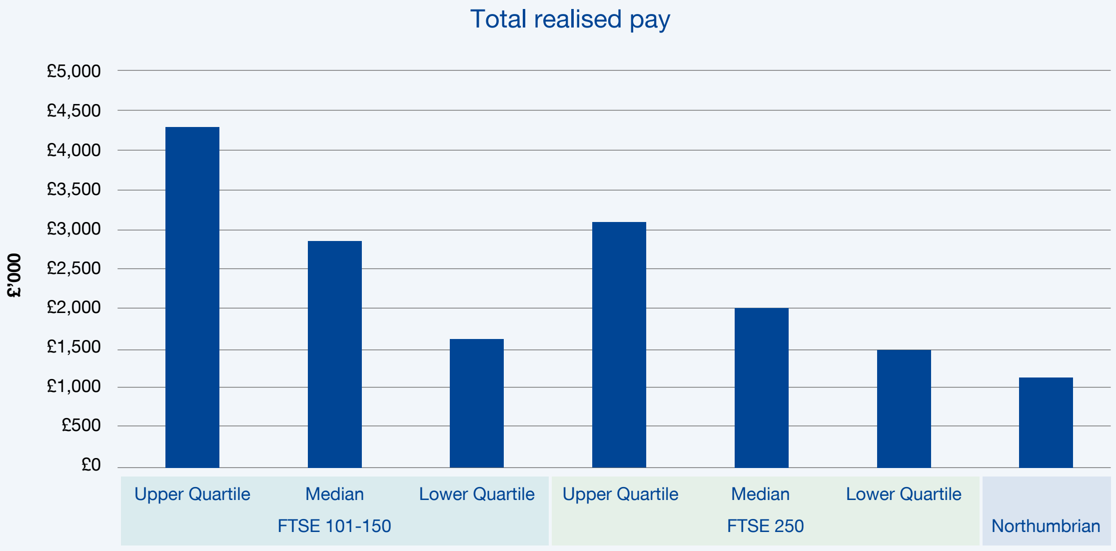
REMUNERATION COMMITTEE REPORT

REVIEW OF THE POLICY

The review of policy during the course of the reporting year was informed by the latest regulations and guidance from Ofwat, professional advice from independent advisors (FIT Remuneration Consultants LLP) together with our corporate lawyers (Allen Overy Shearman Sterling LLP), as well as the objectives outlined above.

As part of the policy review process, we conducted a comprehensive remuneration benchmarking exercise. We considered data for the other WASCs, selected infrastructure peers and broadly equivalent pan-sector listed company benchmarks. For the listed company benchmarks, we considered FTSE 250 companies (i.e. those ranked FTSE 101-350) noting that the companies in this group are likely to be smaller than our estimated market cap. For additional context, we also considered data for FTSE 101-150 companies, which we estimate is more comparable to us in market value terms.

The benchmarking showed, despite the exceptional level of her experience, the CEO's total target remuneration package to be significantly below the various median benchmarks.



1. Comprises longer serving CEOs only, i.e. excludes CEOs appointed less than three years ago. This is a standard approach to benchmarking as it ensures a like for like comparison by comparing with executives who have sufficient service to potentially have LTIPs vesting. Even if newer appointments were included, the overall position would be similar.

The chart above shows actual total realised pay for our CEO versus a quartile analysis for the FTSE 101-150 and the FTSE 250. Our CEO is positioned below the lower quartile of both peer groups and significantly below median in both cases.

While we do not believe it would be appropriate to seek to align our pay levels to these benchmarks in every aspect, they do provide an important reference point and further illustrate the executive retention risk already identified by the RemCo.

The RemCo has therefore introduced a retention scheme that will operate over the course of AMP8 with the intention of retaining Mrs Mottram in post for at least this critical five-year period. The arrangement provides retention payments equivalent to £300,000 per annum over the AMP8 period, payable at defined points during the period. The payments are contingent on continued employment and are subject to applicable clawback provisions. They are retention-focused in nature and are therefore not subject to performance conditions.

Taken together these payments represent £300,000 per annum during the AMP period, and total £1.5m. The payments are subject to continuing service only, contain clawback provisions, but are not subject to any performance conditions.

Given our particular circumstances, the RemCo is confident that the element of retention payments should be included in order to provide a balanced package with the aim of retaining our CEO.
The RemCo recommended, and the NWG Board agreed, that the retention payments are to be paid wholly by NWGL (which sits above the regulated entity) and will therefore be funded by shareholders, with no costs borne by customers.

The remainder of the policy will continue to operate as it has done in previous years. We reviewed the operation of our performance-related executive pay ('PRP') arrangements taking into consideration the latest regulations and guidance from Ofwat.
We concluded that PRP remains a key tool in incentivising the delivery of high standards of performance aimed at generating positive outcomes for all stakeholders. At its heart is our balanced scorecard which is designed to incentivise a broad balance of outcomes across the business, and drives decisions on PRP. We continue to view this balanced scorecard approach as providing a responsible, transparent remuneration process that is closely aligned with our organisational purpose and which contributes to positively building trust in NWL.
We will continue to link the financial and non-financial performance measures we use and the targets we set directly to the benefits we seek to deliver for customers, the environment, our employees and the communities in which we operate.

REMUNERATION COMMITTEE REPORT

In summary, the CEO's remuneration for 2026/27 will be structured as follows:

- **Salary** – increased by 3.7% to £768,457 effective 1 January 2026 (aligned with the average workforce increase of 3.7%), with 70% payable by NWL and 30% payable by NWGL;
- **Retention** – on an annualised basis over the AMP8 period (i.e. £300k), which is fully borne by NWGL;
- **Pension** – no change (11% of salary which, consistent with the wider workforce was increased from 10% on 1 April 2025);
- **STIP** – no change in approach (70% of salary maximum potential based on a balanced scorecard linked to our KPIs); and
- **LTIP** – no change in approach (50%% of salary maximum potential based on a balanced scorecard linked to our KPIs).

Details of how we approach target setting for the STIP and LTIP, and how we link these to our strategy, are set out on page 104.

EVOLVING TRANSPARENCY

As part of our wider review of policy, the RemCo also reviewed how we report back to our stakeholders on remuneration outcomes in the annual report. We recognise the importance of being transparent and open on our pay decisions and have always sought to report clearly and openly. However, having taken account of the latest guidance from Ofwat, and having reviewed market developments in reporting, we have identified some areas where we can add further clarity, principally including an aggregated pay table.

STAKEHOLDER ENGAGEMENT

The RemCo is committed to a responsible approach to executive pay, as I trust this report demonstrates. In line with this commitment, the RemCo recognises the importance of building close relationships with key stakeholders in developing and operating our pay arrangements.

We actively monitor leading remuneration practices within and outside the sector and are continuing to make improvements in our practice in two key areas: enhancing stakeholder engagement and further integrating purpose and ESG into our governance. Our stakeholder engagement includes mechanisms like our Water Forum and our Local Action programme to reflect customer and community interests in decision-making and challenge the NWL executive team and Board. Our PR24 customer research also provided us with a comprehensive understanding on our customers' priorities and this has helped to guide what's included in our balance scorecard.

Clean, clear, great tasting drinking water is measured within our Compliance Risk Index metric.

We also apply a gateway assessment to Environmental measures, that are collectively worth 20% of our bonus. This means we only pay bonus where overall Environmental performance meets a minimum EPA rating threshold, regardless of whether performance is met within individual Environment targets.

We also recently attended the CC Water open Board meeting which focused on Executive Pay research and have taken into account the information they shared on customer views and benchmarking in our decision making.

We continue to be guided by our ESG committee, to deepen the integration of purpose and ESG throughout our governance, practices and reporting and this is being honed as we progress through AMP8. Our separate ESG report summarises our priorities and progress and we will monitor the potential for aligning remuneration to these priorities

The Water (Special Measures) Act and the associated performance-related executive pay prohibition rule was introduced by Government in 2025. As a reminder, the prohibition rules mean PRP payments cannot be made unless Ofwat's standards relating to consumer matters, environment, financial resilience and criminal liability are met. While these provisions are aimed at improving public trust in our industry, because, for one thing, they operate on an 'all-or-nothing' basis, they are increasing the challenges associated with recruiting and retaining executives in the industry, particularly for those with transportable skills across other infrastructure-based industries and beyond. During the course of the year, Ofwat has released further related rules and guidance.

We continue to closely monitor these developments and remain actively engaged with Ofwat on these matters and will continue to play our role in contributing to further reforms in this area.

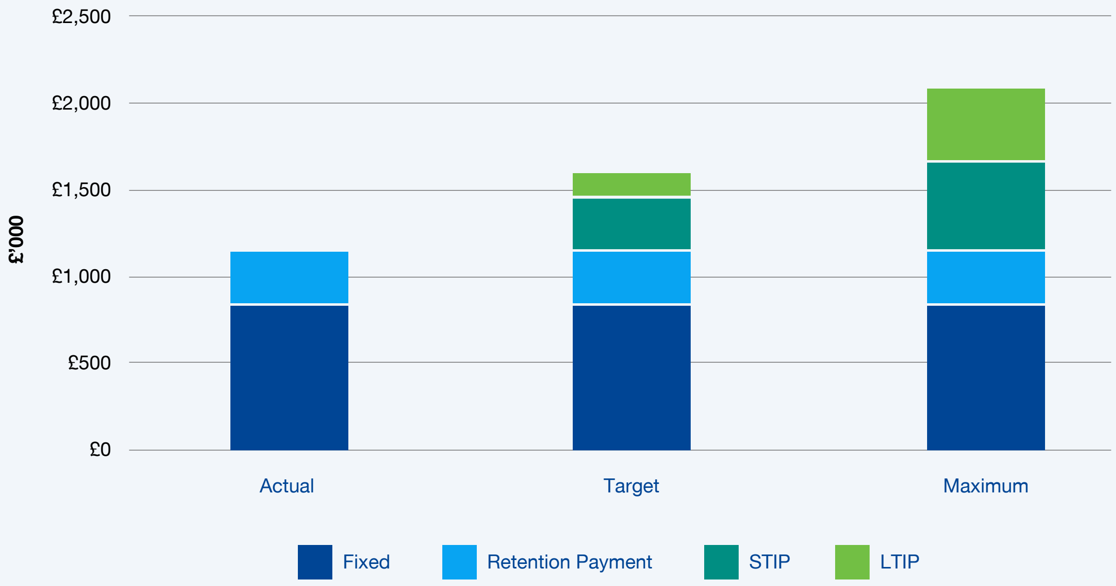
REMUNERATION COMMITTEE REPORT

REMUNERATION OUTCOMES FOR 2025/26

The strong balanced scorecard performance outcome for the CEO warranted a STIP payment of 65% of maximum and an LTIP payment of 68.47% of maximum. However, in accordance with the performance-related executive pay prohibition rule, we consider that the outcome of Ofwat's flow to full treatment (FFT) investigation during the year, triggers the Consumer Matters standard, resulting in the CEO receiving no STIP payment or LTIP payment for 2025/26. Colleagues more generally received a payment of 65% of their maximum opportunity against the scorecard element of their bonus, in accordance with the formulaic out-turn.

Our CEO's total remuneration paid for 2025/26 is set out in the chart right. This has been shown on a consolidated basis and includes the total potential retention payment annualised over the AMP8 period.

CEO 2025/26 total remuneration versus target and maximum



1. Includes retention payment at its annualised value of £300,000.

LOOKING AHEAD

Following the review of our remuneration policy in 2025/26, and the changes we made as a result, the RemCo is confident we are now on a more stable footing from a pay perspective as we go into the second year of AMP8. However, we will continue to monitor the market to ensure we are paying our CEO and the executive team competitively and appropriately.

We remain committed to setting ambitious performance targets and strengthening stakeholder trust. Remuneration continues to play a critical role in driving organisational performance, supporting our organisational purpose and reinforcing our accountability to stakeholders.

The governance of pay in the sector continues to evolve, and we are committed to playing our role in shaping its evolution and demonstrating good practice in this area. We will remain actively engaged with Ofwat's updates to performance-related pay and in incentivising outcomes that have a positive impact on our customers, communities and the environment.

A J Hunter
Remuneration Committee Chair

REMUNERATION COMMITTEE REPORT

Recap of year's performance

Northumbrian Water remains committed to being a national leader in sustainable water and wastewater services.

Our 2025-30 goals aim to build on prior performance and commence a generational infrastructure programme to ensure that we can provide the quality of service we aspire to into the future. We aim to maintain and improve on our relative position in the market and evidence of this ambition level is seen within the 'Stretching targets' column on our balanced scorecard, that is designed to reflect our five Strategic Themes; Customer, Environment, Competitiveness, People and Communities. We have continued to execute against our strategic goals as we come to the end of year one of AMP 8, having achieved 12 out of 18 stretching targets this year. We are proud to be the top performer for C-MeX, for the second consecutive year, and to be listed as a Great Place to Work in the UK for the sixth time.

We are committed to raising the bar further in the 2025-30 period by targeting further improvements in areas that matter most to our customers and communities particularly in relation to environmental performance.

CUSTOMER

Providing excellent customer service remains one of our defining strengths. We are delighted to be the top company for C-MeX, Ofwat's measure of customer experience. We are proud to be ranked in the top three in the six years that C-MeX has been measured; being on the top spot three times and the only company to achieve it in two consecutive years. We also performed strongly in other customer experience measures; ranking third in the first year of the new BR-MeX metric which measures the experience of our developer customers and fourth in the D-MeX measure of Developer Customer satisfaction.

We have also been recognised as the top, and most trusted, water and sewerage company by our customers in the Consumer Council for Water's (CCW) annual Water Matters survey and are proud that our performance in the key measures surveyed was significantly above average, including customer trust at 18% higher than the WASC average score.

We are delighted to have been awarded the Web Content Accessibility Guidelines (WCAG) 2.2 AA accreditation from The Shaw Trust, recognising our online services are easier to use for people with a wide range of access needs. Making sure our services are accessible and inclusive is critically important and so alongside this we have also worked hard to add British Sign Language (BSL) videos for customers who use BSL as their first language.

More broadly, we are delighted to have achieved the prestigious BSI Kitemark for Inclusive Service (BS ISO22458) which certifies that our operations are accessible, flexible, and responsive to all customers regardless of their personal circumstances, ensuring tailored support for vulnerable customers. This complements our ServiceMark accreditation from the Institute of Customer Service (ICS), which recognises our values, culture, and passion for service excellence and is testament to our people who live and breathe our service ethos. For many of our frontline teams, this is bolstered by our service training, which has held the ICS's coveted 'TrainingMark' for the last five years, demonstrating our commitment to world class service.

1st in C-MeX
CC Water's most trusted water and sewerage company

REMUNERATION COMMITTEE REPORT

ENVIRONMENT

Reducing storm overflows remains a priority and we have achieved a 32% year on year improvement. This progress reflects the benefits of continued investment, operational focus and smarter network management year-on-year. This includes our Smart Sewers project, which is in its second year. This is a pioneering initiative involving the use of AI and sensors to manage wastewater flow in real-time across our extensive network of pipes.

We have had two Category 2 pollution incident compared with zero in the previous three years. Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020 or a serious wastewater incident since 2021.

We continue to deliver biodiversity improvements across our sites and through partnerships working across our regions. This year we outperformed our Biodiversity target by 10.75 biodiversity units, helping to support wildlife, strengthen habitat connectivity and enhance biodiversity value. Our Bluespaces partnership funding scheme has delivered a total of 256.9km of improvements to rivers, coasts and other waterside environments. This improves accessible water environments for customers while delivering benefits for wildlife and water quality.

COMPETITIVENESS

Over the past year, our culture of innovation continued to deliver industry-leading results and we were delighted to have our reputation in this area independently accredited, becoming the first water company in the world to gain a BSI Kitemark for Innovation. Our annual Innovation Festival returned for its ninth year in 2025, developing one of the strongest pipelines for innovation to date. The festival continues to serve as a fertile source of innovation projects, with ideas rapidly progressing from concept to proof of concept, live trials, external partnerships and industry funding. As well as the success of our Smart Sewers project, the Storming for Efficiency project has moved into live delivery, trialling innovative stormwater storage solutions to improve network resilience. During 2025, several festival-born concepts secured £5m of support through Ofwat's Innovation Fund, including Smart Alarm Management, OCI3 and Printfrastructure 2.0, helping us accelerate innovation at scale while delivering benefits for customers, communities and the environment.

PEOPLE

In November, 90% of colleagues provided feedback in our annual Great Place to Work engagement survey, with 86% agreeing that the organisation is a great place to work, and we have been listed for the sixth time as one of the UK's Best Workplaces in the super large category. Our CEO, Heidi Mottram, and the Executive Leadership team hosted over 44 interactive Employee Roadshows, offering colleagues the chance to hear key messages, celebrate milestones, share feedback, and ask questions at 132 Q&A sessions. Our 'Safe to Say' initiative in partnership with Colleague Networks continues to support honest and open dialogue, with 89% of colleagues agreeing they could speak up about anything that concerned them. In 2026, we ran our second HSE Culture survey with scores improving across all eight sections. In six of these sections, we scored in the top 95% compared to the 130 benchmarked companies. We have continued to create opportunities for all. During 2025, we had 29 graduate roles and increased apprentices to 104, our highest ever number, along with providing work experience for over 400 Year 10 students as part of our annual Young Citizens Festival.

81% employee engagement trust index

COMMUNITIES

We are committed to supporting the communities that we operate in. We spend at least 60p in every £1 locally, working closely with local suppliers and recruitment organisations to ensure our spending benefits the local economy. We are also committed to providing opportunities for our colleagues to support their local communities. This year, the number of colleagues volunteering as part of our Just an Hour volunteering scheme continued to increase. A total of 2,100 colleagues volunteered, supporting almost 1,000 charitable and community causes across our regions by completing more than 3,300 volunteering activities.

60p in every **£1** spent locally

53.7% of our colleagues volunteered in their communities

REMUNERATION COMMITTEE REPORT

Remuneration policy

The Remuneration Committee seeks to reward performance in a way that is fair and equitable, achieving a balance between cost and attracting and retaining the talent needed to meet its strategic goals and targets.

To ensure alignment to market practice, the Remuneration Committee regularly reviews pay in reference to relevant factors, including employment marketplace benchmarking and the implied median remuneration levels. This benchmarking takes place regularly to ensure that, as the marketplace moves, the Remuneration Committee remains aware of any material deviations in market remuneration levels that could impact the Group's ability to attract and retain talent.

The Executive Remuneration Policy is a total remuneration policy. The Remuneration Committee determines and regularly reviews the mix of these elements. The overall aim is to achieve a total package that is close to the median, with the goal of ensuring Executive Directors continue to be appropriately incentivised to deliver on the Group's stretching targets and to ensure the Group is able to attract and retain talent. The Remuneration Committee is satisfied that this balance between fixed and performance related remuneration remains appropriate.

A significant proportion of remuneration is linked to Group performance through the short-term and long-term incentive plans, with 44% of the CEO's maximum remuneration being linked to performance, as illustrated on page 100.

The remuneration policy is designed to incentivise performance across all the full range of the Group's strategic themes and not to over-emphasise short-term financial gains.

The table (right) describes each component of the CEO's remuneration, explaining the purpose of the component and if it is linked to performance.

Basic salary	Aimed at attracting and retaining leadership for the Group's vision, basic salary is set competitively and reviewed annually without a direct link to performance metrics. H Mottram's salary for 2026/27 was increased by 3.7% (in line with the workforce) to £768,457 effective 1 January 2026 (with 70% paid for by NWL and 30% by NWGL).
Benefits in kind	Provided in line with Group policy for all employees, these benefits do not vary with performance.
STIP*	Designed to incentivise yearly business performance aligned with strategic themes, STIP payouts are determined by balanced scorecard achievements, and financial targets, with 60% related to delivering benefits for customer and the environment. The environmental performance is subject to an EPA rating gateway. The maximum for 2026/27 will be 70% of salary (no change). Performance measures and targets for 2026/27 are set out on page 114.
LTIP*	Designed to incentivise business performance aligned with strategic themes and as a retention tool promoting long-term planning, LTIP rewards are based on achievement of balanced scorecard and financial objectives measured over one year, with 60% related to delivering benefits for customers and the environment, and with payment deferred over a three-year period.
Retention payment	Operates over the course of AMP8 with the intention of retaining our CEO for at least this critical five-year period. Under the retention scheme a payment of £300,000 per annum on an annualised basis (repayable if H Mottram leaves prior to 31 March 2030) will be made. These payments are subject to continuing service only and are not subject to any performance conditions.
Pension	Pension benefits align with market expectations and are provided through a defined contribution scheme or as a salary supplement, independent of performance.

* Incentive plan participation and payment of any award is subject to the rules set by the RemCo, which include rules on malus and clawback. The RemCo has discretion to reduce or withhold any incentive award prior to its payment (malus) or recoup all or part of any incentive payment (clawback) for a period of up to three years following payment where it determines that any of the following circumstances occur:

- A performance assessment identifies circumstances that deem a reduction or prohibition of performance related pay, in line with the rules contained within the Water (Special Measures) Act 2025 or other regulatory requirements.
- The company has received a regulatory instruction, breach or sanction that prevents payment or requires the recovery of a performance related payment already made.
- A material misstatement of the Company's financial statements or performance metrics is identified that would have resulted in a lower calculated outcome and payment.
- A material risk management or internal controls failure.
- Conduct which has resulted in a serious breach of duty or significant reputational damage.

REMUNERATION COMMITTEE REPORT

APPROACH TO PERFORMANCE EVALUATION AND TARGET SETTING

At Northumbrian Water, our performance evaluation is underpinned by a balanced scorecard, designed to deliver our strategic vision and purpose, and our targets are focused on what our customers say are important to them. This robust approach assesses annual performance against pivotal metrics in alignment with our core strategic themes. 60% of these metrics are non-financial, underscoring our commitment to customer satisfaction, environmental stewardship, employee well-being, and community enrichment.

Our ambition to be the national leading water company guides decision making and actions across all aspects of NWL. This means we set our remuneration targets in line with establishing and maintaining a leading position in the market. As a result, for the majority of our targets we don't pay bonus where our performance only meets our performance commitment, we'll only pay where performance exceeds this and achieves the higher, stretch targets we set ourselves, which are better than industry average and in upper quartile position.

In recent years we have received recognition of good practice from Ofwat in relation to our stretching targets as part of their assessment of performance-related executive pay outcomes. In particular, Ofwat recognised that we set out why the target used for each measure is stretching with reference, for example, to the sector or our performance commitment level. We have continued to consistently apply this approach to our target setting and are pleased that Ofwat expect stretching targets to apply across the industry.

Every year, the Executive and Board undertake a rigorous process to assess the targets we set, informed by our customers and stakeholders, and then consciously set in line with our vision and purpose to be leading in the context of the wider industry performance.

In each of our STIP and LTIP scorecards, there is an indication of how stretching each measure is compared to peers and/or Ofwat performance standards.

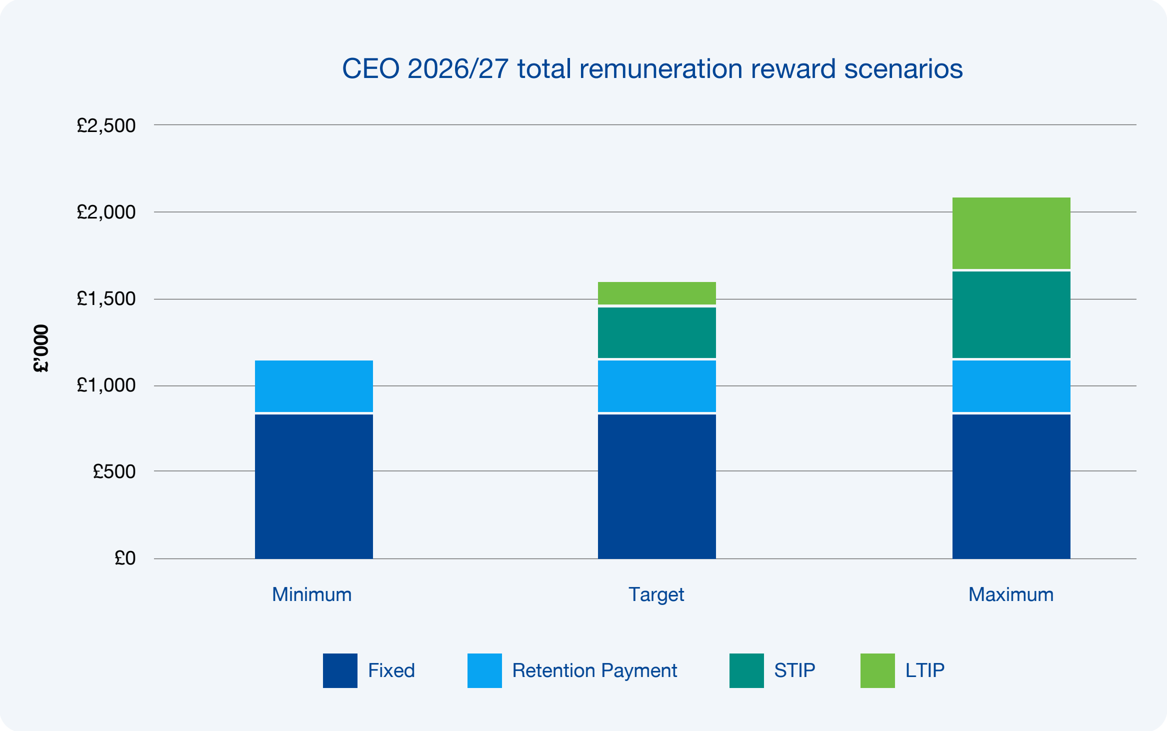
ILLUSTRATION OF CEO'S REMUNERATION

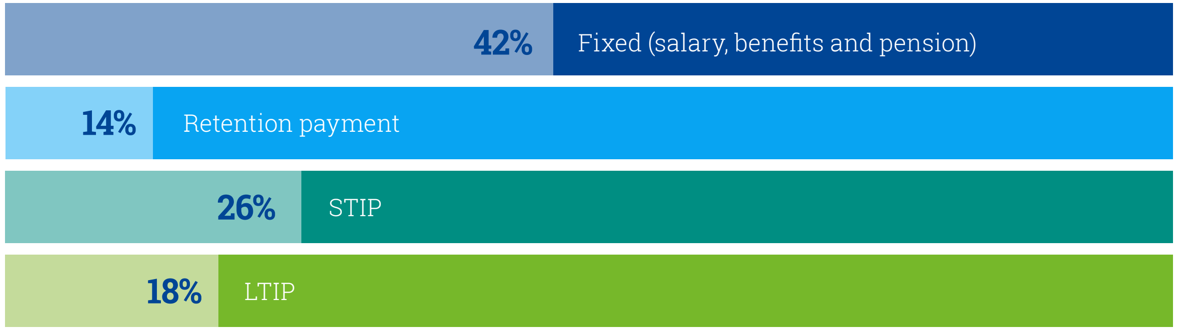
The graph (right) shows, for H Mottram:

- the fixed remuneration, which is not dependent upon performance and comprises basic salary (effective 1 January 2026), benefits in kind and pension;
- the retention payment which has been shown on an annualised basis over the AMP8 period (i.e. £300,000);
- the expected level of remuneration, reflecting a typical level of performance against targets for the STIP and LTIP (which, for the purposes of the graph, has been assumed to be 50% of the maximum); and
- the maximum level of remuneration, if all STIP and LTIP performance targets were fully achieved.

H Mottram's remuneration is shown on a consolidated basis to reflect payments from both NWL and NWGL. The cost of STIP and LTIP payments is generally apportioned 70% to NWL and 30% to NWGL, consistent with the fixed pay split; however, in the past three years the full cost has been borne by NWGL. The retention payment is fully borne by NWGL.

For H Mottram, 44% of maximum remuneration is linked to Group performance through the STIP and LTIP. Information on actual awards for the STIP and LTIP in respect of 2026 is provided on pages 109 to 111.





REMUNERATION COMMITTEE REPORT

SERVICE CONTRACTS

The service contract of the CEO has a notice period of 12 months from either side. The contract does not contain any specific provisions related to payment for loss of office. Any such payments would be at the discretion of the Remuneration Committee and would take account of the contractual notice period and any STIP payments considered to have been earned. LTIP awards will typically lapse, although the Remuneration Committee may approve payment of outstanding LTIP awards if a Director is considered to be a ‘good leaver’, for example upon retirement.

Independent Non-Executive Directors (INEDs) are engaged on a contract for services with a notice period of three months from either side. No payment is made for loss of office other than accrued fees.

The other Non-Executive Directors do not have service contracts with the Group and receive no payment from the Group.

APPROACH TO REMUNERATION ON RECRUITMENT

Newly appointed Directors are remunerated in accordance with the policy set out in this report. Service contracts for new Executive Directors have a notice period of six months from either side and for INEDs have a notice period of three months from either side.

CONSIDERATION OF SHAREHOLDER VIEWS

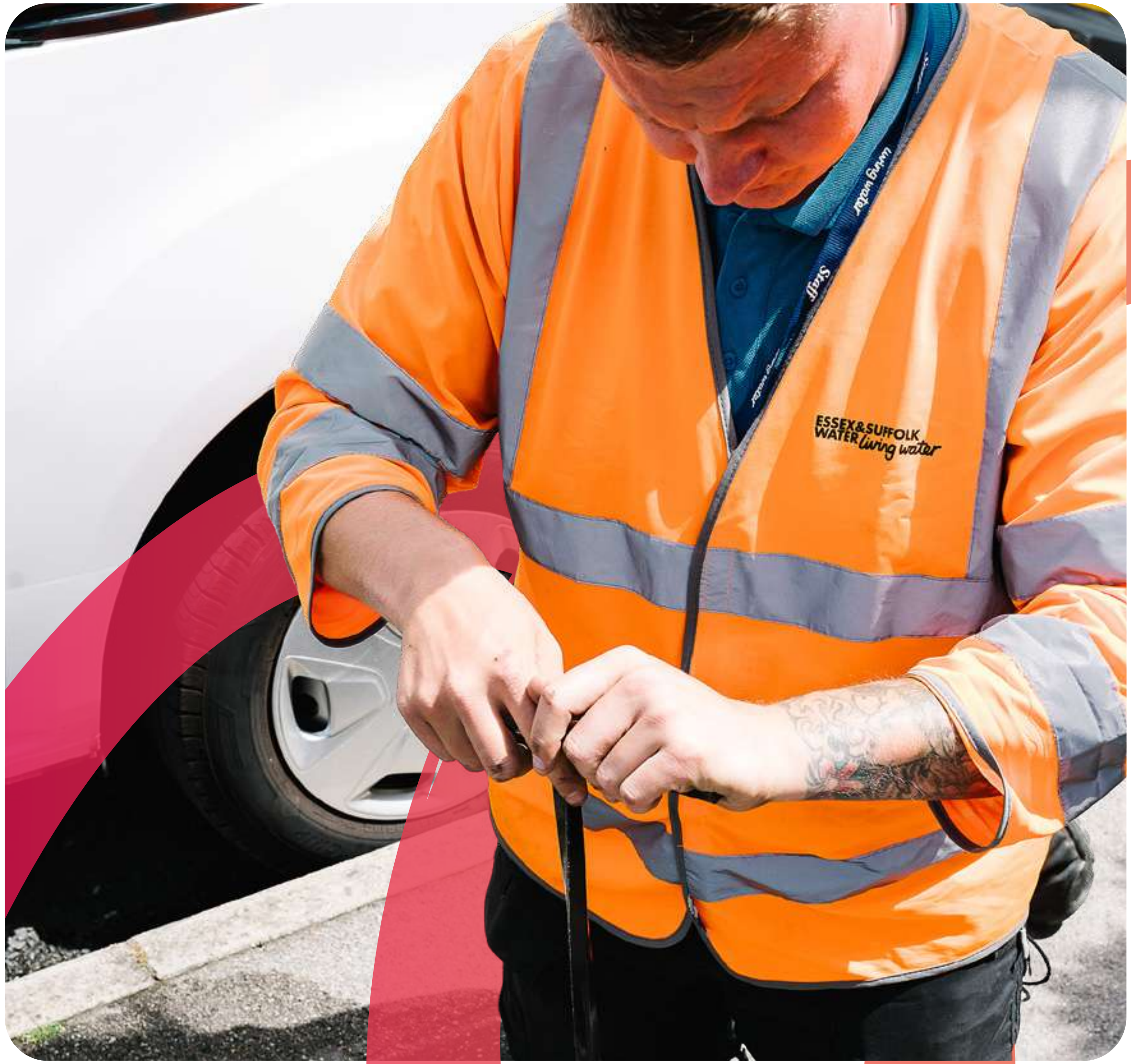
The Remuneration Committee comprises two shareholder-appointed Directors and three INEDs. In the context of a private company with NWL’s ownership structure, this ensures that the views of the shareholder are taken into account when setting executive remuneration, while also maintaining a strong independent presence on the Committee.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

The Remuneration Committee reviews Directors’ pay on an annual basis, taking account of market trend information and pay awards for the wider workforce in the Group. Whilst Directors’ remuneration is not specifically consulted on with employees, in general, annual pay awards for Directors reflect the pay awards for the workforce, which are subject to consultation under the Group’s Employee Relations Framework. The incentive pay arrangements for executives are not mirrored elsewhere, but are considered to be relatively modest in comparison with market comparisons.

NON-DIRECTOR EMPLOYEE REMUNERATION

In alignment with our commitment to fostering a purpose-driven culture, 100% of Executive Leadership Team’s and 80% of senior management’s bonus structure is linked to our STIP scorecard, which reflects our collective progress towards strategic objectives. For senior managers, the remaining 20% is linked to personal performance. Furthermore, our internal employee reward and recognition program is deeply rooted in our core values - customer focus, one team, results-driven, ethical, and innovative - thereby reinforcing the behaviours that embody our vision and purpose.



REMUNERATION COMMITTEE REPORT

Directors' remuneration in 2025/26

The table below shows the total remuneration paid by each of NWL and NWGL to Executive Directors during the year. The CEO was the only Executive Director during the year.

SINGLE TOTAL FIGURE OF REMUNERATION – EXECUTIVE DIRECTORS

	Salary or fees[1]		Benefits in kind[1]		Pension[1,2]		STIP[3]		LTIP[3,4]		Retention payment[5]		Total remuneration	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H Mottram (NWL)	523	505	9	9	58	41	-	-	-	-	-	-	590	555
H Mottram (NWGL)	225	217	4	3	24	18	-	410	-	242	300	-	553	890
Total	748	722	13	12	82	59	-	410	-	242	300	-	1,143	1,445

[1] 70% of H Mottram's salary, benefits in kind and pension were paid for by NWL and 30% by NWGL.

[2] The amounts shown in the pension column for H Mottram are cash payments in lieu of pension contributions.

[3] The STIP and LTIP payments were earned in respect of NWL activities but the cost was fully borne by NWGL, therefore none of these costs were borne by NWL customers.

[4] As reported in the annual report and financial statements for the year ended 31 March 2023, H Mottram earned an LTIP payment of £137k for the 2022/23 performance year. This award was based wholly on performance relating to the year ended 31 March 2023 and was not impacted by performance in any subsequent years. The award was deferred until early 2026 and was therefore released in full during the year.

[5] The retention payment was paid by NWGL, therefore none of these costs were borne by NWL customers. Under the retention scheme £300,000 per annum on an annualised basis will be paid over the course of AMP8.

REMUNERATION COMMITTEE REPORT

The table below shows the total remuneration paid to the Non-Executive Directors during the year.

SINGLE TOTAL FIGURE OF REMUNERATION – NON-EXECUTIVE DIRECTORS

	Salary or fees[1]		Benefits in kind		Pension		STIP		LTIP		Retention payment		Total remuneration	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A A Bryce	79	80	-	-	-	-	-	-	-	-	-	-	79	80
L S Chan[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
T K Harris[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A J Hunter[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H L Kam[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D N Macrae[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J McGlade	76	71	-	-	-	-	-	-	-	-	-	-	76	71
B C Rosewell	63	63	-	-	-	-	-	-	-	-	-	-	63	63
R G Sexton	80	81	-	-	-	-	-	-	-	-	-	-	80	81
P Vicary-Smith	63	63	-	-	-	-	-	-	-	-	-	-	63	63
Total	361	358	-	-	-	-	-	-	-	-	-	-	361	358

1 For all the Directors reported in this table, NWL paid 100% of their remuneration.

2 The Non-Executive Chairman, A J Hunter, and Non-Executive Directors L S Chan, H L Kam, D N Macrae and T K Harris receive no fees for their roles on the Board.

REMUNERATION COMMITTEE REPORT

The table below shows the total remuneration paid to the Non-Executive Directors during the year.

SINGLE TOTAL FIGURE OF REMUNERATION – NON-EXECUTIVE DIRECTORS

	Salary or fees[1]		Benefits in kind		Pension		STIP		LTIP		Retention payment		Total remuneration	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A A Bryce	79	80	-	-	-	-	-	-	-	-	-	-	79	80
L S Chan[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A J Hunter[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H L Kam[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J McGlade	76	71	-	-	-	-	-	-	-	-	-	-	76	71
B C Rosewell	63	63	-	-	-	-	-	-	-	-	-	-	63	63
R G Sexton	80	81	-	-	-	-	-	-	-	-	-	-	80	81
P Vicary-Smith	63	63	-	-	-	-	-	-	-	-	-	-	63	63
Total	361	358	-	-	-	-	-	-	-	-	-	-	361	358

1 For all the Directors reported in this table, NWL paid 100% of their remuneration.

2 The Non-Executive Chairman, A J Hunter, and Non-Executive Directors L S Chan and H L Kam, receive no fees for their roles on the Board.

REMUNERATION COMMITTEE REPORT

STIP SCORECARD MEASUREMENT

STIPs focus on near-term operational targets, incentivising yearly performance in customer service, environment, efficiency, and regulatory compliance, as well as objectives relating to people and communities. The table below shows the STIP outcome for 2025/26.

In the table we have demonstrated how stretching our targets were within the industry using the key below. We have also highlighted scorecard measures where NWL committed to more ambitious targets in 2025/26 compared to 2024/25 to continue to drive our purpose and become the leading water company in the UK.

These include our CRI target that represents a major step on a multi-year improvement programme, in an area where our performance had fallen below our usual high standards.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% or water companies in England and Wales
AA	Above Average	Performance in the best 50% or water companies in England and Wales
PC	Performance Commitment	Performance target set in our last regulatory price determination from Ofwat
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment
TP	Transformation Plan	Performance improvment plan agreed with Defra

STIP SCORECARD MEASUREMENT FOR 2025/26

Scorecard measure	Target	Performance	YOY	Achieved	Stretching targets[3]	% of total awarded	% of total STIP potential
Customer							
C-MeX (combined score)	Top 2 company	1st	higher	Yes	UQ	5	5
Unplanned interruptions > 3 hours (mm:ss per property)[1]	<=4m:45s	6m:35s	lower	No	IL/PC+	-	5
Compliance risk index (number)[1]	<=3	3.9	higher	No	UQ/TP	-	5
Internal sewer flooding (number)[1]	<=143	72	higher	Yes	UQ/PC+	5	5
Leakage NW (Mid)[1]	110.4	110.1	higher	Yes	UQ/PC	2.5	2.5
Leakage ESW (Mid)[1]	52.4	51.6	higher	Yes	UQ/PC+	2.5	2.5
Environment[2]							
Storm overflows[1]	<=19.3	17.7	higher	No	AA/PC	-	5
Discharge permit compliance (EPA)[1]	100%	98.52	higher	No	IL/PC	-	5
Pollution incidents category 1 & 2[1]	0	2 (Cat 2)	lower	No	IL/PC	-	5
Greenhouse gas emissions (ktCO_2e)	<=197.0	201.0	-	No	AA/PC+	-	5

REMUNERATION COMMITTEE REPORT

STIP SCORECARD MEASUREMENT FOR 2025/26 (cont)

Scorecard measure	Target	Performance	YOY	Achieved	Stretching targets[3]	% of total awarded	% of total STIP potential
Competitiveness							
NWGL Group EBIT	Budget	Achieved	-	Yes	N/A	20	20
NWGL Group distributions	Budget	Achieved	-	Yes	N/A	20	20
People							
Employee engagement score (Trust Index) (%)	>=78	81	higher	Yes	N/A	5	5
Lost time accidents (number)	<=6	6	higher	Yes	N/A	5	5
Communities							
Ethisphere award	Awarded	Not awarded	lower	No	N/A	-	5
Total				**8/15 met**		**65**	**100**

[1] Where stretching targets are set which are designed to achieve industry leading performance, the Remuneration Committee has agreed that if the target score is not achieved but actual performance is at an industry leading level and has shown an improvement on prior year performance, the target will be deemed to have been achieved.

[2] The Environment targets are only awarded if the Group achieves a 3* or 4* EPA rating for the year. 2025 EPA ratings have not been published at the time of reporting, therefore no award has been made against the Environment measures by RemCo.

[3] Stretching target benchmarking is based on the most recent industry data available at the time of target setting.

The balanced scorecard outcome overall was calculated as 65% of maximum. For H Mottram, whose STIP maximum is 70% of salary, this equated to 45.5% of salary.

However, in accordance with the performance-related executive pay prohibition rule, due to the undertakings agreed with Ofwat following the FFT investigation during the year, the CEO will receive no STIP payment for 2025/26.

LTIP SCORECARD MEASUREMENT

Performance targets for 2025/26 were assessed in the first year of the scheme with payment deferred until early 2029. The table below shows the LTIP outcome for 2025/26.

In the table we have demonstrated how stretching our targets were within the industry using the key below. We have also highlighted scorecard measures where NWL committed to more ambitious targets in 2025/26 compared to 2024/25 to continue to drive our purpose and become the leading water company in the UK.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% or water companies in England and Wales
AA	Above Average	Performance in the best 50% or water companies in England and Wales
PC	Performance Commitment	Performance target set in our last regulatory price determination from Ofwat
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment
TP	Transformation Plan	Performance improvment plan agreed with Defra

REMUNERATION COMMITTEE REPORT

LTIP SCORECARD MEASUREMENT FOR 2025/26

Scorecard measure	Target	Performance	YOY	Achieved	Stretching targets[1]	% of total awarded	% of total STIP potential
Customer and environment							
C-MeX (combined score)	Top 2 company	Top 2 company	higher	Yes	UQ	10	10
Unplanned interruptions >3 hours (mm:sss per property)	<=4m:45s	6m:35s	lower	No	IL/PC+	-	10
Compliance Risk Index (number)	<=3	3.9	higher	No	UQ/TP	-	10
Internal sewer flooding (number)	<=143	72	lower	Yes	UQ/PC+	10	10
Leakage NW (Mid)	110.4	110.1	higher	Yes	UQ/PC	5	5
Leakage ESW (Mid)	52.4	51.6	higher	Yes	UQ/PC+	5	5
Pollution incidents category 1 & 2	0	2 (Cat 2)	lower	No	IL	-	10
Competitiveness							
NWGL Group profit after tax	Budget	Achieved	-	Yes	N/A	20	20
NWGL Group distributions	Budget	Achieved	-	Yes	N/A	18.47	20
Total				**6/9 met**		**68.47**	**100**

[1] Stretching target benchmarking is based on the most recent industry data available at the time of target setting.

The balanced scorecard outcome overall was calculated as 68.47% of maximum. For H Mottram, whose LTIP maximum is 50% of salary, this equated to 34% of salary. However, as with the bonus, in accordance with the performance-related executive pay prohibition rule, due to the FFT investigation during the year, the CEO will receive no LTIP payment for 2025/26.

REMUNERATION COMMITTEE REPORT

CEO remuneration compared to the company

The RemCo is committed to comparing CEO remuneration against the wider organisation and ensuring remuneration policies and practices throughout. Northumbrian Water continue to be accredited as a Living Wage Employer, ensuring that every employee in the Company earns at least the Real Living Wage, an hourly rate set independently and calculated according to the basic cost of living continues for the UK.

Percentage change

The table below shows the change in remuneration for 2025/26 compared to 2024/25 for the CEO and for other employees. In order to make a meaningful comparison, 'other employees' includes only those who have been employed for the full two-year period and excludes senior management whose remuneration is set by the Remuneration Committee.

STIP has been compared to the annual bonus paid to the senior management cohort and only reflects the proportion earned in relation to NWL activities.

	Change in CEO remuneration	Change in other employees' remuneration
Salaries and fees	3.6%	6.1%
Benefits in kind	4.6%	(14.9%)
STIP / annual bonus	(100%)	(1.0%)

CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 introduced new legislation in respect of reporting ratio of CEO pay compared to other employees. The table below shows this information produced in accordance with the legislation.

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
2026	Option A	16:1	12:1	9:1
2025	Option A	27:1	20:1	16:1
2024	Option A	25:1	19:1	15:1
2023	Option A	24:1	19:1	16:1
2022	Option A	21:1	16:1	13:1
2021	Option A	21:1	16:1	13:1
2020	Option A	20:1	16:1	12:1
2019	Option A	22:1	17:1	14:1

The Group has chosen Option A (as set out in the said Regulations) for calculating the pay ratio on the basis that it represents the most complete data set. The employees representing each of the percentiles were based on the full year remuneration of people employed throughout the year. Option A, the value of the full-year remuneration of each relevant employee is listed in order from lowest to highest and the values at the 25th, 50th and 75th percentile points identified.

	25th percentile employee	Median pay employee £'000	75th percentile employee
Salary component of pay and benefits	31	29	43
Total pay and benefits	38	50	63

REMUNERATION COMMITTEE REPORT

Remuneration over time

Over the past ten years, the basic salary of the CEO has increased by the same as, or less than, the average pay award for the majority of employees each year, with the exception of a one-off pay review in 2022. Over the same period, the maximum potential bonus available under the STIP and LTIP has remained a constant proportion of salary. An average award of 58% has been made for the STIP and 37% for the LTIP over the period with both at zero for 2025/26.

Relative importance of spend on pay

The table below shows total employee costs and dividends paid in the current and prior years, and the year-on-year change.

	2026 £'m	2025 £'m	Change %
Employee costs (note 6)	224.3	181.6	23.5%
Dividends (note 9)	46.3	40.4	14.6%

REMUNERATION COMMITTEE REPORT

2026/27 remuneration targets

2026/27 STIP SCORECARD MEASURE

The STIP measures and targets for the 2026/27 scheme are shown in the table below.
No changes have been made to the overall structure of the STIP for 2026/27.

In the table we've demonstrated how stretching our targets are within the industry using the key below. We've also highlighted scorecard measures where NWL has committed to more ambitious targets in 2026/27 compared to 2025/26 to continue to drive our purpose and become the leading water company in the UK.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% or water companies in England and Wales
AA	Above Average	Performance in the best 50% or water companies in England and Wales
PC	Performance Commitment	Performance target set in our last regulatory price determination from Ofwat
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment
TP	Transformation Plan	Performance improvment plan agreed with Defra

Scorecard measure	Target	Stretching targets[3]	% of total L TIP potential
Customer			
C-MeX (combined score)	Top 2 company	UQ	5
Unplanned interruptions >3 hours (mm:ss per property)[1]	<=4m:43s	UQ	5
Compliance Risk Index (score)[1]	<=3	AA	5
Internal sewer flooding (number)[1]	<=135	UQ	5
Leakage NW (Mld)[1]	<=110.4	UQ	2.5
Leakage ESW (Mld)[1]	<=52.2	IL	2.5
Environment[2]			
Storm overflows[1]	<=18.39	AA/PC	20
Discharge permit compliance (EPA)[1]	100%	IL	5
Pollution incidents category 1 & 2[1]	0	IL	5
Greenhouse gas emissions (ktCO_2e)	<=195.881	PC	5

[1] Where stretching targets are set which are designed to achieve industry leading performance, the Remuneration Committee has agreed that if the target score is not achieved but actual performance is at an industry leading level and has shown an improvement on prior year performance, the target will be deemed to have been achieved.

[2] The Environment targets are only awarded if the Group achieves a 3* or 4* EPA rating for the year.

[3] Stretching target benchmarking is based on the most recent industry data available at the time of target setting.

REMUNERATION COMMITTEE REPORT

2026/27 LTIP SCORECARD MEASURE

The LTIP measures and targets for the 2026/27 scheme are shown in the table below. The overall structure of the LTIP will operate broadly as it did for the prior year. However, to reflect the Board's priority of reducing storm overflows, this has been introduced as a specific measure for 2026/27, with a corresponding reduction in the weightings of the unplanned interruptions and internal sewer flooding measures to allow for this. All of the measures are internal and set at stretching levels so as to drive year-on-year performance improvements on a path to delivery of our 'national leader' vision. This means that they are often more stretching than the regulatory PCs reported in the APR.

In the table we've demonstrated how stretching our targets are within the industry using the key below. We have also highlighted scorecard measures where NWL has committed to more ambitious targets in 2026/27 compared to 2025/26 to continue to drive our purpose and become the leading water company in the UK.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% or water companies in England and Wales
AA	Above Average	Performance in the best 50% or water companies in England and Wales
PC	Performance Commitment	Performance target set in our last regulatory price determination from Ofwat
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment
TP	Transformation Plan	Performance improvment plan agreed with Defra

Scorecard measure	Target	Stretching targets[1]	% of total STIP potential
Customer and Environment			
C-MeX (combined score)	Top 2 company	UQ	10
Unplanned interruptions >3 hours (mm:ss per property)	<=4m:43s	UQ	5
Compliance risk index (number)	<=3	AA	10
Internal sewer flooding (number)	<135	UQ	7.5
Leakage – NW (Mld)	<=110.4	UQ	5
Leakage – ESW (Mld)	<=52.2	IL	5
Pollution incidents category 1 & 2	0	IL	10
Storm overflows (number)	<=18.39	AA/PC	7.5
Competitiveness			
NWGL group profit after tax	Budget	N/A	20
NWGL Group distributions	Budget	N/A	20
TOTAL			**100**

[1] Stretching target benchmarking is based on the most recent industry data available at the time of target setting.

Directors' Report

Directors' report

THE DIRECTORS

The Directors who served during the year, and to the date of signing, are listed on pages 79 to 81 of the Governance Report.

DISCLOSURES PROVIDED IN THE STRATEGIC REPORT

Future developments which may impact on the Group are described in the CEO's Report and in the Strategic Report.

Our approach to research and innovation is described in the Performance Review section of our Strategic Report under the Competitiveness heading and the costs of research and development are disclosed in note 3 of the Financial Statements.

Our policies in respect of the employment of disabled persons are set out in the Performance Review section of our Strategic Report under Diversity and Equal opportunities on page 38.

Information on results and dividends and capital structure and equity are contained in the Financial Performance and Structure section of the Strategic Report. Our policies in relation to the use of financial instruments and treasury operations are set out in the same section under the 'Treasury policies' heading.

The Companies (Miscellaneous Reporting) Regulations 2018, effective for years beginning on or after 1 January 2019, set out revised requirements for reporting on engagement with employees, suppliers, customers and others in a business relationship with the Group. Our approach to stakeholder engagement is set out in the Our Stakeholders section of our Strategic Report on pages 68 to 70, and summarised on our Section 172 Statement on pages 71 to 73.

Further information in relation to employee engagement is set out in the Performance Review section of our Strategic Report under the People heading on pages 37 to 40.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Group's corporate governance arrangements are described on pages 82 to 86 of the Governance Report. In accordance with the requirements of our Licence, we report our corporate governance arrangements against the 2019 Objectives set by Ofwat. We also report compliance with the Wates Principles, which are appropriate for large privately owned companies.

POLITICAL DONATIONS

NWL does not support any political party and we do not, directly or through any subsidiary, make what are commonly regarded as donations to any political party or other political organisation. However, the wide definition of donations in the Political Parties, Elections and Referendums Act 2000 covers activities which form part of the necessary relationship between the Group and political parties and political organisations. These activities include attending party conferences, as these provide the best opportunity to meet a range of stakeholders, both national and local, to explain our activities, as well as local meetings with MPs and their agents. During the year Group Representatives also attended the party conferences of the Labour and Conservative parties.

NWL **does not support** any political party and **we do not**, directly or through any subsidiary, make what are commonly regarded as **donations to any political party or other political organisation**.

ENERGY AND CARBON REPORTING

For our regulatory performance, emissions are calculated for the appointed business (the assets and operations regulated under the Water Industry Act). Our 'operational' emissions, which cover scope 1, Scope 2 and a limited set of scope 3 emissions are subject to a regulatory performance commitment.

In addition to our operational emissions, we also report additional scope 3 categories which allow us to estimate our total emissions inventory covering our own direct emissions and our upstream supply chain.

In reporting our operational emissions, we use the industry-standard approach (the UK Water Industry Research Ltd Carbon Accounting Workbook) using 'location-based' reporting which does not allow for the purchase of green energy through the electricity and gas networks.

Our performance is given in the table opposite. These emissions have been externally assured in accordance with ISO 14064-1.

This year there are material changes to the methodology and scope of the emissions we report. This means that this year will become the baseline year. We have provided the emissions for 2024/25 as well as the current reporting year despite the following significant differences:

For 2025/26, the sector, in agreement with industry regulator Ofwat, adopted an updated emissions factor for nitrous oxide (N_2O) emissions arising from the wastewater treatment process. This reflects the latest Intergovernmental Panel on Climate Change (IPCC) guidance and aligns the sector with the most up-to-date scientific evidence.

This increases our reported process emissions significantly (from 27ktCO_2e to 126kTCO_2e despite no significant changes on the ground).

We continue to improve our processes for the chemicals we purchase, our Capital (construction) programme and wider purchased goods. Significant changes to emissions factors and the quality of the data we record has changed our reported emissions in this area (although it should be noted that our Capital programme has also experienced real growth).

		Performance (tC0^{2}e)	
	Discription	2024/25	2025/26
Scope 1	Burning of fossil fuels	39,336	33,207
	Process and fugitive emissions	27,015	126,186
	Vehicle transport	6,631	6,879
Scope 2	Purchased electricity	69,739	63,273
	Electric vehicles	0	1
Scope 3	Business travel	895	549
	Outsourced activities	2,830	636
	Purchased electricity; extraction, production, transmission and distribution	22,961	24,451
	Purchased fuels; extraction, production, transmission and distribution	8,600	7,653
	Chemicals	33,963	29,784
	Disposal of waste	4,327	2,227
Gross Operational Emissions		216,298	294,845
Exports	Exported renewable energy from solar, hydro and biogas	-314	-412
	Exported biomethane	-22,814	-23,067
Net Operational Emissions		193,170	271,366
Additional Scope 3	Waste related services	7,014	5,255
	Capital projects	99,180	216,906
	Purchased goods and services	74,724	97,349
NWL's Total Inventory (upstream and supply chain):		374,088	590,876

In 2025/26 the Group used 650GWh of energy including:

- 404GWh of grid-supplied electricity used for pumping, treatment and support functions.
- 178GWh of natural gas used for treatment and support functions.
- 35GWh of road fuels.

In 2024/25 the Group used 613GWh of energy including:

- 340GWh of grid-supplied electricity used for pumping, treatment and support functions.
- 205GWh of natural gas used for treatment and support functions.
- 34GWh of road fuels used (2019/20: 38GWh).

Excluded from the above energy date is biogas produced by the company and used on-site, this totalled 30GWh and 27GWh in 2025/26 and 2024/25 respectively.

We also monitor the emissions intensity of our regulatory operations using three measures, one relating to the water service and two for wastewater. These measures can vary depending on emissions performance and external factors such as rainfall or customer demand. Again, as this is the first year of a new measurement approach, no baseline comparator is given. This reporting year (2025/26) will become the baseline for future reporting.

Intensity metric	Performance (tCO_2e) 2024/25	Performance (tCO_2e) 2024/25
Operational GHG emissions per Ml of treated water	120.20	107.81
Operational GHG emissions per Ml of sewage treated (Flow to Full Treatment)	247.19	548.28

DIRECTORS' INDEMNIFICATION

The Group has maintained Directors' and Officers' (D&O) insurance cover throughout the year to 31 March 2026, provided under group-wide D&O insurance placed by CKHH.

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

DIRECTORS' STATEMENT

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

AUDITOR

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

FINANCIAL STATEMENTS PREPARATION AND GOING CONCERN

The Directors confirm that, in their opinion, the Group has sufficient financial resources and facilities available to enable it to carry out its activities for at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

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

- The financial strength of the Group at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in April 2026.
- The fact both Moody's (in April 2026) and Fitch (in June 2026) have stabilised their outlooks on NWL and affirmed their credit ratings of the appointee at Baa1 and BBB+ respectively.
- The key financial ratios over the next 12 month planning horizon, as reflected in investment grade credit ratings.
- Shareholder support demonstrated through a £400 million equity injection on 31 March 2026.
- The $500m in uncommitted Private Placement Shelf Facilities the Group signed into with US investors in June 2026; committed bank ;"facilities providing liquidity support with £600m available, maturing in April 2028 with extension options to April 2030, of which £nil was drawn at 31 March 2026.
- The £6 billion EMTN programme, which the Group is in the process of renewing, of which £1.6 billion has been utilised to date, and the near-term Financing Plan, approved by the Board in April 2026, which is expected to enable the Group to raise sufficient debt financing to meet its forecast funding requirements for a period of at least 12 months from the date of approval of these financial statements.
- The Group's formal governance and risk management arrangements which are monitored by the Audit Committee, R&CSC and Board.

In making this assessment, the Board has considered the Group's cash flow forecasts and funding requirements over the going concern assessment period of at least 12 months from the date of approval of these financial statements, as well as over the short and medium term, consistent with the longer-term baseline plan assessed for the viability statement (see page 121). This assessment takes into account operational, capital investment and debt refinancing requirements, including the maturity of existing borrowings and derivatives of £300m in October 2026 and c.£150m in June 2027, which have been incorporated into the Group's funding and liquidity planning.

Over the going concern assessment period of at least 12 months from the date of approval of these financial statements, the directors expect the Group to have sufficient funding and liquidity available to meet its obligations. This expectation includes planned debt issuance under a Board-approved funding plan for the remainder of 2026. The directors also recognise that additional financing may be raised during the period as part of normal treasury activities and prudent liquidity planning. This reflects the strengthening of the Group's liquidity position during the year, including the £400 million equity injection completed on 31 March 2026, which has materially strengthened the balance sheet.

For the going concern and viability statement assessments, the Board has considered a range of adverse scenarios, detailed on pages 121 to 125. The Board would not expect any of the scenarios to have a material impact on the availability or cost of borrowing. If required, the Board would consider mitigating actions which could include deferral of capital investment and reduction of dividend payments.

VIABILITY STATEMENT

The Directors confirm the Company's long-term financial resilience while recognising that the scale of future investment requirements, together with the PR24 FD, as updated by the CMA FD, is expected to place increasing pressure on financial metrics over time. The Company remains financially resilient and well positioned for AMP8, although maintaining resilience beyond this period will depend on a combination of strong performance, an investable regulatory framework and where required, appropriate mitigating actions.

Financial forecasts over longer-term timeframes are inherently subject to greater uncertainty. As set out above, the Directors have confirmed that the business remains a going concern.

In considering longer-term viability, the Directors note that the regulatory framework for AMP8 has now been finalised through the CMA process. The outcome provides a framework within which the Company can deliver its AMP8 obligations, although it continues to present significant challenges, given the scale of investment required and the balance between funding allowances, risks and returns. As investment requirements increase through AMP8 and into AMP9 these factors are expected to place greater pressure on financial metrics and financeability.

In the most recent full regulatory period, the sector had to spend some c.£10bn more than the cost allowances provided and incurred some c.£2bn of service performance penalties (in current prices). Average returns to regulated equity were correspondingly just 1.7% over the period, compared to the expected allowed returns of 4.1% set in the PR19 determinations. This experience demonstrates that the PR19 settlement was quite clearly miscalibrated. We further note that the independent rating agencies have now downgraded the regulatory regime twice across two successive price reviews.

This statement and the supporting analysis reflect the CMA Final Determination for the 2026-30 period and updated forecasts of our capital investment requirements for 2030-35, consistent with our long-term strategy. The longer-term outlook remains subject to future regulatory determinations, including Ofwat's PR29 review. The Directors' assessment assumes that future price controls will provide an appropriate balance of risk and return, enabling efficient companies to finance their functions, deliver required investment and meet service obligations, consistent with Ofwat's statutory duties. We recognise that the recent Water White Paper sets out the UK Government's intention to create a single regulator but also its commitment to establishing an investable framework and we hope that reform is implemented in a way that seeks to retain and improve the investability of the regime. As part of this we envisage that the new regulator will have at least the same level of independence from Government as the current model.

In March 2026, shareholders provided £400m of equity, fully meeting their obligations under condition P, to ensure that the business has sufficient resources to carry out its functions as the ultimate controllers of the company. This equity investment also materially strengthens the Company's financial position to support the substantial investment programme through to 2030. We note that the provision of such a large equity contribution is atypical and should not automatically be assumed as the default position; equity investors will always seek a fair return for the investment that they provide and these returns have been substantially under pressure in the UK Water sector currently, as explained above.

Public confidence also plays an important role in long-term viability. A loss of trust in the sector could affect customer engagement and willingness to pay, particularly in a period of rising bills linked to increased investment. In this context, there is a role for both the Company and the regulator to provide clear, balanced and transparent information on performance, and to support public understanding of the need for significant long-term investment programmes, including where these may involve short-term impacts for customers to deliver sustainable outcomes over time.

Looking ahead, maintaining financial resilience will depend on the evolution of the regulatory and financial environment, alongside continued operational and financial discipline.

The Directors have assessed the future prospects of the Group and consider that it should be able to manage its risks, continue to operate and meet its liabilities as they fall due over the period to March 2035, given the long-term nature of the business. This is heavily dependent upon the regulatory framework and the implementation of reforms in a way that is consistent with the UK Government's stated objective of providing an investable framework.

Whilst the Directors consider that the business remains financeable with respect to its debt obligations and credit ratings through to 2029-30, the Board recognises that factors such as the scale and pace of the enhancement investment programme, the balance between current and future customers, and the return on capital are substantially influenced by the regulatory and policy framework set by the regulators and government. These factors, each of which has a material impact on the financeability of the business from both a debt and equity perspective, are not wholly within the control of the Board.

This confirmation is given based on the latest information and evidence available to NWL.

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

- the Licence which is in place
- the controls and protections provided by the (current) regulatory regime including the fact that Ofwat is a body corporate and therefore fully independent from Government and has a primary duty to ensure that efficient companies are able to finance their functions, including earning a reasonable return on the capital invested;
- revenue from wholesale and household retail price controls to March 2030, initially based on the PR24 FD and updated for the CMA Final Determination;
- the financial strength of the Group at the balance sheet date and the fact that the Group has a £600m committed bank facility as back up liquidity, of which £nil was drawn at 31 March 2026, maturing in April 2028 with options to extend until April 2030;
- the £6bn EMTN programme, renewed in March 2025, of which £1.6bn has been utilised to date, which enables the Group to raise new financing in a timely manner as required;
- the key financial ratios over the planning horizon of the Group's financial forecast to March 2030 and extended forecast to March 2035, as reflected in investment grade credit ratings;

- the submitted PR24 business plan, together with the MTP (updated for the CMA Final Determination), and ongoing activities to address the deliverability and financeability challenges arising from the increased scale of the AMP8 capital programme;
- the Board's dividend policy;
- Shareholder support demonstrated through a £400m equity injection on 31 March 2026;
- the principal risks and uncertainties facing the Group and the mitigating controls, as described on pages 62 to 67 of the NWL Annual Report & Financial Statements, which are monitored by the Audit Committee, R&CSC and Board; and
- the work of the Audit Committee, on behalf of the Board, to review and approve the baseline plan and stress test scenarios and to review the outputs of the stress testing in the context of the Group's financial resilience.

To support the Directors in their assessment of viability, the Audit Committee carried out a thorough review process.

This included, for example, discussing and approving appropriate updates to the Board approved plan to reflect latest economic projections and discussing an appropriate forward testing period.
This concluded that the base forward plan should be updated to reflect the CMA Final Determination and latest inflation forecasts.

The Audit Committee also discussed and approved the range and severity of stress test scenarios to be applied to the baseline plan, taking account of the principal risks of the business.

The stress tests are set out in detail below.
The Audit Committee then reviewed the detailed outcomes of the stress testing and the potential impact on the Group's key financial ratios and discussed appropriate mitigating actions which could be taken if the need arose. Following this process, the Audit Committee recommended approval of the viability statement to the Board.

The Directors have chosen a period of 9 years to March 2035 to assess the viability of the Group

This period has been chosen to align with the regulatory price review period to March 2030 and forecasts for the following price review to March 2035, which are consistent with our long-term strategy. While the Directors do not believe that it is possible to test financial resilience beyond March 2030 to the same level of robust detail, given uncertainty of capital investment, revenue and returns past this point, they have performed an assessment of viability beyond the PR24 price control period against an extended plan applying reasonable assumptions for the PR29 price review, which include a sufficient rate of return to enable the Company to finance its functions. Whilst the investment horizon in the sector is around 20 years, following the concept of asset and liability matching, the Board considered that nine years is a long-term and pragmatic period over which reasonable judgements about the future can be made.

The financial forecast has been stress tested under a number of severe adverse scenarios linked to the Group's principal risks.

The scenarios were selected after considering the principal risks and uncertainties facing the Group and the key economic and financial variables which could impact on the forecast. The combined impact of multiple scenarios has also been tested.

The stress tests were assessed in the context of NWL's overarching financial objective of maintaining financial resilience and viability. For the purposes of this assessment, financial resilience is defined by reference to the Group's ability to maintain credit ratings of at least BBB/Baa2. This is considered the minimum level acceptable to the Board, as it maintains headroom above dividend lock-up thresholds and supports continued access to debt markets on acceptable terms.

The stress testing has been calibrated to the Board's target credit quality of BBB+/Baa1, with downside scenarios assessing the extent to which adverse conditions could erode headroom, including to a BBB/Baa2 level, which represents the minimum level considered acceptable by the Board.

This approach remains consistent with the requirement under the Company's Licence to maintain investment grade credit ratings.

In addition, the Board monitors regulatory gearing as a key internal financial metric, with a target of maintaining gearing below c. 70% (reflecting the updated rating agency guidance following its most recent downgrade of the regime) and considers this alongside other financial indicators when assessing financial strength. While the viability statement relates specifically to NWL, both rating agencies take account of NWGL metrics in their methodologies therefore, the impact on both NWL and NWGL financial plans have been considered.

The table below sets out the stress tests performed, how they map to the principal risks, the severity of the adverse scenarios applied, the outcome in the context of the key financial ratios and potential mitigating actions where required.

<table>
<tr><th>Ref</th><th>Stress test</th><th>Principal risk</th><th>Scenarios</th><th>Outcome</th><th>Mitigation</th></tr>
<tr><td>1</td><td>Lower inflation, reducing allowed revenue and RCV growth</td><td>Regulatory and political changes</td><td>1% per annum lower than base forecast, sustained over period</td><td>No material impact on credit ratios in AMP8.
Increased gearing into AMP9, though remaining within.</td><td>Strong cost management
Board's dividend policy</td></tr>
<tr><td>2</td><td>Increased borrowing costs for raising new and refinanced debt</td><td>Regulatory and political changes
Funding and liquidity risk
Financial performanc</td><td>2% higher than base forecast</td><td>Lower interest cover across the period which, without mitigation, could result in a credit rating downgrade in AMP8.
Increased gearing into AMP9, should be partially mitigated by higher allowed cost of debt at PR29.</td><td>Strong cost management
Efficient financing and index-linked debt
Engagement with rating agencies
Board's dividend policy
Additional equity raising</td></tr>
<tr><td>3</td><td>Defined benefit pension scheme deficit increases impacting credit ratios.</td><td>Regulatory and political changes</td><td>Additional £100 million deficit</td><td>No material impact on gearing or credit ratios.</td><td>None required</td></tr>
<tr><td>4</td><td>Higher operating costs, reflecting costs of delivering service levels to customers and the environment</td><td>Customer and stakeholder trust and confidence
Water/wastewater service failure
Supply chain failure</td><td>10% increase in current planned spend</td><td>Lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.</td><td>Strong cost management
Outcome performance focus
Efficient financing</td></tr>
<tr><td>5</td><td>Higher capital costs, reflecting input cost pressures and maintaining asset health</td><td rowspan="2">Asset health deterioration
Effect of climate change
Regulatory and political changes
Financial performanc</td><td>10% increase in current planned investment</td><td>No material impact on credit ratios in AMP8.
Increased gearing into AMP9 which, without mitigation, could result in a credit rating downgrade, though still at investment grade.</td><td rowspan="2">Engagement with rating agencies
Board's dividend policy
Additional equity raising</td></tr>
<tr><td>6</td><td>Higher totex costs</td><td>Combination of scenarios 4 and 5</td><td>Increased gearing and lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.</td></tr>
</table>

Ref	Stress test	Principal risk	Scenarios	Outcome	Mitigation
7	Impact of incident crystallising one of the principal risks identified on pages 62 to 67 of the NWL Annual Report and Financial Statements	Water/wastewater service failure Cyber security Asset health deterioration	One off impact of £50m operating cost	No material sustained impact on gearing or credit ratios. Short-term impact on interest cover with potential reputational consequences over the longer term.	None required (Outcome performance focus maintained)
8	Regulatory penalty for poor performance or non-compliance with obligations	Health & safety Water/wastewater service failure Asset health deterioration	One off penalty of 10% of regulated revenue	Short-term reduction in interest cover but no material sustained impact on gearing or credit ratios. Reputational impact could affect stakeholder confidence over the longer term.	None required (Outcome performance focus maintained)
9	Sustained deterioration in household revenue collection due to cost of living pressures	Customer and stakeholder trust and confidence	Up to 2% pa	No material impact on gearing or credit ratios.	None required
10	Net ODI penalty; significant penalty in one year due to failures to meet regulatory PCs	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	3% of RoRE	Short-term reduction in credit metrics but no material sustained impact on gearing or credit ratios	None required (Outcome performance focus maintained)
11	Net ODI penalty; sustained under-performance over period	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	1% of RoRE each year	Moderate pressure on interest cover across AMP8. Increased gearing into AMP9 which, without mitigation, could result in a credit rating downgrade though still at investment grade.	Outcome performance focus Engagement with rating agencies Board's dividend policy Additional equity raising

Ref	Stress test	Principal risk	Scenarios	Outcome	Mitigation
12	Gated capex	Customer and stakeholder trust and confidence Water/wastewater service failure Asset health deterioration Regulatory and political changes	Delivery of gated capex, aligned to the values and delivery profile in the PR24 cost change process submission of 2026.	No material impact on credit ratios in AMP8. Increased gearing into AMP9 which, without mitigation, could result in a credit rating downgrade, though still at investment grade.	Strong cost management Efficient financing Engagement with rating agencies Board's dividend policy Additional equity raising
13	Combined impact of adverse economic movements		Scenarios 1, and 2	Lower interest cover and increased gearing which, without mitigation, could result in a credit rating downgrade in AMP8. Material increase in gearing into AMP9, partially offset by higher allowed returns at PR29.	Strong cost management Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising
14	Combined impact of adverse company performance		Scenarios 6, 8 and 10	Increased gearing and lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.	Strong cost management Outcome performance focus Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising
15	Combined impact of gated capex and higher capital costs		Scenarios 5 and 12	Significant increase in gearing and lower interest cover, particularly into AMP9, which without mitigation could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.	Strong cost management Outcome performance focus Efficient financing Engagement with rating agencies Board's dividend policy Additional equity raising

The baseline plan is compatible with retaining the Group's investment grade credit ratings.

None of the stress test scenarios individually undermine the Group's long term financial resilience. However, a number of adverse scenarios, particularly those involving higher operating and capital costs, a sustained increase in the cost of raising new finance, sustained ODI penalties and the delivery of gated capital investment, indicate ongoing pressure on key credit metrics.

A number of these scenarios, including higher operating costs, increased capital investment and increased financing costs, are considered plausible in the current economic climate and regulatory environment, where cost pressures, delivery expectations and investment requirements remain elevated and have been widespread in the most recent regulatory period. In these scenarios, there is a risk of a credit rating downgrade and, in more severe cases, potential dividend lock-up, though metrics remain consistent with investment grade.

Combined downside scenarios, notably those incorporating both increased capital investment and gated delivery, demonstrate a more pronounced deterioration in gearing and interest cover, particularly into AMP9, and would require mitigating actions to maintain financial resilience.

In the Board's opinion, even under these more severe scenarios, the Group is not projected to fall below investment grade credit ratings.

To the extent that any of these scenarios, individually or in combination, place the retention of the Group's investment grade credit rating or liquidity position at risk, the Board would seek to take a range of mitigating actions.

These include:

- **Strong cost management** - enhanced controls over discretionary expenditure and careful phasing of capital investment, while protecting investment to meet core legal obligations.
- **Outcome performance focus** - continued focus on delivering regulatory performance commitments to benefit customers and the environment and to generate net rewards / avoid penalties.
- **Efficient financing** – maintain a flexibe and efficient approach to new debt financing to manage interest costs, including increased proportion of index-linked debt if appropriate.
- **Alternative financing approaches** – where required, consideration of alternative liquidity options, such as extending revolving credit facilities or other short term funding arrangements.
- **Engagement with rating agencies** – proactive and transparent engagement to support informed and balanced assessments of credit quality.
- **Application of the Board's dividend policy** – ensuring flexibility to retain cash within NWL where appropriate to support financial resilience.
- **Shareholder support** - engagement with shareholders, where appropriate, in relation to potential equity support.

Financial resilience and forward outlook

The Directors have considered the Company's financial resilience in the context of both AMP8 delivery and longer-term investment requirements.

During AMP8, shareholders have demonstrated strong support for the business, including the provision of £400 million of equity in March 2026. This represents a significant commitment and has strengthened the Company's financial resilience, ensuring that it remains well-positioned to deliver its obligations through to 2029/30.

As a result, the Company is in a robust position for the remainder of AMP8. However, looking ahead, the scale of investment required across AMP8 and into AMP9, together with evolving cost and performance expectations, is expected to place increasing pressure on financial metrics. The Company's current modelling indicates that additional equity may be required over the longer term to support anticipated investment needs, particularly where capital delivery is aligned with long-term strategies and sector investment requirements.

The Company continues to see pressure arising from a combination of factors, including:

- increasing operating and capital cost pressures;
- the scale and complexity of the investment programme; and
- a more high-powered incentive framework.

Notwithstanding these pressures, the Company has consistently demonstrated strong operational and financial performance. This highlights the importance of an appropriately calibrated regulatory framework which supports the financeability of an efficient notional company, particularly in the context of increasing sector-wide investment requirements.

The regulatory framework for PR24 includes a number of mechanisms intended to mitigate cost uncertainty and volatility, including cost adjustment and indexation mechanisms. While these are expected to offset some of the pressures identified, their full impact will become clearer over time.

Recent regulatory outcomes have improved allowed returns relative to earlier stages of the price review process. However, returns remain comparatively modest in the context of the scale of investment required. Evidence from recent market transactions indicates that, while equity continues to be raised in the sector, this may in several cases be at levels below regulatory capital value, suggesting a degree of investor caution.

Maintaining financial resilience over the longer term will depend on:

- continued strong operational and financial performance;
- a stable and predictable regulatory environment; and
- a framework which supports ongoing investment and, where required, enables equity to be raised on a sustainable basis.

Shareholders have demonstrated a clear track record of support and remain engaged with the Company's long-term funding requirements. The Board therefore remains confident that taking into account the specific circumstances, appropriate actions would be taken to maintain the Company's financial resilience.

FAIR, BALANCED AND UNDERSTANDABLE

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's performance, business model and strategy. In reaching this conclusion, the Board has taken advice from the Audit Committee which has considered the process by which the Annual Report and Financial Statements has been produced as well as reviewing and commenting on the Report.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Group Financial Statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company Financial Statements, the Directors are required to:

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

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records which 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board and signed on its behalf:

R Somerville

Richard Somerville,
Company Secretary,
15 July 2026

Registered office
Northumbria House
Abbey Road, Pity Me
Durham DH1 5FJ
Registered in England and Wales
Registered no: 02366703

Richard Somerville, Company Secretary

Financial statements

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2026

	Note	2026 £'m	2025 £'m
Continuing operations			
Revenue	2	1,182.0	1,017.2
Operating costs	3	(798.7)	(726.3)
Operating profit		383.3	290.9
Finance costs	7	(214.8)	(183.7)
Finance income	7	5.0	6.5
Net finance costs		(209.8)	(177.2)
Profit before taxation		173.5	113.7
Taxation	8(a)	(45.1)	(29.4)
Profit for the year attributable to the shareholder of the Company		128.4	84.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2026

	Note	2026 £'m	2025 £'m
Profit for the year		128.4	84.3
Items that will not be reclassified subsequently to the income statement:			
Actuarial gain/(loss)	25	2.3	(24.7)
Current tax related to actuarial loss	8(b)	4.6	4.6
Deferred tax related to actuarial gain/(loss)	8(b)	(5.4)	(5.4)
Deferred tax related to actuarial losses on pension scheme	8(b)	0.1	6.7
Items that may be reclassified subsequently to income statement:			
Gain/(loss) on cash flow hedges taken to equity		2.5	(4.4)
Deferred tax on cash flow hedge loss	8(b)	(0.6)	1.1
Other comprehensive expense		3.5	(22.1)
Total comprehensive income for the year attributable to the shareholder of the Company		131.9	62.2

CONSOLIDATED BALANCE SHEET

at 31 March 2026 (Registered number 02366703)

Assets	Note	2026 £'m	2025 £'m
Non-current assets			
Intangible assets	10	**57.6**	57.4
Property, plant and equipment	11	**6,175.9**	5,746.4
Financial investments	12	**11.7**	11.7
Derivatives	20	**4.6**	–
Non-current assets		**6,249.8**	**5,815.5**
Current assets			
Inventories	13	**15.5**	14.9
Trade and other receivables	14	**316.3**	278.4
Derivatives	20	**0.6**	2.8
Cash and cash equivalents	22	**409.5**	164.6
Current assets		**741.9**	**460.7**
Total assets		**6,991.7**	**6,276.2**
Current liabilities			
Trade and other payables	15	**(351.1)**	(313.4)
Borrowings	16	**(334.8)**	(341.6)
Derivatives	20	**–**	(77.8)
Provisions	18	**(0.6)**	(0.5)
Current liabilities		**(686.5)**	**(733.3)**
Non-current liabilities			
Borrowings	16	**(4,226.8)**	(4,056.4)
Provisions	18	**(5.8)**	(5.6)
Deferred tax liabilities	8(d)	**(689.0)**	(642.3)
Pension liability	25	**(19.2)**	(26.3)
Derivatives	20	**(102.9)**	(95.5)
Grants and deferred income	19	**(611.1)**	(552.0)
Non-current liabilities		**5,654.8**	**(5,378.1)**
Total liabilities		**6,341.3**	**(6,111.4)**

Assets	Note	2026 £'m	2025 £'m
Net assets		**650.4**	**164.8**
Capital and reserves			
Share capital	21	**122.7**	122.7
Share premium	21	**400.0**	–
Cash flow hedge reserve		**4.0**	2.1
Profit and loss account		**123.7**	40.0
Equity attributable to the shareholder of the Company		**650.4**	**164.8**

Approved and authorised for issue by the Board of Directors on 15 July 2026 and signed on their behalf by H Mottram.

H Mottram CBE,
CEO
Registered: 02366703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2026

	Share capital £'m	Share premium £'m	Cash flow hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 1 April 2024	**122.7**	**–**	**5.4**	**14.9**	**143.0**
Profit for the year	–	–	–	84.3	84.3
Other comprehensive expense	–	–	(3.3)	(18.8)	(22.1)
Total comprehensive income/(expense)	**–**	**–**	**(3.3)**	**65.5**	**62.2**
Dividends	–	–	–	(40.4)	(40.4)
At 31 March 2025	**122.7**	**–**	**2.1**	**40.0**	**164.8**
Equity injection	**–**	**400.0**	**–**	**–**	**400.0**
Profit for the year	**–**	**–**	**–**	**128.4**	**128.4**
Other comprehensive income	**–**	**–**	**1.9**	**1.6**	**3.5**
Total comprehensive income for the year	**–**	**400.0**	**1.9**	**130.0**	**531.9**
Dividends	**–**	**–**	**–**	**(46.3)**	**(46.3)**
At 31 March 2026	**122.7**	**400.0**	**4.0**	**123.7**	**650.4**

Other comprehensive income and expense taken to the cash flow hedge reserve arises from the cumulative amount of gains or losses on hedging instruments, and associated deferred tax, taken directly to equity under the hedge accounting provisions of International Accounting Standard (IAS) 39.

Other comprehensive income and expense taken to retained earnings arises from actuarial revaluations, and associated deferred tax, on the Group's defined benefit pension scheme taken directly to equity.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2026

	Note	2026 £'m	2025 £'m
Operating activities			
Reconciliation of profit before interest to net cash flows from operating activities			
Profit before interest		383.3	290.9
Depreciation and impairment charges		182.7	165.2
Other non-cash charges and credits		(5.5)	(7.2)
Other provisions movement		(0.6)	1.5
Pension charge less pension contributions		(6.3)	(15.3)
Capital grants received		26.3	13.3
Increase in inventories		(0.6)	(4.6)
Increase in trade and other receivables		36.7	(13.4)
Increase in trade and other payables		14.0	28.1
Cash generated from operations		556.6	458.5
Interest paid		164.7	(159.7)
Interest received on hedged swaps		0.9	1.8
Income taxes paid		0.5	0.3
Net cash flows from operating activities		393.3	300.9
Investing activities			
Interest received		4.4	10.7
Proceeds on disposal of property, plant and equipment		0.6	1.2
Movement in financial investment		–	(0.1)
Purchase of property, plant and equipment and intangible assets		(525.5)	(547.0)
Net cash flows used in investing activities		(520.5)	(535.2)

	Note	2026 £'m	2025 £'m
Financing activities			
New borrowings		439.8	447.9
Settled hedge instrument		(82.7)	–
Net movement in internal borrowings		40.0	(18.5)
Net movements in Revolving Credit Facility		(75.0)	(20.0)
Net movement in overdraft		(34.4)	17.7
Proceeds from issue of share capital		400.0	–
Dividends paid to equity shareholders		(46.3)	(40.4)
Repayment of borrowings		(181.6)	(33.7)
Payment of principal in respect of leases		(5.0)	(4.3)
Net cash flows generated from/(used in) financing activities	22	374.8	348.7
Net increase in cash and cash equivalents in the period		244.9	114.4
Cash and cash equivalents at start of year		164.6	50.2
Cash and cash equivalents at end of year	22	409.5	164.6

Additional cash flow information is included in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2026

1. ACCOUNTING POLICIES

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

NWL is incorporated in the UK under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 126. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 7.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated. The Group does not use supplier financing arrangements.

The Group has adopted a number of standards, amendments to standards and interpretations during the year. There were no material impacts on the financial statements.

(A) BASIS OF CONSOLIDATION

The consolidated financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value. The consolidated financial statements include the Company and its subsidiary undertakings.

The results of subsidiaries acquired during the period are included from the date of their acquisition. The results of subsidiaries disposed of during the period are included to the date of their disposal. Inter-segment revenue and profits are eliminated fully on consolidation.

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

NWL is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland. These entities are included in the consolidated accounts therefore the Company has taken advantage of the exemption conferred by Regulation 7 of The Partnership (Accounts) Regulations 2008 from the requirements of Regulations 4 to 6.

(B) GOING CONCERN

The Financial Statements have been prepared on a going concern basis, having considered the principal risks and uncertainties, which assumes that the Group will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2026, the Group had net current assets of £55.4m (2025: £272.6m) liabilities.

The Directors have reviewed cash flow requirements, including the £300m 1.625% bond maturing in October 2026, and other factors, as described in the going concern statement on page 119 of the Directors' Report, in particular the £600m committed bank facility, which was £375m undrawn at 31 March 2026 and extended to £500m after the balance sheet date and the £90m of new loans received and the £50m term loan signed, also after the balance sheet date. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

(C) REVENUE

Revenue, which excludes Value Added Tax, represents the income receivable in the ordinary course of business for services provided within the UK. In accordance with IFRS 15 Revenue from Contracts with Customers revenue is recognised as performance obligations to the customer are satisfied.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

(D) INTANGIBLE ASSETS

Intangible assets, primarily comprising computer software, are recognised at cost less accumulated amortisation and any provision for impairment. Computer software is amortised evenly over its estimated economic life of 2 to 25 years. Intangible assets in development are not amortised until commissioned. Amortisation is charged to the income statement through operating costs.

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

In accordance with IFRIC guidance regarding 'Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud' and 'Configuration or Customisation Costs in a Cloud Computing Arrangement', costs of configuring and implementing 'software-as-a-service' systems, where the Group does not control the asset and the services are not provided by the SaaS provider, are expensed to the income statement in the year in which they are incurred.

(E) PROPERTY, PLANT AND EQUIPMENT

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

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

Significant judgement is required in determining the useful economic lives of property, plant and equipment, particularly infrastructure assets.

The Group's assets are long-lived in nature and comprise a diverse range of infrastructure and operational assets. Management exercises judgement in assessing the period over which these assets are expected to provide economic benefits, taking into account asset condition, expected usage, technology, regulatory requirements, historical performance and asset management strategies.

The estimation of useful economic lives directly affects the annual depreciation charge and the carrying value of property, plant and equipment. Useful economic lives and residual values are reviewed annually and revised where appropriate to reflect changes in expectations regarding the remaining service potential of assets.

Given the scale of the Group's asset base, particularly water and wastewater infrastructure assets with lives of up to 200 years, relatively small changes in estimated useful lives could have a material impact on future depreciation charges and asset carrying values.

Where assets are constructed by a developer and adopted by NWL at no cost to the Group, the assets are recognised in the balance sheet at their fair value on the date of the transfer and an equivalent value is recognised in deferred income, in accordance with IFRIC 18 Transfers of Assets from Customers. The fair value is based on the average cost to the Group of constructing an equivalent asset.

Upon their initial recognition, right-of-use assets are valued at the initial measurement of the corresponding lease liability (note 1(h)), less lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented as a separate line in note 11.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

Freehold buildings	**30–60 years**
Operational structures, plant and machinery	**4–92 years**
Infrastructure assets (see below)	**4–200 years**
Fixtures, fittings, tools and equipment	**4–25 years**

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Assets in the course of construction are not depreciated until commissioned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

Infrastructure assets

Infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

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

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

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

(F) FINANCIAL INVESTMENTS

Financial investments comprise a guaranteed investment contract (GIC). The GIC represents cash held on a long term deposit, related to the Kielder securitisation. The GIC is assessed at each balance sheet date, although is very low risk due to the securitisation structure, with any expected credit loss taken to the income statement in the year (note 12).

(G) GRANTS AND CONTRIBUTIONS

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate.

Grants and contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, as explained in note 1(c).

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

(H) LEASES

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

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

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

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

The lease liability is presented within Borrowings in the Balance sheet and as a separate line within note 16.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

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

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

(I) INVENTORIES

Inventories are stated at cost less any provision necessary to recognise damage and obsolescence. Inventory is charged at average cost upon use.

(J) PENSION COSTS

The Company is the principal employer of the NWPS, a defined benefit scheme which is closed to future accrual.

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

The service cost and scheme expenses are disclosed in manpower costs and the net interest expense is disclosed within finance costs.

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

The Group participates in a defined contribution pension arrangement. The costs of the defined contribution scheme are charged to the income statement in the period they arise.

(K) TAXATION

Current tax

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

Deferred tax

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

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

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

(L) FOREIGN CURRENCY

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the date of transaction. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses are recognised in the profit and loss account in the period incurred.

(M) RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the income statement in the period in which it is incurred.

(N) DERIVATIVE FINANCIAL INSTRUMENTS

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

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the NWGL Group's risk management policies. Derivative financial instruments are stated at their fair value.

Hedge accounting is employed in respect of those derivative financial instruments fulfilling the requirements for hedge accounting as prescribed under IFRS 9. An accounting policy choice is available with regards to applying the hedge accounting requirements of IFRS 9 or retaining the requirements of IAS 39. The Group has elected to retain the requirements of IAS 39.

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

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps and inflation swaps are determined by reference to market values for similar instruments.

Hedging transactions undertaken by the Group are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in currency cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

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

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

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

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

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

(O) INTEREST BEARING LOANS AND BORROWINGS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

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

(P) TRADE AND OTHER RECEIVABLES

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

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

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

(Q) BORROWING COSTS

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

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

(R) SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The significant accounting judgement was:

- the asset lives assigned to property, plant and equipment, details of which can be found in note 1(e) above.

The key sources of estimation uncertainty were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period reported in note 14. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 25% in usage would change revenue by £16.5m;
- those assumptions used in arriving at the defined benefit pension scheme assets and liabilities under IAS 19. These key assumptions and their possible impact are disclosed in note 25; and
- the doubtful debt provision, reported in note 14, which is determined by estimating expected credit losses based on the Group's historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (for example current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data from the Group's billing system. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.3% in the long-term collection rate would increase the provision by £12.2m.

Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2026.

(S) NEW ACCOUNTING POLICIES AND FUTURE REQUIREMENTS

IFRS 18 – Presentation and Disclosure in Financial Statements (PUT THIS LINE IN BOLD)

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which is effective for periods beginning on or after 1 January 2027 and will replace IAS 1 Presentation of Financial Statements. The standard introduces new requirements relating to the presentation of financial performance, management-defined performance measures and the aggregation and disaggregation of information.

The standard does not change the recognition or measurement of assets, liabilities, income or expenses. The Group is assessing the impact of adoption and does not currently expect any material effects beyond changes to presentation and disclosure requirements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

(T) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

(U) CASH AND CASH EQUIVALENTS AND SHORT-TERM CASH DEPOSITS

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

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

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

(V) IMPAIRMENT OF ASSETS

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

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

(W) PROVISIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

2. REVENUE INFORMATION

The Directors consider that the Group has a single class of business, the provision of water and wastewater services. All revenue is generated from within the United Kingdom.

Appointed business revenue is generated from the regulated activities of the Group, defined in its licence of appointment, necessary to fulfil its duties as a water and sewerage undertaker under the Water Industry Act of 1991.

Non-appointed revenue is generated from the non-regulated activities of the Group.

	2026			2025		
	Household £'m	Non-Household £'m	Total £'m	Household £'m	Non-Household £'m	Total £'m
Wholesale Water	443.1	120.8	563.9	404.3	106.8	511.1
Wholesale Wastewater	312.3	109.9	422.2	250.3	90.0	340.3
Retail	88.5	–	88.5	65.8	–	65.8
Water and wastewater revenue	843.9	230.7	1,074.6	720.4	196.8	917.2
Other appointed business			49.2			45.3
Total appointed business			1,123.8			962.5
Non appointed business			58.2			54.7
Total revenue			1,182.0			1,017.2

3. OPERATING COSTS

	Note	2026 £'m	2025 £'m
Materials and consumables		37.1	34.5
Employee costs	6	222.7	181.6
Own work capitalised		(85.8)	(71.9)
Costs of research and development		0.8	0.8
Bad debt charge		19.9	19.0
Inventories recognised as an expense		5.0	5.3
Other operating costs		416.7	393.0
Depreciation of property, plant and equipment		173.8	156.3
Amortisation of intangible assets		8.9	8.9
Profit on disposal of property, plant and equipment		(0.4)	(1.2)
Total operating costs		798.7	726.3

Included in Employee Costs above are defined contribution pension scheme costs £27.2m (2025: £22.5m) and scheme expenses of £1.5m (2025: £0.7m) see note 25.

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

4. AUDITOR'S REMUNERATION

	2026 £'m	2025 £'m
Fees payable for the audit of parent Company and consolidated financial statements	0.3	0.3
Other fees to auditor:		
Audit of subsidiaries	0.1	0.1
Regulatory audit	0.1	0.1
Other non-audit services	0.1	0.1
Total auditor's remuneration	0.6	0.6

Regulatory audit fees relate to the APR, including the audit of the Regulatory Accounting Statements, and agreed upon procedures in respect of additional regulatory information, the statement of sufficiency of financial resources and facilities and financial resilience stress testing.

Non-audit services were incurred in relation to the annual update of the EMTN programme and assurance of third party contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

5. DIRECTORS' EMOLUMENTS

(A) DIRECTORS' REMUNERATION

The remuneration of the Directors of the Group was as follows:

	2026 £'000m	2025 £'000m
Emoluments (including benefits in kind)	**951**	1,319

For those Directors holding office with both NWL and NWGL, or contributing significantly to the day to day operations of NWGL, costs are apportioned between the companies to reflect the level of activity carried out for each company. This note reflects only the proportion of costs earned in respect of NWL Group activities. NWL pays 70% of NWL's Executive Director, H Mottram, salary, benefits in kind and pension and NWGL pays the remaining 30%. In accordance with the Ofwat performance-related executive pay prohibition rule, due to the undertakings agreed with Ofwat following the FFT investigation during the year, the CEO will receive no STIP or LTIP payment for 2025/26. The cost of STIP and LTIP payments is generally apportioned 70% to NWL and 30% to NWGL, consistent with the fixed pay split; however, in the past three years the full cost has been borne by NWGL. Retention payments are fully borne by NWGL.

None of the Directors serving during the year ended 31 March 2026 were members of a pension scheme where the Group makes contributions towards the cost.

The Directors' remuneration policy and a detailed report showing total remuneration for each Director, for the year to 31 March 2026, are set out in the Remuneration Committee Report on pages 93 to 115.

(B) HIGHEST PAID DIRECTOR

The amounts for remuneration shown in note 5(a) include the following in respect of the highest paid Director:

	2026 £'000m	2025 £'000m
Emoluments (including benefits in kind)	**590**	961

The highest paid Director left the defined contribution section of the NWPS at the beginning of the year ended 31 March 2017, therefore no payments were made to the Scheme in either the current or prior year.

6. EMPLOYEE INFORMATION

The total employment costs of all employees (including Directors) were as follows:

	2026 £'m	2025 £'m
Wages and salaries	**113.2**	102.1
Social security costs	**15.5**	10.9
Other pensions costs	**20.4**	7.6
Gross costs charged to the income statement	**149.1**	**120.6**
Wages and salaries	**1.6**	2.2
Costs recharged to other NWGL Group	**1.6**	**2.2**
Wages and salaries	**111.6**	99.9
Social security costs	**15.5**	10.9
Other pensions costs	**20.4**	7.6
Net costs charged to the income statement	**147.5**	**118.4**
Wages and salaries	**57.1**	49.1
Social security costs	**7.8**	5.7
Other pensions costs	**10.3**	8.4
Costs charged to capital schemes	**75.2**	**63.2**
Total net employee costs	**222.7**	**181.6**

The average monthly number of employees during the year was made up as follows:

	2026 £'m	2025 £'m
Water and waste water services	**1,497**	1,424
Customer services and meter reading	**960**	776
Other regulated activities	**1,296**	1,218
Non regulated activities	**91**	87
Average employees	**3,844**	**3,505**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

7. NET FINANCE COSTS

	2026 £'m	2025 £'m
Finance costs payable:		
Bank overdrafts and loans	174.7	160.3
Receivable in respect of derivatives	(8.0)	(12.6)
Payable to other Group company	–	0.5
Amortisation of discount, fees, loan issue costs and other financing items	4.6	4.8
Accretion on index linked bonds	49.9	37.2
Accretion on index-linked swaps	13.6	11.0
Interest cost on pension plan obligations	1.4	0.7
Obligations under leases	4.2	4.3
	240.4	206.2
Less amounts capitalised on qualifying assets	(25.6)	(22.5)
Total finance costs payable	214.8	183.7
Finance income receivable:		
Bank deposits	(4.1)	(4.7)
Fair value gains on derivative financial instruments	(0.9)	(1.8)
Total finance income receivable	(5.0)	(6.5)
Net finance costs payable	209.8	177.2

8. TAXATION

(A) TAX ON PROFIT

	2026 £'m	2025 £'m
Current tax:		
UK current income tax credit at 25%	0.2	–
Adjustments in respect of prior period income tax	0.2	(0.1)
Payable in respect of group/consortium relief for the year	4.0	4.7
Adjustments in respect of prior period group relief	–	(1.0)
Total current tax	4.4	3.6
Deferred tax:		
Origination and reversal of temporary differences in the year at 25% (2025: 25%)	40.5	24.9
Adjustments in respect of prior periods	0.2	0.9
Total deferred tax	40.7	25.8
Tax charge in the income statement	45.1	29.4

The rate of UK corporation tax for the current year is 25%.

In addition to the Group's tax charge of £45.1m (2025: £29.4m) to the income statement, tax of £1.3m (2025: £7.0m credit) has been charged directly to the statement of comprehensive income. The current tax credit for the year is £0.2m (made up of a charge of £4.4m in the income statement and a credit of £4.6m in other comprehensive income).

The deferred tax charge for the year is £46.6m (made up of a charge of £40.7m in the income statement and a charge of £5.9m in other comprehensive income).

Tax losses arise in the current year as a result of allowances available from full expensing of qualifying capital expenditure. The losses have been provisionally surrendered as group/consortium relief to other group companies and related parties, for which payment is receivable at the full rate of current tax. Brought forward losses have been utilised up to the £5m unrestricted allowance with any remaining losses being carried forward to be set off against future taxable profits.

Prior year items mainly relate to revisions to tax relief for capital expenditure and the reflection of above the line RDEC credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

8. TAXATION (continued)

(B) TAX RELATING TO ITEMS (CREDITED)/CHARGED OUTSIDE THE INCOME STATEMENT

	2026 £'m	2025 £'m
Current tax:		
Company contributions to defined benefit pension scheme	(4.6)	(4.6)
Total current tax	**(4.6)**	**(4.6)**
Deferred tax:		
Company contributions to defined benefit pension scheme	5.4	5.4
Actuarial losses on pension scheme	(0.1)	(6.7)
Financial instruments	0.6	(1.1)
Total deferred tax	**5.9**	**(2.4)**
Tax credit in the statement of comprehensive income	**1.3**	**(7.0)**

(C) RECONCILIATION OF THE TAX CHARGE

	2026 £'m	2025 £'m
Profit before tax	**173.5**	**113.7**
Profit multiplied by standard rate of corporation tax of 25% (2025: 25%)	43.4	28.4
Effects of:		
Expenses not deductible for tax purposes	0.8	0.6
Non-taxable gains and amortisation of capital sums	(0.3)	(0.2)
Depreciation in respect of non-qualifying items	1.5	1.5
Current tax on pension contributions moved to OCI	4.6	4.6
Deferred tax on pension contributions moved to OCI	(5.4)	(5.4)
Adjustments in respect of prior periods	0.5	(0.2)
Transfer pricing adjustments	(0.5)	(1.1)
Balancing payment payable	0.5	1.1
Total tax charge	**45.1**	**29.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

8. TAXATION (continued)

(D) DEFERRED TAX

	Accelerated tax depreciation	Deferred income	Retirement benefit obligations	Derivatives at fair value	Business combinations	Tax losses	Other	Total
At 1 April 2024	**722.6**	**(104.8)**	**4.1**	**(11.8)**	**6.7**	**(18.4)**	**20.5**	**618.9**
Charge/(credit) in the income statement	23.4	(7.6)	2.9	0.9	(0.2)	1.5	4.8	25.7
Credit in other comprehensive income	–	–	(1.3)	(1.1)	–	–	–	(2.4)
At 31 March 2025	**746.0**	**(112.4)**	**5.7**	**(12.0)**	**6.5**	**(16.9)**	**25.3**	**642.2**
Charge in the income statement	49.5	(14.3)	0.5	(0.2)	(0.2)	1.1	4.4	40.8
Credit in other comprehensive income	–	–	5.4	0.6	–	–	–	6.0
At 31 March 2026	**795.5**	**(126.7)**	**11.6**	**(11.6)**	**6.3**	**(15.8)**	**29.7**	**689.0**

‘Other’ includes deferred tax liabilities of £31.4m (2025: £26.0m) in respect of capitalised interest and £1.5m (2025: £1.5m) in respect of rolled over capital gains, and a deferred tax asset of £2.8m (2025: £1.7m) in respect of provisions and other small deferred tax assets of £0.4m (2025: £0.5m).

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

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

	Property, plant and equipment £’m	Right-of-use assets £’m	Lease liabilities £’m	Accelerated tax depreciation £’m
At 1 April 2025	**739.9**	**1.0**	**5.1**	**746.0**
Charge in the income statement	48.6	0.2	0.7	49.5
At 31 March 2026	**788.5**	**1.2**	**5.8**	**795.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

8. TAXATION (continued)

(E) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Group expects to continue to incur high levels of capital expenditure during the 2026-30 regulatory review period which should result in claims for tax reliefs in excess of depreciation.

The full expensing regime for capital allowances was made permanent in Finance Act 2024. As a result the Group expects to continue to generate a tax loss over the 2026-30 regulatory review period. The Group intends to limit the level of tax losses arising by way of disclaiming capital allowances, however, the Group will utilise brought forward tax losses to the extent that the group does not exceed the £5 million annual allowance of unrestricted profit.

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

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

9. DIVIDENDS

	2026 £'m	2025 £'m
Equity dividends paid:		
Final dividend paid for the year ended 31 March 2025 of nil (year ended 31 March 2024: 32.94p) per share on an aggregated basis	–	40.4
Interim dividend paid for the year ended 31 March 2026 of 37.75p (year ended 31 March 2025: nil) per share on an aggregated basis	46.3	–
Dividends paid in the year	**46.3**	**40.4**
Final dividend proposed for the year ended 31 March 2026 of 45.82p (year ended 31 March 2025: nil) per share on an aggregated basis dividends paid in the year	56.2	–

Equity dividends proposed:

Dividend Policy

NWL considers that its dividend policy should be transparent, recognising the Company's commitments to various stakeholders including customers, employees, specifically pension scheme obligations, and investors, and with due attention to maintaining appropriate levels of financial resilience within the company.

A key overarching principle behind NWL's approach to dividends is that its owners should be able to receive a competitive and fair return on their investment which reflects the underlying risk profile of the business. This ensures that there will be access to the necessary capital required to make investments for customer needs now and in the future.

NWL is seeking to maintain a progressive dividend policy that takes into account long-run financial performance and ensures that an efficient balance sheet is maintained. In line with the businesses' vision of being an industry leader, the policy seeks a competitive return consistent with a high-performing water company and to maximise returns over the long-term.

To deliver this the dividend policy will be based on four components:

- a base dividend component largely derived from the price control determination;
- a performance component linked to business performance and a fair assessment of outcomes for customers and the environment;
- a financial resilience adjustment designed to appropriately calibrate the company's overall gearing levels with the underlying risk profile of the business; and
- a smoothing adjustment to take into account smaller ad-hoc movements within any year that are expected to reverse out over the AMP.

These components are discussed in turn on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

9. DIVIDENDS (continued)

Base dividend component

The approach to setting the base dividend is that it should broadly reflect the real cost of equity based on the capital structure as established in the latest regulatory determination, on the assumption that the regulatory cost of equity will always be set at a level that ensures the company remains financeable.

Performance component

The regulatory framework incentivises companies to meet or exceed regulatory targets and shares these gains or losses between shareholders and customers. The base dividend will be adjusted up or down to reflect business performance in three areas:

- Totex performance: cost savings after the application of the regulatory approach to cost-sharing.
- ODI performance: net ODI rewards from improved outcomes for customers.
- Financing performance: where the company is able to secure debt financing at lower rates than assumed by the latest regulatory determination.

Financial resilience adjustment

Financial resilience adjustments are designed to ensure the company maintains a prudent investment grade credit rating and an appropriate buffer to absorb relevant financial risks. To achieve this an adjustment will be made to ensure that any real terms growth in the regulatory capital value is funded from both debt and equity in line with an efficient capital structure.

Smoothing adjustment

To provide stability in dividends a further adjustment may be made to ensure that over a regulatory cycle there is a more even allocation of dividends. This is because expenditure within an AMP is not evenly spread and aligned with the phasing of the price control determination, and unexpected events (positive and negative) can impact financial performance in the short term.

In making these adjustments, the Board will aim to match dividends over a cumulative period of up to five years to the level required to deliver the policies set out under the first three components of the policy.

Application of Dividend Policy

For the year ended 31 March 2026 the Board approved payment of an interim dividend of £46.3m and, after the balance sheet date, a final dividend of £56.2m. This equates to a regulatory dividend yield of 4.0% in respect of 2025/26. In reaching these decisions the Board took full account of performance for customers and the environment, its broader obligations and longer-term financial resilience, in accordance with its dividend policy. A full explanation of the Board's considerations is published in the Company's APR.

10. INTANGIBLE ASSETS

	Software £'m	Assets in development £'m	Total £'m
Cost:			
At 1 April 2024	142.2	10.7	152.9
Additions	–	11.1	11.1
Transfers	13.4	(13.4)	–
At 1 April 2025	155.6	8.4	164.0
Additions	–	8.4	8.4
Transfers	5.4	(4.7)	0.7
At 31 March 2026	**161.0**	**12.1**	**173.1**
Amortisation:			
At 1 April 2024	97.7	–	97.7
Charge for the year	8.9	–	8.9
At 1 April 2025	106.6	–	106.6
Charge for the year	8.9	–	8.9
At 31 March 2026	**115.5**	**–**	**115.5**
Carrying value:			
At 31 March 2026	**45.5**	**12.1**	**57.6**
At 31 March 2025	49.0	8.4	57.4

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £5.6m (2025: £5.0m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.10% (2025: 5.03%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'m	Infrastructure assets £'m	Operational structures, plant and machinery £'m	Fixtures, fittings, tools and equipment £'m	Assets in the course of construction £'m	Total £'m
Cost:						
At 1 April 2024	168.2	3,432.6	3719.7	262.7	466.1	8,049.3
Additions/adjustments	2.1	23.7	0.4	–	569.3	595.5
Schemes commissioned	4.5	150.6	364.7	25.5	(545.3)	–
Disposals	-	(2.3)	(5.8)	–	–	(8.1)
At 31 March 2025	174.8	3,604.6	4,079.0	288.2	490.1	8,636.7
Additions/adjustments	1.4	36.1	3.7	–	563.1	604.3
Schemes commissioned	3.9	140.8	239.3	19.2	(404)	(0.8)
Disposals	(0.2)	(3.5)	(6.0)	–	–	(9.7)
At 31 March 2026	**179.9**	**3,778.0**	**4,316.0**	**307.4**	**649.2**	**9,230.5**
Depreciation:						
At 1 April 2024	79.0	545.4	1,891.8	225.9	–	2,742.1
Charge for the year	4.0	32.7	112.2	7.4	–	156.3
Disposals	–	(2.3)	(5.8)	–	–	(8.1)
At 31 March 2025	83.0	575.8	1,998.2	233.3	–	2,890.3
Charge for the year	4.3	34.3	124.3	10.9	–	173.8
Disposals	–	(3.5)	(6.0)	–	–	(9.5)
At 31 March 2026	**87.3**	**606.6**	**2,116.5**	**244.2**	**–**	**3,054.6**
Carrying value:						
At 31 March 2026	92.6	3,171.4	2,199.5	63.2	649.2	6,175.9
At 31 March 2025	91.8	3,028.8	2,080.8	54.9	490.1	5,746.4
Right of Use Assets included above:						
Additions in the year	1.4	–	9.7	–	–	11.1
Depreciation charge for the year	0.4	0.5	6.4	–	–	7.3
Carrying value at 31 March 2026	4.9	40.3	20.3	–	–	65.5
Carrying value at 31 March 2025	3.9	40.8	17.0	–	–	61.7

Operational structures, plant and machinery include an element of land dedicated to those assets. It is not possible to separately identify the value of all land assets.

Cumulative borrowing costs capitalised in the cost of property, plant and equipment amount to £144.3m (2025: £119.3m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.10% (2025: 5.03%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

12. FINANCIAL INVESTMENTS

(A) FINANCIAL INVESTMENTS

	2026 £'m	2025 £'m
At 31 March	**11.7**	11.7

The financial investment comprises a guaranteed investment contract representing cash held on long-term deposit relating to the Kielder securitisation.

(B) INVESTMENTS IN SUBSIDIARIES

The Company's interests in subsidiaries which are included in the consolidated financial statements at 31 March 2026 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Company (%)	Business activity
Northumbrian Water Finance plc	England and Wales	Ordinary shares of £1	100	Financing company
Reiver Finance Limited	England and Wales	Ordinary shares of £1	100	Special purpose financing vehicle
Reiver Holdings Limited	England and Wales	Ordinary shares of £1	100	Holding company
Northumbrian Water Company 1 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 2 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 3 Limited	Scotland	Ordinary shares of £1	100	Financing company

The registered office of the subsidiaries operating in England and Wales is Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ. Holdings are direct other than Reiver Finance Limited which is indirect.

The registered office of the subsidiaries operating in Scotland is 10/1 Capella Building, 60 York Street, Glasgow, United Kingdom, G2 8JX.

The Company is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland.

The Company also has two quasi-subsidiary special purpose entities, Bakethin Holdings Limited, which is wholly owned by Bakethin Charitable Trust, and Bakethin Finance Plc, which is a wholly owned subsidiary of Bakethin Holdings Limited. The principal activity of Bakethin Finance Plc is as a special purpose financing vehicle.

The registered office of the two quasi-subsidiaries is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, United Kingdom, EC2R 7AF.

13. INVENTORIES

	2026 £'m	2025 £'m
Raw materials and consumables	**15.5**	14.9

The cost of inventories recognised as an expense during the year in respect of continuing operations was £5.3m (2024: £3.9m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued for the year ended 31 March 2026

14. TRADE AND OTHER RECEIVABLES

	2026 £'m	2025 £'m
Trade receivables	312.6	284.2
Doubtful debt provision	(98.4)	(91.7)
Income tax recoverable	1.5	–
Amounts owed by other Group companies	8.2	4.9
Amounts owed by related parties	1.8	1.6
Other receivables	14.1	12.2
Prepayments	10.6	9.6
Interest prepayments	0.2	0.1
Accrued income	65.7	57.5
Trade and other receivables	**316.3**	**278.4**

Included in Amounts owed by Other Group companies include £4.4m due from NWGL (2025: £4.1m) and £3.7m (2025: £0.8m) due from fellow subsidiary companies, which are due on demand with no fixed repayment date and bear no interest. Amounts owed by other Related Parties includes £1.8m (2025: £1.6m) in respect of tax losses surrendered to the Group.

Other receivables of £14.1m (2025: £12.2m) is predominantly made up of VAT amounts receivable of £13.2m (2025: £11.9m).

Accrued income includes £59.6m relating to cash received from customers, comparatives for the year ended 31 March 2025 have been represented to increase trade receivables by £48.0m and correspondingly decrease the Accrued income by the same amount.

As at 31 March 2026, trade receivables at nominal value of £98.4m (2025: £91.7m) were impaired. Movements in the provision for impairment of trade receivables were as follows::

	£'m
At 1 April 2024	86.2
Charge for the year	19.0
Utilised	(13.5)
At 31 March 2025	91.7
Charge for the year	19.8
Utilised	(13.1)
At 31 March 2026	**98.4**

The analysis of trade receivables overdue net of impairment is as follows:

	1-3 months £'m	3-12 months £'m	12-24 months £'m	24-36 months £'m	+36 months £'m	Total £'m
At 31 March 2026	**12.1**	**60.6**	**40.6**	**26.1**	**63.2**	**202.6**
At 31 March 2025	0.1	43.2	25.1	16.8	42.1	127.3

The consideration of forward looking macro-economic factors, as required by IFRS 9, has not materially changed the carrying value of trade receivables.

15. TRADE AND OTHER PAYABLES

	2026 £'m	2025 £'m
Trade payables	71.4	61.3
Amounts owed to other Group companies	2.3	10.1
Taxation and social security	5.0	4.0
Receipts in advance	40.9	28.5
Other payables	13.7	16.3
Deferred income	17.5	15.5
Capital accruals	78.5	69.9
Interest accruals	76.1	62.4
Other accruals	45.7	45.4
Trade and other payables	**351.1**	**313.4**

Included in Amounts owed to other Group Companies of £2.2m (2025: £10.1m) owed to NWGL and is due on demand with no fixed repayment date and bears no interest. Also included in Amounts owed to Group Companies is £0.1m (2025: £nil) payable in respect of tax losses surrendered to the Group.

Other payables of £13.7m (2025: £16.3m) predominantly comprises retentions, deposits held and cash collected on behalf of other WASCs under collection agreements.

Included in Other accruals are energy costs £8.8m (2025: £8.8m), Innovation fund costs £7.4m (2025: £4.2m), Rent costs £3.4m (2025: £3.1m) and employment costs £4.0m (2025: £4.0m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

16. BORROWINGS

	Note	2026 £'m	2025 £'m
Current:			
Bank overdrafts	16(b)	6.7	41.1
Current instalments due on external borrowings	16(b)	321.8	255.5
Current instalments due on internal borrowings	16(a)	–	40.0
Current instalments due on leases	17	6.3	5.0
Current borrowings		334.8	341.6
Non-current:			
Non-current instalments due on external borrowings	16(b)	4,154.6	3,988.3
Non-current instalments due on leases	17	72.2	68.1
Non-current borrowings		4,226.8	4,056.4

(A) INTERNAL BORROWINGS

Internal borrowings (2026: £nil) for the prior year included £40m owed to NWGL in respect of an overnight borrowing which incurred interest at a rate of 5.5%.

(B) EXTERNAL BORROWINGS

Borrowings repaid by the Company in the year to 31 March included a £150m floating rate loan which matured in October. In addition, an RPI swap with accretion of £83.8m also matured in October 2025. Bank overdrafts are repayable on demand.

The Company raised the following external borrowings over the year:

- In April 2025, a £90m 20-year fixed rate public bond with a coupon of 6.875% maturing in April 2045;
- In September 2025, a £50m 3-year floating rate term loan with a margin over SONIA of 1.1% maturing in June 2028; and
- In October 2025, a £300m short 7-year fixed rate public bond with a coupon of 5.375% maturing in July 2032.

Borrowings wholly repayable within five years amount to £1,102.1m (2025: £1,232.8m).

Loans not wholly repayable within five years amount to £3,090.3m (2025: £3,052.1m) and bear interest rates in the range 1.625% to 6.375%.The fair value gain on the Company's outstanding interest rate and RPI swaps in the year to 31 March 2026 was £0.9m (2025: gain of £1.8m) in relation to a single RPI swap with a notional value of £100m (2025: three swaps with aggregate value of £350m).

All other external borrowings are listed below.

Interest bearing loans and borrowings	Book value 31 March 2026 £'m
Borrowings comprise the following:	
Bank Loans (principal £399.6m, 2025: £599.6m)	399.5
Eurobonds - due 11 October 2026, 1.625% (principal £300.0m, 2025: £300.0m)	299.8
Eurobonds – due 05 October 2027, 2.375% (principal £300.0m, 2025: £300.0m)	299.5
Eurobonds – due 14 February 2031, 4.5% (principal £400.0m, 2025: £400.0m)	395.0
Eurobonds – due 22 July 2032, 5.375% (principal £300.0m, 2025: £nil)	297.9
Eurobonds – due 29 April 2033, 5.625% (principal £350.0m, 2025: £350.0m)	345.8
Eurobonds – due 23 January 2034, 5.8753% (principal £248.0m, 2025: £248.0m)	216.5
Eurobonds – due 28 October 2034, 6.375% (principal £400.0m, 2025: £400.0m)	392.8
Eurobonds – due 02 October 2037, 5.5% (principal £300.0m, 2025: £300.0m)	292.4
Eurobonds – due 23 January 2042, 5.125% (principal £360.0m, 2025: £360.0m)	344.8
Eurobonds – due 4 April 2045, 6.875% (principal £90.0m, 2025: £nil)	89.1
Index linked Eurobonds – due 15 July 2036, 2.033% (principal £320.9m, 2025: £305.9m)	320.9
Index linked Eurobonds – due 05 April 2039, 2.49% (principal £100.0m, 2025: £100.0m)	106.0
Index linked Eurobonds – due 30 January 2041, 1.6274% (principal £126.9m, 2025: £121.0m)	126.9
Index linked Eurobonds – due 16 July 2049, 1.7118% (principal £210.2m, 2025: £200.5m)	210.2
Index linked Private Placement - due 29 October 2039, 0.242% (principal £129.1m, 2025: £125.2m)	129.1
Index linked Eurobonds – due 16 July 2053, 1.7484% (principal £210.2m, 2025: £200.5m)	210.2
	4,483.1
Less current instalments due on bank loans and on demand overdrafts (principal £328.5m, 2025: £336.6m)	(328.5)
Non-current instalments due on external borrowings	4,154.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued for the year ended 31 March 2026

17. LEASES

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

	2026 £'m	2025 £'m
Maturity analysis		
Year 1	(10.4)	(8.7)
Year 2	(9.6)	(8.3)
Year 3	(8.5)	(7.5)
Year 4	(7.9)	(6.5)
Year 5	(7.0)	(6.0)
Onwards	(72.3)	(73.5)
Total lease obligations	**(115.7)**	**(110.5)**
Less unearned interest		
Year 1	(4.1)	(3.7)
Year 2	(3.4)	(3.2)
Year 3	(3.0)	(2.8)
Year 4	(2.7)	(2.6)
Year 5	(2.4)	(2.3)
Onwards	(21.6)	(22.8)
Unearned interest	**(37.2)**	**(37.4)**
Total leases	**(78.5)**	**(73.1)**
Analysed as:		
Non Current	(72.2)	(68.1)
Current	(6.3)	(5.0)
Total leases	**(78.5)**	**(73.1)**

Amounts recognised in the statement of cash flows.The statement of cash flows shows the following amounts relating to leases:	31 March 2026 £'m	31 March 2025 £'m
Principal elements of lease payments	5.0	4.3
Interest on lease payments	4.2	3.4
Total cash outflow for leases	**9.2**	**7.7**

18. PROVISIONS

	£'m
At 1 April 2024	**3.9**
Charged to the profit and loss account in the year	2.3
Utilised during the year	(-0.1)
At 1 April 2025	**6.1**
Charged to the profit and loss account in the year	0.8
Utilised during the year	(0.5)
At 31 March 2026	**6.4**
Analysed as: At 31 March 2026	
Current	0.6
Non-current	5.8
Provisions	**6.4**
Analysed as: At 31 March 2025	
Current	0.5
Non-current	5.6
Provisions	**6.1**

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

Provisions reflected in the balance sheet include outstanding pension liabilities for pensions that have been awarded on a discretionary basis, mainly to former employees of water companies which have since merged with NWL. These pension liabilities have been calculated using the same actuarial assumptions as applied to the defined benefit pension scheme, and are expected to be paid over the remaining lives, which is approximately five years.

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

As part of the wastewater undertakings agreed with Ofwat, £2m has been provided for committed additional contributions to the 'Branch Out Fund', which supports schemes proposed by local communities, land managers, other organisations and individuals that will improve the natural environment. During the year £0.2m was utilised, leaving the balance of £1.8m that is expected to utilised over the next four years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

18. PROVISIONS (continued)

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

19. GRANTS AND DEFERRED INCOME

	Capital grants and contributions £'m	Total £'m
At 1 April 2024	521.0	521.0
Additions	37.5	37.5
Amortised during the year	-6.5	-6.5
At 1 April 2025	552.0	552.0
Additions	66.0	66.0
Amortised during the year	(6.9)	(6.9)
At 31 March 2026	611.1	611.1

20. FINANCIAL INSTRUMENTS

(A) GROUP STRATEGY AND FUNDING RISK

The level of capital expenditure which NWL is obliged to incur is such regular debt financing is required in addition to internally generated sources to be principally used to fund the long-term assets required by the regulated business. In order to raise this finance efficiently, the Board's aim is to retain prudent investment grade credit ratings and diversify funding sources where it is economical to do so.

(B) TREASURY OPERATIONS

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

(C) RISKS ARISING FROM THE GROUP'S FINANCIAL INSTRUMENTS

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

(D) LIQUIDITY RISK

The Group's policy is to maintain a mixture of committed borrowing facilities and cash and cash equivalents sufficient to cover its operational and funding requirements for the proceeding twelve months. In addition, the Group's main committed bank borrowing facility, its Revolving Credit Facility, must have an availability period no less than six months. At 31 March 2026, NWL had £600m (31 March 2025: £375m) of undrawn bank facilities, maturing in April 2028, with two options to extend to April 2029 and April 2030 available.

(E) INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and borrowings, maintaining a diversified funding strategy across instrument types, markets and maturities. Borrowings comprise a mix of fixed, floating and rate and inflation-linked debt, with derivatives used where appropriate to manage interest rate exposures in line with the approved risk management framework and solely for hedging purposes. The Group seeks to maintain a prudent balance between fixed and variable debt, with exposure to floating rates of interest limited to 20% of borrowings with a long-term target of no more than 10%, and index-linked exposure currently limited to a maximum of 40%. In addition, our policies aim to reduce refinancing and interest rate concentration risk by diversifying maturity dates where possible.

At 31 March 2026, 31% (2025: 35%) of the Group's borrowings were on an index linked basis, with variable rate borrowings at 5% (2025: 7%). Variable rate borrowings are exposed to the SONIA risk-free rate.

(F) FOREIGN CURRENCY RISK

The Group manages foreign currency risk in accordance with its Treasury Policy, with exposures arising from committed transactions and, where material, translation exposures identified and assessed on an ongoing basis. Foreign currency risks are hedged using derivative instruments where appropriate, in line with the Group's risk management objectives and solely for risk mitigation purposes. The policy requires that a proportion of material foreign currency exposures be hedged, within defined limits, as soon as they are identified to manage earnings volatility while retaining flexibility to respond to prevailing market conditions. All non-GBP borrowings must be hedged back to GBP at inception.

At 31 March 2026, after taking account of the effects of forward foreign exchange contracts, with the exception of the impact of translating the net assets of foreign operations into sterling, the Group had no material currency exposures (2025: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

At 31 March 2026, the Group held forward foreign exchange contracts of £2.2m (2025: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases. At 31 March 2026, the fair value gain on the Company's outstanding foreign exchange contracts was £nil (2025: £0.1m).

(G) MARKET PRICE SENSITIVITY

The Group's exposure to market risk primarily reflects interest rate risk arising from its financing structure. The Group manages this risk through maintaining an appropriate balance of fixed and floating rate debt, including the use of derivative instruments where necessary and solely for hedging purposes, in line with its Treasury Policy and low risk appetite. Interest rate exposures are monitored on a continuous basis and assessed through sensitivity analysis to evaluate the potential impact of reasonably possible changes in market conditions. Based on this analysis, movements in interest rates are not expected to have a material impact on the Group's financial position or performance.

Increase in basis points	Decrease in profit/equity £'m
Year ended 31 March 2026	
+100	**2.1**
-100	**(2.1)**
Year ended 31 March 2024	
+100	1.6
-100	(1.6)

(H) CREDIT RISK

There are no significant concentrations of credit risk within the Group. Management's assessment of the maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date. There is no material customer credit risk as no individual customer accounts for a significant proportion of income or debt.

(I) COUNTERPARTY RISK

In accordance with its Treasury Policy and liquidity risk management framework, the Group invests surplus cash on a short-term basis with approved financial institutions that have a minimum credit rating of A-/A3 from S&P/Fitch and/or Moody's. The Group also transacts derivatives with certain financial institutions which can sometimes have mark-to-markets in the Group's favour. Exposure limits and maximum investment tenors are set per institution based on their credit ratings and are reviewed regularly to manage credit risk.

(J) CAPITAL RISK

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

The Group monitors capital using gearing and interest cover ratios for the Group and NWL on a consistent basis to the financial covenants for the committed facility. The Group's policy is to keep the Group gearing (excluding Kielder debt) less than 77.5%. Company gearing at 31 March 2026 was 60.3% (31 March 2025: 71.4%). The Group's policy is to keep interest cover above 2.4x. The interest cover for the year ended 31 March 2026 was 3.4x (year ended 31 March 2025: 3.0x).

(K) CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES (PRINCIPAL AND FUTURE INTEREST PAYMENTS)

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

	On demand £'m	Less than 3 months £'m	3-12 months £'m	1-5 years £'m	More than 5 years £'m	Total £'m
Year ended 31 March 2026						
Interest bearing loans and borrowings	6.7	8.0	324.7	1,121.9	3,100.2	4,561.5
Derivatives – not in Hedge Relationship	–	–	–	102.9	–	102.9
Trade and other payables	–	265.6	47.8	–	–	313.4
At 31 March 2026	**6.7**	**273.6**	**372.5**	**1,224.8**	**3,100.2**	**4,977.8**

	On demand £'m	Less than 3 months £'m	3-12 months £'m	1-5 years £'m	More than 5 years £'m	Total £'m
Year ended 31 March 2025						
Interest bearing loans and borrowings	41.1	123.1	178.1	978.6	3,245.2	4,566.1
Derivatives – in Hedge Relationship	–	1.1	1.0	8.0	–	10.1
Derivatives – not in Hedge Relationship	–	(1.3)	72.5	17.9	(34.2)	54.9
Trade and other payables	–	158.3	39.3	–	–	197.6
At 31 March 2025	**41.1**	**281.2**	**290.9**	**1,004.5**	**3,211.0**	**4,828.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

(I) MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CARRYING VALUE)

	Within 1 year £'m	1-2 years £'m	2-3 years £'m	3-4 years £'m	4-5 years £'m	More than 5 years £'m	Total £'m
Year ended 31 March 2026							
Fixed rate:							
Eurobonds	(304.9)	(305.1)	(6.2)	(6.8)	(402.5)	(1,948.3)	(2,973.8)
Bank loans	(7.2)	(107.2)	(7.2)	(7.1)	(1.8)	–	(130.5)
Fixed rate as at 31 March 2026	**(312.1)**	**(412.3)**	**(13.4)**	**(13.9)**	**(404.3)**	**(1,948.3)**	**(3,104.3)**
Variable rate:							
Cash and cash equivalents	409.5	–	–	–	–	–	409.5
Financial investments	–	–	–	–	–	11.7	11.7
Eurobonds	–	–	–	–	–	(974.1)	(974.1)
Bank loans	(14.4)	(14.7)	(65.6)	(162.4)	(12.0)	–	(269.1)
Indexation on inflation swaps	–	(52.0)	–	–	–	–	(52.0)
Overdrafts	(6.7)	–	–	–	–	–	(6.7)
Leases	(6.4)	(6.2)	(5.5)	(5.2)	(4.6)	(50.6)	(78.5)
Private Placement	–	–	–	–	–	(129.1)	(129.1)
Variable rate at 31 March 2026	**382.0**	**(72.9)**	**(71.1)**	**(167.6)**	**(16.6)**	**(1,142.1)**	**(1,088.3)**
Net borrowings at 31 March 2026	**69.9**	**(485.2)**	**(84.5)**	**(181.5)**	**(420.9)**	**(3,090.4)**	**(4,192.6)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

(I) MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CARRYING VALUE) (continued)

	Within 1 year £'m	1-2 years £'m	2-3 years £'m	3-4 years £'m	4-5 years £'m	More than 5 years £'m	Total £'m
Year ended 31 March 2025							
Fixed rate:							
Eurobonds	–	(299.5)	(299.0)	–	–	(1,769.3)	(2,367.8)
Bank loans	(11.5)	(7.1)	(7.1)	(7.1)	(7.1)	(1.8)	(41.7)
Leases	(4.1)	(3.8)	(3.3)	(2.3)	(1.9)	(5.3)	(20.7)
Fixed rate as at 31 March 2025	**(15.6)**	**(310.4)**	**(309.4)**	**(9.4)**	**(9.0)**	**(1,776.4)**	**(2,430.2)**
Variable rate:							
Cash and cash equivalents*	164.6	–	–	–	–	–	164.6
Financial investments*	–	–	–	–	–	11.7	11.7
Eurobonds	(4.5)	(4.4)	(4.9)	(5.4)	(6.0)	(1,126.0)	(1,151.2)
Bank loans	(239.6)	(10.6)	(110.6)	(10.6)	(156.7)	(29.8)	(557.9)
Indexation on inflation swaps	(76.7)	–	(45.5)	–	–	–	(122.2)
Overdrafts	(41.1)	–	–	–	–	–	(41.1)
Leases	(0.9)	(1.2)	(1.4)	(1.6)	(1.8)	(45.5)	(52.4)
Private Placement	–	–	–	–	–	(125.2)	(125.2)
Intercompany Loan	(40.0)	–	–	–	–	–	(40.0)
Variable rate at 31 March 2025	**(238.2)**	**(16.2)**	**(162.4)**	**(17.6)**	**(164.5)**	**(1,314.8)**	**(1,913.7)**
Net borrowings at 31 March 2025	**(253.8)**	**(326.6)**	**(471.8)**	**(27.0)**	**(173.5)**	**(3,091.2)**	**(4,343.9)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

(M) FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Book value 31 March 2026 £'m	Fair value 31 March 2026 £'m
Financial assets:		
Cash and cash equivalents	409.5	409.5
Financial investments	11.7	11.7
Trade and other receivables	316.3	316.3
Financial assets	**737.5**	**737.5**
Financial liabilities:		
Overdraft	(6.7)	(6.7)
Bank Loans (principal £399.6m, 2025: £599.6m)	(399.6)	(399.6)
Eurobonds (principal £3,947.7m, 2025: £3,488.5m)	(3,947.7)	(3,569.0)
Private Placement (principal £129.1m, 2025: £125.2m)	(129.1)	(129.1)
Finance Leases (principal £78.5m, 2025: £73.1m)	(78.5)	(78.5)
Derivative liabilities	(97.7)	(97.7)
Indexation on inflation swaps (principal £100.0m, 2025: £250.0m)	(52.0)	(52.0)
Trade and other payables	(351.1)	(351.0)
Financial liabilities	**(5,062.4)**	**(4,683.6)**
Net financial liabilities	**(4,324.9)**	**(3,946.1)**

Restated	Book value 31 March 2025 £'m	Fair value 31 March 2025 £'m
Financial assets:		
Cash and cash equivalents*	164.6	164.5
Financial investments*	11.7	11.7
Derivative assets	2.8	2.8
Trade and other receivables	278.4	278.4
Financial assets	**457.5**	**457.4**
Financial liabilities:		
Overdraft	(41.1)	(41.1)
Bank Loans (principal £599.9m, 2024: £648.5m)	(599.6)	(599.6)
Eurobonds (principal £3,488.5.0m, 2024: £3,109.0m)	(3,519.0)	(3,259.7)
Private Placement (principal £125.2m, 2024: £122.1.0m)	(125.2)	(125.2)
Finance Leases (principal £73.1m, 2024: £67.8m)	(73.1)	(73.1)
Derivative liabilities	(173.3)	(173.3)
Indexation on inflation swaps (principal £250.0m, 2024: £250.0m)	(122.2)	(122.2)
Trade and other payables	(313.4)	(313.4)
NWG Intercompany Loan - Revolving Loan Facility (principal)	(40.0)	(40.0)
Financial liabilities	**(5,006.9)**	**(4,747.6)**
Net financial liabilities	**(4,549.4)**	**(4,290.2)**

The fair values of the listed fixed rate and indexed-linked Eurobonds with a book value of £3,947.7m (2025: £3,519.0m), have been determined by reference to prices available from the markets on which the instruments involved are traded.

The difference between the principal and carrying amounts represent original transaction costs, including bonds that are issued at a discount to par, which are unwinding over the life of the loan and the effective interest rate less interest paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

(N) CASH FLOW HEDGES - CURRENCY FORWARD CONTRACTS

At 31 March 2026, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
USD 2,630,153	01 Apr 2026	1.3450	2.0
USD 48,359	01 Apr 2026	1.3397	-
USD 330,698	13 Apr 2026	1.3295	0.2
USD 801,600	08 May 2026	1.3286	0.6
USD 36,800	08 May 2026	1.3259	-
USD 65,882	15 Jun 2026	1.3163	0.1
USD 54,100	20 Jul 2026	1.3360	-
USD 46,100	07 Oct 2026	1.3315	-
USD 68,056	15 Jun 2027	1.3163	0.1
Currency contracts at 31 March			**3.0**

At 31 March 2025, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
USD 455,478	11 April 25	1.2570	0.5
USD 305,238	15 April 25	1.3210	0.3
USD 80,155	15 April 25	1.2830	0.1
USD 305,238	15 July 25	1.3210	0.3
USD 80,155	15 July 25	1.2830	0.1
USD 319,242	15 October 25	1.3210	0.3
USD 80,155	15 October 25	1.2830	0.1
USD 207,531	16 April 25	1.2400	0.2
USD 74,114	22 April 25	1.2440	0.1
USD 203,611	31 October 25	1.2440	0.2
Currency contracts at 31 March			**2.2**

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

Cash flow hedges - interest rate swap

At 31 March 2026, the Group held no interest rate swaps.

At 31 March 2025, the Group held one interest rate swap designated as a hedge of future interest cash flows, for which the Group had forecast transactions. This swap was used to convert variable rate interest payments to a fixed rate basis. The terms of this swap as follows:

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

This swap was designed as highly effective.

Including the maturity of existing borrowings and derivatives of c.£150 million in June 2027 and £300 million in October 2027, which have been incorporated into the Group's funding and liquidity planning.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

Inflation swaps

At 31 March 2026, the Group held two inflation swaps (three in the prior year) which were not designated in a hedge relationship. The first is a hedge of future inflation linked cash flows and was used to convert inflation-linked revenues on a contract with the EA, to a fixed income stream. The second swap is an economical hedge of future interest payments to convert fixed rate interest payments to index linked interest payments.

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

Notional Amount	Cash flow	Start date	Termination date	Fixed rate
£2.9m	£1.0m	12 May 2004	9 January 2034	2.56%
£100.0m	n/a	22 June 2017	22 June 2027	(1.10%)

At 31 March 2025, the Group held three inflation swaps which were not designated in a hedge relationship. The first is a hedge of future inflation linked cash flows and was used to convert variable inflation-linked revenues on a contract with the EA, to a fixed income stream. The second and third swaps are economical hedges of future interest payments to convert fixed rate interest payments to index linked interest payments.

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

Fair value hedges

At 31 March 2026 and at 31 March 2025, the Group held no fair value hedges.

Fair value hierarchy

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

level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

Financial instruments measured at fair value

	31 March 2026 £'m
Year ended 31 March 2026	
Inflation swap	102.9
Power forward contracts	(5.2)
At 31 March 2026	**97.7**

	31 March 2025 £'m
Year ended 31 March 2025	
Interest rate swaps	(2.8)
Inflation swap	173.2
Currency forward contracts	0.1
At 31 March 2024	**170.5**

During the year to 31 March 2026, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

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

The fair values of inflation swaps are determined by estimating the present value of future cash flows using observable RPI zero coupon swaps to create forward inflation indices, which are discounted using a SONIA swap curve and adjusted to reflect counterparty credit risk. The fair values of interest rate swaps are determined by estimating the future cash flows from observable SONIA swap curves, which are similarly using a SONIA swap curve and adjusted to reflect counterparty credit risk. The fair values of power forward contracts are determined with reference to observable forward curves for the estimated commodity indices for the respective delivery periods. The fair values of currency forward contracts are calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

20. FINANCIAL INSTRUMENTS (continued)

(O) CATEGORIES OF FINANCIAL ASSETS/(LIABILITIES)

	Restated 31 March 2026 £'m	Restated 31 March 2025 £'m
Other financial assets		
Cash and cash equivalents*	409.5	164.6
Financial investments*	11.7	11.7
Trade and other receivables	316.3	278.4
Other financial assets	**737.5**	**454.7**

	31 March 2026 £'m	31 March 2025 £'m
Other financial assets		
Bank Loans (principal £399.6m, 2025: £599.6m)	(399.6)	(599.6)
Indexation on inflation swaps (principal £100.0m, 2025: £250.0m)	(52.0)	(122.2)
Eurobonds (principal £3,458.0m, 2025: £3,488.5m)	(3,947.7)	(3,519.0)
Private Placement (principal £129.1m, 2025: £125.2m)	(129.1)	(125.2)
Finance Leases (principal £78.5m, 2025: £73.1m)	(78.5)	(73.1)
Overdraft	(6.7)	(41.1)
Trade and other payables	(351.1)	(313.4)
Intercompany Loan	–	(40.0)
Other financial liabilities	**(4,964.7)**	**(4,833.6)**

21. SHARE CAPITAL

	2026 £'m	2025 £'m
Authorised:		
122,650,400 Ordinary Shares of £1 each (31 March 2025: 122,650,000)	**122.7**	122.7
Allotted, called-up and fully paid:		
122,650,400 Ordinary Shares of £1 each (31 March 2025: 122,650,000)	**122.7**	122.7

NWL is a company limited by shares. The parent company has one class of ordinary shares which carry no right to fixed income.

On 31 March 2026, the Company's shareholders made an equity contribution of £400 million, subscribed in proportion to their existing shareholdings. The contribution was affected through the issuance of 400 new ordinary shares of £1 each, resulting in an increase of £400 to share capital and £399,999,600 to the share premium account.

22. ADDITIONAL CASH FLOW INFORMATION

	Note	As at 1 April 2025 £'m	Financing cash flows £'m	Interest Expense £'m	Interest paid £'m	Right of use additions £'m	In respect of disposals £'m	Other non-cash movements £'m	As at 31 March 2026 £'m
Analysis of net debt as at 31 March 2026:									
Cash and cash equivalents		164.6	244.9	-	-	-	-	-	409.5
Financial investments	16	11.7	-	-	-	-	-	-	11.7
Bank overdrafts	16	(41.1)	34.4	-	-	-	-	-	(6.7)
Loans payable	28	(4,283.8)	(144.3)	-	-	-	-	(48.3)	(4,476.4)
Indexation on Inflation		(122.2)	82.7	-	-	-	-	(12.4)	(51.9)
Leases	17	(73.1)	5.0	(3.1)	3.1	(10.4)	-	-	(78.5)
Total net debt		(4,343.9)	222.7	(3.1)	3.1	(10.4)	-	(60.7)	(4,192.3)

	Note	As at 1 April 2024 £'m	Financing cash flows £'m	Interest Expense £'m	Interest paid £'m	Right of use additions £'m	In respect of disposals £'m	Other non-cash movements £'m	As at 31 March 2025 £'m
Analysis of net debt as at 31 March 2025:									
Cash and cash equivalents		50.2	114.4	-	-	-	-	-	164.6
Financial investments		11.6	-	-	-	-	-	0.1	11.7
Bank overdrafts		(23.4)	(17.7)	-	-	-	-	-	(41.1)
Loans payable		(3,875.9)	(388.2)	-	-	-	-	(19.7)	(4,283.8)
Indexation on Inflation		(111.2)	-	-	-	-	-	(11.0)	(122.2)
Leases		(67.8)	0.2	(3.4)	3.4	(5.5)	-	-	(73.1)
Total net debt		(4,016.5)	(291.3)	(3.4)	3.4	(5.5)	-	(30.6)	(4,343.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

23. FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

	2026 £'m	2025 £'m
Contractual commitments for the acquisition of property, plant and equipment and intangible assets	132.7	146.9
Commitments in respect of wastewater undertakings	2.7	11.1
Capital commitments	135.4	158.0

In addition to existing contractual commitments, the Group has provided future capital investment undertakings to Ofwat in respect of its wastewater investigation.

In addition to these commitments, the Group has longer term expenditure plans, including investment to deliver business outcomes, maintain the health of the asset base and provide for new demand and growth in the regulated part of the business.

(B) FOREIGN CURRENCY COMMITMENTS

At 31 March 2026 the Group held forward foreign exchange contracts of £2.2m (2025: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases.

(C) POWER PURCHASE AGREEMENT

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

24. CONTINGENT LIABILITIES

Wastewater Investigations

In November 2021, the Company was contacted by the Environment Agency (EA) and Ofwat in relation to measures to ensure permitted 'Flow to Full Treatment' requirements are being achieved at our wastewater treatment works. Ofwat's investigation has now concluded, with the Company agreeing certain undertakings, as described on page 27. The EA's investigation is still ongoing, with the most recent status update published on the Environment Agency's website on 3 February 2025. At this time, the directors are unable to reliably estimate the financial effect nor have certainty over the timing of the resolution of this investigation.

Competition Appeal Tribunal claim

NWL and its parent company, NWGL, received a collective proceedings claim in the Competition Appeal Tribunal for aggregate damages up to £225m including interest. The claim, on behalf of a class comprising household wastewater customers of NWL on an optout basis, alleged that customers had been overcharged for sewerage services as a result of an alleged abuse of a dominant position. Similar claims were made against five other wastewater companies. Following a certification hearing, on 7 March 2025, the Tribunal rejected the collective proceedings order application on the basis that the claim was excluded under s.18(8) WIA91 which precludes these claims for abuse of dominance.

On 20 May 2025, the CAT refused to grant the PCR's application which had sought permission to appeal the CAT's judgment in relation to the certification of the Collective Proceedings. However, the Court of Appeal subsequently granted that permission, and the corresponding hearing took place on 11 and 12 February 2026. The resulting judgment was issued on 5 March 2026 and dismissed, by majority ruling, the PCR's appeal, thereby upholding the CAT's refusal to grant certification of the Collective Proceedings. The PCR subsequently filed an application seeking permission to appeal the Court of Appeal's judgment to the Supreme Court for which permission was granted by order dated 29 June 2026.

NWL considers the claim to be speculative and without merit and will continue to defend it robustly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

25. PENSIONS

NWL participates in a Group defined benefit pension scheme, NWPS, which was closed to future accrual of benefits with effect from 31 May 2022, following a consultation process with members. The assets of the NWPS are held separately from those of the Group in independently administered funds. The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2m and the liabilities were £980.7m, resulting in a deficit of £181.5m and a funding level of 81.5%.

No contributions in respect of future accrual of benefits are required following the Scheme closure to future accrual. The Scheme Trustee and Company agreed deficit recovery payments (including expenses) of £25.8m for the period January 2023 to March 2023 and £29.1m pa for the period April 2023 to October 2023.

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

Employers' contributions (including associated company contributions) of £7.8m were paid in the year to 31 March 2026, of which £6.3m related to deficit reduction and £1.5m to Scheme expenses. For the year to 31 March 2027, employers contributions are projected to be £6.6m in respect of deficit reduction and £1.6m in respect of Scheme expenses.

The Company participates in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. There were 3,821 active members in defined contribution pension arrangements at 31 March 2026 (2025: 3,482), including employees enrolled following the closure of the defined benefit scheme.

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

The contributions paid to defined contribution pension arrangements by the Company in the year totalled £15.6m (2025: £13.3m).

The additional disclosures regarding the defined benefit scheme as required under IAS 19 and the relevant impact on the Financial Statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of IAS 19 has updated the actuarial valuation described above as at 31 March 2026. Investments have been valued, for this purpose, at fair value.

IAS 19 actuarial assumptions:	**2026**	2025
Discount rate	**6.10%**	5.75%
Price inflation (RPI)	**3.30%**	3.15%
Price inflation (CPI)	**3.05%**	2.85%
Pension increases linked to RPI	**3.30%**	3.15%
Pension increases linked to CPI	**3.05%**	2.85%

Mortality assumptions[1]		
Life expectancy for a member aged 65 – female (years)	**24.1**	23.9
Life expectancy for a member aged 65 – male (years)	**21.7**	21.3

1. Scheme specific bespoke 'Vitacurves' which reflect the characteristics of the Scheme membership

The fair value of the assets in the NWPS and the present value of the liabilities in the Scheme are shown below:

			31 March 2026			31 March 2025
	Quoted £'m	Unquoted £'m	**Total £'m**	Quoted £'m	Unquoted £'m	**Total £'m**
Equities	102.7	11.5	114.2	80.7	20.7	101.4
Corporate bonds	137.9	-	137.9	120.5	-	120.5
Diversified growth	-	18.0	18.0	-	27.0	27.0
Government bonds	223.2	65.9	289.1	293.7	(18.2)	275.5
Property related funds	-	3.4	3.4	-	5.7	5.7
Cash and cash equivalents	22.1	13.2	35.3	51.3	6.7	58.0
Other	4.8	81.0	85.8	6.5	94.9	101.4
Total fair value of assets	**490.7**	**193.0**	**683.7**	**552.7**	**136.8**	**689.5**
Present value of liabilities			**(702.9)**			**(715.8)**
Deficit			**(19.2)**			**(26.3)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

25. PENSIONS (continued)

The amounts recognised in the income statement and in the statement of comprehensive income are analysed as follows:

Recognised in the income statement:	2026 £'m	2025 £'m
Administration cost	1.5	0.7
Past service credit	–	(8.5)
Recognised in operating costs in arriving at operating profit	**1.5**	**(7.8)**

	£'m	£'m
Net interest credit on plan obligations	1.4	0.7
Recognised in finance costs	**1.4**	**0.7**

Recognised in the statement of comprehensive income:	2026 £'m	2025 £'m
Changes in demographic assumptions	(8.6)	(2.4)
Changes in financial assumptions	18.6	74.5
Loss on assets (excluding amounts included in finance costs)	(1.9)	(99.4)
Other actuarial losses	(5.9)	(2.6)
Net actuarial gains/(losses)	**2.2**	**(24.7)**

The past service credit of £8.5m reported in the prior year was the result of three special events which occurred during the period. This comprised:

- the introduction of a Pension Increase Exchange Option (PIE) exercise for pensioners of £0.2m;
- the introduction of a PIE at retirement £1.0m; and
- offering members a second piece of advice from an Independent Financial Advisor £7.3m.

PIE provides eligible members with the opportunity to exchange some of their non-statutory pension increases in return for a higher pension.

Changes in the present value of the defined pension obligations are analysed as follows:

	2026 £'m	2025 £'m
At start of period	**715.8**	**806.5**
Past service (credit)	–	(8.5)
Interest cost	39.8	39.2
Benefits paid	(48.6)	(46.7)
Remeasurement:		
Changes in demographic assumptions	8.6	2.4
Changes in financial assumptions	(18.6)	(74.5)
Other actuarial gains	5.9	(2.6)
At end of period	**702.9**	**715.8**

Changes in the fair value of plan assets are analysed as follows:

	2026 £'m	2025 £'m
At start of period	**689.5**	**790.3**
Interest income on scheme assets	38.4	38.5
Contributions by employers (including associated company)	7.8	7.5
Benefits paid	(48.6)	(46.7)
Scheme expenses	(1.5)	(0.7)
Remeasurement:		
Loss on assets (excluding amounts included in finance costs)	(1.9)	(99.4)
At end of period	**683.7**	**689.5**

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

The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and it has a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustee has the power to set the contributions that are paid to the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

25. PENSIONS (continued)

Risks to which the Scheme exposes the Company

The nature of the Scheme exposes the Company to the risk of paying unanticipated additional contributions sto the Scheme in times of adverse experience. The most financially significant risks are likely to be:

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

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

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

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

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

Sensitivity to key assumptions

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

There has been no change in the methodology used to assess the impact of changes in assumptions. Approximate adjustments were made to the defined benefit obligations reflecting the mean term of the liability.

Impact of changes in assumptions compared with actuarial assumption for the NWPS:

Actuarial value of liabilities on 31 March 2026:

	£'m
0.25% reduction in in discount rate	722.8
0.25% increase in inflation	716.3
1 year increase in life expectancy	721.4

Maturity profile of the defined benefit obligation for the year ended 31 March 2026:

	Number of members	Liability split (%)	Duration (years)
Deferred members	1,645	38%	18
Pensioners	3,276	62%	8

WPS increases provisions

Court proceedings have recently concluded in relation to certain rules of the WPS section of the Scheme and how it is determined whether, in a year where RPI exceeds 5%, the increases for members in the WPS section should be capped at 5% or paid in line with RPI (uncapped). The Company had been engaging with the Trustee as to the correct interpretation of the WPS increases provisions and it had been agreed between the Company and the Trustee that this point should be put to Court in Part 8 proceedings. Where the Scheme is in deficit on a technical provisions basis, as is the case now, the way in which the Rules should operate is not clear, and the Court was asked to confirm this. The hearing was held in April 2026 and we now await the Court's judgment.

Guaranteed minimum pension (GMP) equalisation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

25. PENSIONS (continued)

Virgin Media Limited v NTL Pension Trustees Limited

The Company are aware of the ongoing Virgin Media Limited v NTL Pension Trustees II Limited case, including the draft legislation published in September. Many defined benefit pension schemes in the UK that were contracted out of the additional state pension between April 1997 and April 2016, including the NWPS, could be impacted by this judgment. We understand an initial analysis has been carried out and this has identified a small number of deeds that will require further investigation. Given the ongoing uncertainty around the case and the need for more clarity, this further investigation has not yet been carried out but the case will continue to be monitored.

26. RELATED PARTY DISCLOSURES

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

Trading transactions

	Sale of Goods		Purchase of Goods	
	31 March 2026 £'m	31 March 2025 £'m	31 March 2026 £'m	31 March 2025 £'m
Related party:				
Northern Gas Networks Limited	2.8	0.1	–	–
UK Power Networks (Operations)	"-"	–	0.1	0.1
Anglian Water Business National Ltd	149.0	132.4	0.4	0.2
Vehicle Lease and Service Limited	0.7	0.1	19.6	20.1
NWG Limited	1.1	1.1	2.5	2.5
Three Rivers Insurance Company Limited	–	–	0.3	0.3

	Sale of Goods		Purchase of Goods	
	31 March 2025 £'m	31 March 2024 £'m	31 March 2025 £'m	31 March 2024 £'m
Related party:				
Anglian Water Business National Ltd	11.4	10.3	–	–
Vehicle Lease and Service Limited	1.0	1.3	23.3	18.2
NWG Limited	4.4	4.1	2.2	10.1

Sales to jointly controlled entities include £149.0m (2025: £132.4m) in respect of non-household wholesale charges.

Purchases from jointly controlled entities include £9m (2025: £7.5m) in respect of capital purchases under leases, £9.5m (2025: £8.6m) in respect of costs payable under leases and £5.2m (2025: £4.1m) in respect of other purchases.

Transactions with related parties outside of the NWGL group in the current year comprised of £24.8m purchases, £149.3m sales, and tax losses surrendered with a value of £1.8m (2025: £1.5).

The companies with which NWL had transactions during the current and prior year, included in the above balances, were as follows:

- Vehicle Lease and Service Limited
- Anglian Water Business (National) Limited

The Group also surrendered Group tax relief of £0.3m (2024: £0.3m) to CELTS, an associated company. More to add and to be updated, once Adam has updated his disclosures.

Other related transactions direct with NWGL during the year included dividend payments of £46.3m (2025: £40.4m), and the repayment of an intercompany loan to the value of £40m.

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

Remuneration of key management personnel

Key management personnel comprise the Directors of the NWL. The remuneration of the key management personnel is included within the amounts disclosed below:

	Year to 31 March 2026 £'m	Year to 31 March 2025 £'m
Short term employee benefits	1.1	1.1
Other long-term employee benefits	0.2	0.2
	1.3	1.3

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

NWGL is the Company's immediate parent undertaking and, in the Directors' opinion, the Company's ultimate parent undertaking and controlling party. NWGL is incorporated in England and Wales.

The parent undertaking of the largest group of undertakings for which group Financial Statements are drawn up, and of which the reporting company is a member, is NWGL. Copies of NWGL's group Financial Statements will be available in due course from its registered office at Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

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

Report on the audit of the financial statements

1. OPINION

In our opinion:

- the financial statements of Northumbrian Water Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2026 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 27; and
- the related parent company notes 1 to 16.

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

2. BASIS FOR OPINION

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Report on the audit of the financial statements

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year for group and parent company was: • Provision for bad and doubtful debt • Going concern Within this report, the key audit matters identified are consistent with the previous year and are as follows: Similar level of risk
Materiality	The materiality that we used in the current year for the group financial statements was £20m which was determined based on 3.4% of the group's Earnings Before Interest, Tax and Amortisation (EBITDA).
Scoping	We performed an audit of the entire financial information for Northumbrian Water Limited and specific procedures on certain account balances for Reiver Finance Limited, Bakethin Finance PLC and Northumbrian Water Finance PLC which together accounted for 99% of the group's net assets and 100% of the group's EBITDA.
Significant changes in our approach	There have been no significant changes to our audit approach from prior year.

4. CONCLUSIONS RELATING TO GOING CONCERN

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.2.

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

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

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Report on the audit of the financial statements

5.1 PROVISION FOR BAD AND DOUBTFUL DEBT

Key audit matter description

At 31 March 2026 the bad debt provision was £98.4m (2025: £91.7m). The bad debt charge of £19.9m represented 2.4% of total household turnover (2025: £19m and 2.6% of total household turnover).

A proportion of the group's customers do not or cannot pay their water bills, which results in the need for a provision to be made for the risk of non-payment of the customer balance. The bad debt provision is material, a key area of estimation uncertainty within the group and an area of scrutiny by Ofwat.

The provision is based on assumptions made on the forecast and historic collectability of debts across both invoiced amounts and accrued revenues. The value of the bad debt provision is determined by applying a range of percentages to debt of different ages to represent the likelihood of collectability; with higher percentages applied to different categories of debt depending on an assessment of the level of risk of default. There is a significant customer base, and regulations do not allow the group to interrupt water supply to domestic customers. The valuation of the bad debt provision is sensitive to the specific percentages applied, which are judgemental.

The provision for bad and doubtful debts is complex in nature and subject to estimation uncertainty and hence we have considered this to be a key audit matter. Due to the complexity of the provision, we consider this as a potential fraud risk for our audit, focused on the provisioning rates which are set using experience of cash collection in historical periods and potential impacts of forward-looking macro-economic factors on collectability, applied in the household bad debt provision to reflect expected credit losses under IFRS 9, Financial Instruments.

This is included as an area involving estimation in note 1(r) to the financial statements, and the relevant accounting policy adopted is disclosed in note 1(p). The closing bad debt provision as at 31 March 2026 is disclosed in note 14 and the year-on-year bad debt charge is disclosed in note 3.

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- Obtained an understanding of relevant controls within bad debt provision estimation process;
- Compared the assumptions made by directors in calculating the provision to evidence provided from historical collection data;
- Tested a sample of bad debt write offs and utilisation of the provision in the year by agreeing the amounts, dates and supporting rationale to underlying customer account records, bills and supporting correspondence;
- Tested the accuracy and completeness of the aged debtor balance and the ageing categories applied by tracing a sample of balances to underlying billing records, recalculating ageing classifications, verifying subsequent cash allocations and write-offs, and assessing the completeness of the population through roll-forward testing of prior-year sample items;
- Tested the accuracy and completeness of cash collection information, which is a key input into the debt matrix;
- Assessed and evaluated the reasonableness of management's judgements made in respect of likely future events;
- Reviewed the receivables ageing report and assessed the value of provision against overdue debtors;
- Performed analysis of historical provision rates as a percentage of revenue and debtors along with comparison of bad debt charges benchmarked against peers; and
- Evaluated whether the disclosures in the financial statements are in line with the requirements of the relevant accounting standards.

Key observations

Based on the work performed above, we are satisfied that the bad debt provision is reasonable and group's judgements are appropriate.

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

Report on the audit of the financial statements

5.2 GOING CONCERN

Key audit matter description	We identified this as a key audit matter due to the final determination by CMA on PR24, the increased public scrutiny around water companies, the increased capital expenditure requirements under AMP 8, and the impact of maturing debts requiring refinancing. The directors have considered the impact of these increased uncertainties within their assessment of going concern and forecasting of future cashflows, and have identified the requirement to raise an estimated £200m in addition to the utilisation of the £600m revolving credit facility to fund increased investment during AMP8. To meet this, and ongoing cashflow commitments, the directors have identified: • £4.4 billion available under the EMTN programme, page 46, as approved by the board, enabling the Group to raise sufficient debt financing as required; and • Shelf facilities with two lenders signed after the balance sheet date. providing NWL with further access to $500 million. We identified this as a key audit matter due to the increase in the level of judgement made by directors, such as assumptions over expected coupon rates and the impact of potential credit rating downgrade. The directors have considered this judgement within their consideration of going concern in the directors' report on page 116 and have provided disclosures on going concern in note 1(b) to the financial statements.
How the scope of our audit responded to the key audit matter	In response to this matter, we have performed the following procedures: • Understood and assessed how management have considered the current conditions within the sector and how these impact the going concern assessment; • Assessed the assumptions used in forecasts including evaluating the consistency of the forecasts with the PR 24 submissions; • Assessed the appropriateness of management's model by evaluating the reasonableness of key assumptions, underlying data and model calculations; • Assessed financing facilities including availability and access as at year-end, the nature of facilitates, repayment and expiration terms and compliance with the associated covenants; • Evaluated the amount of headroom in these forecasts, focusing on particularly cash and covenants; • Performed sensitivity analysis over key assumptions to assess impact on headroom; and • Evaluated the appropriateness of disclosure in the financial statements.
Key observations	Based on the work performed above, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements and associated disclosure is appropriate.

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

Report on the audit of the financial statements

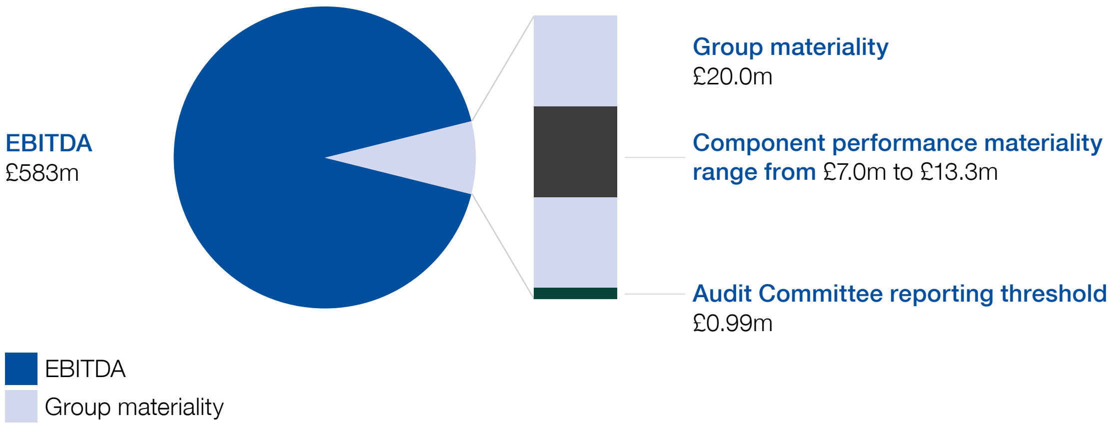
6. OUR APPLICATION OF MATERIALITY

6.1 MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£20m (2025: £13.6m)	£19.8m (2025: £12.8m)
Basis for determining materiality	The materiality equates to 3.4% (2025: 3%) of the group's Earnings Before Interest, Tax and Amortisation (EBITDA).	Parent company materiality equates to 3.5% (2025: 2.9%) of the company's Earnings Before Interest, Tax and Amortisation (EBITDA).
Rationale for the benchmark applied	EBITDA was selected as the appropriate measure on which to determine materiality as this is the key metric the board use to assess the performance of the business.	



6.2 PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2025: 70%) of group materiality	70% (2025: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our consideration of the group's control environment; • our consideration of deficiencies noted in the functioning of the key business operations as discussed in section 7,2; • the limited number of changes to the business: and • the history of a low number of corrected and uncorrected misstatements identified in previous periods.	

6.3 ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £990,000 (2025: £640,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identify when assessing the overall presentation of the financial statements.

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

Report on the audit of the financial statements

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1 IDENTIFICATION AND SCOPING OF COMPONENTS

The group comprises Northumbrian Water Limited ('NWL') (the regulated water and water recycling business) and its subsidiary companies consisting of the Asset Based Funding ('ABF') entities (for the ABF arrangement) and group's financing entities including Northumbrian Water Finance plc, Reiver Holdings Limited, Reiver Finance Limited, Bakethin Holdings Limited and Bakethin Finance plc.

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

We performed an full scope audit of the entire financial information for Northumbrian Water Limited and the associated consolidation adjustments for the group financial statements and specific procedures on certain account balances for Reiver Finance Limited, Bakethin Finance PLC and Northumbrian Water Finance PLC which together accounted for 99% (2025: 91%) of the group's net assets and 100% (2025: 100%) of the group's EBITDA. All procedures were carried out directly by the group audit team.

7.2 OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

We involved our IT specialists to obtain an understanding of and tested the relevant controls over the group's IT systems, with the key systems identified being Oracle EBS Financials ('Oracle') and Credit Card & Billing system ('CC&B') for their use as the general ledger system for financial reporting and the customer revenue and billing system respectively. Oracle has been identified as a key system for the group, while CC&B has been identified as a key system for the parent company only. As reported to the Audit Committee, we did not adopt, nor plan to adopt, a controls reliance approach in the current year due to IT deficiencies, these deficiencies were not significant individually or in aggregate. Where any deficiencies in controls have been identified we have assessed the severity of these deficiencies and their impact on our audit procedures, both individually and in aggregate, while identifying and considering any mitigating controls.

7.3 OUR CONSIDERATION OF CLIMATE-RELATED RISKS

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. We have evaluated management's documentation regarding the process of identifying climate-related risks and the impact on the financial statements. Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the financial statements for the year ended 31 March 2025 as disclosed on page 127 to 191.

As part of our audit, we performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any additional reasonably possible risks of material misstatement as a result of climate change. Our procedures were performed with the involvement of climate change and sustainability specialists, which included reading the climate related disclosures included on pages 50 to 53 in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Report on the audit of the financial statements

9. RESPONSIBILITIES OF DIRECTORS

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

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

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

11.1 IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit, key individuals involved in the financial reporting process and financial statement preparation process, and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance including the wastewater disclosure in note 24 to the financial statements;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, financial instrument specialist, environmental social governance, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: provision for bad and doubtful debt, and revenue recognition relating to the valuation of unbilled revenue accrual. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation, and OFWAT Pricing and customer service requirements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's compliance with the following: Health and Safety regulations, the Employment Act, regulations surrounding the pollution of water, and regulations enacted by the Drinking Water Inspectorate, Consumer Council for Water, and the Environment Agency.

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

Report on the audit of the financial statements

11.2 AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified the provision for bad and doubtful debt as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- assessing the accounting treatment and disclosure of the enforcement package imposed by Ofwat in relation to the wastewater investigation as disclosed in note 24 to the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with a sample of relevant regulatory authorities; and
- in addressing the risk of fraud in revenue recognition relating to the valuation of unbilled revenue accrual, we have performed the following procedures;
  - Tested the accrued income balance for unread meters as at the year end, including a retrospective review of the prior year accrual and any manual adjustments made to the current year accrual by management; and
  - Observed physical meter reads and traced these through to the relevant bills and accruals.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

13.1 ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2 DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

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

Report on the audit of the financial statements

14. USE OF OUR REPORT

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

P. M. Sarda.

Parth Sarda CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

15 July 2026

COMPANY BALANCE SHEET

at 31 March 2026 (Registered number 02366703)

	Note	2026 £'m	2025 £'m
Non-current assets			
Intangible assets	2	**57.6**	57.4
Property, plant and equipment	3	**6,175.9**	5,746.4
Investments in subsidiary undertakings	4	**435.2**	453.1
	Note	**2026 £'m**	2025 £'m
Loans to subsidiary undertakings	5	**2.2**	2.1
Derivatives	11	**4.6**	–
Pension asset	15	**64.6**	60.1
Non-current assets		**6,740.1**	**6,319.1**
Current assets			
Inventories	6	**15.5**	14.9
Trade and other receivables	7	**316.1**	278.1
Derivatives	11	**0.6**	2.8
Cash and cash equivalents		**390.8**	110.8
Current assets		**723.0**	**406.6**
Total assets		**7,463.1**	**6,725.7**
Current liabilities			
Trade and other payables	8	**(348.7)**	(310.9)
Borrowings	9	**(346.0)**	(350.5)
Derivatives	11	**–**	(77.8)
Provisions	10	**(0.6)**	(0.5)
Current liabilities		**(695.3)**	**(739.7)**
Non-current liabilities			
Borrowings	9	**(4,516.1)**	(4,357.2)
Provisions	10	**(5.8)**	(5.6)
Deferred tax liabilities		**(700.6)**	(654.7)
Derivatives	11	**(51.8)**	(44.1)
Grants and deferred income	12	**(668.3)**	(616.2)
Non-current liabilities		**(5,942.6)**	**(5,677.8)**
Total liabilities		**(6,632.7)**	**(6,417.5)**
Net assets		**825.2**	**308.2**
Capital and reserves			
Share capital	13	**122.7**	122.7
Share premium	13	**400.0**	–
Cash flow hedge reserve		**4.0**	2.1
Profit and loss account		**298.5**	183.4
Equity attributable to the shareholder of the Company		**825.2**	**308.2**

The profit dealt with in the financial statements of the parent Company is £158.7m (2025: £50.3m).

Approved and authorised for issue by the Board of Directors on 15 July 2026 and signed on their behalf by H Mottram.

H Mottram CBE,
CEO
Registered: 02366703

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2026

	Share capital £'m	Share premium £'m	Cash flow hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 1 April 2024	**122.7**	**–**	**5.4**	**190.6**	**318.7**
Profit for the year	–	–	–	50.3	50.3
Other comprehensive expense	–	–	(3.3)	(17.1)	(20.4)
Share capital £'m	Share premium £'m	Cash flow hedge reserve £'m	Retained earnings £'m	Total equity £'m	
Total comprehensive expense	**–**	**–**	**(3.3)**	**33.2**	**29.9**
Dividends	–	–	–	(40.4)	(40.4)
At 31 March 2025	**122.7**	**–**	**2.1**	**183.4**	**308.2**
Equity injection	–	400.0	–	–	400.0
Profit for the year	–	–	–	158.7	158.7
Other comprehensive expense	–	–	1.9	2.7	4.6
Total comprehensive income for the year	–	400.0	1.9	161.4	563.3
Dividends	–	–	–	(46.3)	(46.3)
At 31 March 2026	122.7	400.0	4.0	298.5	825.2

Other comprehensive income and expense taken to the cash flow hedge reserve arises from the cumulative amount of gains or losses on hedging instruments, and associated deferred tax, taken directly to equity under the hedge accounting provisions of International Accounting Standard (IAS) 39.

Other comprehensive income and expense taken to retained earnings arises from actuarial revaluations, and associated deferred tax, on the Company's defined benefit pension scheme taken directly to equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 March 2026

1. ACCOUNTING POLICIES

NWL is incorporated in the UK under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 126. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 7.

These Financial Statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

The consolidated Financial Statements above include the Company's capital commitments which can be found in note 23 and the Company's contingent liability information which can be found in note 24.

These Financial Statements are separate financial statements.

(A) BASIS OF ACCOUNTING

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

As permitted by FRS 100, the Company has applied the disclosure exemptions available under FRS 101, including exemptions from certain disclosure requirements of IAS 1 Presentation of Financial Statements, IAS 12 Income Taxes, IAS 19 Employee Benefits, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases, together with exemptions relating to the cash flow statement, standards not yet effective, related party transactions and key management personnel remuneration.

Where relevant, equivalent disclosures have been given in the group accounts of NWL. For deferred tax and dividend information please see note 8(d) and note 9.

These Financial Statements have been prepared in accordance with FRS101, incorporating the Amendments to FRS101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 and the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention, with the exception of financial instruments held at fair value through profit and loss.

The Financial Statements have been prepared on a going concern basis, having considered the principal risks and uncertainties, which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2026, the Company had net current assets of £27.7m (2025: liabilities £333.1m). The Directors have reviewed cash flow requirements, including the £300m 1.625% bond maturing in October 2026, and other factors, as described in the going concern statement on page 119 of the Directors' Report, in particular the £600m committed bank facility, which was fully undrawn at 31 March 2026, available cash and cash equivalents following the £400m equity injection in March 2026 and the Group's access to public bond and private placement financing through the EMTN programme and $500m shelf facilities. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

(B) REVENUE

Revenue, which excludes Value Added Tax, represents the income receivable in the ordinary course of business for services provided within the UK. In accordance with IFRS 15 Revenue from Contracts with Customers revenue is recognised as performance obligations to the customer are satisfied.

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

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

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

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

(C) INTANGIBLE ASSETS

Intangible assets, primarily comprising computer software, are recognised at cost less accumulated amortisation and any provision for impairment. Computer software is amortised evenly over its estimated economic life of 2 to 25 years. Intangible assets in development are not amortised until commissioned. Amortisation is charged to the income statement through operating costs.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

In accordance with IFRIC guidance regarding 'Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud' and 'Configuration or Customisation Costs in a Cloud Computing Arrangement', costs of configuring and implementing 'software-as-a-service' systems, where the Company does not control the asset and the services are not provided by the SaaS provider, are expensed to the income statement in the year in which they are incurred.

(D) PROPERTY, PLANT AND EQUIPMENT

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

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

Significant judgement is required in determining the useful economic lives of property, plant and equipment, particularly infrastructure assets.

The company's assets are long-lived in nature and comprise a diverse range of infrastructure and operational assets. Management exercises judgement in assessing the period over which these assets are expected to provide economic benefits, taking into account asset condition, expected usage, technology, regulatory requirements, historical performance and asset management strategies.

The estimation of useful economic lives directly affects the annual depreciation charge and the carrying value of property, plant and equipment. Useful economic lives and residual values are reviewed annually and revised where appropriate to reflect changes in expectations regarding the remaining service potential of assets.

Given the scale of the company's asset base, particularly water and wastewater infrastructure assets with lives of up to 200 years, relatively small changes in estimated useful lives could have a material impact on future depreciation charges and asset carrying values.

Where assets are constructed by a developer and adopted by NWL at no cost to the company, the assets are recognised in the balance sheet at their fair value on the date of the transfer and an equivalent value is recognised in deferred income, in accordance with IFRIC 18 Transfers of Assets from Customers. The fair value is based on the average cost to the Group of constructing an equivalent asset.

Upon their initial recognition, right-of-use assets are valued at the initial measurement of the corresponding lease liability (note 1(h)), less lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented as a separate line in note 11.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

Freehold buildings	30–60 years
Operational structures, plant and machinery	4–92 years
Infrastructure assets (see below)	4–200 years
Fixtures, fittings, tools and equipment	4–25 years

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Assets in the course of construction are not depreciated until commissioned.

Infrastructure assets

Infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

(E) FINANCIAL INVESTMENTS

Financial investments are stated at their purchase cost, less provision for diminution in value (note 12).

(F) GRANTS AND CONTRIBUTIONS

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate.

Grants and contributions related to the connection of new properties to the Company's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, as explained in note 1(b).

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

(G) LEASES

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

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

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

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

The lease liability is presented within Borrowings in the Balance sheet and as a separate line within note 9.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

(H) INVENTORIES

Inventories are stated at cost less any provision necessary to recognise damage and obsolescence. All stock is used internally and therefore no fair value less costs to sell considerations are required. Inventory is charged at average cost upon use.

(I) PENSION COSTS

The Company is the principal employer of the NWPS, a defined benefit scheme which is closed to future accrual.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

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

The service cost and scheme expenses are disclosed in manpower costs and the net interest expense is disclosed within finance costs.

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

The Company participates in a defined contribution pension arrangement. The costs of the defined contribution scheme are charged to the income statement in the period they arise.

(J) TAXATION

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

(K) FOREIGN CURRENCY

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the date of transaction. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses are recognised in the profit and loss account in the period incurred.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

(L) RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the income statement in the period in which it is incurred.

(M) DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilises interest and inflation rate swaps, gilt locks and forward exchange contracts as derivative financial instruments.

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Group's risk management policies. Derivative financial instruments are stated at their fair value.

Hedge accounting is employed in respect of those derivative financial instruments fulfilling the requirements for hedge accounting as prescribed under IFRS 9. The Company has not applied hedge accounting criteria under IFRS 9 on a retrospective basis. Existing derivative financial instruments, if eligible for hedge accounting, continue to apply the hedging criteria under the provisions of IAS 39. Any new instruments will apply IFRS 9.

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

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps and inflation swaps are determined by reference to market values for similar instruments.

Hedging transactions undertaken by the Company are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in currency cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement.

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

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

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

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

(N) INTEREST BEARING LOANS AND BORROWINGS

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

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

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

Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

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

(O) BAD DEBT PROVISIONING

The bad debt provision is calculated by applying a range of percentages to debt of different ages. These percentages also vary between different categories of debt. Higher percentages are applied to those categories of debt which are considered to be of greater risk and also to debt of greater age.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

1. ACCOUNTING POLICIES (continued)

(P) BORROWING COSTS

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

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

(Q) SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The key sources of estimation uncertainty were:

- the asset lives assigned to property, plant and equipment, details of which can be found in note 1(d) above.

The significant accounting estimates were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 25% in the accrual would change revenue by £16.5m;
- those assumptions used in arriving at the defined benefit pension scheme assets and liabilities under IAS 19. These key assumptions and their possible impact are disclosed in note 25; and
- the doubtful debt provision, reported in note 14, which is determined by estimating expected credit losses based on the Company's historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (for example current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data from the Company's billing system. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.3% in the long-term collection rate would increase the provision by £12.2m.

(R) NEW ACCOUNTING POLICIES

At the date of signing these financial statements, there are no standards or interpretations in issue which the Directors anticipate will have a material impact on the Company.

2. INTANGIBLE ASSETS

	Note	Software £'m	Assets in development £'m	Total £'m
Cost:				
At 1 April 2024		142.2	10.7	152.9
Additions		–	11.1	11.1
Transfers		13.4	(13.4)	–
At 1 April 2025		155.6	8.4	164.0
Additions		–	8.4	8.4
Transfers		5.4	(4.7)	0.7
At 31 March 2026		**161.0**	**12.1**	**173.1**
Amortisation:				
At 1 April 2024		97.7	–	97.7
Charge for the year		8.9	–	8.9
At 1 April 2025		106.6	–	106.6
Charge for the year		8.9	–	8.9
At 31 March 2026		**115.5**	**–**	**115.5**
Carrying value:				
At 31 March 2026		**45.5**	**12.1**	**57.6**
At 31 March 2025		49.0	8.4	57.4

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £5.6m (2025: £5.0m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.10% (2025: 5.03%).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures, plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets in the course of construction £m	Total £m
Cost:						
At 1 April 2024	168.2	3,432.6	3,719.7	262.7	466.1	8,049.3
Additions/adjustments	2.1	23.7	0.4	–	569.3	595.5
Schemes commissioned	4.5	150.6	364.7	25.5	(545.3)	–
Disposals	–	(2.3)	(5.8)	–	–	(8.1)
At 31 March 2025	174.8	3,604.6	4,079.0	288.2	490.1	8,636.7
Additions/adjustments	1.4	36.1	3.7	–	563.1	604.3
Schemes commissioned	3.9	140.8	239.3	19.2	(404.0)	(0.8)
Reclassifications	–	–	–	–	–	–
Disposals	(0.2)	(3.5)	(6.0)	–	–	(9.7)
At 31 March 2026	**179.9**	**3,778.0**	**4,316.0**	**307.4**	**649.2**	**9,230.5**
Depreciation:						
At 1 April 2024	79.0	545.4	1,891.8	225.9	–	2,742.1
Charge for the year	4.0	32.7	112.2	7.4	–	156.3
Disposals	–	(2.3)	(5.8)	–	–	(8.1)
At 31 March 2025	83.0	575.8	1,998.2	233.3	–	2,890.3
Charge for the year	4.3	34.3	124.3	10.9	–	173.8
Reclassifications	–	–	–	–	–	–
Disposals	–	(3.5)	(6.0)	–	–	(9.5)
At 31 March 2026	**87.3**	**606.6**	**2,116.5**	**244.2**	**–**	**3,054.6**
Carrying value:						
At 31 March 2026	**92.6**	**3,171.4**	**2,199.5**	**63.2**	**649.2**	**6,175.9**
At 31 March 2025	91.8	3,028.8	2,080.8	54.9	490.1	5,746.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures, plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets in the course of construction £m	Total £m
Right of Use Assets included above:						
Additions in the year	1.4	–	9.7	–	–	11.1
Depreciation charge for the year	0.4	0.5	6.4	–	–	7.3
Carrying value at 31 March 2026	**4.9**	**40.3**	**20.3**	**–**	**–**	**65.5**
Carrying value at 31 March 2025	3.9	40.8	17.0	–	–	61.7

Operational structures, plant and machinery include an element of land dedicated to those assets. It is not possible to separately identify the value of all land assets.

Cumulative borrowing costs capitalised in the cost of property, plant and equipment amount to £144.3m (2025: £119.3m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.10% (2025: 5.03%).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

4. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2026 £'m	2025 £'m
Investments in subsidiary undertakings	**435.2**	453.1

The investment in subsidiary undertakings represents the investment in Northumbrian Water Company 1 Scottish Limited Partnership under the ABF arrangement. The value of the investment has reduced by £17.9m as a result of the partial repayment of the partnership contribution during the year.

The Company's interests in subsidiaries at 31 March 2026 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Company (%)	Business activity
Northumbrian Water Finance plc	England and Wales	Ordinary shares of £1	100	Financing company
Reiver Finance Limited	England and Wales	Ordinary shares of £1	100	Special purpose financing vehicle
Reiver Holdings Limited	England and Wales	Ordinary shares of £1	100	Holding company

The registered office of the subsidiaries operating in England and Wales is Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ. Holdings are direct other than Reiver Finance Limited which is indirect.

The Company is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland.

The Company also has two quasi-subsidiary special purpose entities, Bakethin Holdings Limited, which is wholly owned by Bakethin Charitable Trust, and Bakethin Finance Plc, which is a wholly owned subsidiary of Bakethin Holdings Limited. The principal activity of Bakethin Finance Plc is as a special purpose financing vehicle.

The registered office of the two quasi-subsidiaries is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, United Kingdom, EC2R 7AF.

5. LOANS TO SUBSIDIARY UNDERTAKINGS

	2026 £'m	2025 £'m
Loans to subsidiary undertakings	**2.2**	2.1

In May 2004, the Company made a loan of £1.5m to Bakethin Holdings Limited, maturing in January 2034. The interest on the loan is capitalised and at 31 March 2026 the balance was £2.2m (2025: £2.1m).

6. INVENTORIES

	2026 £'m	2025 £'m
Raw materials and consumables	**15.5**	14.9

7. TRADE AND OTHER RECEIVABLES

	2026 £'m	2025 £'m
Trade receivables	**312.6**	284.2
Doubtful debt provision	**(98.4)**	(91.7)
Income tax recoverable	**1.5**	–
Amounts owed by other Group companies	**8.3**	4.9
Amounts owed by related parties	**1.8**	1.6
Other receivables	**14.1**	12.1
Prepayments	**10.6**	9.4
Accrued income	**65.6**	57.6
Trade and other receivables	**316.1**	**278.1**

Amounts owed by other Group companies includes £1.8m (2025: £1.6m) in respect of tax losses surrendered by the Company. The remaining amounts owed by other Group companies include £4.1m due from NWGL (2025: £4.1m) and £0.8m (2025: £0.8m) due from fellow subsidiary companies, which are due on demand with no fixed repayment date and bear no interest.

Other receivables of £14.1m (2025: £12.1m) is predominantly made up of VAT amounts receivable of £11.9m (2025: £11.9m).

Accrued income includes £59.6m relating to cash received from customers, comparatives for the year ended 31 March 2025 have been represented to reduce trade receivables by £48.0m and correspondingly increase the Accrued income by the same amount.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

8. TRADE AND OTHER PAYABLES

	2026 £'m	2025 £'m
Trade payables	71.4	61.3
Amounts owed to other Group companies	2.3	10.1
Taxation and social security	5.0	4.0
Receipts in advance	40.9	28.5
Other payables	13.7	16.3
Deferred income	17.5	15.5
Capital accruals	78.5	69.9
Interest accruals	73.7	59.9
Other accruals	45.7	45.4
Trade and other payables	**348.7**	**310.9**

The amounts owed to other Group companies of £2.2m (2025: £10.1m) is owed to NWGL and is due on demand with no fixed repayment date and bears no interest.

Other payables of £13.7m (2025: £16.3m) predominantly comprises of retentions, deposits held and cash collected on behalf of other WASCs under collection agreements.

9. BORROWINGS

	Note	2026 £'m	2025 £'m
Current:			
Bank overdrafts		6.7	41.1
Current instalments due on external borrowings		17.0	251.1
Current instalments due on internal borrowings		316.0	53.3
Current instalments due on leases		6.3	5.0
Current borrowings		**346.0**	**350.5**
Non-current:			
Non-current instalments due on external borrowings		382.6	348.5
Non-current instalments due on internal borrowings		4,061.3	3,940.6
Non-current instalments due on leases		72.2	68.1
Non-current borrowings		**4,516.1**	**4,357.2**

(A) EXTERNAL BORROWINGS

Bank overdrafts are repayable on demand and bore interest at an average rate of 5.75% during the year.

The fair value loss on the Company's outstanding interest rate and RPI swaps in the year to 31 March 2026 was £0.6m (2025: £2.1m) in relation to interest rate swaps with a notional principal of £100m (2025: £350m).

(B) INTERNAL BORROWINGS

Included in internal borrowings is £nil (2025: £40.0m) owed to NWGL in respect of an overnight borrowing which incurred interest at a rate of 5.5%.

Internal borrowings includes £517.1m (2025: £530.4m) in respect of a loan note issued to NWL by Northumbrian Water Company 1 Scottish Limited Partnership as part of the ABF arrangement in relation to the defined benefit pension scheme, with an original principal of £545.0m, an interest rate of 6.947% with a maturity date of October 2038.

(C) LOAN MATURITY

Loans wholly repayable within five years amount to £1,539.6m (2025: £1,305.2m).

Loans not wholly repayable within five years amount to £3,237.3m (2025: £3,289.4m) and bear interest rates in the range 1.625% to 6.375%.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

9. BORROWINGS (continued)

All other internal borrowings listed below were issued by NWF and guaranteed by the Company:

Loan type	Principal value £'m	Maturity date	Interest rate %	Balance at 31 March 2026 £'m	Balance at 31 March 2025 £'m
Fixed rate Eurobond	350.0	Apr-33	5.625	**345.8**	345.3
Fixed rate Eurobond	360.0	Jan-42	5.125	**344.8**	344.2
Index linked Eurobond	150.0	Jul-36	2.033	**320.9**	305.9
Index linked Eurobond	60.0	Jan-41	1.6274	**126.8**	121.0
Index linked Eurobond	100.0	Jul-49	1.7118	**210.2**	200.5
Index linked Eurobond	100.0	Jul-53	1.7484	**210.2**	200.5
Fixed rate Eurobond	300.0	Oct-26	1.625	**299.8**	299.6
Fixed rate Eurobond	300.0	Oct-27	2.375	**299.4**	299.1
Index linked Private Placement	100.0	Oct-39	CPI + 0.242	**129.1**	125.2
Fixed rate Eurobond	400.0	Oct-34	6.375	**392.8**	392.2
Fixed rate Eurobond	400.0	Feb-31	4.5	**395.0**	394.4
Fixed rate Eurobond	300.0	Oct-37	5.5	**292.4**	293.1
Index linked Eurobond	100.0	Apr-39	CPI +2.490	**106.0**	102.5
Fixed rate Eurobond	90.0	Apr-45	6.875	**89.1**	-
Fixed rate Eurobond	300.0	Jul-32	5.375	**297.9**	-
SLP Loan Note	545.0	Oct-38	6.947	**517.1**	530.4
Internal borrowings	**3,955.0**			**4,377.3**	**3,953.9**

10. PROVISIONS

	£'m
At 1 April 2025	6.1
Charged to the profit and loss account in the year	0.8
Utilised during the year	(0.5)
At 31 March 2026	**6.4**
Analysed as:	
Current	0.6
Non-current	5.8
Provisions	**6.4**

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.

Provisions reflected in the balance sheet include outstanding pension liabilities for pensions that have been awarded on a discretionary basis, mainly to former employees of water companies which have since merged with the Company. These pension liabilities have been calculated by an independent actuary, using the same actuarial assumptions as applied to the defined benefit pension scheme, and are expected to be paid over the remaining lives, which is approximately seven years.

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

As part of the wastewater undertakings agreed with Ofwat, £2m was provided in 2024/25 for committed additional contributions to the 'Branch Out Fund', which supports schemes proposed by local communities, land managers, other organisations and individuals that will improve the natural environment. During
the year £0.2m was utilised, leaving the balance of £1.8m that is expected to be utilised over the next five years

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

11. FINANCIAL INSTRUMENTS

	2026 £'m	2025 £'m
Financial (assets)/liabilities that are designated and effective as hedging instruments carried at fair value:		
Interest rate swaps	–	(2.8)
Foreign exchange contracts	–	0.1
Financial liabilities carried at fair value through profit and loss:		
Inflation swaps	51.8	121.8
Power forward contracts	(5.2)	–
Net financial instruments	**46.6**	**119.1**

At year ended 31 March 2026, the Company held no interest rate swaps.

At year ended 31 March 2025, the Company held the following interest rate swap, designated as a hedge of future interest cash flows, for which the Group had forecast transactions. This swap was used to convert variable rate interest payments to a fixed rate basis. The terms of this swap as follows:

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

This swap was designed as highly effective.

Inflation swaps

At 31 March 2026, the Company held the following inflation swaps which was not designated in a hedge relationship. Used to convert fixed rate interest payments to an index-linked basis:

Notional Amount	Start date	Termination date	Indexed linked rate
£100.0m	**22 June 2017**	**22 June 2027**	**(1.10%)**

At 31 March 2025, the Company held the following inflation swaps which were not designated in a hedge relationship. Used to convert fixed rate interest payments to an index-linked basis:

Notional Amount	Start date	Termination date	Indexed linked rate
£150.0m	15 October 2015	15 October 2025	(0.42%)
£100.0m	22 June 2017	22 June 2027	(1.10%)

Fair value hedges

At 31 March 2026 and at 31 March 2025, the Group held no fair value hedges.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

At 31 March 2026, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
USD 2,630,153	01 Apr 2026	1.3450	2.0
USD 48,359	01 Apr 2026	1.3397	-
USD 330,698	13 Apr 2026	1.3295	0.2
USD 801,600	08 May 2026	1.3286	0.6
USD 36,800	08 May 2026	1.3259	-
USD 65,882	15 Jun 2026	1.3163	0.1
USD 54,100	20 Jul 2026	1.3360	-
USD 46,100	07 Oct 2026	1.3315	-
USD 68,056	15 Jun 2027	1.3163	0.1
At 31 March 2026			**3.0**

At 31 March 2025, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
USD $455,478	11 April 25	1.2570	0.5
USD $305,238	15 April 25	1.3210	0.3
USD $80,155	15 April 25	1.2830	0.1
USD $305,238	15 July 25	1.3210	0.3
USD $80,155	15 July 25	1.2830	0.1
USD $319,242	15 October 25	1.3210	0.3
USD $80,155	15 October 25	1.2830	0.1
USD $207,531	16 April 25	1.2400	0.2
USD $74,114	22 April 25	1.2440	0.1
USD $203,611	31 October 25	1.2440	0.2
At 31 March 2025			**2.2**

12. GRANTS AND DEFERRED INCOME

	Capital grants and contributions £'m	Proceeds from Kielder securitisation £'m	Total £'m
At 1 April 2025	**552.0**	**64.2**	**616.2**
Additions	66.0	–	66.0
Amortised during the year	(6.9)	(7.0)	(13.9)
At 31 March 2026	**611.1**	**57.2**	**668.3**

The Kielder securitisation, implemented in 2004, involved the assignment of the right to the future income stream associated with the Kielder WROA until 2034 to Reiver Finance Limited, a subsidiary company, in return for consideration of £212.1m. This capital sum is amortised to the income statement of the Company over the life of the assignment.

13. SHARE CAPITAL

	2026 £'m	2025 £'m
Authorised:		
122,650,400 Ordinary Shares of £1 each (31 March 2025: 122,650,000)	**122.7**	122.7
Allotted, called-up and fully paid:		
122,650,400 Ordinary Shares of £1 each (31 March 2025: 122,650,000)	**122.7**	122.7

NWL is a company limited by shares. The parent company has one class of ordinary shares which carry no right to fixed income.

On 31 March 2026, the Company's shareholders made an equity contribution of £400 million, subscribed in proportion to their existing shareholdings. The contribution was affected through the issuance of 400 new ordinary shares of £1 each, resulting in an increase of £400 to share capital and £399,999,600 to the share premium account.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

14. FINANCIAL COMMITMENTS

(a) Capital commitments

	2026 £'m	2025 £'m
Contractual commitments for the acquisition of property, plant and equipment and intangible assets	132.7	146.9
Commitments in respect of wastewater undertakings	2.7	11.1
Capital commitments	**135.4**	**158.0**

In addition to existing contractual commitments, the Company has provided future capital investment undertakings to Ofwat in respect of its wastewater investigation.

In addition to these commitments, the Company has longer term expenditure plans, including investment to deliver business outcomes, maintain the health of the asset base and provide for new demand and growth in the regulated part of the business.

(b) Foreign currency commitments

At 31 March 2026 the Company held forward foreign exchange contracts of £2.2m (2025: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases.

(c) Power purchase agreement

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

15. PENSIONS

NWL participates in a Group defined benefit pension scheme, NWPS, which was closed to future accrual of benefits with effect from 31 May 2022, following a consultation process with members. The assets of the NWPS are held separately from those of the Group in independently administered funds. The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2m and the liabilities were £980.7m, resulting in a deficit of £181.5m and a funding level of 81.5%.

No contributions in respect of future accrual of benefits are required following the Scheme closure to future accrual. The Scheme Trustee and Company agreed deficit recovery payments (including expenses) of £25.8m for the period January 2023 to March 2023 and £29.1m pa for the period April 2023 to October 2023.

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

Employers' contributions (including associated company contributions) of £7.5m were paid in the year to 31 March 2026, of which £6.0m related to deficit reduction and £1.5m to Scheme expenses. For the year to 31 March 2027, employers contributions are projected to be £6.3m in respect of deficit reduction and £1.5m in respect of Scheme expenses.

The Company participates in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. There were 3,821 active members in defined contribution pension arrangements at 31 March 2026 (2025: 3,482), including employees enrolled following the closure of the defined benefit scheme.

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

The contributions paid to defined contribution pension arrangements by the Company in the year totalled £27.3m (2025: £22.5m) which includes £11.7m (2025: £9.2m) of salary sacrifice contributions.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

15. PENSIONS (continued)

The additional disclosures regarding the defined benefit scheme as required under FRS 101 and the relevant impact on the Financial Statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of FRS 101 has updated the actuarial valuation described above as at 31 March 2026. Investments have been valued, for this purpose, at fair value.

FRS 101 actuarial assumptions:	2026	2025
Discount rate	6.10%	5.75%
Price inflation (RPI)	3.30%	3.15%
Price inflation (CPI)	3.05%	2.85%
Pension increases linked to RPI	3.30%	3.15%
Pension increases linked to CPI	3.05%	2.85%
Mortality assumptions[1]		
Life expectancy for a member aged 65 – female (years)	24.1	23.9
Life expectancy for a member aged 65 – male (years)	21.7	21.3

1. Scheme specific bespoke 'Vitacurves' which reflect the characteristics of the Scheme membership

The fair value of the assets in the NWPS and the present value of the liabilities in the Scheme are shown below:

	31 March 2026			31 March 2025		
	Quoted £'m	Unquoted £'m	Total £'m	Quoted £'m	Unquoted £'m	Total £'m
Equities	102.7	11.5	114.2	80.7	20.7	101.4
Corporate bonds	137.9	-	137.9	120.5	-	120.5
Diversified growth	-	18.0	18.0	-	27.0	27.0
Government bonds	223.2	65.9	289.1	293.7	(18.2)	275.5
Property related funds	-	3.4	3.4	-	5.7	5.7
Cash and cash equivalents	22.1	13.2	35.3	51.3	6.7	58.0
ABF investment due from SLP	-	83.8	83.8	-	86.4	86.4
Other	4.8	81.0	85.8	6.5	94.9	101.4
Total fair value of assets	**490.7**	**276.8**	**767.5**	**552.7**	**223.2**	**775.9**
Present value of liabilities			**(702.9)**			**(715.8)**
Surplus			**64.6**			**60.1**

The ABF investment is in Northumbrian Water Company 1 Scottish Limited Partnership, which is a subsidiary of the Company. This investment is eliminated upon consolidation.

The amounts recognised in the income statement and in the statement of comprehensive income are analysed as follows:

Recognised in the income statement:	2026 £'m	2025 £'m
Administration cost	1.5	0.7
Past service credit	–	(8.5)
Recognised in operating costs in arriving at operating profit	**1.5**	**(7.8)**

	2026 £'m	2025 £'m
Net interest credit on plan obligations	1.4	0.7
Recognised in finance costs	**1.4**	**0.7**

Recognised in the statement of comprehensive income:	2026 £'m	2025 £'m
Changes in demographic assumptions	(8.6)	(2.4)
Changes in financial assumptions	18.6	74.5
Loss on assets (excluding amounts included in finance costs)	(1.3)	(98.2)
Other actuarial losses	(5.9)	2.6
Net actuarial gains/(losses)	**2.8**	**(23.5)**

The past service credit of £8.5m reported in the year was the result of three special events which occurred during the period. This comprised:

- the introduction of a Pension Increase Exchange Option (PIE) exercise for pensioners of £0.2m;
- the introduction of a PIE at retirement £1.0m; and
- offering members a second piece of advice from an Independent Financial Advisor £7.3m.

PIE provides eligible members with the opportunity to exchange some of their non-statutory pension increases in return for a higher pension.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2026

15. PENSIONS (continued)

Changes in the present value of the defined pension obligations are analysed as follows:

	2026 £'m	2025 £'m
At start of period	**715.8**	**806.5**
Past service (credit)	–	(8.5)
Interest cost	**39.8**	39.2
Benefits paid	**(48.6)**	(46.7)
Remeasurement:		
Changes in demographic assumptions	**8.6**	2.4
Changes in financial assumptions	**(18.6)**	(74.5)
Other actuarial gains	**5.9**	(2.6)
At end of period	**702.9**	**715.8**

Changes in the fair value of plan assets are analysed as follows:

	2026 £'m	2025 £'m
At start of period	**878.8**	**878.8**
Interest income on scheme assets	**43.2**	42.7
Benefits paid	**(48.6)**	(46.7)
Scheme expenses	**(1.5)**	(0.7)
Remeasurement:		
Loss on assets (excluding amounts included in finance costs)	**(1.3)**	(98.2)
At end of period	**870.6**	**775.9**

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

The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and it has a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustee has the power to set the contributions that are paid to the Scheme.

Risks to which the Scheme exposes the Company

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

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

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

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

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

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

Sensitivity to key assumptions

The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for FRS 101 reporting are the responsibility of the Directors of the Company. These assumptions reflect market conditions at the balance sheet date. Changes in market conditions which result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increases of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.

There has been no change in the methodology used to assess the impact of changes in assumptions. Approximate adjustments were made to the defined benefit obligations reflecting the mean term of the liability.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued
for the year ended 31 March 2026

15. PENSIONS (continued)

Impact of changes in assumptions compared with actuarial assumption for the NWPS:

Actuarial value of liabilities on 31 March 2026:

	£'m
0.25% reduction in in discount rate	722.8
0.25% increase in inflation	716.3
1 year increase in life expectancy	721.4

Maturity profile of the defined benefit obligation for the year ended 31 March 2026:

	Number of members	Liability split (%)	Duration (years)
Active members	–	0%	–
Deferred members	1,645	38%	18
Pensioners	3,276	62%	8

WPS increases provisions

Court proceedings have recently concluded in relation to certain rules of the WPS section of the Scheme and how it is determined whether, in a year where RPI exceeds 5%, the increases for members in the WPS section should be capped at 5% or paid in line with RPI (uncapped). The Company had been engaging with the Trustee as to the correct interpretation of the WPS increases provisions and it had been agreed between the Company and the Trustee that this point should be put to Court in Part 8 proceedings. Where the Scheme is in deficit on a technical provisions basis, as is the case now, the way in which the Rules should operate is not clear, and the Court was asked to confirm this. The hearing was held in April 2026 and we now await the Court's judgment.

Guaranteed minimum pension (GMP) equalisation

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

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

Virgin Media Limited v NTL Pension Trustees Limited

The Company is aware of the ongoing Virgin Media Limited v NTL Pension Trustees II Limited case, including the draft legislation published in September. Many defined benefit pension schemes in the UK that were contracted out of the additional state pension between April 1997 and April 2016, including the NWPS, could be impacted by this judgment. We understand an initial analysis has been carried out and this has identified a small number of deeds that will require further investigation. Given the ongoing uncertainty around the case and the need for more clarity, this further investigation has not yet been carried out but the case will continue to be monitored.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

NWGL is the Company's immediate parent undertaking and, in the Directors' opinion, the Company's ultimate parent undertaking and controlling party. NWGL is incorporated in England and Wales.

NWL is the smallest group to prepare group Financial Statements. The parent undertaking of the largest group of undertakings for which group Financial Statements are drawn up, and of which the reporting company is a member, is NWGL. Copies of NWGL's group Financial Statements will be available in due course from its registered office at Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

www.nwg.co.uk

NWG living water

July 2026