

Striking the balance for customers, community and environment

Wessex Water's Annual Report
and Financial Statements
30 June 2025

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Wessex Water
YTL GROUP



FOR YOU. FOR LIFE.



Annual Report and Financial Statements 30 June 2025

We always endeavour to provide our customers and the communities we serve with a full and transparent account of what we do to provide water and wastewater services and how we protect the environment. This document in conjunction with our Annual performance report provides this.

You can find each of these reports on [our website](#)

You can also compare our performance to other water companies on the [Discover Water website](#)

To navigate through this integrated report, please use the menu bar at the top of each page

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About us

Wessex Water is a regional water and sewerage business serving 2.9 million customers across the south west of England. There are critical areas where we know we have to improve but there are also many existing strengths for us to build upon. We believe we have the potential to set the benchmark for excellence in the UK water industry. Our regulators have rated us strongly for our customer service and affordability performance and we recorded no major pollutions in the last year.

We are committed to playing a role that goes beyond providing an essential public service. We aim to support the communities we serve; help tackle the climate, environment and nature emergency; and contribute to the growth of the UK economy. These aims form the core of our long-term commitment to build a sustainable future with the support of our customers, communities, employees and stakeholders across our region.

Our long-term plan for delivery is set out in our Strategic Direction Statement ([SDS](#)). The statement, which was developed in partnership with customers, businesses, employees and stakeholders, sets out our vision and ambitions through to 2050.

Our purpose is clear, *through water we support our customers' health and wellbeing, and enhance the environment and the diverse communities we serve.*

Our purpose is clear, through water we support our customers' health and wellbeing, and enhance the environment and the diverse communities we serve. We deliver on our purpose across four perspectives:

- 1. serving people and places:** to provide reliable, affordable services for all customers and communities
- 2. enhancing the environment:** to deliver a better environment for nature and people
- 3. empowering our people:** an employer where everyone can realise their potential
- 4. financing the future:** to be a trusted, financially strong company with fair investor returns.

Serving people and places is structured around four outcomes that we plan to achieve through our actions. These are:

- **safe and reliable water supply:** ensuring high-quality drinking water and reducing supply interruptions
- **an effective sewerage system:** improving wastewater management and reducing pollution incidents
- **affordable bills:** keeping customer charges fair and transparent
- **excellent customer experience:** maintaining high service standards and responsiveness.





Enhancing the environment is structured around an additional four outcomes. These are:

- **sustainable water abstraction**: managing water resources responsibly to protect ecosystems
- **excellent river and coastal water quality**: reducing pollution and improving water environments
- **net zero carbon**: cutting emissions and transitioning to sustainable operations
- **increased biodiversity**: supporting nature recovery and habitat conservation.

The outcomes are underpinned by six enabling competences.

Empowering our people enables us to achieve these purposes:

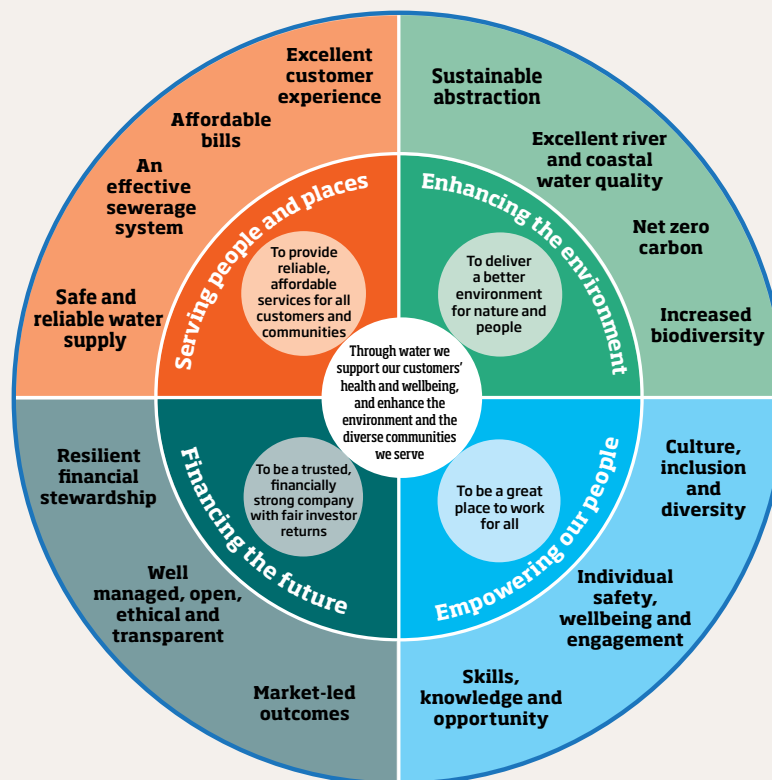
- **individual safety, wellbeing and engagement**: our colleagues will be safe at work, proud to work for us and fully engaged in their roles
- **skills, knowledge and opportunity**: our colleagues will have the skills and knowledge they need and be empowered to carry out their roles
- **culture, inclusion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

Financing the future enables us to achieve these purposes:

- **being well managed, open, ethical and transparent**: we will demonstrate that we are honest and ethical in the way we conduct our business

- **resilient financial stewardship**: we will demonstrate long-term financial stability
- **market-led outcomes**: we will harness the power of markets to drive the most efficient solutions.

The graphic below is our 'strategy wheel'; this illustrates what links our purpose through to our outcomes and what enables them.





Chairman's foreword

This is a time of change and significant challenge as we embark on our ambitious 2025-30 business plan. We are doubling our investment and the regulatory landscape is set to change, all at a time of geopolitical instability.

Firstly, I am delighted to welcome our new Chief Executive, Ruth Jefferson, who brings a fresh perspective to the leadership of our business. Since her appointment, Ruth has built a strong team around her and I am confident in our ability to navigate the challenges and opportunities ahead.

I am also pleased to welcome Sarah Hendry CBE who joins the board as an independent non-executive director. Sarah brings extensive experience within the environmental sector which will strengthen the board. She succeeds Fiona Reynolds DBE who stepped down in January 2025 after 12 years of dedicated service as an independent non-executive director. I would like to express our deepest gratitude to Fiona for her significant and valued contribution.

Our regulatory settlement for 2025-2030, the PR24 final determination, delivered by Ofwat in December 2024, has been an important moment for us. We are committed to ensuring that our long-term investment plans will enable us to deliver for customers, communities and the environment, and that Wessex Water and the wider industry remain investable over the long term. However, we believe the funding provided by the final determination fell significantly short of the investment we require to deliver the service our customers rightly expect and to meet our statutory obligations.

The board therefore took the decision to refer our final determination to the Competition and Markets Authority (CMA) for a redetermination. We are now working hard with both Ofwat and the CMA to ensure a fair outcome, which we expect later this year.

The Water Commission led by Sir Jon Cunliffe delivered its final report in July 2025. We have actively engaged with the work of

Sir Jon and his team and are encouraged by the quality of the strategic insight they are providing.

Alongside the work of the Water Commission, Dan Corry has published his government-commissioned review of Defra's regulatory landscape; and the National Audit Office (NAO) has reviewed the effectiveness of water regulators. We warmly welcome both reports and the insights they give on the issues companies in the sector face which obstruct the outcomes our customers want. Taken together, these reports should create the catalyst for the regulatory changes we believe are required. We will continue to advocate for catchment-based approaches, simplified but robust regulation and solutions that benefit nature and that engage all stakeholders at a local level. It is also critical that we and the wider sector remain investable through a satisfactory economic settlement and a more effective regulatory framework.

How we innovate will be an important element of how we address the major challenges we are facing. Globally, the symptoms of climate change are having ever more significant impacts. We are innovating and developing our systems to cope with more intense rainfall and extreme weather events. There is also an increased likelihood of drought, so from smart networks to new reservoirs, we are introducing new ways to adapt and mitigate these risks.

As we enter the 2025-30 period, subject to a satisfactory redetermination, I am confident that Ruth and the whole team will deliver our business plan and continue to provide the very best service to our customers.

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

Tan Sri (Sir) Francis Yeoh KBE
Chairman



Tan Sri (Sir) Francis Yeoh KBE
Chairman

*A time of
change and of
opportunity*



Chief Executive's review

This is my first annual report as Chief Executive of Wessex Water. It is an inspiring but equally challenging time to take on this role.

I would like to start by paying tribute to Colin Skellett for his extraordinary service to the company and his stewardship of the business as Chief Executive for 36 years, navigating it through the early years of privatisation, the turbulent times of Enron ownership and developing it into the successful business it is today.

Our customers rightly expect us to provide excellent service and to have a positive impact on the environment. This is set against a backdrop of a rapidly changing climate, a growing population, geopolitical and associated economic uncertainty and an industry that has lost the trust of the public. While some targets are stretching, we let ourselves and our customers down when we miss them. We met 30 out of the 46 Performance Commitments set for us in 2024-25. I recognise the need for improvement. However, I take some comfort that our performance typically places us favourably in any industry-wide comparison.

Continuing our industry-leading customer service

Our teams regularly go the extra mile for our customers. At a time when trust in the industry is low, I am pleased to report that we have once again been awarded a strong C-Mex score, Ofwat's measure of customer experience, and that we retain a strong Trustpilot score at 4.6.

However, we have much to do to restore trust. Our customers expect our performance to improve. We must demonstrate that we spend their money wisely, we meet our performance targets consistently and we listen and act on their feedback.

Some customers need extra help from us. Cost-of-living pressures continue to have an impact on everyone's lives and we are acutely aware that price rises, although needed if we are to deliver the improvements to protect our environment, are unwelcome particularly for those on lower incomes.

Water must be affordable for all. Our goal is to eradicate water poverty across our region. We will do this by increasing the number of customers receiving tailored financial support through low-rate tariffs or other affordability schemes, moving customers onto these where we can. No one will spend more than 5% of their disposable income on water by 2030.

We will also continue to deliver the many other initiatives in our vulnerability strategy, 'Every customer matters', to raise awareness and increase take up of Priority Services. More than 150,000 households who need additional support due to age, ill health, disability, mental health or a temporary change in their situation have registered for the additional services we provide.

Driving improvements to river health

Thanks principally to our investment in advanced sewer monitoring technology, I am pleased to report that there were no serious pollution incidents during the year. However, there was an increase in the number of less severe pollution incidents, associated with periods of intense and prolonged rainfall. The levels of sewer flooding also remained too high. We are investing more in monitoring – going from just over 3,000 to 10,000 in-sewer monitors – to give us advanced warning of issues, as well as an enhanced maintenance programme, incentives for customers to change their behaviour and a new "solve at source" strategy that will take a holistic approach to managing wastewater catchments.

Increasing security of water supply

The notably dry spring and summer of 2025 following the wet weather of 2024, has on balance left our water supply in reservoirs and aquifers at below average levels. We do not anticipate supply issues, however, we remain mindful of the need to safeguard water supply for the years to come. We will continue to encourage responsible use of water while working to decrease leakage from our supply network.



Ruth Jefferson
Chief Executive

*Delivering for
our customers,
community and
environment*



2025-30 business plan - delivering improvements in performance for customers and the environment

Regardless of the outcome from the CMA, we remain focused on delivering for our customers and the environment. We are working closely with our YTL Construction UK Ltd colleagues on our plans. Subject to the CMA's redetermination, we plan to invest in excess of £2bn more than the previous investment period (2020-25) tackling a range of issues that reflect our commitment to all our communities. We plan to further reduce leakage, tackle storm overflow spills, and increase the resilience of our water supply network. We want to do all of this in ways that enhance the environment where we can by using nature-based solutions, working in partnership and decarbonising. While this can sound easy, it is not and we will need to embrace new monitoring technologies, deliver our smart metering programme and work even more closely with our supply chain.

Emerging contaminants of concern

There is emerging data about the prevalence of PFAS (per- and polyfluoroalkyl substances) a range of chemicals and contaminants, collectively referred to as 'forever chemicals' that come from a variety of everyday products such as kitchen equipment and outdoor clothing. Along with other water companies, we have an important role to play in breaking the cycle of these contaminants migrating from the waste system to land via sludge and then back into the water system by leaching off land into rivers and aquifers. We launched our marketplace challenge in October 2024 focused on PFAS.

Shaping the agenda for regulatory reform

Following the publication of the Independent Water Commission's (IWC) report in July, we will continue to advocate for catchment-based approaches, simplified but robust regulation and solutions that benefit nature and that engage all stakeholders at a local level. It is also critical that we and the wider sector remain investable through a satisfactory economic settlement and a more effective regulatory framework. In line with our support for regulatory reform, I will be championing the Sustainable Solutions

for Water and Nature (SSWAN) coalition, which has crafted a new vision for the water environment. SSWAN, like the IWC report, supports a catchment-wide approach that works across sectors and prioritises efficient, nature-based, and low-carbon solutions. Alignment of the regulatory functions that govern water, farming, planning, highways, and housing development within a common overall framework, focused on achieving better environmental, social, and economic outcomes, will ensure we have clean, healthy rivers, delivered and paid for in the most efficient way.

Creating the climate for our people to grow

The health, safety and wellbeing of our staff and contractors remains one of our highest priorities. My focus is on ensuring a workplace where people's physical and mental wellbeing is safeguarded. The Health and Safety Committee, set-up in the aftermath of the tragic accident at Avonmouth, is central to this work. There is a more detailed review of our health and safety work later in this report.

To assure the continued success of the business and indeed the wider industry, we must maintain a strong pipeline of future leaders. The YTL Academy is a unique offering that gives opportunities for interns, apprentices and graduates to develop in their chosen areas. We expect this year to be able to offer 60 places on these programmes across the full range of our functions.

Colleagues across the business are integral to our success and we will continue to work hard to empower our people and ensure Wessex Water is a great place to work for all.

Finally, I would like to extend my deepest gratitude to our employees, many of whom are also customers, whose hard work each and every day gives me great cause for optimism for our journey ahead.

Ruth Jefferson
Chief Executive





2025-30 delivery plan

We submitted our 2025-30 business plan to our economic regulator, Ofwat, in October 2023. It is based on what customers tell us is most important to them, what regulators require us to do, and our views on how to deliver these two sets of requirements in the best value way possible.

The plan proposes levels of investment to maintain and enhance services to both customers and the environment.

The objectives for 2025-30, also known as AMP8, against each of our SDS outcomes, are as follows.

1. Safe and reliable water supply

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

We have a rolling programme of major and minor improvement works at water treatment centres over the five year period.

2. An effective sewerage system

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

To reduce the impact of these overflows on waterways, we will more than double our current level of investment to £8m a month, a total of £500m over the five-year period. And we will prioritise overflows that could affect bathing waters, shellfish waters, chalk streams and designated environmental sites – reducing spill frequency by 17%.

3. Affordable bills

Ensuring everyone can afford water and sewerage services.

Because we know this will be incredibly challenging and for some impossible without help, we will increase the number of households who receive support from our Tailored Assistance Programme (tap) by 70,000 to 140,000. This will help us meet our commitment to eradicate water poverty by 2030.

4. Excellent customer experience

This outcome is about our customer service responsibilities, including how we communicate with, look after and satisfy our customers at every interaction.

We will upgrade our digital services, including our e-billing and online self-service options, in line with changing customer expectations. We will also use new technology to equip teams to fix problems faster and keep customers regularly informed of progress towards resolution.

5. Sustainable abstraction

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

Our aim is to reduce the average 145 litres per day currently used by customers to 135 litres by 2030, which will save money on bills as well as protecting the water environment. We will also cut leakage by another 3.5 million litres per day by 2030.

6. Excellent river and coastal water quality

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

We will use both traditional treatment and nature-based solutions, including catchment and the creation of wetlands such as reed beds. We will use nature-based solutions wherever possible. This investment will prevent 1,400 tonnes of phosphorus and nitrogen per year from entering rivers and seas by 2030.

7. Net zero carbon

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

We are targeting net zero operational carbon emissions by 2030, tackling all the emissions we generate in running Wessex Water.

8. Greater biodiversity

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

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

For more information, read our [business plan 2025-2030](#).



2020-25 performance headlines

Our Non-Financial performance headlines reflect our regulatory reporting timelines and are therefore presented on an April to March basis to align with the Annual Performance Report.

1. Safe and reliable water supply

We consistently ranked in the top two water and sewerage companies for the Water quality compliance risk index throughout the 2020-25 period. However, we missed our zero stretch target for the index.

Unplanned outages rose during the final two years of the period, largely due to increased network load associated with elevated rainfall, but we met our performance targets in each year.

We achieved our water supply interruption targets for the first three years, with underperformance in 2023-24 and 2024-25 due to three major incidents.

Sewer collapses remained consistently within target throughout the period.

2. Effective sewerage system

We met targets for internal sewer flooding during the first three years. However, above-average rainfall, including some extreme weather events in 2023-24 and 2024-25 led to missed targets in the final years. Targets for external sewer flooding were not met across the 2020-25 period.

3. Affordable bills

A significant step forward was made in 2024-25, with bill reductions for customers on social tariffs exceeding our cumulative 2020-25 targets for the first time.

4. Excellent customer experience

We were ranked second among water and sewerage companies for C-MeX in 2024-25 and remained within the top three throughout the 2020-25 period. However, customer scores, mirroring wider industry trends, declined amid sustained public and political scrutiny. We improved data-sharing with utility partners and met our target for the percentage of customers on the Priority Services Register in four out of five years.

5. Sustainable abstraction

We successfully met abstraction targets at both Mere and Stubbington across the 2020-25 period.

Leakage performance exceeded targets in the first three years but declined thereafter, falling short in both 2023-24 and 2024-25.

Per capita consumption remained favourable to target at the close of the period, despite initial increases driven by remote working during the Covid-19 pandemic.

Water savings through customer efficiency initiatives met or exceeded targets for the final three years of 2020-25.

6. Excellent river and coastal water quality

Pollution incidents were above target in four out of five years, with the highest occurrences during the final three years, coinciding with above-average rainfall and a rise in monitoring activity. However, there were no serious pollution incidents in 2024-25. We spent £200m to achieve new phosphorus removal targets, including new or tightened phosphorus permits at 64 water recycling centres, catchment permitting and catchment nutrient balancing.

We spent over £200m on storm overflow improvement schemes and flow capacity increase at water recycling centres, including £16m on a new 9,000m³ storm storage tank at Holdenhurst water recycling centre.

7. Net zero carbon

We achieved a modest decline in greenhouse gas emissions from the beginning of 2020-25.

8. Increased biodiversity

We delivered 42 catchment-based partnership projects, exceeding our target of 37.

All planned actions to enhance Sites of Special Scientific Interest (SSSIs) on our landholdings were completed successfully.



Serving people and places

To provide reliable, affordable services for all customers and communities



Our ambition

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

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

In the following pages, we set out how we have performed against our regulatory performance commitments for serving people and places. Unless otherwise stated these reflect our regulatory reporting timelines and are therefore presented on an April to March basis.

Safe and reliable water supply

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

Our performance on water supply interruptions in the year was marred by two major incidents which affected a significant number of customers. More

detail is provided under Water supply interruptions on page 13.

The Drinking Water Inspectorate awarded us one of the leading scores for the Water quality compliance risk index in the industry. Performance however fell short of the stretch target set for us. The official number for the Compliance risk index score, and also for the Event risk index, will be released in the summer.

An effective sewerage system

The rainfall over the year, which was again significantly above the long-term average, put pressure on our wastewater network, particularly during periods of high-intensity downpours.

Our performance on sewer flooding across the various Performance Commitments was disappointing. In common with 2023-24, we missed targets and levels of sewer flooding remained too high. We are acutely aware of the impact that sewer flooding can have on customers affected.

To mitigate sewer flooding, we implemented several schemes that have successfully reduced flooding in various areas. These efforts have helped us manage the impact of heavy rainfall more effectively in these places.

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

1. **enhanced drainage systems:** upgraded drainage infrastructure in high-risk areas to

OUTCOMES ¹	Target 2050	Actual 24/25	Previous year	Progress
Safe and reliable water supply				
Water supply interruptions expressed in hours:minutes:seconds	0:00	00:10:00	00:05:35	↓
Compliance risk index score	0:00	1.31	0.93	↓
An effective sewerage system				
Internal sewer flooding	0.71	1.56	1.56	↔
Affordable bills				
Percentage of customers spending more than 5% of their disposable income on their water bill ²	0%	5.7%	6.3%	↑
Excellent customer experience				
Position in the UK Customer Satisfaction Index	Top 10	217th	236th	↑
C-Mex Ofwat's measure of quality of service, based upon survey data	upper quartile	second overall	second overall	↔

Notes:

¹ see About us on page 3

² Based on the March 2021 CEPA report Quantitative analysis of water poverty in England and Wales



improve capacity and reduce the likelihood of sewer overflows during heavy rainfall

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

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

Affordable bills

Bill rises have been high on the news agenda. Even with recent rises, bills in 2030 will be lower after inflation than they were in 2015.

We supported more than 70,000 customers with their bills and debt, auto-enrolling them onto schemes where possible. Additionally, we assisted

more than 150,000 households on Priority Services, marking a 34% increase from last year. Ofwat has recognised our Vulnerability strategy, 'Every Customer Matters', as a strong approach to supporting vulnerable customers. We were rated exemplary in four out of five categories.

Excellent customer service

We gained ground in the UK Customer Satisfaction Index. However, we have a significant journey ahead of us to reach the top 10 position by 2050 set out in our Strategic Direction Statement. In addition, Value for money at 72%, although higher than for 2023-24 (67%), remains lower than our 84% target.

During 2024-25, we continued to demonstrate leading customer service performance, as evidenced by receiving one of the leading scores for C-MeX, Ofwat's metric for assessing the quality of service that water companies provide to household customers. In a world of declining trust in water companies, CCW, the independent voice for water consumers in England and Wales, also recognised that our customers see trust starting to return. Our water efficiency engagement programme, including household home checks and non-household visits, has also been successful.





As part of the 2019 price review, which covered the period 2020–25, Ofwat set a range of performance commitments for us to deliver for our customers, the environment and wider society. These measures represent the levels of service we seek to deliver and are linked to associated rewards and penalties.

Safe and reliable water supply

Water quality compliance risk index

This is a measure of drinking water compliance, set by the Drinking Water Inspectorate; it illustrates the risk arising from treated water compliance failures. This is a similar metric to the Event risk index (ERI).

The lower the number, the better the performance.

Water quality compliance risk index		
TARGET 24/25 0.00	ACTUAL 24/25 1.31	PREVIOUS YEAR 0.93

Our provisional number for 2024 is higher than our 2023 Compliance risk index (CRI) number and did not meet the target. However, it remains very low and we still expect our 2024 CRI number will be one of the best in the industry. The industry median CRI number in 2024 was 3.57 and the maximum was more than 15.

Two failures contributed almost two thirds of our score. In the Maundown area, sediment disturbance following a burst main affected supplies, and a failure at our Heytesbury Water Treatment Centre was due to sample contamination. Action has been taken to mitigate the risk of contamination happening as samples are taken.

Event risk index

This is a measure of drinking water compliance, set by the Drinking Water Inspectorate; it illustrates the risk arising from water quality events. This is a similar metric to the CRI.

The lower the number, the better the performance.

Event risk index		
TARGET 24/25 12.8	ACTUAL 24/25 69.4	PREVIOUS YEAR 23.7

Our 2024 provisional number has been calculated based on the sum of the provisional scores provided by the DWI for each event. We have now received the DWI assessments for all our 2024 events so we are not expecting this score to change.

There were no major or serious ERI events, although we have seen an increase in events and our score from last year. Two high-scoring events related to burst mains which affected relatively large numbers of customers. Despite missing and moving away from target, we expect to remain one of the best performers in the industry. The industry median in 2024 was 314 and the maximum was more than 18,000.

Water quality customer contacts

This is the number of contacts we received from customers relating to the quality of water (taste, odour, and appearance) per 1,000 population.

The lower the number, the better the performance.

Water quality customer contacts		
TARGET 24/25 0.93	ACTUAL 24/25 1.07	PREVIOUS YEAR 1.04

The number of customer contacts relating to water quality has increased marginally in 2024 from last year and remains adverse to target. Although there was a reduction in the number of contacts associated with ‘appearance’, ‘taste’ and ‘odour’ contacts increased. This followed a large-scale water quality event in one of our neighbouring water companies.

Lead communication service pipes replaced

This is the number of lead communication pipes we replaced to decrease the risk to customers associated with lead pipes in their water supply network.

The higher the number, the better the performance.



Lead communication service pipes replaced		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
2,210	2,152	2,219

Although we have not met our target for the year, we have marginally exceeded our commitment to deliver 9,000 replacements between 2020 and 2025.

This important work to upgrade our network will continue over the next five years.

Tackling water quality at home and in the work place

This is the number of water fittings inspections and pipe replacements in support of increasing the quality and wholesomeness of drinking water.

The higher the number, the better the performance.

Tackling water quality at home and in the work place		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
18,297	20,778	20,579

Our number of water fittings inspections and replacement activities in 2024 was our best performance over the five years.

We increased our public buildings inspections in 2024, a key focus for the DWI to protect drinking water quality for consumers visiting premises. We also worked on festivals and temporary events - these are high risk due to their temporary nature and with installations mainly outdoors. From late autumn our focus turned to campsites, to allow time for owners to make plumbing corrections before the season.

Water supply interruptions

This is the average supply interruption greater than three hours (minutes per property per year), expressed in hours: minutes: seconds.

The lower the average duration of interruptions, the better the performance. Success against this measure is mainly associated with speed of response to interruptions.

Water supply interruptions		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
00:05:00	00:10:00	00:05:35

Having delivered industry leading performance in the first four years of this AMP, we had two major incidents in November which resulted in a significant increase in the total for 2024-25. One incident was caused by third party damage to a large trunk main in Poole, and the other in Yeovil by a burst on another large trunk main. Both incidents affected a significant number of customers and contributed over half of our total minutes lost for the year.

We will continue to make incremental improvements alongside asset investment and working closely with third-parties to increase awareness.





Restrictions on water use (hosepipe bans)

This is the number of temporary use (hosepipe) bans we imposed on customers to restrict water usage.

The lower the number, the better the performance.

Restrictions on water use (hosepipe bans)		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
0	0	0

It is 48 years since a hosepipe ban was last imposed in the summer of 1976.

We manage water resources against five drought management levels reflecting the level of resource available in the supply system from surface reservoirs and groundwater storage. We typically work in normal operation, maintaining levels of metering, water efficiency and leakage activities and move to a lower drought management level as a period of below average rainfall progresses and resource availability declines.

Following the dry summer we are currently at drought level 1B and are implementing associated conservation measures. Nonetheless, we do not expect to implement hosepipe bans in 2025-26 based on an average rainfall scenario over the coming winter.

An effective sewerage system

Internal sewer flooding

This is the number of internal sewer flooding incidents per 10,000 properties served.

The lower the number, the better the performance.

Internal sewer flooding		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
1.34	1.56	1.56

Very disappointingly, performance in 2024-25 was similar to last year, with incident numbers affected by above long-term average wet weather conditions.

The Met Office reported that 2024 was in the top ten wettest years on record. Both September 2024 and February 2025 saw areas record more than 200% of the average monthly rainfall. Southern England was much wetter, seeing 121% of the long-term average rainfall for the region.

We continue to work proactively on preventative maintenance, including fats, oils and grease traps at both commercial and domestic properties, sewer jetting and monitoring. In addition, we engage with communities and our staff to deliver training on the 'zero pollution mindset'. We explain the risks associated with sewer misuse and for our staff, this initiative promotes rapid operational responses.

External sewer flooding

This is the number of external flooding incidents per year, which occurred inside property boundaries, per 10,000 sewer connections.

The lower the number, the better the performance.

External sewer flooding		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
15.68	17.11	18.52

Despite missing the target, performance in 2024-25 has improved since last year and we are pleased to have reported the lowest number of external flooding incidents in the last five years despite the above average levels of rainfall in the year.

We plan to do more investigative work around external flooding incidents, taking a similar approach to internal incidents, in the coming year. As with Internal sewer flooding, we continue to work proactively on preventative maintenance, engagement with communities to explain the risks associated with sewer misuse and deliver cross-company training on the 'zero pollution mindset'.



Sewer flooding risk

The sewer flooding risk is calculated as the risk of flooding incidents for each property or location within the Wessex Water region.

The lower the number, the better the performance.

Sewer flooding risk		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
50,651	64,962	60,429

The very wet weather, in the last two years particularly, has had a significant impact on the sewer flood risk score. This Performance Commitment measures properties or locations which have been internally flooded due to inadequate capacity or are considered to be at risk of flooding due to their proximity to other properties or locations that have flooded.

For the last two years, 25% of internal flooding incidents have been related to inadequate capacity. For the previous six years this was typically 5%. For external flooding incidents, capacity-related incidents were 14% for the last two years compared to 5% for the previous six years. We will continue to deliver preventative maintenance and increase use of in-sewer monitoring.

Affordable bills

Total bill reduction to customers on social tariffs per 10,000 households (£ per year)

This is the average annual bill reduction for all customers receiving a social tariff per 10,000 customers.

The higher the number, the better the performance.

Total bill reduction to customers on social tariffs per 10,000 households (£ p.a.)		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
87,029	102,805	76,567

It has been our strongest year of this price review period for social tariff growth, mainly due to our efforts to support

customers through our main social tariff, Assist, where customer growth has exceeded target. WaterSure also had a large turnaround and the 'Discount for Low Income Pensioners' continued to grow well.

To raise awareness and increase uptake of our support schemes, we introduced a range of targeted initiatives. These included clearer messaging on bills, updated website content and tailored social media campaigns. We also enhanced our digital journey by partnering with the digital platform IE Hub, to enable digitally confident customers to complete an income and expenditure form to access either our support directly or debt advice through Money Wellness. We streamlined access to WaterSure by allowing sign-ups over the telephone and self-declaration for medical needs, boosted by data sharing with the DWP to auto-renew or auto-enrol eligible customers. We also launched 'Care Leavers Assist', offering a 90% bill reduction for care leavers up to age 21, and expanded our community presence with two new face-to-face coordinators.

Successful applications for assistance received by the independent advice sector / third parties

This is the number of successful applications for assistance we received on behalf of customers from funded advice agencies.

The higher the number, the better the performance.

Successful applications for assistance received by the independent advice sector / third parties		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
2,300	2,935	2,732

We have seen an upturn in the general volume of applications from our partners and consequently an uplift in the number of customers being added to our affordability schemes.

More information about our work to support customers who need extra help can be found in our vulnerability strategy, 'Every Customer Matters'. This can be found on the Wessex Water website [here](#).





Void sites (%)

A void property is defined as one which is connected to the water supply but is not currently billed, either because it is unoccupied or due to incorrect data. Void sites are expressed as a percentage of all household properties we serve.

The lower the percentage, the better the performance.

Void sites (%)		
TARGET 24/25 2.00	ACTUAL 24/25 1.65	PREVIOUS YEAR 1.59

Our level of voids reported in 2024-25 was marginally higher than in 2023-24.

Void properties are reviewed by our billing company, Pelican, through comparison to records on council tax databases, land registry searches, visits particularly where metered consumption is recorded, and correcting details where properties have been demolished or are uninhabitable. With this ongoing work, the expectation is that void sites should stay at these lower levels.

Gap sites (number)

A gap site is a property that is receiving our services, but not recorded on our billing database. This is the number of household and non-household sites added to the billing system during the year.

The higher the number, the better the performance.

Gap sites		
TARGET 24/25 112	ACTUAL 24/25 222	PREVIOUS YEAR 54

Ensuring effective billing of all properties in our region leads to fairer charging and lower bills for customers already being billed.

Following on from work started last year in collaboration with a wholesaler, we identified a number of properties that were not being billed for services received. Other initiatives were undertaken in the year, including a data assurance project.

These resulted in a further increase in gap sites that have now been added to our billing system.

Priority services for customers in vulnerable circumstances

For each metric below, the higher the percentage, the better the performance.

There are three individual metrics:

Reach (%). The percentage of households on the Priority Services Register that we supply with water and/or wastewater services.

Actual contact (%). The percentage of households on the Priority Services Register that we have contacted over the last two years.

Attempted contact (%). The percentage of households on the Priority Services Register that we have attempted to contact over the last two years.

Priority services for customers in vulnerable circumstances: Reach (%)		
TARGET 24/25 7.0	ACTUAL 24/25 12.1	PREVIOUS YEAR 9.1

Priority services for customers in vulnerable circumstances: Actual contact (%)		
TARGET 24/25 35.0	ACTUAL 24/25 64.5	PREVIOUS YEAR 58.5

Priority services for customers in vulnerable circumstances: Attempted contact (%)		
TARGET 24/25 90.0	ACTUAL 24/25 97.3	PREVIOUS YEAR 98.2

We increased the number of households on our Priority Services Register by 34% this year, largely through the delivery of initiatives outlined in Every Customer Matters, our



vulnerability strategy. Our data sharing with the two local electricity distribution network operators, National Grid Electricity Distribution and Scottish and Southern Electricity, as well as with Dorset and Wiltshire Fire Service, means customers only need to tell us once to register. We have also streamlined processes for sign-ups by our colleagues over the phone and while out visiting customers’ homes.

Delivering for customers in vulnerable circumstances

The certification status indicates whether our services are accessible and available to everyone, especially those in vulnerable circumstances; it is measured by compliance with the British standard for inclusive service provision, BS 18477 and achievement of the Customer Service Excellence Award.

Delivering for customers in vulnerable circumstances		
TARGET 24/25 maintained	ACTUAL 24/25 maintained	PREVIOUS YEAR maintained

As of 30 June 2025, we have certification of compliance for both the British Standard for inclusive service provision (BS 18477) and the Customer Service Excellence Award.

BS 18477 is being replaced by a new international ISO standard (BS ISO 22458) on consumer vulnerability. Although this Performance Commitment is not proposed for PR24, we are transitioning to the new standard as part of a Kitemark for inclusive service.

Excellent customer experience

Customer measure of experience (C-MeX)

This is a measure of customer satisfaction, calculated from customer service and wider customer experience surveys.

The higher the number, the better the performance.

Customer measure of experience (C-MeX)		
TARGET 24/25 -	ACTUAL 24/25 79.71	PREVIOUS YEAR 81.77

In 2024-25 our C-MeX score placed us second overall of all 17 water companies. We are pleased with our consistently high performance on C-MeX having finished in the top three of all companies each year of the price review period. However, we also acknowledge the steady decline in this metric throughout the five year period. The reasons for this decline are set out in the Value for money section below.

Our customer service score placed us first of all 17 water companies, a position we have held for each of the five years of this price review period. The annual customer satisfaction score for the customer experience survey placed us fourth overall, an improvement on 2023-24.

Value for money

This is the percentage of customers who stated they were ‘very satisfied’ or ‘fairly satisfied’ with the value for money of our water and sewerage services, measured through an annual survey of customers run by the CCW.

The higher the percentage, the better the performance.

Value for money		
TARGET 24/25 84.00	ACTUAL 24/25 72.00	PREVIOUS YEAR 67.00

Performance reflects satisfaction with the direct customer service we offer our customers. This reflects our position as one of the leading companies for water and sewerage for the customer service satisfaction measure in C-MeX and our consistently high Trustpilot score, as well as our community engagement work. This year, we launched our Community Drop-in service.

However, this is partially offset by negative sentiment towards water companies, particularly regarding combined sewer overflows, profits and executive pay, environmental performance, and an overall impression of under-investment. All of this comes at a time when water bills have increased. Trust in water companies is at an all time low. All of this impacts on customers’ perceptions of value for money.





Developer measure of experience (D-MeX)

This is a measure of customer satisfaction based upon feedback from companies and individuals who need new water or sewer connections, for example, property developers, construction companies, and others building homes or commercial sites. It includes feedback from self-lay providers (who install water infrastructure themselves) and from specialist service providers called NAVs (new companies that supply water or sewerage services to new developments).

The higher the number, the better the performance.

Developer measure of experience (D-MeX)		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
-	90.00	90.21

The D-MeX score is calculated from two components: a qualitative score based upon the ratings provided by customers; and a quantitative score based upon our performance against a set of performance metrics common to all companies reported by Water UK, the industry body representing all major water and wastewater companies across the UK.

In 2024-25 our D-MeX score placed us seventh overall of all 17 companies, down from top quartile last year.

Security non-SEMD outputs

This is the number of full calendar months that security deliverables as prescribed by Ofwat are delivered late; this relates to security capabilities excluding those prescribed by the Security & Emergency Measures Direction (SEMD).

A number above zero indicates delay in months.

Security non-SEMD outputs		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
0	0	0

The Operational Technology Security Improvement Programme delivered seven discrete projects over the last five years; these included: security incident and event

monitoring, rogue device detection, and the migration from analogue PSTN technology following its retirement by Openreach. The PSTN migration has since been delayed by Openreach and a number of sites will be upgraded now in the coming years, which has been agreed with Ofwat.

Building stronger communities

Number of children/students engaged

This is the number of children and students who engaged with us in person in the year through visits or community projects.

The higher the number, the better the performance.

Number of children/students engaged		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
24,370	12,065	14,697

We have worked hard to promote the education service through our website, targeted emails, word-of-mouth and public events.

Requests for school visits make up the largest workload and the Education Team deliver tours and activities at Education Centre sites across our region each year. These are highly valued by the schools and Wessex Water, as we believe they have the greatest long-term impact on an individual's understanding and behaviours.

The Education Service has also supported many groups and events that do not come under the Performance Commitment definition, but are beneficial to our business aims and provide wider educational benefits.

The target was set based on figures that included assemblies and other public engagements. However, the conditions for the Performance Commitment state that we can only count up to and including 18 year olds, groups of up to 30 and with a minimum of 20 minutes engagement. As a result, we were unable to meet the target. The reduction on last year is principally due to a reduction in availability of a number of sites due to construction restricting access in the year.



Throughout this report we will highlight our innovations and noteworthy initiatives in the form of case studies

CASE STUDY

Wessex Water community drop-ins

Core locations 2024



NEW SERVICE:

Supporting customers in person

In 2024 we launched new regular day-time drop-in sessions for customers to speak face to face with an adviser at a range of locations across our water supply region.

We considered how best to reach a wide range of customers at specific locations in local communities. Our regular outreach sessions provided a point of contact for local communities and complemented our existing outreach activities including our free education service, community funding, volunteering and local events.

We visited more than 30 different locations and have a core of 16 towns we now visit every two months. In 2025 we will be expanding this service in partnership with Bristol Water and Bournemouth Water to our wastewater supply area.

Customers can book online for a dedicated time to meet an adviser or drop in during the open session times. We also worked with a wide range of existing support organisations who were able to refer customers for additional advice.

What did we help customers with?

We helped with enquiries about bills, gave advice on what help is available for customers if they were struggling to pay or referred them to additional debt advice support.

We also gave advice on saving water, information about local water quality and the environment, and about blockages, plumbing and drainage.



Find out more about [how Community Drop-Ins work](#).





Enhancing the environment

To deliver a better environment for nature and people



OUTCOMES ¹	Target 2050	Actual 24/25	Previous year	Progress
Sustainable water abstraction				
Compliance with abstraction licences	100%	97.8% ²	97.8%	↔
Excellent river and coastal water quality				
Number of pollution incidents	0	217	126	↓
Total tonnes of phosphorus removed from rivers and coastal waters per day	*	5.13	5.02	↑
Total tonnes of nitrogen removed from rivers and coastal waters per day	*	13.14	12.91	↑
Net zero carbon				
Total ktCO ₂ e per year (operational) ³	0	96	105	↑
Increased biodiversity				
Number of biodiversity units	Double our contribution	827	613	↑

Notes:

¹ see About us on page

² figure now including stream supports, as per EA guidance (last year's figure excluded stream supports)

³ Zero target is 2030 for operational net zero carbon

* Target will depend on what is required which we cannot forecast.

Our ambition

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

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

In the following pages, we set out how we have performed against our current regulatory performance commitments for enhancing the environment. Unless otherwise stated these reflect our regulatory reporting timelines and are therefore presented on an April to March basis.

2024-25 overview

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

Sustainable water abstraction

Coming out of a prolonged dry spring and summer, our reservoir and aquifer levels are below average. While we're not currently planning to introduce

restrictions, safeguarding long-term supply requires us all to play our part by actively reducing both per capita consumption and leakage from the supply network.

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

Excellent river and coastal water quality

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



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

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

Net zero carbon

We further decreased our annual gross greenhouse gas emissions in the year and remain on track to achieving carbon neutrality in our operations by 2030.

Increased biodiversity

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

CASE STUDY

Real-time monitoring in Bournemouth and Boscombe

Real-time monitoring in Bournemouth and Boscombe is helping to provide a better understanding of the current water quality status, allowing people to make more informed decisions when using bathing waters for recreational use.

As coastal and river water quality is affected by numerous sources, including wildlife and agriculture, we have developed an [Artificial Intelligence \(AI\) app](#). Using artificial intelligence, the buoys will provide real-time water quality updates to beachgoers and swimmers about bacteria risks on our southern coastline.

Sensors on the buoys are already interpreting a variety of water quality parameters, like turbidity, temperature, dissolved oxygen and pH. Data from the buoys is cross-referenced with samples analysed at Wessex Water's Saltford laboratory to understand the conditions that indicate a bacteria risk. This ground-breaking initiative has been developed in partnership between Wessex Water and Bournemouth, Christchurch and Poole council.

We were the first UK company to [publish data on storm overflow operations at bathing waters](#) and other recreational areas 365 days a year.





Excellent river and coastal water quality

Pollution incidents

This is the number of Category 1-3 pollution incidents per 10,000 km of our wastewater network, as reported to the Environment Agency.

The lower the number, the better the performance.

Pollution incidents		
TARGET 24/25 19.50	ACTUAL 24/25 62.10	PREVIOUS YEAR 36.06

The total number of pollution incidents in 2024 has increased markedly to 217, compared to 2023 (126) and 2022 (110). The increase in the number of pollutions reported at monitored assets, such as sewage pumping stations and water recycling centres, since 2022 can in part be attributed to the increase in event duration monitoring which has allowed us to identify and act on spill events of which we were previously unaware. In addition, the increase in 2024 is largely attributed to the above average rainfall in the year. The Met Office reported that 2024 was in the top 10 wettest years, with the 2023/24 storm season reaching ten named storms for only the second time on record.

Reduce frequent spilling overflows

This is an aspirational Performance Commitment to deliver more storm overflow improvements than those included in the Water Industry National Environment Programme (WINEP).

The higher the number, the better the performance.

Reduce frequent spilling overflows		
TARGET 24/25 0	ACTUAL 24/25 0	PREVIOUS YEAR 0

No schemes to reduce frequent spilling sewer overflows (FSO) outside the WINEP were due in 2024-25 and none were delivered.

With the challenging economic climate over the last five years, we did not deliver any sites over and above the WINEP requirements in AMP7.

In 2024-25 we completed a further 10 Frequent Spilling Overflow (FSO) investigations, required under the Storm Overflow Assessment Framework and the WINEP. The WINEP contained a total of 54 investigations, all of which have been completed.

Risk of sewer flooding in a storm

This is the percentage of the region’s population at risk of sewer flooding in a one-in-50 year storm based on modelled predictions.

The lower the percentage, the better the performance.

Risk of sewer flooding in a storm		
TARGET 24/25 8.37	ACTUAL 24/25 7.98	PREVIOUS YEAR 7.98

This Performance Commitment reflects a modelled view of the risk of sewer flooding in a storm. Our modelling stock has been updated under the Drainage and Wastewater Management Plans programme. We now have up to date models of most of our catchments’ foul and combined sewers; the key exceptions are some small catchments (serving fewer than around 2,000 people) which are allowed to be excluded.

Drainage and wastewater management plans

This is the cumulative percentage of catchments in which we implement the Level 1 DWMP, a plan that identifies how we will extend, improve and maintain a robust and resilient drainage and wastewater system in light of facing the pressures of climate change, population growth and growing customer expectations.

The higher the percentage, the better the performance.

Drainage and wastewater management plans		
TARGET 24/25 100.00	ACTUAL 24/25 100.00	PREVIOUS YEAR 100.00



This Performance Commitment relates to the production of our initial DWMP which was published on our website on 31 May 2023.

Sewer collapses

This is the number of sewer collapses, including gravity sewer collapses and rising main bursts, that caused an impact on service to our customers or the environment per 1,000 km of all our sewers.

The lower the number, the better the performance.

Sewer collapses		
TARGET 24/25 6.33	ACTUAL 24/25 5.00	PREVIOUS YEAR 5.55

We have seen a 17% reduction in the total number of gravity sewer collapses this year, with the number of rising main bursts consistent with last year. However, there is an overall increase in the trend of bursts since 2020, attributed in the last two years to the above average rainfall experienced and the increasing age of our assets.

Overall, we have seen a reduction in the number of repeat bursts due to the investment this price review period, with the time taken from a rising main becoming end of life and its replacement being reduced.

Working with communities to improve bathing water experience

This is the number of bathing waters within our region where there is a sustainable, active community engagement project or group, working towards delivering amenity benefits by 2025.

The higher the number, the better the performance.

Working with communities to improve bathing water experience		
TARGET 24/25 47	ACTUAL 24/25 54	PREVIOUS YEAR 44

All projects delivered by Wessex Water or our partners (Litter Free Dorset and Litter Free Coast and Sea Somerset) have

delivered improvements over multiple years and facilitated changes in behaviour to benefit both the beach and bathing water environment and usage.

Projects have typically involved the development of resources for schools and businesses to better understand risks to bathing water and beach quality, focusing on littering, dog fouling and housekeeping practices to reduce vermin. Work with visitors and residents has involved artwork conveying key messages around responsible water management, surface water drainage, littering and enabling water refill stations to reduce risks of plastic pollution.

Treatment works compliance

This is the percentage of our water and sewage treatment works that meet permits for the quality of water discharged to the environment.

The higher the percentage number, the better the performance.

Treatment works compliance		
TARGET 24/25 100.00	ACTUAL 24/25 99.68	PREVIOUS YEAR 99.00

2024 saw improved compliance performance with just one failure recorded compared to three in 2023.

Our investigation of failures and our continuous improvement approach, as well as site specific investment, has seen us perform strongly in the Environment Agency’s Environmental Performance Assessment. We have met the EA’s 99% target for the last five years in a sector seen by the EA as ‘not improving’. However, we did not quite reach Ofwat’s slightly higher target of 100%.





Length of river with improved water quality through WINEP delivery

This is the length of river in kilometres improved through delivery of the schemes set out within the Water Industry National Environment Programme (WINEP).

The higher the number, the better the performance.

Length of river with improved water quality through WINEP delivery		
TARGET 24/25 399.9	ACTUAL 24/25 397.0	PREVIOUS YEAR 170.7

This Performance Commitment relates to the WINEP as at 31 March 2019, and is limited to those schemes identified as ‘Green’ certainty status, irrespective of any amendments in later versions of the WINEP, as advised and/or agreed with the Environment Agency.

The shortfall is due to phosphorus removal at Ubley water recycling centre not being completed by its original regulatory date. The project has been significantly delayed by third-party issues, namely Environmental Impact Assessment determination, land acquisition, and provision of power supply requirements, the latter at Blagdon water recycling centre into which Ubley’s flows are being transferred. The scheme is forecast to complete in December 2026.

Km of river improved

This is the length of river in kilometres improved through removal of additional nutrients by our actions, excluding those set out in the WINEP.

The higher the number, the better the performance.

Km of river improved		
TARGET 24/25 0.0	ACTUAL 24/25 28.8	PREVIOUS YEAR 40.6

This Performance Commitment covers phosphorus reduction in the Hampshire Avon river and its tributaries, and nitrogen reduction entering Poole Harbour from the River Frome.

The Performance Commitment requires us to pass a gateway for phosphorus reduction before any outperformance can be claimed; we have not passed the gateway in 2024-25.

To achieve nitrogen reduction, Wessex Water traded with the Poole Harbour Agricultural Group who run the Poole Harbour Nutrient Management Scheme.

WINEP requirements

This is the number of full calendar months that the Avonmouth sewage treatment works scheme is delivered late, in accordance with the latest WINEP programme published by the Environment Agency.

A number above zero indicates delay in months.

WINEP requirements		
TARGET 24/25 0	ACTUAL 24/25 0	PREVIOUS YEAR 0

In July 2022, the Environment Agency agreed to amend the completion date for this scheme to March 2028 to accommodate additional requirements for capacity increases. The Performance Commitment refers to the current WINEP requirements and therefore will not be due for completion until March 2028.



Delivery of water industry national environment programme requirements (WINEP)

This is a measure of timely delivery of environmental improvement schemes.

Delivery of water industry national environment programme requirements		
TARGET 24/25 met	ACTUAL 24/25 met	PREVIOUS YEAR met

We completed 207 outputs in 2024-25 including flow investigations for abstraction, storm overflow investigations, investigations into monitoring of chemical trends, providing new/additional storm storage at sewage treatment works, implementation of biodiversity and habitat improvements, and tightening of sanitary and/or nutrients permit to prevent deterioration of the watercourse water quality.

We successfully delivered against the latest WINEP and have provided supporting evidence with the schemes having been signed-off by the Environment Agency.

Satisfactory sludge disposal

This is the percentage of sludge left at the end of our waste treatment process satisfactorily used or disposed of.

The higher the number, the better the performance.

Satisfactory sludge disposal		
TARGET 24/25 100.00	ACTUAL 24/25 100.00	PREVIOUS YEAR 100.00

Complying with obligations regarding sludge use and disposal protects the environment by ensuring that biosolids recycled to agricultural land are compliant with guidelines.

For 2024, satisfactory sludge disposal has remained at 100%, the same as in 2023, 2022 and 2021, with 99.54% reported in 2020. There were no pollution incidents caused by stockpiles in 2024.

Sustainable abstraction

Unplanned outage

This is a measure of the temporary loss of peak week production capacity in the reporting year weighted by the duration of the loss (in days).

The lower the number, the better the performance.

Unplanned outage		
TARGET 24/25 2.34	ACTUAL 24/25 2.00	PREVIOUS YEAR 1.53

The increase from last year is largely driven by our nitrate treatment sites operating at higher load and resulting in more unplanned outages with sites running at maximum for nitrate levels, driven by a high rainfall year and a pattern of short-lived heavy rainfall events.

In total, 100 unplanned outages were recorded in 2024-25, compared to 114 in 2023-24. Although there were fewer outages, the average duration has increased from 8 days to 14 days, which is largely attributed to three longer outages at Barton Hill due to a bacterial failure at Castleton due to a filter problem, and at Sutton Poyntz to ensure treatment of raw water quality.

Risk of severe restrictions in a drought

This is the percentage of the population we serve that would experience severe supply restrictions (for example standpipes or rota cuts) in a one-in-200 year drought.

The lower the number, the better the performance.

Risk of severe restrictions in a drought		
TARGET 24/25 0.0	ACTUAL 24/25 0.0	PREVIOUS YEAR 0.0

The forecast supply-demand balance over the planning period used to determine the drought risk resilience metric shows that there is a surplus under both the baseline and plan scenarios. There is therefore a low risk of crossing the





threshold of 0, the point where customers would be at risk of experiencing supply restrictions and where our reported number of 0% population at risk would need to change.

Abstraction Incentive Mechanism (Mere)

This is how much water in megalitres, below a set baseline, we abstract at Mere, an environmentally sensitive site, during the period when the flow or levels are below an agreed point.

The lower the number, the better the performance.

Abstraction Incentive Mechanism (Mere)		
TARGET 24/25 -100	ACTUAL 24/25 -136	PREVIOUS YEAR -142

Overall, Mere was under abstraction incentive mechanism (AIM) restrictions for 62 days in 2024-25 similar to 2023-24, again due to above average rainfall in the year. The target to export at least 100 megalitres less than the baseline during the AIM window was met.

Abstraction Incentive Mechanism (Stubhampton)

This is how much water in megalitres, below a set baseline, we abstract at Stubhampton, an environmentally sensitive site, during the period when the flow or levels are below an agreed point.

The lower the number, the better the performance.

Abstraction Incentive Mechanism (Stubhampton)		
TARGET 24/25 -45	ACTUAL 24/25 -111	PREVIOUS YEAR -140

Overall, Stubhampton was under abstraction incentive mechanism (AIM) restrictions for 165 days in 2024-25 similar to 2023-24, again due to above average rainfall in the year. The target to export at least 45 megalitres less than the baseline during the AIM window was met.

Per capita consumption

This is the sum of measured household consumption and unmeasured household consumption divided by the total household population, expressed as a three-year average.

The higher the percentage reduction, the better the performance.

Per capita consumption		
TARGET 24/25 0.9	ACTUAL 24/25 3.4	PREVIOUS YEAR 0.0

2024-25 has seen a 3.4% reduction in in-year consumption in comparison to 2023-24 and consumption is at the lowest level since 2017-18. The relatively consistent figures in the last two years maybe an indicator of 'new normal' behaviours following a few years of instability during the Covid-19 pandemic, and may also reflect the cost of living crisis which persists.

In 2024-25 our demand management focused on household (Home Check) and non-household visits to deliver savings by fitting water efficient products and fixing leaking plumbing. We continued our summer campaign messages and promotion of our free water saving packs. We saw a higher number of customers opting for meters, demonstrating their desire to save money and to stay in control of their utility bills.

Volume of water saved by efficiency engagement

This is the estimated decrease in water consumed by our customers, driven by water efficiency engagement, measured in megalitres per day.

The higher the number, the better the performance.

Volume of water saved by efficiency engagement		
TARGET 24/25 5.0	ACTUAL 24/25 6.1	PREVIOUS YEAR 4.9

Good levels of saving were maintained by the continuation of the Home Check programme with over 2,700 household



visits, non-household visits and a step-up in educational visits to 123 schools. However, without running promotional activity, savings arising from ‘GetWaterFit’ sign-ups and supply of water butts decreased from the prior year. However, towards the end of 2024-25, we did see an increased uptake in free pack orders and GetWaterFit sign-ups, due to bill increases and media coverage about how customers can save water.

Leakage

This is the percentage reduction in leakage from our water supply network, measured in megalitres per day, expressed as a three-year average.

The higher the percentage reduction, the better the performance.

Leakage		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
12.8	4.5	7.1

2024-25 has seen a reduction in the in-year leakage figure in comparison to 2023-24, but with the rolling three-year average impacted by the significant leakage breakouts in 2022-23, the percentage reduction target has not been achieved this year.

Trials continue of ‘no dig’ technology to repair leaks, minimising cost and disruption. Fixed acoustic loggers provide quick response opportunities and aerial surveys generated points of interest. Alongside pressure management work and trial of a job progress reporting platform, initiatives continue to reduce leakage further.

Customer reported leaks fixed within a day

This is the percentage of leaks that are reported by customers fixed by the end of the next working day.

The higher the number, the better the performance.

Customer reported leaks fixed within a day		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
90	90	91

We are pleased to have achieved our target every year for the five years of this price review period.

Job volumes and compliance fluctuated month to month, but analysis of depot-level data allowed us to target areas to achieve more consistent compliance towards the end of the year.

Mains repairs

This is the number of mains repairs per thousand kilometres of our entire water main network (excluding communication and supply pipes).

The lower the number, the better the performance.

Mains repairs		
TARGET 24/25	ACTUAL 24/25	PREVIOUS YEAR
152.4	121.7	127.3

The number of repairs has varied considerably over the last few years with higher numbers in 2020-21 and 2022-23, primarily due to leakage breakout arising from ground movement from cold weather events and ground shrinkage during dry summer events. The number of repairs is slightly lower than last year principally due to less extremes of temperature through the year, notwithstanding the above average rainfall during the year.





Net zero carbon

Greenhouse gas emissions (KtCO2e)

This is a measure of the volume of greenhouse gases emitted through our business operations per year.

The lower the number, the better the performance.

Greenhouse gas emissions (KtCO2e)		
TARGET 24/25 101	ACTUAL 24/25 96	PREVIOUS YEAR 105

Although rainfall in the year was above the long-term average, it was lower than in 2023-24. As a result, electricity consumption from sewerage pumping and treatment was lower compared to 2023-24. This was partially offset by an increase in the use of heavy goods vehicles used to transport sludge, arising from increased liming and associated reduction in anaerobic digestion of biosolids.

Working with catchment partners to improve natural capital

This is the cumulative number of catchment-based partnership projects delivered during the period 2020-25; these projects will have wider benefits to the natural environment as well as protecting our water supplies and local rivers.

The higher the number, the better the performance.

Working with catchment partners to improve natural capital		
TARGET 24/25 37	ACTUAL 24/25 42	PREVIOUS YEAR 42

Our programme of work with farmers, biodiversity partners and through co-funded projects continued to deliver improvements to the natural environment and help protect water supplies from local rivers.

A summary of the projects delivered detailing levels of activity, eg tonnes of nitrogen/phosphorus reduced, area of habitat improved or created for biodiversity, levels of

engagement, length of river improved or volunteer hours expended was published and provided to the Catchment Panel, who agreed the 2024 performance level.

Natural capital: improve Sites of Special Scientific Interest

This is the percentage of SSSI site-based actions delivered and the sites improved measured against an agreed list held by Natural England.

The higher the number, the better the performance.

Natural capital: improve Sites of Special Scientific Interest		
TARGET 24/25 100	ACTUAL 24/25 100	PREVIOUS YEAR 82

We are pleased to have delivered all 90 actions listed and agreed with Natural England for improving sites of special scientific interest (SSSIs) which are part of the company's landholding.

Delivery of this Performance Commitment has given colleagues a detailed, 'on the ground' knowledge of our SSSI landholding; this includes more consistent relationships with local Natural England advisers, direct relationships with our tenants and neighbours and a more consolidated approach to conservation across the company.



CASE STUDY

Holdenhurst water recycling centre



We are investing more than £30 million to enhance the Holdenhurst water recycling centre on the outskirts of Bournemouth.

What are we doing and why is it needed?

We are helping to protect the town's popular beaches by increasing capacity and reducing the automatic operation of [storm overflows](#).

An extra [nine million litres of additional storage have been added at the Holdenhurst site](#) next to the A338 with the building of a new 65-metre-long storm tank, which was ready by the regulatory date of March 2025.

We have also boosted our ability to remove harmful chemicals from wastewater to ensure we protect our rivers and coastlines.

Two new chemical dosing units have been put in place at the site, including one treatment lane with 50 membranes to help with ammonia removal - the largest single-unit installation of this type in the country.

Currently, the Holdenhurst site serves a population of approximately 180,000 which increases significantly during the summer months.

By adding this new equipment on site, we will be able to ensure that the treatment of sewage keeps pace with the local population in the Bournemouth area, which is projected to grow further.

What we have done

Construction of both the chemical removal and storage elements of the enhancement continued throughout 2024 and early 2025.

The 6.5-metre-deep tank can retain nine million litres of water during storms, reducing automatic discharges to the environment from storm overflows and allowing the storm water to be treated - that's the equivalent of nearly four Olympic swimming pools.

We have also built two chemical dosing units capable of holding 125,000 and 90,000 litres of water treatment chemicals respectively. This will enhance our ability to remove harmful chemicals, including some that are frequently found in many household products, from wastewater to ensure we protect our rivers and coastlines.

A further treatment process, featuring 50 MABR membrane units to help control suspended solids and improve treatment of the wastewater, is also the largest single-unit installation of its type in this country.

Meanwhile, all surplus sludge from the water treatment process is transferred from the Holdenhurst site to the nearby Berry Hill Bioresources Centre.

A £5 million 18-month enhancement of that site was also completed in spring 2025, seeing 750 cubic metres of additional sludge storage built and existing storage tanks and transfer pumps repurposed to improve the handling of sludge and minimise environmental impact.



CASE STUDY

Increasing the use of nature-based solutions

Hedgerows limit soil erosion and enhance biodiversity.



Tree planting by watercourse



Traditional solutions to treating water and sewage are often carbon, energy and chemically intensive and offer limited additional benefits to the environment. We believe that nature-based and catchment-based solutions, where feasible, can deliver water quality improvements and help nature, with a lower carbon footprint.

In the Poole Harbour catchment, we have been working with farms to deliver nutrient management solutions that also provide biodiversity enhancements.

One example of our approach is on a farm near the headwaters of the River Hooke, where we worked with a farmer to limit the erosion of soil from fields after heavy rainfall by:

- planting 4.5 kilometres of species-rich native hedgerows that reinstated historic field patterns and included 200 hedgerow trees



River Hooke

- connecting and expanding the existing woodland fragments on the farm by planting 2.5 hectares of native, broadleaf woodland
- restoring one hectare of rare chalk downland habitat
- reverting 60 hectares of arable land into herb-rich grassland that will not receive nutrient or pesticide inputs
- working in partnership with the Environment Agency to install scrapes, shallow excavations in the soil, for natural flood management.

These measures will all intercept run-off, reducing the volume of sediment and nutrients reaching the watercourse. The new hedgerows, woodland and chalk grassland will also provide more habitat and food sources for a variety of native wildlife including insects, birds and mammals.



Empowering our people

To be a great place to work for all



Individual safety, wellbeing and engagement: our colleagues will be safe at work, proud to work for us and fully engaged in their roles.

Skills, knowledge and opportunity: our colleagues will have all the skills and knowledge they need to confidently carry out their roles.

Culture, inclusion and diversity: we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.

Overview

The success of Wessex Water depends above all on the people who work here and their dedication and commitment to the public purposes of the company. They are also part of the communities we serve and share the public's concerns about the water sector.

As we look ahead, we want to harness the power of the organisation to build on our successes and learn from the challenges so we can deliver on our 2025-30 business plan. Our performance depends upon our people and we will only achieve this through harnessing their talent, skills and experience.

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

We have continued to ensure everyone is aware of our achievements and challenges and how we are addressing them. Our monthly Executive Committee newsletter, Managers Brief and Source Digest, keep everyone informed about the opportunities in our region. All our schemes, our environmental initiatives and health and safety priorities are shared, and everyone is invited to share their own experience and suggestions with the

senior team. Everyone is encouraged to 'have their say' and our Chief Executive, Ruth Jefferson, receives fresh ideas from our teams to which she personally responds.

Our Wellbeing team, led by our Health and Safety Management team, meets every month to discuss physical and mental wellbeing, with a calendar of initiatives on offer to all.

Our learning and development team continued to offer a full blend of classroom training, a mentoring framework and e-learning solutions in the year, to complement compliance training requirements. A range of bespoke development solutions were also designed and delivered to respond to additional development needs.

Our ambition

Empowering our people is an ongoing priority. We achieve this by:

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



Individual safety, wellbeing and engagement

Health and safety

Health, safety, wellbeing, the need to prevent harm and ensure a safe working environment for our people remains at the heart of everything we do. The continued development and implementation of health and safety and process safety policy, strategy, and practice has remained the primary focus of the board's attention throughout the year.

The Health and Safety Committee, supported by an independent Process Safety Advisory Board, continues to review major risks and controls, and challenges the company as it drives performance improvement in both personal health and safety and process safety disciplines.

During the year, the committee has reviewed and considered a range of critical topics related to personal and process safety.

Key areas of focus included the following:

1. **process safety management at Avonmouth and other biogas sites**
2. **control of Major Accident Hazards (COMAH) at Avonmouth:** including the Major Accident Prevention Policy, hazard control measures, ongoing engagement with the Competent Authority and outcomes from their planned interventions
3. **application of High-hazard process controls at non-COMAH facilities:** consideration of how high-hazard controls are extended to sites not formally designated under COMAH regulations
4. **incident investigation outputs:** review of findings from structured investigation

processes, including 'Make it Right' reviews and Kelvin TOP-SET investigations

5. **high potential safety incidents and near misses:** including analysis of root causes and implementation of corrective actions to support continuous improvement in safety performance
6. **training and competency development:** including assessment of training and competency requirements, programmes delivered by external organisations such as the IChemE and the Health and Safety Executive
7. **internal audit findings:** reviewing internal audit outcomes on health and safety topics, including temporary works and occupational health surveillance.

During the year, the committee, board members, and all senior leaders participated in executive-level process safety training. This training has been systematically cascaded throughout the company to reinforce the importance of cultivating a strong process safety culture.

Over the year, the committee observed a continued improvement in overall personal health and safety performance compared to 2023-24 and previous years. Notably, there was a reduction in safety incidents, including fewer reportable injuries and a decline in lost time incidents.

Ongoing enhancements to the process safety management system and the recruitment of specialist expertise, alongside targeted hazard study programmes, have contributed to a deeper understanding of our process safety risks. In response, remedial work programmes have been initiated to mitigate these risks, supported by performance indicators to enable continuous monitoring and evaluation.



Employee engagement in health and safety remains strong. Colleagues continue to actively report improvement opportunities at a rate consistent with the record levels seen in 2023-24. Additionally, we sought employee feedback on our health and safety commitment through the recent employee survey, which once again confirmed strong understanding of the company's expectations and commitment.

Awards and accreditations

The company retained its ISO 45001 certification (occupational health and safety) which has been aligned to the assessment and certification processes for ISO9001 (quality management system) and ISO14001 (environmental management systems).



Skills, knowledge and opportunity

Recruitment of entry-level staff was positive with seven graduates, 13 placements and 48 apprentices joining the company. To ensure social mobility opportunity, we committed to the Care Leavers Covenant, providing additional recruitment support to those young people leaving care.

Substantive development of existing staff has also seen a steady increase with 58 colleagues undertaking apprenticeships, further or higher education, a 34% increase from last year.

Careers based information, advice and guidance (IAG) discussions are also increasing. With four of the team now able to facilitate, 189 IAGs have taken place.

The YTL Wessex Academy had its first full Ofsted Inspection with a consistent grade of 'good' across all areas reviewed.

The continuation of Skills Bootcamps has enabled the company to support in-house development centred on CAD and Nature-based Solutions in Construction, with 58 people undertaking bootcamps. A further 37 new starters have undertaken a Water Industry Fundamentals bootcamp, providing underpinning knowledge and training required to work in operational roles.

The introduction of two Careers Inspiration Advisers has seen our careers outreach increase in delivery and in quality. In 2024-25 we attended 67 education-based events to promote careers opportunities and we hosted 59 work experience placements. The Careers Team also provided four insight days to teachers working in partnership with the national Careers & Enterprise Company.

Culture, inclusion and diversity

We have seen a significant increase in the number of applicants from under-represented groups in the last year. However, we need to see this feeding through into interviews and appointments.

Some of our key highlights from 2024-25 follow:

Women at YTL

The Women at YTL group is now known as Equal Ground. Sponsored by two senior leaders, the group has active volunteers and includes five sub-working groups; women's health, personal development, promotion and opportunities, challenging barriers and male allyship. The launch event in 2024 was well attended and the group has a strong programme for 2025.

Neurodivergence

The disability working group has continued to promote good mental and physical health during 2024, with a strong focus on neurodivergence. This has resulted in the launch of an e-learning course which seeks to provide awareness and education around learning differences and how we can support our colleagues.

In addition, we have worked with the University of Bath on their Bath Employment Support School for Autism programme to support neurodiverse students with their career aspirations.

Wessex Water also took part in a British Water Podcast on Neurodiversity in January 2025.

Inclusion

It is important to us to continually monitor how our people feel about culture and inclusion. After three months of employment, all new starters provide feedback on their experiences, specifically relating to our culture and inclusion. During 2024, an overwhelming 97% felt they were treated with respect during the recruitment process, and 80% felt a strong sense of belonging since joining and believe everyone is treated fairly.



Race at Work group

The Race at Work Group, with the support of the partnership with Race Equality Matters, launched the use of 'my name is' to ensure names are pronounced correctly. Adding 'My name is' to your email signature is a simple way to help everyone with phonetic pronunciation of names.

Our partnership with Race Equality Matters evolved during the year and resulted in us winning a Trailblazer award for our initiatives supporting colleagues from ethnically diverse backgrounds.

The Race at Work Group attended six workshops during 2024 including black history month, #MyNames, allyship, race equality week, microaggressions and celebrating South Asian heritage month, creating relevant, educational and engaging materials as a result. We were also sponsors for, and attended an event in Bristol to support refugees, featuring Sir Mo Farrah.

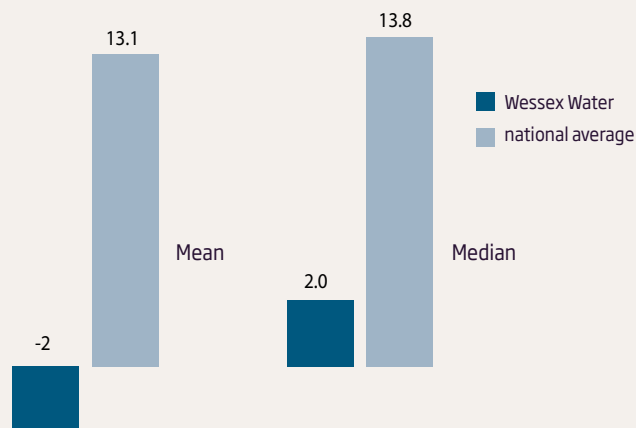
The group prepared interactive exercises, quizzes and articles to celebrate key cultural events this year including Chinese New Year, South Asian Heritage month, Southeast Asian Heritage month, Diwali, Yom Kippur, Shavuot, Iftar, Passover and Black History month.

Armed Forces

We officially celebrated the signing of the Armed Forces covenant and demonstrated our continued commitment



Gender pay gap vs national average (ONS) 2024



to several pledges. In addition, we established a new Armed Forces community group for our colleagues to network and added 'ex-armed forces' as sensitive data to our HR system to monitor the number of people joining us from this community group.

Social Mobility

The recruitment team has proactively sourced from areas in our region with a high percentage of disadvantaged postcodes, delivering careers fairs. As a result, our percentage of employees from a less privileged background has increased in the last year from 7.25 to 8.81%.

Internal Networks

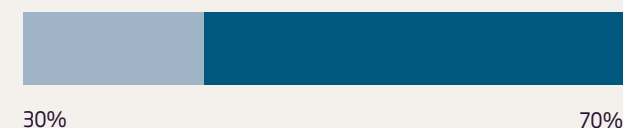
Our internal networking groups have posted regularly in their Viva Engage groups to provide interesting facts, information and celebrations to raise awareness.

Gender pay gap

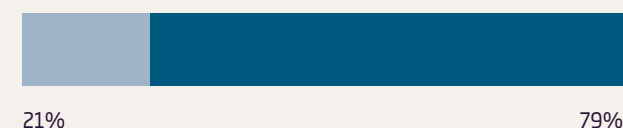
The gender pay gap is the difference in average hourly pay received by men and women. It is distinct from equal pay, which is the right for men and women to be paid the same rate of pay for doing work that is of equal value.

Gender pay gap: by salary quartile

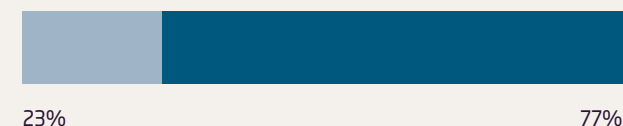
Lower quartile



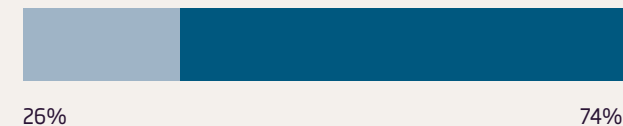
Lower Middle quartile



Upper Middle quartile



Upper quartile



Female Male

The data above represents our gender pay gap figures at 5 April 2025. Our gap is well below the national median and we continuously work to close it further.

The distribution of men and women in salary quartiles is also shown.

We have a robust job evaluation process and operate a framework of grades and pay ranges within each grade. We remain confident our approach to pay is not influenced by gender.



Financing the future

To be a trusted, financially strong company with fair investor returns



Market-led outcomes: we will harness the power of markets to drive the most efficient solutions.

Resilient financial stewardship: we will demonstrate long-term financial stability.

Well managed, open, ethical and transparent: we will prove that we are honest and ethical in the way we conduct our business.

Overview

We returned to profitability this year as the effects of elevated inflation subsided. YTL is fully supportive of the board's policy of paying dividends only within the limits set by a prudent ceiling on gearing. This solid financial foundation enables us to navigate challenges with confidence and invest strategically for the future.

In December 2024 our economic regulator Ofwat announced its final determination on our 2025-30 business plan. It allowed for £4.2 billion of total expenditure – 17% short of the amount our own calculations have shown is required to meet our obligations and customers' expectations, and support growth in the region.

We have proposed to almost double our investment programme over the next five-year period, with more than a quarter of the investment being used to remove nutrients from treated wastewater discharges so housebuilding and growth can continue in the Wessex Water region, while protecting the water environment.

In view of this we have asked the Competition and Markets Authority (CMA) to review how much we can invest in vital water and sewerage improvements over the next five years.

At the same time, we are actively exploring alternative strategies – an important step as we prepare to double our current investment levels and meet emerging obligations, including ambitious phosphorus reduction targets. These efforts unfold against a backdrop of heightened risk,

particularly in strategic areas. We remain vigilant and proactive in identifying, communicating and managing material business risks.

Our ambition

Our aim has always been to exhibit the characteristics that contribute to our success and positive reputation, not least by showing strong governance, transparency, accountability, efficiency and financial resilience.

YTL has now owned Wessex Water for 23 years, making it the longest single owner of a UK water and sewerage company. During this time, we have maintained a simple financial structure, avoiding any aggressive or artificial tax planning.

In our strategic direction statement to 2050 we have committed to:

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



Resilient financial stewardship

After recording a loss last year, Wessex Water returned to profit in 2024-25 driven primarily by higher revenues allowed by Ofwat and lower index linked interest costs.

Increases in operating costs continued to be felt, principally with business rates, new obligations and other inflationary pressures, including the annual pay deal for our colleagues. However improved performance on energy markets and a reduction in credit loss charges offset increases to some extent.

Capital investment for the year was at its highest ever level and will continue to increase over the next five years.

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

Financial highlights

	2024-25	2023-24	2022-23	2021-22
Revenue (£m)	691.0	598.8	541.8	517.8
Profit/(loss)/Before Tax (£m)	31.7	(25.1)	(35.4)	54.0
Reserves (£m)	504.2	521.6	609.0	747.1
Total Assets (£m)	5,166.0	4,780.8	4,644.1	4317.7
Net Debt (£m)	3,408.6	3,089.0	2,734.0	2,472.7
Regulatory Gearing	72.0%	71.3%	66.3%	66.9%

- Operating profit increased by £28.8m from £151.7m to £180.5m.
- Revenues increased by £92.2m or 15.4% as a result of tariff changes.
- Operating cost increases of £65.3m or 14.5% related principally to business rates, new obligations, one off charge for disposal of intangible assets (see page 142), and other inflationary pressures.
- The cost of debt reduced from 6.8% to 5.4% on the back of lower index-linked interest charges. We maintained a balanced mix of financial instruments and maturities.
- Investment expenditure on tangible, intangible and right of use assets delivered during the year was £427.8m, a reduction of £4.0m (0.9%) over £431.8 m last year and in line with expectations.

- Profit before tax increased by £56.8m from a loss of £25.1m last year to a profit of £31.7m. This was primarily due to the underlying reduction in interest costs and the increase in revenues.
- Interest cover, as measured by net interest payable excluding indexation to earnings before interest, tax and depreciation reduced slightly from 3.0x to 2.9x.

Financing charges

Net financing costs fell by £28.0m from £176.8m last year to £148.8m this year. The decrease coming from the impact of high inflation on index-linked borrowings falling back as inflation rates dropped during 2024-25. There remains a prudent mix of debt instruments and at the year-end, the split was 57% fixed, 25% index linked and 18% floating, with the index-linked debt based on November and March RPI. The maturity of debt is generally long-term, with £1.7bn maturing in or after 2035.

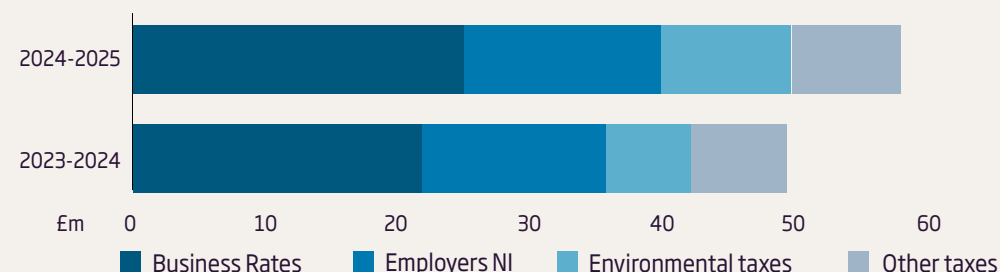
Taxation

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

There was a corporation tax credit of £0.3m this year, compared to no charge or credit last year.

A charge relating to deferred corporation tax arose during the year amounting to £9.0m, while a deferred tax credit of £9.0m was recognised in the prior year.

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



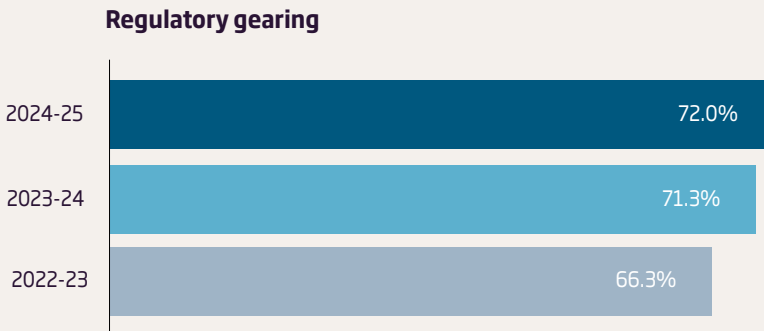


Cash flow and gearing

Net debt increased by £319.6m from £3,089.0m to £3,408.6m. The cash inflow from operating activities of £261.4m was reduced by net investment activities of £403.7m, interest payments of £122.8m, dividend payments of £59.1m, bond indexation of £42.0m and other inflows of £46.6m. Liquidity at year end was £344.1m, comprising cash held on deposit and revolving credit facilities.

On 19 March 2025, Wessex Water Services Finance Plc agreed terms for the issue of 2 corporate bonds with a combined value of £600m, one for £350m with a maturity of September 2034 and a coupon of 6.125%, the second for £250m with a maturity of September 2040 and a coupon of 6.5%. The net proceeds from the issue of these bonds were loaned to Wessex Water to fund its investment programme and repay £50m of European Investment Bank term loans in May 2025.

Regulatory gearing increased as higher capital investment impacted debt levels, leaving gearing at the end of the year at 72.0% compared to 71.3% last year. During the year the Board has continued to pay particular attention to the projected level of the Company’s gearing ratio and interest covers with a view, when declaring dividends, to protect the Company’s existing credit ratings. The Board remains committed to maintaining strong investment grade credit ratings for the Company at all times. Regulatory capital value increased by £401m from £4,332m to £4,733m.



Dividends

For the 2025 financial year the board considered a number of factors prior to approval of dividends including performance for customers and the environment, financing out-performance, and the ability to maintain financial resilience in line with the review of long-term viability.

During the year we declared dividends of £44.3m.

Credit ratings

Wessex Water and its financing subsidiary have credit ratings assigned by two ratings agencies. These provide an external view on creditworthiness for our debt investors. The latest published ratings are as follows:

Credit rating agency	Rating	Outlook	Date of Publication
Fitch	BBB+	Negative	March 2025
Moody’s	Baa1	Negative	March 2025

Corporate structure

The UK group structure has remained the same since 2002 with the company wholly owned by Wessex Water Limited, which in turn is wholly owned by YTL Utilities (UK) Limited. Further details of the overall group structure can be found on page 80.

There is no intragroup funding to the Company, all debt is raised by its financing subsidiary on behalf of the Company at market rates and is provided by external third parties.

In November 2024, the Company entered into an agreement with YTL Infrastructure (UK) Ltd, a member of the broader YTL UK Group, to deliver its Asset Management Plan over the next 5 years, with the aim of achieving optimal value for its customers.

Pensions

The latest actuarial valuation of the Company’s pension scheme took place on 30 September 2022, showing a deficit of £35.3m. The Company agreed with the scheme’s trustees a payment recovery plan in respect of the deficit comprising employer contributions of 15.5% and special contributions over the following three years to reduce the deficit. The latest accounting valuation on 30 June 2025 shows a scheme surplus of £11.7m. The next funding valuation is due no later than 30 September 2025, at which progress towards full-funding will be reviewed.



Market-led outcomes

Markets have provided us with an alternative route to traditional delivery during 2020-25, bringing new ideas and approaches to resolve upcoming and existing challenges. This will only grow in importance in the coming years as our delivery requirements increase.

Nutrient markets

We promote and develop the use of innovative routes to nutrient removal, favouring working with farmers and local landowners through market mechanisms to secure nature-based solutions over expensive and chemical/carbon intensive built asset solutions. Last year was the second year of a three-year trial of catchment delivery work for phosphorus removal in the Parrett and Tone catchments in Somerset and the Stour catchment in Dorset.

This catchment delivery work is used in combination with built asset solutions to achieve our phosphorus reduction targets. Through this approach, we have proved we can reduce the nutrient impact on the environment, but in addition secure benefits such as carbon reduction, enhanced biodiversity and cost savings for customers.

Wessex Water Marketplace

We have used the Wessex Water Marketplace, an open data platform, for six years now, to share our challenges and associated data with interested parties. The Marketplace is the hub for our collaborative whole system approach, which is about:

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

In October we launched a new Marketplace challenge focusing on PFAS (per- and polyfluoroalkyl substances). These substances are widely used in everyday products such as kitchen equipment and outdoor clothing. But their unique chemical properties make PFAS extremely long-lasting. This persistence in the environment presents a significant challenge for the water sector and in the 2025-30 investment period, companies will step up their routine monitoring.

The Marketplace challenge is looking at how to get the best out of our PFAS data and maximise the efficiency of analysis. We are now exploring initial pilot work with

shortlisted suppliers, while some of the other proposals may be suitable for an Ofwat innovation fund bid.

We continue to see the lasting impact of our Marketplace approach.

- Our use of the Molfar CCTV AI software for sewer inspection continues to grow. We are now working to increase automation within the process, to increase efficiency.
- The StormHarvester AI tool helped us prevent at least 38 potential category 1-3 pollution incidents in 2024. The technology, which we adopted following one of our early Marketplace challenges, generates alerts when sewer levels deviate from the expected level for the conditions, indicating a potential issue. In 2022 we were the first company to begin rolling it out across our entire network, forging the path for implementation by many other UK water companies.
- Shaped by lessons learned from a subsequent Marketplace challenge, we have tendered for supply of sewer level monitors for large-scale deployment. This will increase the reach of the StormHarvester AI analysis across our network from more than 3,000 sensors to upward of 10,000.

We are looking forward to running further challenges in the wastewater network monitoring space in the first half of 2025-26.

Making data open and available to use has always been a key part of our Marketplace 'whole systems' approach and has influenced our vision for open data across the organisation. Since publishing our first open data strategy in 2024, we have demonstrated progress against our roadmap and commitment to releasing open datasets and building maturity in our data infrastructure and knowledge.

We continue to use our experience in this area to play an active role in the Stream initiative, a collaborative open data platform for the water industry, aimed at unlocking the potential of water data to benefit customers, society and the environment, and to drive open data at the sector level. We have worked collaboratively with Stream members to develop industry best practice for supporting information, which we have reflected in our Performance Commitment datasets.

Bid Assessment Framework

In accordance with Ofwat's expectations, we maintain bid assessment frameworks for water resources and bioresources; these are published on our Marketplace website. These frameworks help third-party providers to submit bids for services we seek. These set out criteria regarding when our Bid Assessment Framework processes would be initiated. However, we received no approaches under these frameworks in the year.



Well managed, open, ethical and transparent

Environmental and social governance

We consult with our customers and stakeholders to ensure that we meet their expectations. Sound ethics and culture continue to be at the heart of our operations, driving environmental, social and governance policy commitments through all levels of the organisation.

The standards of governance and behaviour we expect are communicated through policies and reinforced by training – for instance on financial crime, bribery, corruption and modern slavery. All employees are expected to commit to the highest standards of professional and ethical conduct and are asked to certify compliance with key policies on an annual basis.

Employees have access to a free confidential reporting helpline on a 24-hour, seven day-a-week basis and are encouraged to raise any concerns. All concerns raised are treated on a strictly confidential basis and are reported to the Audit and Risk Committee on a biannual basis. More generally, our board monitors and assesses the values and culture of the company to satisfy itself that behaviours are aligned to our purpose and values.

We play a key role in protecting customer health and wellbeing, safeguarding the natural environment and supporting the local economy. Our provision of essential services creates strong relationships between ourselves, our customers, the environment, our broader stakeholders and our people. This means the long-term strength of the company is closely linked to our ability to operate sustainably to best serve the region in which we work.

Sustainable Finance Framework

Our Sustainable Finance Framework, which supports our financing ambitions to deliver tangible environmental and social benefits, was originally published in September 2022 and has recently been refreshed to incorporate latest practice. The framework aligns our purpose – to support our customers' health and wellbeing and enhance the environment and the diverse communities we serve – and our business plan commitments to our financing ambitions through the use of targeted financing.

Under the framework, we may issue specific debt instruments to support our environmental and social objectives, enabling investors to participate in the provision of a sustainable future.

Our commitment to delivering a better future will allow our investors to participate in funding our provision of water and wastewater services on a sustainable basis,

helping to contribute to global climate change targets and the United Nations' Sustainable Development Goals.

Where we can, we implement nature-based solutions and explore new ways to drive down costs, protect our assets, reduce our carbon footprint and ensure business resilience.

We will continue to drive performance across the company so we can secure future investment as efficiently as possible.

Environmental, Social and Governance score

Our use of third-party assurance and ESG ratings enables us to validate our progress and enhance our reporting of our impacts on society and the environment. Although ESG ratings are not currently a regulated measure for us, nor on the level of a credit rating, they are a good barometer and help guide our progress and improvements.

The latest ESG rating from Sustainable Fitch assigned Wessex Water an ESG Entity Rating of '2' (good ESG profile) and an entity score of 73 out of 100, where 100 is the best possible score. Their summary stated that 'The rating reflects Wessex Water's overall strong ESG profile and the broadly positive environmental and social impact of its business activities, of providing water and wastewater services'. Sustainalytics' ESG rating for Wessex Water is a low-risk score of 17.0 out of 100, where lower scores indicate lower ESG risk; this is a composite of scores for risk management (strong) and risk exposure (medium). Since April 2022 our score has ranged between 18.6 and 16.8 due to global/sector risks, although in general, our score has improved because of work demonstrating improvements in policy and publicly available information for some specific issues.



Risk management

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

Risk management process

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

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

Operational staff and senior management review and assess asset and operational risk monthly. Risks are scored based on likelihood and impact on a 'five-by-five' scoring

mechanism. Risk mitigation plans are recorded and implemented where appropriate and pre-and post-mitigation scores are monitored.

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

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

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

The Executive Committee scrutinises and challenges the risks, ensuring that we have appropriate mitigation plans in place. In addition, any significant emergent risks or material changes in existing risks are reported to the Executive Committee and the board as they arise.

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



Principal risks - strategic

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

Principal risks - compliance, financial and operational

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

Further information on our principal risks is included on pages 101-110.



Non-financial and sustainability information statement

Introduction

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

Compliance Statement

The extent of consistency with the TCFD framework

Our climate-related financial disclosures are consistent with the four TCFD recommendations and the eleven recommended disclosures set out in Figure 4 of

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

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

Governance Disclose the organisation's governance around climate-related risks and opportunities		Page(s)
a. The Board's oversight of climate-related risks and opportunities	Governance Report	68
	Environment and Public Value Committee	88
	Audit and Risk Committee	82
	Governance Framework Principles	71-82
b. Management's role in assessing and managing risks and opportunities	Summary of our decarbonisation plans	44-45
	Our approach to risk and resilience	101-110
	Our climate volatility principal risk	106
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		
a. The climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	Climate change adaptation report	12-14
	Strategy section	36-40
		48-71
		124-125
b. The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Strategy section	124-125
	Climate change adaptation report	46-94
c. The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Climate change adaptation report	46-94



Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks		Page(s)
a. The organisation's processes for identifying and assessing climate-related risks.	Climate Risk Climate risk management section	101-110 44-54
b. The organisation's processes for managing climate-related risks	Climate Risk Climate risk management section	101-110 44-54
c. How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate Risk Climate risk management section	101-110 44-54
Metrics & Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
a. Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Metrics section Net zero carbon route map	54-58 9-13
b. Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Metrics section	54-58
c. Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Metrics section Net zero carbon route map Annual performance report	54-58 9-13

* Note for hyperlinks the page numbers relate to those documents.

1. Governance

Our Board is responsible for our risks as set out in the risk management section of this report on page 101. The Board's Environment and Public Value Committee advises the Board on the development and delivery of the Company's purpose, strategy, and values, which drive change and influence the company's environment and social purpose (page 88). The Audit and Risk Committee provides assurance and challenges the overall risk, control, and governance framework on behalf of the Board including for our principal risk of climate volatility (page 82). Our governance

arrangements are outlined in our Governance Report (page 68) and how we meet the Ofwat Better Leadership, Transparency and Governance objectives as well as the Wates Principles (pages 71 to 82). The Board reviews and monitors the Company's progress against numerous environmental performance commitments, including our greenhouse gas emissions.

Responsibility for responding to climate related risk and opportunities is shared across the Directorates and is part of our overall approach to risk and resilience. The Director of Engineering and Asset Management manages our resilience framework through two groups:

the Corporate Risk Management Group, who manage the overall risk and resilience process; and the Risk, Performance and Cost Group, who review and approve investment to improve our resilience. Climate change and volatility is one of the stresses identified in our resilience action plan.

We have produced four climate change adaptation reports, meeting the Government's adaptation reporting duty. These cover the physical climate risks, identified, and graded, and the management measures being used (outlined in the strategy and risk management sections in more detail). Our Executive



team reviews the progress being made toward our [Net zero carbon route map](#) annually. We report our carbon footprint each year to Ofwat and within this report.

2. Strategy

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

Policies and Strategies

Climate-related impacts have a bearing on many of the core services that we provide – they affect water availability, water quality, and the efficacy of sewerage and surface water management, among other things. Heatwaves and drought have clear impacts on water supply and demand, while prolonged or intense rainfall affects the quality of water sources and the capacity of our wastewater network. Consequently, our action plans related to climate change and resilience are crucial to our business, and adaptation to a changing climate is an integral theme within our long-term strategic direction statement, our five-year business plans, and subject-specific exercises such as water resources planning. Our [climate change adaptation report](#) sets out our overall strategy and our programme of work in the short and long term, in relation to our main physical climate risks. The following section ‘Risk Identification and Management’ includes the main envisaged impacts of climate change as included in our core strategies, i.e. our Water Resources Management Plan, and our Drainage and Wastewater Management Plan.

Alongside physical risks associated with climate, we will be affected by the necessary transition to a low carbon

economy. Transition risks and opportunities are also evident for both our water supply and wastewater functions, especially when we include embodied emissions in construction materials and consumables. Providing water and wastewater services involves significant amounts of energy use and emissions of methane and nitrous oxide as well as carbon dioxide. Our wastewater emissions are larger than water supply emissions and will also be harder to abate, especially in relation to process emissions. We are committed to reducing our carbon footprint, reflecting the expectations of our external stakeholders – including investors, NGOs and the public – as well as mitigating the physical risks of climate change. Our [Net zero carbon route map](#) sets out how we plan to address our operational emissions during the 2020s and signal the need for tackled embodied carbon emissions.

Implications for the Company’s strategy and finances

a. Planned investment

Climate change and decarbonisation considerations are among the many factors that influence our strategic and financial planning. Specifically, physical climate risks inform the functional plans (e.g. our 25-year water resources and drainage and wastewater management plans) which underpin our business plans, setting out the investment we will undertake to maintain or enhance the services we provide. Notable examples of such investments which are driven in part by climate change include:

- £400m during 2025-30 to reduce storm overflow discharge frequency and volume,
- a range of supply and demand-side measures that will allow us to reduce abstraction by 20% by 2050, with most of the reductions happening by 2035.

Costed plans for decarbonisation were also part of our 2024 business plan submission. Although there are market or fiscal drivers behind some of the investment

required, in certain cases (e.g. addressing nitrous oxide emissions), these are absent and justification for the necessary expenditure must be based on the extent of the environmental impact. At the final determination we were granted £2.2m for nitrous oxide monitoring and control at water recycling centres, and £2.9m as a ‘net zero cost adjustment’ within our base expenditure allowances.

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

b. Reactive costs

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

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

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



Technology dependencies

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

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

3. Risk identification and management

a. Climate-related physical risks

Our principal climate-related physical risks are all linked to our core services and activities and their associated KPIs. The following provides a summary.

Water resources - quantity

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

Water resources - quality

Extreme wet conditions can increase turbidity in water sources, while warm or dry conditions can lead to reductions in quality due to biological activity. Our experience also shows that heavy rainfall – both in

prolonged episodes or short, sharp spells – can result in contaminants being washed into reservoirs or groundwater sources. Past episodes have given rise to high levels of nitrates in relation to extremely wet autumn and winter conditions.

Sewerage, sewage treatment and sludge

The highest risks for our wastewater activities relate to inundation of sewers during intense or prolonged rainfall, with adverse impacts on customers and receiving watercourses. Others include odour during warm weather; reduced dilution in receiving waters during drought leading to tighter end-of-pipe standards at water recycling centres; and sedimentation in sewers, also due to drought.

Notable examples of extreme weather related impacts include:

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

Further details can be found in pages 6-8 of our climate change adaptation report. Out of experience dealing with acute weather-related impacts helps us factor them into our risk assessments, incident response and investment planning. It is clear to us that climate change acts as a threat multiplier, rather than presenting an entirely free-standing set of risks.

b. Identifying and Assessing Future Climate-Related Risk

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

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

The UK Climate Projections (UKCP18) provides the most up-to-date assessment of how the climate of the UK may change over the 21st century. It provides data based on a) different levels of probability; b) four emissions scenarios based on the representative concentration pathways (RCPs) used by the Intergovernmental Panel on Climate Change (IPCC); and c) several overlapping time periods to cover the 21st century. UKCP18 outputs informed our 25-year Long Term Delivery Strategy, Water Resources Management Plan and the Drainage and Wastewater Management Plan, and provide the context for the investment proposed for 2025-30. The strategies refer to common reference scenarios for climate change, technology, demand, and abstraction reductions with a benign



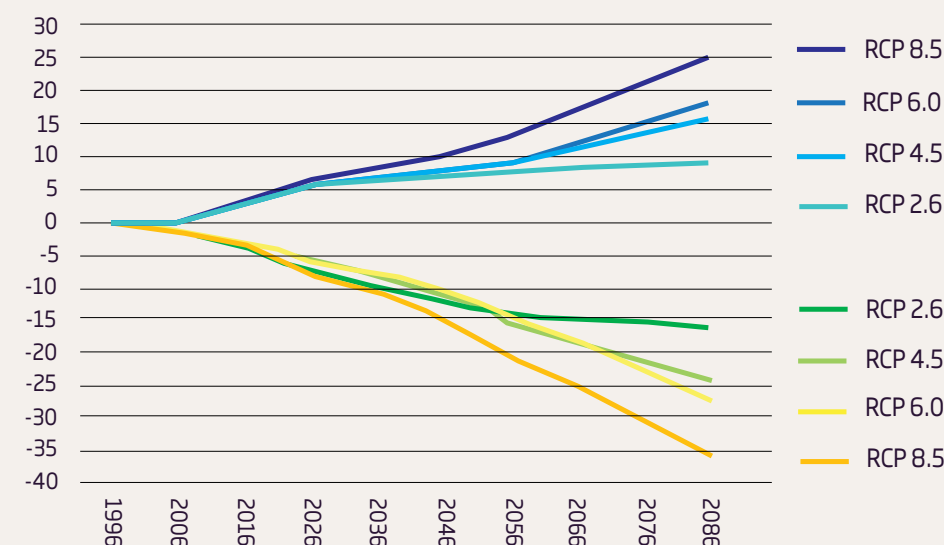
(RCP2.6) and adverse (RCP 8.5) version of each, analogous to the levels of greenhouse gases in the atmosphere that would result from low and high emissions globally.

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

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

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

Winter and summer rainfall, projected % change



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

The following are headlines of the envisaged impacts of climate change as included in our core strategies

Long term delivery strategy

As part of our 2023 business plan submission we published a long term delivery strategy (LTDS) which articulates the key investment areas we have identified as necessary to deliver ambitious outcomes and targets, between 2025-2050. It is based on known changes that are likely to impact us, and a set of common reference scenarios defined by Ofwat, related to demand, technology, climate change and abstraction reductions. The common reference scenarios for climate change are based on RCP 2.6 (benign scenario) and RCP 8.5 (adverse scenario). Consequently, these reference scenarios have been applied to the strategies for specific functions, mirroring their use in developing our water resources management plan and drainage and wastewater management plan

Water Resources Management Plan (WRMP)

Detailed climate risk assessments are carried out for our Water Resources Management Plans, for which climate change scenario are an integral part. We



estimate the impact of changing rainfall, evaporation and temperature patterns and the impact that these may have on river flows, reservoirs, groundwater recharge and ultimately on deployable output; and impacts on water demand. In the medium term, our most recent assessment has found that the impact of climate change is dwarfed by the abstraction licence reductions that are set to impact our water resource position by 2035, i.e. climate change has circa 1% impact.

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

Drainage and Wastewater Management Plan (DWMP)

Climate change impact assessments are increasingly used in wastewater investment planning, such as the drainage and wastewater management plans. Overall, with a changing climate and an increase in impermeable areas connected to the sewer system, we need to make sure that our pipes have sufficient capacity to cope.

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

Risk management measures

Table 3 on the next page provides detail of our control measures and actions in relation to the climate-related physical risks profiled in the third UK Climate Change Risk Assessment (2022) that we consider have the most bearing on our activities, and the responses set out in the third National Adaptation Programme (2023). In the context of TCFD reporting, the controls and actions noted can be considered as our main climate change adaptation opportunities.

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

- the future return period of unpredictable extreme weather events such as multi-season droughts;
- future emissions, atmospheric greenhouse gases concentration, and the pace of climate change;

- the specific influence of climate change for issues such as flooding and water demand where there are many factors involved;
- the costs and benefits of adaptation options and the suitability of the measures we choose.

Further details can be found in our [climate change adaptation report](#).

Integration of climate-related risks into the Company's resilience work

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

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

We use a hierarchy of interventions to systematically encourage the development of mitigations which are appraised using a capitals-based service measures framework. We have developed this framework to capture and understand the risk to service and value of investing to our customers, environment, and operations. In this way we aim to ensure that our investment decisions can deliver against our Performance Commitments and resilience metrics. As table 3 indicates, the financial impacts of our climate-related adaptation and resilience work will be spread across a range of activities encompassing planning, capital investment, operation of existing assets and stakeholder engagement.



Table 3: Physical climate risks, controls and actions

UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3	WW controls and actions
Water supply			
18. Risks to public water supplies from reduced water availability B3. Risks to businesses from water scarcity	2050s 2/4°C: High 2080s 2°C: High 2080s 4°C: High	• Production of water resources management plans; work with other sectors to produce collaborative regional water resources management plans. • Managing supply and demand to a nil deficit, taking account of climate change. • Review of water companies Drought Plans every five years. • Large-scale water supply water infrastructure projects via RAPID. • Reduce leakage rates by 37% by 2038 and 50% by 2050. • Reducing water demand, with a target to reduce the use of public water supply by 20% by 2038. • Investment (via 18 schemes) in new infrastructure during 2025-30 to improve water resilience by increasing water capacity and driving water efficiency.	• Drought planning. • Water resource planning to address long term change. • Dialogue with regulators on abstraction. • Abstraction reduction at sensitive sites. • Integrated supply grid to allow transfers within the region. • Networks management to maintain resilience. • Publication of plans, following detailed analysis of risk and stakeholder engagement. • Promotion of water efficiency.
H10. Risks to water quality and household water supplies	2050s 2/4°C: High 2080s 2°C: High 2080s 4°C: High	• Defra support for the Drinking Water Inspectorate (DWI); the Water Supply (Water Quality) Regulations 2016. • Review of water companies Drought Plans every five years. • Defra implementation of actions in the Plan for Water in order to achieve the statutory water demand target.	• Continuous monitoring of water supplies. • Source to tap risk assessments; water safety plans. • Investment in infrastructure and systems to limit the number of customers reliant on a single source. • Rezoning in the event of failing samples. • Catchment management to protect drinking water sources. • Blending water supplies when required. • Additional treatment where necessary to keep risk to a satisfactory level. • Network monitoring, leakage detection. • Intra-regional water movements via the integrated supply grid during extreme weather event. • Water resource planning to address long term change. • Replacement of older water mains. • Completion of integrated supply grid.
N10. Risks to aquifers and agricultural land from sea level rise, saltwater intrusion	2050s 2/4°C: not known 2080s 2°C: not known 2080s 4°C: not known	• Mitigating the risk to water supply from sea level rise and saltwater intrusion. • Modifying abstraction licences where there are environmental concerns.	• Assessed as a low risk item.



UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3	WW controls and actions
Wastewater			
H10: Risks to water quality and household water supplies	2050s 2/4°C: High 2080s 2°C: High 2080s 4°C: High	• Deliver the targets set out in the government's Storm Overflow Reduction Plan; integrate their storm overflow commitments into their Drainage and Wastewater Management Plans and water resource management planning. • Bathing waters - to take necessary action if there are any health risks identified.	• Drainage and wastewater management plans. • Infiltration reduction plans. • Modelling sewer catchments, topographic mapping; rainfall modelling. • Monitoring networks and overflows. • Work with lead local flood authorities on surface water management. • Promoting sustainable drainage methods. • Property level protection. • Sewer sealing to reduce groundwater infiltration. • Sewer maintenance e.g. jetting. • Improvements at individual storm overflows. • Sewer separation where possible and effective. • Behavioural engagement to reduce sewer blockages. • Monitoring recreational water quality and impacts; providing public information.
Flooding			
I2: Risks to infrastructure services from river, surface water and groundwater flooding	2050s 2/4°C: High to very high 2080s 2°C: High to very high 2080s 4°C: High to very high	• Publication of drainage and wastewater management plans. • Development of plans (between now and 2030) for infrastructure to be resilient to flooding and coastal change.	• Adapting maintenance plans. • Water supplies: ability to rezone; blend water sources; move water via our integrated grid. • Response and recovery plans. • Site flood risk assessments; designation of sites needing defences / alterations; monitoring of vulnerability of sites and assets. • Water supplies: rezoning; blending; transfers via our integrated grid. • Investments in bunding, flap valves, alarms and drainage improvements at high-risk sites; moving electrical equipment above flood levels. • Coastal - assessed as low risk.
I3: Risks to infrastructure services from coastal flooding and erosion	2050s 2/4°C: Medium 2080s 2°C: Medium 2080s 4°C: Medium		



UK CCRA3 risks	UK CCRA3 risk levels at different timescales	National Adaptation Programme 3	WW controls and actions
Cross-cutting			
I1.Risks to infrastructure networks (water, energy, transport, ICT) from cascading failures	2050s 2/4°C: Very high 2080s 2°C: Very high 2080s 4°C: Very high	Defra guidance to improve sector-level reporting on climate risks, including on infrastructure sector interdependencies and cascading failures.	- Following Cabinet Office good practice guidance for integrated emergency management. - Emergency Tactical Planning Group. - Incident management procedures. - Involvement in Local resilience forums. - Back-up generators. - Continual review of business continuity arrangements. - Emergency planning; emergency simulation exercises.
I7.Risks to subterranean and surface infrastructure from subsidence	2050s 2/4°C: Medium 2080s 2°C: Medium 2080s 4°C: Medium	- Water companies will address leakage and drought and invest in infrastructure where necessary to reduce the risk that subsidence poses to their operations. - Ofwat to consider climate change as part of the 2024 Price Review. - Water companies to reduce leakage rates by 37% by 2038 and 50% by 2050, which will reduce the risk of subsidence. - Water companies to produce water resources management plans assessment of risk to infrastructure. - Water companies to produce drought plans including supply and demand mitigation actions; this will reduce the risk of subsidence posed by dry soils.	- Proactive network monitoring inspections. - Reactive responses, e.g. maintenance in the event of sewer collapses. - Drought planning. - Water resource planning to address long term change. - Networks management to maintain resilience.

Further information can be found in section 5 of our climate change adaptation report at <https://corporate.wessexwater.co.uk/media/oqkf4ka5/wessex-water-climate-change-adaptation-report-2024.pdf>

c. Transition Risks and Opportunities

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

Energy use

The transition to a lower carbon economy should create opportunities to reduce energy consumption, including various methods that help us optimise our operations, and the promotion of nature-based solutions. However, there are upward pressures

also. Since the late 1990s our electricity use increased by 40% due to higher effluent quality standards (which often require energy intensive treatment such as mechanical aeration and ultraviolet disinfection), and the need for a more resilient water supply network. Our electricity consumption is also extremely sensitive to the weather. High rainfall increases the volume of sewage moving through our sewerage network, and heatwaves increase public water demand and the energy required for treating and pumping water. With the backdrop of this and higher energy prices, the economic and financial rationale for self-generation is more compelling.



Regulatory

Through a performance commitment for 2020-25 agreed with Ofwat, we were subject to a payment of £19.50 per tonne of carbon dioxide equivalent emissions if we exceed our annual target. This is to increase to £188 per tonne for the AMP8 common performance commitment. Carbon footprint reporting is also required for our Annual Report to Ofwat (which includes capital carbon emissions as well as operational emissions); for Streamlined Energy and Carbon Reporting and as part of the UK Emissions Trading Scheme. From 2025-26 onwards there will be a common greenhouse gas emissions performance commitment for water companies in England and Wales, with an expanded list of items being included (affecting scope 3 in particular) and a fixed emission factor for scope 2. More widely, we expect to see continuation of the trend for greater scrutiny. This is already manifesting itself as an increasing number of annual disclosures, to an increasingly diverse audience.

Market/investor pressures

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

Customers and other stakeholders

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

Quantification of emissions

Our quantification of emissions is aligned to UK water sector practice, which continues to evolve. While the process is relatively mature there remain some important challenges, which are explained in 4. Metrics and Targets.

Managing our greenhouse gas emissions

We use various methods for managing our greenhouse gas emissions; summarised in the tables below, including the main options for 2025-30. Looking ahead, decarbonisation of the UK electric grid and of road vehicles by 2030 will reduce our emissions but these would be insufficient for reaching net zero emissions. We will

need to pursue a wide range of opportunities for cutting carbon that will require additional effort and investment (especially during 2025-30). These will include some readily available options, using established methods and known technologies, which have a favourable balance of costs and carbon reduction benefits. Beyond these are more innovative options involving emerging science and technology; it is likely that these will need to play a part if we are to achieve a net zero carbon position.

The table below sets out the main work that we have been carrying out in 2020-25 to address our operational emissions, and the principal opportunities for 2025-30. Further information is provided in our net zero carbon routemap at <https://corporate.wessexwater.co.uk/media/e1vnjebi/wessex-water-net-zero-report-2024.pdf>



Table 4: Decarbonisation work and opportunities

Avoiding emissions	2020-2025	2025-2030
Reducing volumes of water and sewage	Reducing the amount of water that has to be pumped and treated by reducing leakage by 15% and reducing our customers' water consumption through demand management measures.	Promoting sustainable drainage, primarily to reduce flooding risk but also to reduce pumped volumes.
Avoiding transport emissions	- Investing in infrastructure to enable the transition to electric and other non-fossil fuel vehicles. - Starting to use electric cars and vehicles on a regular basis. - Trialling HGVs powered by compressed natural gas and biogas. - Wide use of homeworking and teleconferencing technologies.	- Programmed roll-out of appropriate electric cars and vans and associated infrastructure. - Integration of lower carbon HGVs.
Avoiding fossil fuel use	- Investigating alternatives to diesel for backup electricity generation, and avoiding like-for-like replacement. - Looking at lower carbon methods for keeping anaerobic sludge digesters at a warm temperature.	- Investment in non-diesel backup generation, including renewable energy with battery storage. - Investment in alternative, low carbon heating of anaerobic digesters.
Nature and land-based solutions	- Ongoing catchment delivery work focused on water quality, with side-benefits of avoiding more energy-intensive treatment methods, and delivering multiple environmental benefits. - Investigation of the carbon footprint of more novel treatment methods eg, constructed wetlands.	- Extending the scope and sophistication of catchment management in rural areas to prevent diffuse pollution and help retain soil carbon. - Targets and systems within our capital programme for minimising the whole-life carbon footprint of water and wastewater investment.
Asset maintenance	- Ongoing use of lower carbon methods eg, trenchless pipe repairs and rehabilitation. - Appraising methane leakage at sewage sludge treatment centres.	Ongoing methane monitoring at sludge treatment centres, with corrective maintenance work.
Optimisation	2020-2025	2025-2030
Energy efficiency	- Continuation and expansion of energy efficiency initiatives. - Ongoing development of advanced monitoring and targeting focusing principally on wastewater treatment and pump efficiency.	
Process emissions from sewage and sludge	- Initial testing of nitrous oxide monitoring and control systems. - Improving quantification of methane emissions from sewage treatment, of both existing assets and those in design.	Roll-out of nitrous oxide monitoring and control measures, starting at the largest water recycling centres with aeration processes.
Transport efficiency	- Further use of technology to optimise vehicle movements and reduce mileage. - Increasing focus on vehicle fuel / electrical efficiency.	
Lower carbon construction materials and methods	- Investigation and delivery of lower carbon construction materials and methods eg, low carbon cement / concrete, offsite and modular build. - Developing systems for comparing the whole-life carbon footprint of competing options.	- Putting whole-life carbon benchmarks and targets into place for capital schemes. - Working with our supply chain to understand their carbon footprint and putting in place plans to reduce this.



Renewables	2020-2025	2025-2030
Energy from waste	• Optimising existing digesters, in part to maximise gas production. • Ongoing export of biomethane at Bristol and Trowbridge. • Trials of heat recovery from sewage pumping stations.	• Ongoing work to increase biogas production. • Retaining green gas certificates, relating to exported biomethane. • Increased digestion of other organic waste streams. • Implementing sewer heat recovery at sites with the greatest potential.
Other renewable generation	• Investigating suitable sites for further renewable generation. • Exploring partnership opportunities with commercial and community energy developers. • Reviewing the potential for energy crops and other types of biomass for heat generation.	• Implementing new installations (eg, wind, solar) on or adjacent to our own land. • By 2030, increasing renewable electricity generation to double the current quantity.
Renewable grid electricity purchase	• Exploring potential power purchase agreements with off-site renewable generators. • Monitoring green energy tariff markets. • Ensuring future energy contracts offer transparent and verifiable green energy.	• Any agreed power purchase agreements to commence. • 100% of residual electricity and gas requirement from verified renewable sources.
Insetting	2020-2025	2025-2030
Land-based measures	• Quantifying carbon capture on our landholding, beyond current high level estimates. • Ensuring that our mitigation and landscaping measure maximise carbon capture as part of scheme designs and planning. • Developing guidance for improving carbon uptake and soil carbon levels on our land.	• Working with farmers on retention of soil carbon, eg, restoration of grassland.



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

4. Metrics and targets

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

Water supply • Compliance with abstraction licences • Water supply restrictions • Water supply interruptions • Avoided water use from water efficiency measures • Water quality compliance; Events Risk Index; water quality customer contacts • Leaks repaired within 24 hours	Wastewater • Properties at risk of sewer flooding • Sewer flood risk score • Internal flooding per 10,000 connected properties • External flooding per 10,000 connected properties • Sewer collapses per 1,000km
Cross cutting • Operational greenhouse gas emissions	

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

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

Climate-related metrics: historical performance (April - March)

	2020-21	2021-22	2022-23	2023-24	2024-25
Physical climate risks					
Compliance with abstraction licences	100%	95%	98%	98%	100%
Water supply restrictions (number)	0	0	0	0	0
Water supply interruptions (duration per property per year)	00:04:34	00:04:12	00:04:10	00:05:35	00:10:00
Leakage - % reduction (3-year average from baseline)	5.2	10.8	9.3	7.1	4.5
Per capita consumption % reduction	-3.9	-5.3	-5.0	0.0	3.4
Water quality compliance; Events Risk Index;	16.766	193.699	402.796	23.678	69.339
Internal flooding per 10,000 connected properties (number)	1.41	1.43	1.31	1.56	1.56
External flooding per 10,000 connected properties (number)	19.35	19.27	17.83	18.52	17.11
Total pollution incidents per 10,000km of sewer length (number)	25.18	20.60	31.48	36.06	62.10
Serious pollution incidents (number)	4	5	5	1	0
Low carbon transition					
Greenhouse gas emissions (ktCO ₂ e, AMP7 bespoke reporting method)	109	106	104	105	96
a. Net zero 2030 inventory					
i) Location -based	125	118	114	125	108
ii) Market-based	150	141	150	153	139
b. Expanded scope 3 inventory					
i) Location -based	153	152	145	159	148
ii) Market-based	179	175	181	186	178



Greenhouse gas (GHG) emissions

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

- The bespoke performance commitment agreed with Ofwat for 2020-25. This included a fixed trajectory for the scope 2 grid electricity emission factor based on a prior Government forecast, and the scope 3 operational emissions inventory in place.
- The inventory that was in place in 2019 when the Public Interest Commitment target of net zero operational emissions by 2030 was made (see 'Targets' below for more information).
- The expanded operational emissions reporting that has evolved since 2019, as shown in the main emissions table on page 56.

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

Data challenges

We are confident in the level of emissions related to energy and transport. However, emissions of methane and nitrous oxide (within scope 1) are much less certain, as they are typically estimated by water companies in the absence of direct measurement methods. Work is underway nationally to better quantify methane and nitrous oxide, and initial findings suggest that historically they have been under-estimated. It is probable that the emission factor for nitrous oxide emitted from every kilogramme of nitrogen in the sewage that we receive will be revised upwards at some point in the future. Research carried out for UK Water Industry Research, and the base assumptions used by the Intergovernmental Panel on Climate Change, suggest that a more accurate estimate of nitrous oxide emissions overall could be four times higher than currently reported. Monitoring work underway by UK water and sewerage

companies is providing more accurate estimates of nitrous oxide emissions at water recycling centres; future revisions to emissions factors for different types of treatment process will result in the need to revise our own historical and forecast carbon footprint.

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

Reporting: our performance commitment

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

Reporting: other disclosures

Emissions for 2024-25 are shown on page 56, conforming with Ofwat's Annual Performance Report framework that applies to all the companies that they regulate. All the emissions shown use location-based reporting and represent an April to March year as this is consistent with the Company's regulatory performance reporting. This account also integrates disclosures that fulfil the requirements of the Streamlined Energy and Carbon Reporting framework. This produces a different figure to that of our bespoke performance commitment, as a greater number of scope 3 categories are included. Our gross emissions during 2024-25 fell by 11,011 tonnes compared with 2023-24. While multiple factors have to be taken into account, certain aspects had a notable influence. In particular:

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



There was a notable methodology change, with the reallocation of any emissions from third party contractors used for projects or maintenance work that are part of our capital programme, that were previously included under scope 3 operational emissions. 'Outsourced activities' are now included within our estimates of capital carbon emissions, as shown in the following table.

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

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

Assurance

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

Greenhouse gas emissions (tonnes CO ₂ equivalent)	2023-24	2024-25
OPERATIONAL EMISSIONS		
Scope one¹	61,415	53,532
Burning of fossil fuels (location-based)	15,076	11,587
Process and fugitive emissions	34,755	31,370
Company vehicles	11,584	10,575
Scope two		
Purchased electricity (location-based)	50,222	47,771
Purchased electricity (market-based)	77,508	78,371
Scope three²	47,070	46,383
Business travel	1,059	882
Outsourced activities	8,561	1,682
Purchased electricity: extraction, production, transmission & distribution	12,094	15,825
Purchased fuels: extraction, production, transmission and distribution	5,621	4,588
Treatment chemicals ³	10,578	13,784
Reuse of biosolids on third party land	9,158	9,622
Gross operational emissions (location-based)	158,707	147,696
Subtractions: exported renewable electricity	-	-
Net operational emissions (location-based)	158,707	147,696
Water supply emissions (tCO ₂ e per Ml of treated water ⁴)	0.273	0.248
Wastewater emissions (tCO ₂ e per Ml of wastewater treated ⁴)	0.302	0.316
CAPITAL EMISSIONS		
Capital projects (cradle-to-build) ³	72,149	64,194

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

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

³ The 2022-23 figure for treatment chemicals and capital projects have been corrected which all so results in a change to the gross and the net operational emissions reported for that year.

⁴ We report two intensity metrics, dividing the emissions associated with water supply and wastewater activities by water put into the supply network and received via sewerage respectively. Both have been trending downwards over time, but the wastewater intensity metric is highly weather dependent; i.e. a higher volume of rainfall received results in a lower figure for emissions per megalitre.

**Overall energy consumption (as per SECR requirements)**

	2024-25		2023-24		unit
	UK & offshore	Global (excl. UK & offshore)	UK & offshore	Global (excl. UK & offshore)	kWh
Energy consumption used to calculate emissions	354,406,899	-	392,732,377	-	

Current measures related to energy efficiency and transport are included within section 3, table 4 above.

Biogenic emissions are estimated at 12,269 t CO₂e. These occur as a result of biogas combustion when generating renewable electricity in combined heat and power engines.

Targets

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

The 2030 aim is based on the items within scope in 2019:

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

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

contextualised by the UK's 2050 net zero aims and successive national carbon budgets.

In 2025 we are carrying out a review of our decarbonisation targets, including clarification of the scope 3 inventory included within the 2040 target - which will be dominated by capital carbon and the embodied emissions of the products that we consume in or operations.

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



Climate-related metrics: 2025-2030 (April - March)

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



Section 172 Statement

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

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

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

Our Governance Report (pages 68 to 81) outlines how the Board operates and describes how the Board has:

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

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

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

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

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

- **Customers** – Our customers and the service we provide to them are fundamental to the Board. The Board considers the impact of its actions and decisions on customers, both for service and value for money. The Board's aim to be a top-10 customer service provider across all sectors; the provision of water quality in line with World Health Organisation Standards; to have no escape of sewage or environmental harm; whilst ensuring that customer bills are less than 5% of disposable income is embedded throughout all decisions and actions made.
- **External Stakeholders** – the Board have close regard to our business relationships with our wider stakeholders; our social purpose, sustainability, the natural environment, and the impact of our operations on the environment and the communities we serve; as well as the need to act fairly to balance all stakeholder needs. Consideration of these factors and other relevant matters is embedded into all Board decision-making, strategy development and risk assessment throughout the year.



The Board's commitment to enhancing the environment and supporting our diverse communities is demonstrated through its Water Force Programme allowing employees to donate their time to local charities; funding local volunteers "Water Guardians" to assist local wildlife trusts, and funding local groups and community

interest groups through the Wessex Water Foundation to make a positive impact to the community and improve the environment.

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

Stakeholder group	What matters to our stakeholders?	Metrics (April - March unless otherwise stated)	Company engagement	Board level engagement and Impact
Customers We serve 2.9 million customers across the south-west of England. Our aim is to be an exemplar water and sewerage company providing reliable and affordable services for all customers and communities. Our customers include: • Residential • Non-household/business/ NAVs • Developers, • Minority and underrepresented groups • Those in vulnerable circumstances • Retailers and bulk supply customers • Future customers and generations, including children and students	Our customers want safe and reliable water supplies, an effective sewerage system that does not pollute our environment, a great customer experience but delivered with affordable bills and the peace of mind that they are supported in times of need. Our customers' priority is increasing for long-term investment to enhance or protect the environment and biodiversity, with many of our future customers using river and bathing water more frequently.	• Customer Experience Score 79.71 • Developer Experience Score 90.00 • Retailer Experience Score 8.0 • Trustpilot rating 4.6 overall • EA Environmental Performance Assessment 2 Star • DWI Compliance Risk Index Score 1.31 • Water Supply interruption 10 mins per property within our region • Internal sewer flooding (per 10k properties) 1.56 • Priority services 12.1% on register • Risk of severe restrictions in a drought 0% • Unplanned outage 2.00% • Pollution incidents (per 10,000kms of sewer) 62.1 • Mains repairs (per 1000km of mains) 121.7 • Sewer collapses (per 1000km of sewer) 5.00	• Independent Customer Challenge Group • Qualitative engagement with household customers, stakeholders, businesses including in-depth workshops and inter-generational focus groups to identify the highest priorities • Customer feedback surveys and continuous engagement reviews • Market research • Feedback routes through customer magazine • Website, including LiveChat and e-billing • Developer consultations • Young People's Panel, and working with schools and students • Bill Cap Scheme "WaterSure" for those on low incomes and unavoidable high-water use • Free home check visits and advice on water use. With our online app "GetWaterFit" to monitor water use and promote water efficiency • Working with partners in catchments to protect and enhance raw water quality • Engaging with customers to remove lead pipes and issues that may affect public health • Work with customers to prevent items such as fat, oil and wet wipes being disposed down toilets and sinks. • Personalised support packages tailored to meet individual financial circumstances (the TAP programme) • Engaged with customers in developing our latest business plan.	• Every Customer Matters Strategy • Customer image tracking surveys and customer experience research • Performance metrics • Operational Resilience • Young People's Panel • Catchment Panel • Environment and Public Value Committee and our Social Purpose • Working with stakeholders and customers to develop our 25-year drainage and waste water management plan Feedback from our customers and their representatives informs our strategy, values, priorities including (but not limited to) our business planning priorities, charges, and pricing strategy.



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



Stakeholder group	What matters to our stakeholders?	Metrics (April - March unless otherwise stated)	Company engagement	Board level engagement and Impact
Our people Our people are the embodiment of our culture and allow us to provide excellent service to our customers. Our people are also our customers. We aim to empower our staff with the skills, knowledge and opportunities within a diverse and inclusive culture. Safety of our staff is paramount. Our employee group includes: • Employees • Retired Pension scheme members and their families • Future Employees • Unions • Contractors	Our people strive for excellence in their work and want to be developed to their full potential, working in a fully inclusive workplace, be given opportunities to shine and be rewarded fairly for the work they do. They want to be valued and their health and wellbeing kept safe from harm.	Amongst all H&S KPI's - Lost time incident per 1000 staff rate from health and safety incidents 8.49 Gender Diversity Male: Female 75:25 Mean gender pay gap -2.01% Delivery of training - 1405 face to face training courses and 17,613 e-learning courses delivered Training plan delivery 100% Staff survey - good company to work for 97% Staff retention 89.3%	• A training academy to deliver apprenticeships. • IOSH training for all senior/ executive leaders • Employee survey • 'Ask the CEO' • Employee roadshows and Staff Seminars • Lunch and Learn talks • Mental Health First Aiders • ARC Alliance • Working Families Group • Armed Forces Covenant • Autism at Work Programme • Disability Confident Employer (Level 2) • Bristol Future Talent Partnership • Dedicated Early Careers Team • People's Council	• People's council • Employee survey • Ask the 'CEO' • Employee Roadshows and Staff Seminars • Pension Trustee Board • Health, safety, and welfare committee We listen and act on our employees' opinions to provide our people with satisfying careers.



Stakeholder group	What matters to our stakeholders?	Metrics (April - March unless otherwise stated)	Company engagement	Board level engagement and Impact
Our supply chain Excellent relationships with our suppliers are key to delivering excellent services to our customer and nurturing business and innovation within our communities. We aim to use markets to identify efficiencies to achieve the best possible outcomes for the best possible price. Our supply chain includes: • Contractors • Consultants • Suppliers	Our suppliers want us to provide them with fair, open and competitive opportunities regardless of their size, so that both ourselves and they can grow and excel. Our suppliers want fair payment terms and assistance during times of economic hardship, so that they can support us in delivering critical services to our customers.	Number of suppliers 1,833 Average creditor days 17 Total Supplier Payments made during the year £602m Adherence to Public Procurement Regulations, with current supplier challenges upheld being 0	• Wessex Water Marketplace • Membership of British Water • Pipeline Industries Guild • EnTrade liaison with the market • Framework suppliers	• Wessex Water Marketplace • Membership of British Water • Pipeline Industries Guild • AMP8 Delivery Plan including introduction of YTL Infrastructure (UK) Ltd as primary delivery partner Our suppliers have provided us with innovative and new ways of working to deliver more services for less. We listen and nurture our supply base ensuring that they are supported.
Our investors Our investors provide the financial support to enable us to deliver our strategy and live our values. Our investors include: • Banks and financial institutions • Bond holders • Shareholder	Our investors want to support a company that provides reputational and financial benefits to them. They want long-term performance that is supported by sound strategy, planning, governance, risk management and sustainability.	Regulatory gearing 72.0% Profit before tax £31.7m Investment credit grade BBB+ & Baa1 (negative outlook) Sustainalytics ESG Risk Rating 17.0 Low Risk	• Ratings agencies • Annual Report • Meetings with debt investors	• Sustainable Financing Policy • Ratings agencies • Annual Report Our investors provide our financial resilience.



Stakeholder group	What matters to our stakeholders?	Metrics	Company engagement	Board level engagement and Impact
Government and regulators Our regulators provide the oversight to allow us to contribute to the UK as a nation, to support our environment, our public health standards, and our economic infrastructure. We aim to be an exemplar to the industry trusted to leave the environment in a better condition for future generations, whilst acutely aware of the financial pressures on our customers. Our key government and regulator groups are: • Government departments • MPs • Local councillors • Ofwat • Environment Agency • Natural England • DWI • Health & Safety Executive • Pensions regulator • Market Operator Services Limited (MOSL). • Information Commissioner's Office (ICO)	Our regulators and government want the best outcomes for our customers, the environment and resilience. They want us and the water industry to be responsible, trustworthy, and transparent in all our activities.	All performance commitments (see our annual review). Between 2020-2025 we have... Treated and supplied 270 million litres of water daily Renewed over 7,300 miles of water mains Spent £80m tackling leakage Treated 480 million litres of sewage a day Spent £732m on protecting rivers, lakes, and estuaries. Spent £155m improving water quality Spent over £330m on upgrading storm overflows.	• Performance and risk reporting • Strategic Direction Statement • Price review methodology • Health liaison panel • Working with Local Authorities to understand growth strategies and to co-ordinate investment and deliver partnership projects • Chalk streams support projects, county wildlife Trusts, Natural England and local rivers and fishery trusts to develop our water resources management plan • Environment land management auction scheme	• Board meetings and committees • Pre-appointment non-executive director interviews • Business planning and target setting • Health and safety strategy • Environment and Public Value Committee • Outcome Based Environmental Regulation Approach • Working with the Environment Agency to continue review of sustainable levels of abstraction • Working with neighbouring water companies to deliver shared solutions • Working with Defra and the Environment Agency and approx. 200 landowners to reduce nitrogen, phosphorus and carbon Our regulators inform our strategy, our business plans, our processes. They provide valuable input into everything we do.



Stakeholder group	What matters to our stakeholders?	Metrics (April - March unless otherwise stated)	Company engagement	Board level engagement and Impact
Environmental NGOs We take our role as a custodian of our local environment seriously and with that the opinions of our environmental colleagues. Our ambition is to perform a wider role in society as a trusted company that takes care of the natural world and sets the benchmark for environmental performance, addressing climate, carbon neutrality and nature emergencies across the industry to meet the rising expectations of the environment and long-term resilience. Our environmental non-governmental organisations include but are not limited to: • Wildlife interests • Bathing water and river amenity interests • Catchment and Land Management • Capital Waste minimisation	Our environmental colleagues want us to value, protect, preserve and enhance our local environment, and contribute to wider environmental improvement.	• EA Environmental Performance Assessment 2 Star Requires improvement • Compliance with abstraction licences • Pollution incidents (per 10,000kms of sewer) 62.1 • Water Recycling Centre compliance 99.7% • Bathing water compliance • Watercourses in good ecological condition • Sites of Special Scientific Interest in Good or Recovering condition; All actions delivered • Greenhouse gas emissions (operational) - 96 kt CO₂e (performance commitment) • Tree planting • Environmental partnerships	• Catchment Panel • Wessex Water Foundation • Liaison groups • Chalk streams support projects, county wildlife Trusts, Natural England and local rivers and fishery trusts to develop our water resources management plan • Funding for Volunteer Water Guardians	• Environment and Public Value Committee • Outcome based environmental regulation approach • Net Carbon Zero Routemap and Climate Adaptation We embed the opinions of our environmental colleagues into our direction and priorities.



Board principal decisions

The following examples provide insight into some of the Board discussions and principal decisions taken during the reporting year. This includes how stakeholder interests are considered, where conflicting stakeholder requirements have been debated and how the Board and its decisions have added long-term value to the Company. The Board's principal decisions are central to the formation and delivery of our strategy and are those critical to our long-term performance and success. Details of the Board Committees, including membership, number of meetings, and attendance are set out in the Committee reports on pages 82 to 100. An outline of the Board members' skills and experience is outlined on page 75. In any decision we consider the needs and requirements of all our stakeholder groups, cognisant that we may not be able to meet everyone's requirements as positively as we would like and take careful consideration of competing priorities.

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

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

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

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

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

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

Principal decision 3 – Review of and changes to Pollution Reduction Plan

While recognising the Company's achievements in respect of serious pollutions, the Board continued to challenge the Company on its level of total pollutions. The Board has regard to the impact from extreme weather events, increasing monitoring and the need to develop a flexible response to dealing with such incidents as well as the importance of mitigating the impact of power cuts. The Board also carefully scrutinised the root causes of pollutions. The Board noted the challenges of funding given continuing uncertainty around the PR24 business plan submission. However, it was recognised that performance in respect of pollutions was of key importance to the long-term interests of the company as well as stakeholders and, particularly, the environment. In that context the Board decided to make fundamental amendments to the Company's Pollution Reduction Plan including further support for operational teams during named storm events, increased investment in and exploration of options around measures to improve resilience of the power supply, dedicated teams to address rising main and pump failures and an increased focus on a catchment-based approach to address factors that put increased stress on the network at source.

Principal decision 4 – Dividends

The Board undertakes quarterly reviews of company performance in consideration of its dividend payment to the shareholder. In particular, the Board reviews the operational, financial and credit performance of the company and wider economy in assessing any dividend due, taking regard of the expectations of customers, regulators and other environmental stakeholder groups. The Board debated the current operational performance, including industry-leading status in drinking water compliance and customer service and wider performance against regulatory outputs across the whole of AMP7. In reviewing financial performance, the Board had reference to the detailed management accounts and noted forecast performance against regulated capital value and gearing. In considering the potential dividend the Board also considered any tax liabilities, pension deficits, the liquidity position and the requirement to maintain a strong investment grade credit rating. Latterly the Board



had regard to referral of the AMP8 business plan to the CMA, but consideration determined that this should not effect decision-making as it related to the next five-year business plan period rather than decisions in respect of dividends that had already been budgeted for.

The Board decided the dividend payment was consistent with the company performance, particularly for service delivery, its customers, and environmental stewardship, taking into account the current and future risk and investment requirements, reflecting the long-term commitment from the shareholder.

Principal decision 5 – Approving contractual relationship regarding support for AMP Delivery Programme

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

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

The other documents we publish are:

Integrated Annual Report

Our regulatory year end is 31 March, which is reflected in our latest integrated annual report.

Annual performance report

This reconciles the non-statutory financial accounts with the regulatory accounting statements required by Ofwat. The report also gives detailed information on expenditure, costs and performance, including in relation to our outcomes and performance commitments.

All of these documents are available on our [website](#)

You can also compare our performance to other water companies on the [Discover Water website](#).

Principal decision 6 – Appointment of new Chief Executive

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

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

Ruth Jefferson
Chief Executive

Claverton Down
Bath
BA2 7WW



Governance report

Chairman’s introduction to governance

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

We have a very important role in the lives and wellbeing of our customers and communities and the Board recognises that it is a privilege to be entrusted to provide essential public services to millions of customers. In this privileged position we must build and maintain successful relationships with a wide range of stakeholders. The purpose, strategy, values, and culture of the Company are developed and promoted through continuous engagement with these stakeholders, including customers, community, and interest groups, employees, and regulators. Further details on how we have engaged with all our stakeholders over the year can be found on pages 59 to 67. This year, in particular, the Board has had close involvement with the development of the business plan in response to Ofwat’s draft determination, with particular emphasis on the need to deliver an ambitious investment programme. It was in this context of Ofwat’s final determination, and after careful and

thorough consideration, that the Board made the decision to refer this matter to the CMA.

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

The following pages set out details of our Board of Directors (pages 69 to 71), further information on our governance arrangements and compliance with Ofwat’s Objectives (pages 71 to 82) and the reports of the Audit and Risk, Environment and Public Value, Health and Safety, Nomination, and Remuneration Committees (pages 82 to 100). These reports demonstrate that the Company has in place effective arrangements to ensure the highest standards of corporate governance.

Tan Sri (Sir) Francis Yeoh KBE
Chairman
19 September 2025

This Governance report outlines how we ensure the best practice and effective corporate governance procedures.

Governance

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The Board of Directors

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

Shareholder Non-Executive Chair

Tan Sri Sir Francis Yeoh KBE

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

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

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

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

Executive Directors

Colin Skellett OBE - Chief Executive

Colin Skellett is a scientist and engineer by training and a Fellow of the Royal Society of Chemistry. He has worked largely in the water industry and was appointed Chief Executive of Wessex Water in 1988. Colin's tenure as Chief Executive of Wessex Water and as a member of the Board ended in September 2024.

Ruth Jefferson - Chief Executive

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

Ruth was appointed to the board of Wessex Water Services Limited in September 2022. With extensive experience dealing with legal, compliance and governance matters, Ruth previously held the positions of Chief Compliance Officer and Group General Counsel before being appointed as the Chief Executive in September 2024.

Ruth is also a board member of our joint venture billing company (Bristol Wessex Billing Services Ltd), the West of England Local Enterprise Partnership and a local charity.

Andy Pymer - Chief Finance Officer

A civil engineer turned economist, Andy is a Chartered Director and Fellow of the Institute of Directors with more than 30 years' experience in the water sector. Andy was previously managing director of Wessex Water's regulated water and sewerage business since 2016 and director of regulation and customer services since 2012.

Andy was appointed to the board of Wessex Water Services Limited in August 2012. He is also Co-chair of Wessex Water's joint venture billing company, Pelican Business Services. Andy is a founding Member of the Environmental Markets Board, which oversees the governance framework for participating nature markets in the UK, and Chair of Wessex WaterAid, which has raised more than £1.2m for the charity over the past ten years.

John Thompson - Chief Operating Officer

John was the Chief Operating Officer for Wessex Water with overall responsibility for meeting the needs of our customers through sustainable operations and engineering.

Appointed to the board of Wessex Water Services Limited in June 2020, John's term ended in September 2024.

Independent Non-Executive Directors

Jim McKenna - Deputy Chair

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

Appointed to the Board of Wessex Water Services Limited in June 2019, he became the Senior Independent Director in November 2020 and Deputy Chair in October 2024. Jim is a member of all Board Committees and is responsible for leading the annual review of Board performance. He is also Chairman of the YTL/Wessex Academy.

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

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

Dame Fiona Reynolds DBE - Independent Non-Executive Director

Dame Fiona Reynolds DBE chaired the Environment and Public Value Committee. She was appointed to the Board of Wessex Water Services Limited in 2012 and her term ended in January 2025.



Kate Mingay - Independent Non-Executive Director

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

Appointed to the board of Wessex Water Services Limited in June 2019, Kate was appointed Chair of the Audit and Risk Committee in August 2020. She is also a member of the Remuneration, Nomination, and Environmental and Public Value Committees.

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

Kevin Wall - Independent Non-Executive Director

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

Appointed to the Board of Wessex Water Services Limited in January 2021, Kevin is a member of the Audit and Risk, Health and Safety, Environment and Public

Value, Remuneration and Nomination Committee, as well as chairing the Pension Trustees Board. Kevin also acts as a senior advisor to Panmure Liberum, investment bank, is a board observer at Zero Gravity, an online educational platform, and chairs FreeMarket Ireland, a payments provider.

Kevin was previously a non-executive director of Which? Limited, the Business Growth Fund and served as a trustee director of the Barclays Pension Fund.

Tim Gardam CBE - Independent Non-Executive Director

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

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

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

Sarah Hendry CBE - Independent Non-Executive Director

Sarah has over thirty-five years' experience in environmental, land use and public health policy. A former senior civil servant, she worked in the Department for Environment, Food and Rural Affairs,

Cabinet Office and Department of Health and was involved in negotiating, developing and implementing national, European and international policies on water, flooding, climate change, global health, the rural economy, farming, forestry and land use. From 2018-24, Sarah was Director General of the Country Land and Business Association, representing 26,000 rural businesses.

Appointed to the board of Wessex Water Services Limited in January 2025, Sarah chairs the Environment and Public Value Committee and is a member of the Audit and Risk Committee.

Sarah is also the non-executive chair of the UK Water Partnership; co-chair of trustees at the Earth Trust, an environmental charity in Oxfordshire; and a member of the advisory committee of Holkham national nature reserve.

David Barclay - Non-Executive Director

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

David assisted YTL Corporation with its acquisition of Wessex Water in 2002 and since then has been a director of Wessex Water Services Limited. David formerly chaired the Audit and Risk committee and is also a director of Wessex Water Limited, the holding company for Wessex Water Services, and YTL Land and Property Limited. David also chairs the YTL UK Audit Committee.

Hong Yeoh - Shareholder Non-Executive Director

Hong is the Managing Director of YTL Power International Berhad ("YTLPI"), parent company of Wessex Water. He has been an Executive Director of YTLPI's parent company, YTL Corporation Berhad,



Malaysia since 1985 and spearheads the group's investments in utilities, infrastructure, and digital businesses. He is also the Managing Director of the YTL Group's construction and telecommunications divisions.

He has been a director of Wessex Water Services Limited since May 2002, a member of the Nomination Committee and also chairs the Remuneration Committee. He is a trustee of YTL Foundation.

Mark Yeoh - Shareholder Non-Executive Director

Mark is executive director responsible for the YTL hotels and resorts division. He was appointed to the board of Wessex Water Services Limited in July 2003 and is a member of the Remuneration Committee. He joined the YTL Group in 1989 and serves on the board of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, and YTL Cement Berhad.

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

Hann Yeoh - Shareholder Non-Executive Director

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

A graduate of Oxford University with a Master of Engineering in engineering science, Hann also sits on the board of YTL PowerSeraya Pte Limited in Singapore and is the President Director of Tanjong Jati Power Company in Indonesia.

Hann led the team that set up Geneco, now Singapore's largest energy retailer, and YTL Data Centers as well as a new digital banking venture in Malaysia.

He has been a director of Wessex Water Services Limited since August 2012.

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

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

Ofwat Objective 1 - Purpose, values, and culture

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

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

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

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

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



Additional information about the range of stakeholder engagement that has informed and influenced the aspirations of the Board is contained in the Strategic Report on pages 3 to 81. Through this approach the Board ensures that the Company's vision, which encompasses its purpose, values, and culture, aims and strategy to deliver, are aligned to ensure the Company performs and delivers for all that it serves.

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

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

Given the long-term challenges faced by society, the Board has a well-established published statement of the Company's social purpose, overseen by the Environment and Public Value Committee. This statement specifies the Company's wider role, in particular the opportunity

to deliver a better environment, to support the communities we serve, to be a great place to work and to contribute to the growth of the UK economy.

The Board monitors and assesses the values and culture of the business to satisfy itself that behaviours are aligned with the Company's purpose and values on an ongoing basis. It does so by monitoring the performance of the business against its key targets. It also seeks out the views and experiences of customers, key stakeholders, and employees. The Board has an established Customer Challenge Group that works with customers to help inform strategy, policy and delivery. The Board also takes account of independent assessments of the Company's commitment to customer service excellence by achieving both the government's Customer Service Excellence accreditation and the Institute of Customer Service 'Service Mark' accreditation and Trustpilot reviews. Key stakeholders are engaged through a variety of means from funding water guardians, working with organisations such as Citizens Advice or liaising with over 300 partners through our "Partner Hub". Employees' views are canvassed through regular surveys and by giving further opportunities for instant feedback. Where there is evidence that behaviours are misaligned with the Company's purpose and values, the Board acts, through the Executive and Management, to correct this. Further details are included in the Strategic Report on pages 3 to 81.

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

whistleblowing are brought to the attention of the Audit and Risk Committee.

Ofwat Objective 2 - Standalone regulated company

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

The Board is fully focused on and has full responsibility for the activities of the Company and is responsible and accountable for setting, implementing, and supporting the Company's purpose, strategy, aims, values, and culture. The Board is satisfied that this objective is met, and the Board takes full responsibility for all aspects of the Company's business for the long term. The Board composition and details of career backgrounds, relevant skills, Committee membership and tenure is set out in the individual biographies on pages 69 to 71.

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

To manage risk, the Board and its Committees assess the integrity of information and whether controls and systems of risk management are robust and defensible. The Board requires management to identify, assess and report the impact of risks to enable the Board to effectively monitor and approve any decisions affecting the Company's risk profile. An explanation of principal risks, and our approach to mitigating these risks, is provided on pages 101 to 110.



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

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

There are no matters specifically reserved to the shareholder. In practice the Board operates (and has operated continuously for more than a decade) without the requirement for shareholder resolutions. As part of its responsibility for the management of risk, the Board has determined criteria which control the extent of dividends paid and consequently the financial gearing of the Company. As with all Board decision making, these criteria were determined with the active involvement of

the Independent Non-Executive Directors. These criteria are set out in the notes to the accounts. The Board also annually reviews and approves the Company's framework for control of the Company's affairs detailing the effective management of the Company and granting delegated powers and authorisations.

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

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

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

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

Ofwat Objective 3 - Board leadership and transparency

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

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

Details of the Company's group structure can be found on page 80. Details of the Board Committees, including membership, number of meetings, and attendance are set out in the Committee reports on pages 82 to 100.

The Company's dividend policy and detail on dividends paid during the year are set out in the Notes to the Non-statutory financial statements on page 138. Details of the Company's executive pay policy can be found on page 90.

The Board is also responsible for the management of risk. The principal risks to the Company and how these have been considered and addressed can be found on pages 101 to 110.

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

Ofwat Objective 4 - Board structure and effectiveness

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



The Board is satisfied that this objective is met.

The following were Directors during the year under review:

Independent Non-Executive Directors	Executive Directors	Non-Executive Director	Shareholder Non-Executive Directors
Jim McKenna (Deputy Chair)	Colin Skellett***	David Barclay	Francis Yeoh (Chair)
Dame Fiona Reynolds*	Andy Pymmer		Hong Yeoh
Kate Mingay	John Thompson***		Hann Yeoh
Tim Gardam	Ruth Jefferson		Mark Yeoh
Kevin Wall			
Sarah Hendry**			

* to 27 January 2025

** from 27 January 2025

*** to 30 September 2024

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

In addition to the Independent Non-Executive Directors, there are four Executive Directors. The Executive

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

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

The collective experience of the Directors and the diverse skills and experience they possess ensures that the Board makes decisions in a balanced way. The Board considers that its current composition ensures an appropriate balance of skills, experience, independence, and knowledge so that no individual or small group of individuals can dominate the Board's decision taking. Details of the Board's skills and experience can be found in the Director's biographies on pages 69 to 71 and are summarised overleaf:



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



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

The search for Board candidates is led by the Nomination Committee, and appointments and re-appointments are made by the Board on merit, against objective criteria, with due regard to the benefits of diversity on the Board (including diversity of skills, experience, ethnicity, and gender). Before any formal appointment, new Independent Non-Executive Directors meet with Ofwat to ensure that there is a clear understanding of the responsibilities attached to being a non-executive director in this sector. Sarah Hendry met with Ofwat prior to her appointment in January 2025. All directors receive induction training on joining the Board and regularly update and refresh their skills and knowledge, including by spending time with the business and attending site visits.

Chair

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

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

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

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

Deputy Chair

Jim McKenna is the Board's independent Deputy Chair. Jim is a member of all Board Committees and is responsible for leading the annual review of Board performance. As Deputy Chair, Jim would chair Board meetings if the Chair were unavailable. Additionally his role is to act as a sounding board for the Chair and to serve as an intermediary for the other Directors, when necessary, as well as an additional point of contact for the shareholder and other stakeholders. By way of exception to general governance provisions, the performance of the Chair is incorporated within the

Board effectiveness review, rather than led by the Deputy Chair. The Company believes this approach, which results in a range of feedback, provides a more robust and well-rounded performance review.

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

Independent Non-Executive Directors

The Company's Independent Non-Executive Directors are appointed from a range of different backgrounds to bring to the Board an appropriate balance of skills, external experience, and knowledge. Details of their skills and experience can be found in their biographies on pages 69 to 71 and in the Board skills matrix on page 75.

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

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

Any term beyond six years for an Independent Non-Executive Director is subject to particularly rigorous review and considers the need for progressive refreshing of the Board, balanced against the



requirement for skills, experience, independence and knowledge. Continuity of appointment of some Independent Non-Executive Directors between price reviews is desirable to facilitate scrutiny of Company performance against its business plan. The Board has determined that the Independent Non-Executive Directors are independent for the purposes of the governance requirements.

On the recommendation of the Nomination Committee, the Board appointed one new Independent Non-Executive Director in the reporting year. Sarah Hendry was identified as having the skills, experience and knowledge relevant to ensuring that the Board can take decisions that promote the long-term success of the Company. When appointing Sarah, as with any new Non-Executive Director, the Board discussed whether there were any potential conflicts and concluded she was independent of the shareholder and management and had no relationship with the shareholder that could materially interfere with the exercise of her independent judgment.

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

Induction programmes are designed and arranged for all new Directors to familiarise themselves with the Company's governance arrangements, business, regulatory framework, culture, and values. The induction programme includes introductory meetings with all Executive and Non-Executive Directors, the Company Secretary, and senior managers across the Company's business. As part of the induction programme, new Independent Non-Executive Directors visit the Company's principal offices and operational

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

sites, including the Company's Scientific Centre and the Company's billing and customer services operations. In addition, any new Independent Non-Executive Directors meet with Ofwat prior to formal appointments being made.

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



Board meetings

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

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

* to 27 January 2025

** from 27 January 2025

*** to 30 September 2024



Company Secretary

All Directors have access to the Company Secretary and the Company's internal solicitors. The Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary is responsible for ensuring that the Company's delegated authority and Board procedures are followed and for advising on suggested changes.

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

Board Committees and Advisory Panels

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

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

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

recommendations. Where necessary, final decisions are taken by the Board.

Reports from the Chair of each of the Committees, including details of membership and attendance, are set out on pages 82 to 100. There is a majority of Independent Non-Executive Directors on the Board Committees. The Nomination Committee and Remuneration Committee are chaired by the Chair and a shareholder Director respectively. The Board considers this to be appropriate in the context of the Company's ownership structure.

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

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

The Customer Challenge Group includes our key organisational stakeholders, scrutinises, and assesses the Company's delivery against customer related outcomes and performance commitments. The Group is independently chaired by Dan Rogerson who was previously Water Minister under the coalition Government. An Independent Director attends most meetings.

The Board also formed a PR24 Working Group attended by the Independent Non-Executive Directors, the Non-Executive Director, and Executive Directors. The Working Group met several times throughout the year.

Board, Committee and Director Performance

The Board undertakes external evaluations on its performance every three years (most recently in 2023) supplemented by an annual confidential self-assessment of its Committees, the Chair, and the Independent Non-Executive Directors, annually. The external evaluations are facilitated by the Company Secretary on behalf of the independent Deputy Chair. Both the external and self-assessment evaluations

assess the Board's balance of skills, experience, diversity, independence, and knowledge of the Company and how the Board works together as a unit, and other factors related to its effectiveness.

This year the feedback confirmed that, overall, the Board continues to work effectively with particular recognition of the close and constructive collaboration of the Board in providing a measured but robust level of challenge to the business and in working as an inclusive and effective decision-making team. The strength of the Board's contribution to the Company's purpose, strategy and values was noted, as was the high level of trust between the Board and the executive and the Board's culture of openness, challenge and respect for differing opinions.

Directors' remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on page 89.

Directors' interests and conflicts

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

Raising a concern

The Company reviews its 'Raising a Concern' policy each year. The policy is supported by step-by-step guidance on how to raise concerns and a confidential helpline available 24-hours a day, 7-days a week. The policy sets out how to report any concerns about wrongdoing or inappropriate activity across all areas of business, including water regulation, health and safety, bribery, corruption, and fraud. All 'Raising a Concern' reports are treated on a strictly confidential basis whether from



internal or external sources. Reports are made to the Audit and Risk Committee.

Anti-corruption

The Company has adopted a formal policy on business ethics. Directors and employees are expected to commit to the highest standards of professional and ethical conduct in order to protect the Company's reputation and standing. Bribery and corruption are not tolerated. All Directors and employees are made aware of the Company's policy and understand that breaching it will result in disciplinary action. No instances of a breach of the policy were recorded in the year. All senior staff are asked to certify to internal audit that throughout the year they have complied with the business ethics rules. No instances of non-compliance were noted during the year.

Procurement

The Company has in place procurement rules that ensure awards of contracts for works, services and supplies are made in compliance with the Public Procurement Regulations 2023 or, for contracts below the relevant thresholds, in accordance with clear internal rules. The rules promote fair competition for potential suppliers. All relevant staff are required to certify to internal audit that throughout the year they have complied with the rules or disclose any non-compliance. No material instances of non-compliance were recorded during the year.

Group structure

The Company's pre-penultimate holding company is a Malaysian company, YTL Corporation Berhad, that is listed on the

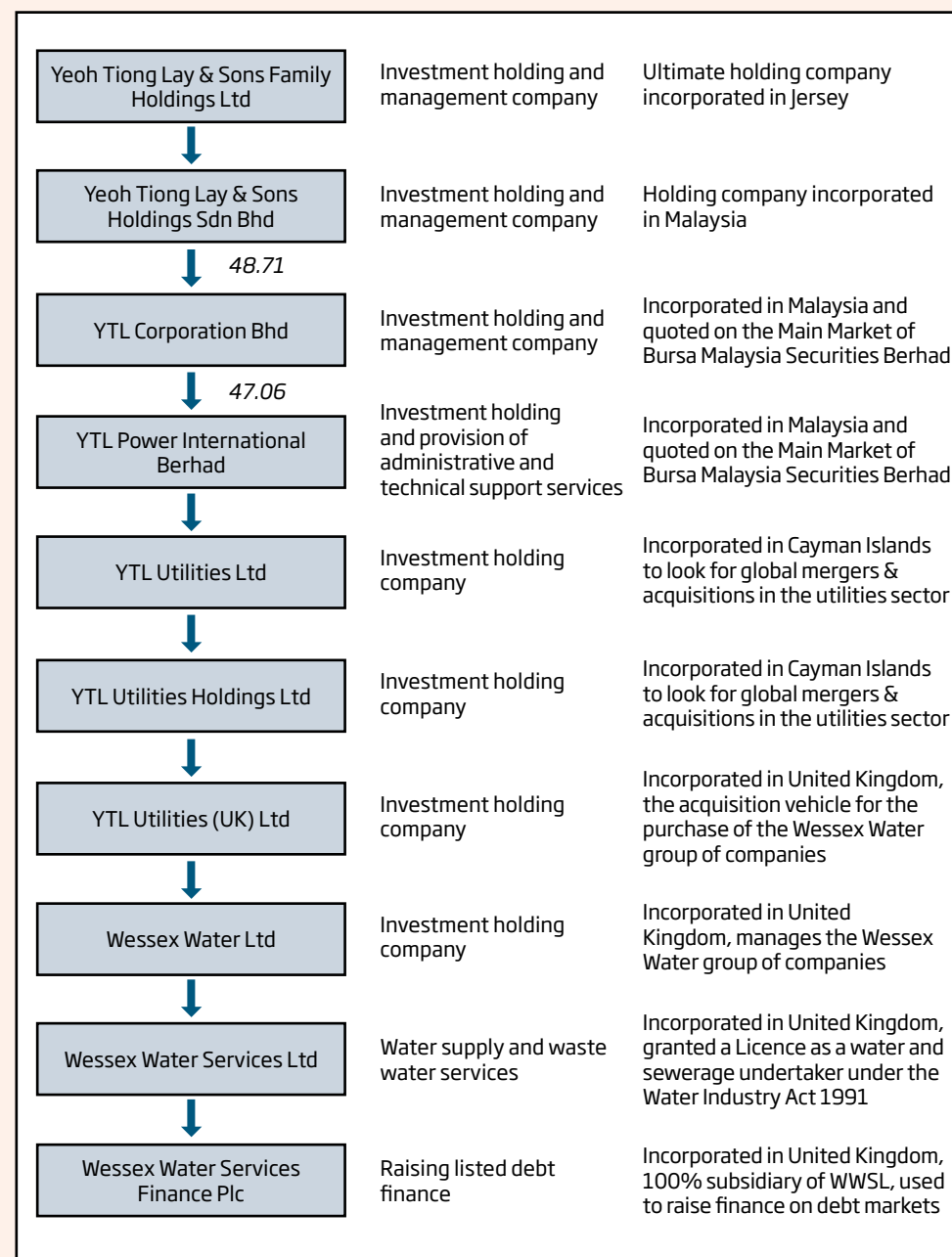
main market of Bursa Malaysia Securities Berhad. It addresses the Holdco Principles as described in the paragraphs below.

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

A diagrammatic representation of the Group's structure appears to the right showing ownership of the regulated company through to the ultimate holding company and each company's country of incorporation and role in the structure. YTL Corporation Berhad at 30 June 2025 was 51.29% owned by third-party shareholders and 48.71% owned by Yeoh Tiong Lay & Sons Family Holdings Limited.

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

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





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

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

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

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

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

YTL Corporation Berhad has confirmed that it:

- fully understands the duties and obligations of the Company arising under statute and its Licence;

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

Compliance with the Wates Principles

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

Principle One - Purpose and leadership

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

The Company sets out its compliance with Ofwat Objective 1 on pages 71 to 72.

Principle Two - Board composition

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

The Company sets out its compliance with Ofwat Objective 4 on pages 73 to 80.

Principle Three - Director responsibilities

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

The Company has clear corporate governance practices in place, with clear lines of accountability and responsibility as set out under Ofwat Objective 2 on pages 72 and 73. Details of the Board Committees are set out in the comments on Ofwat Objective 4 on pages 73 to 80.

Principle Four - Opportunity and risk

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

The Company is a long-term business and ensuring its long-term sustainable success underpins the work of the Board and its Committees. The Board's approach to oversight of the identification and mitigation of risks can be found on pages 71 to 72 set out under Ofwat Objective 1 and also in the Strategic Report on pages 3 to 67.

Principle Five - Remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success



of a company, considering pay and conditions elsewhere in the company.

A detailed explanation of the Company's executive pay policy is provided in the Remuneration Committee Report on pages 89 to 100.

Principle Six - Stakeholder relationships and engagement

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

Details of the Company's stakeholder engagement are set out under Ofwat Objective 1 on pages 71 to 72 and in the s172 statement on pages 59 to 67.

Audit and Risk Committee Report

The Audit and Risk Committee generally comprises five independent Non-Executive Directors of the Board. The January 2025 meeting was attended by six Non-Executive Directors, prior to Fiona Reynolds' departure. The Chair of the Board is not a member of the Audit and Risk Committee preserving the independence of the Committee. The Committee is independently led.

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

Audit and Risk Committee attendance		Length of Committee Service*
Kate Mingay (Chair)	5/5	6 years 1 month
Fiona Reynolds	4/4	12 years 6 months
Jim McKenna	5/5	6 years 1 month
Tim Gardam	5/5	5 years 5 months
Kevin Wall	4/5	4 years 7 months
Sarah Hendry	2/2	6 months

*as at 30 June 2025 or leave date if earlier.

Audit and Risk Committee Members' Attendance

During the year the Finance Director, Director of Strategy and Regulation; the Director of Engineering and Asset Management, Head of Risk and Investment; the Group Financial Controller, and the Group Audit

Director regularly attended and/or presented at meetings of the Committee. Our external auditors, Ernst and Young LLP, are invited to all meetings. Other senior management, our external technical auditors, Mott MacDonald, and the Customer Challenge Group representatives are invited to attend as required. The members of the Committee receive updates on financial reporting, the regulatory framework and performance throughout each financial year from Ernst and Young and other sources, as appropriate.

Liaison with Other Committees and Working Groups

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

Role of the Committee

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

- monitoring the integrity of the financial statements and any formal announcements of the Company's financial performance;
- overseeing the Company's financial reporting processes and accounting policies;
- providing advice to the Board on whether the annual report and accounts are fair, balanced, and understandable in relation to the company strategy and performance;
- reporting to and providing advice to the Board on approval of regulatory submissions;
- ensuring that the Company has adequate internal



controls and that they are appropriately reviewed and implemented;

- reviewing and agreeing the annual internal audit programme, the monitoring of internal audit progress and the respective reports and actions. Overseeing the internal and external audit programmes and monitoring the effectiveness of the Internal Audit function and the performance of the external auditors;
- ensuring compliance with the regulatory reporting obligations of the Company, including the Risk and Compliance Statement and the Company's performance commitments;
- detailed independent consideration of the half year results, the Annual Review documents incorporating the Annual Performance Report prior to the Board's approval;
- consideration of the material subjective assessments within financial reporting to ensure that the Company's treatment of these matters is properly addressed within the Company's financial statements;
- reviewing and agreeing the Company's approach to risk appetite and tolerance, and providing advice to the Board on the same; and
- receiving reports from investigations arising from our Raising a Concern policy.

Report on this year's activity

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

- management of cyber-security risks in relation to the Security of Network and Information Systems (NIS)

Regulations 2018 and the company's OT security network;

- oversight of corporate risk reporting, building upon the risk appetite and tolerance for strategic risks and principal risks;
- agreed the risk-based plan for internal audits over the year reviewing outcomes, agreeing and escalating actions;
- Company's focus to build its asset management maturity;
- the new internal audit (IPPF International Professional Practices Framework) standards and the requirements, including the implications of the updated Corporate Governance Code; and
- Taking bi-annual reports on activity around raising a concern procedures.

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

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

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



Internal Controls

Topic	Activity
Internal controls	The Audit and Risk Committee, assisted by Internal Audit, monitors the effectiveness of the system of internal controls that have been in place for the year under review and up to the date of approval of the annual report and accounts. The Audit and Risk Committee also reviews management reports received from the external auditor. The Audit and Risk Committee receives reports on any 'Raising a Concern' whistleblowing allegations made to the Company from either internal or external sources, concerning fraud, bribery, or other matters. Reports include the outcomes of resulting investigations and the management action taken. The Committee receives summary level detail within these reports of alleged sexual harassment and the investigation outcomes, as part of the "failure to prevent" duties.
Oversight of Internal Audit and External Audit	The Audit and Risk Committee oversees the work of the Company's Internal Audit function and External Auditors. The Audit and Risk Committee reviews the performance of the internal and external auditor independently of executive management.
Internal Audit	The annual programme of planned internal audits is agreed by the Audit and Risk Committee prior to the start of each financial year based on significant business risks, key internal processes, and both financial and regulatory compliance requirements. The Group Head of Internal Audit reports on the adequacy and effectiveness of the Company's risk, control, and governance framework. The Internal Audit plan and required resource are reviewed annually by the Audit and Risk Committee. The Group Head of Internal Audit has an unhindered direct report to the Audit and Risk Committee, its Chair, and members at all times.
External auditor	Ernst & Young LLP (EY) were appointed as the Company's external auditor in 2017. The EY audit partner is invited to attend all Audit and Risk Committee meetings and has been present at every meeting during the year. The Audit and Risk Committee monitors the effectiveness of the external auditor throughout their term of appointment. In relation to the current year, Ernst & Young LLP audit fees are £326k for the 2024-25 financial year audit. The Audit and Risk Committee scrutinise the volume and value of non-audit work and as a matter of policy, fees paid to the external auditor for non-audit services will not exceed the limits set out in EU Regulation 537 or the rules set out in the Financial Reporting Council's code of ethics. The proportion of fees for non-audit services is compliant with EU Regulation 537. Ernst & Young LLP also reports to Ofwat in respect of the Company's Annual Performance Report. As part of the assurance process for this Annual Review document, the Audit and Risk Committee also receives a report from the Company's technical auditor on non-financial regulatory performance information including the performance commitment data. The current technical auditor (Mott MacDonald) was re-appointed from a competitive re-tender of the services in 2019-20. The contract re-tender is underway.

Further details of internal controls and risk management systems in relation to the financial reporting process can be found on pages 101 to 110.



Financial Reporting

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

Topic	Activity
Presumptive risk of management override of controls	In accordance with ISA240 the risk of management override of controls is considered across all audit planning by external auditors. The auditors tested the appropriateness of journal entries, accounting estimates, third-party transactions and significant unusual business transactions. The Committee considered the risks and the work of the auditors.
Revenue Recognition and accrued income	The Audit and Risk Committee considered the key financial risk that can arise in two ways. Firstly the inappropriate revenue recognition from manual journals and secondly, the estimation of the amount of unbilled income charges at the period. In this context, they discussed that the management estimates and assumptions are aligned to IFRS 15 and current accounting standards.
Classification and Measurement of Capital Expenditure Valuation of Intangible Assets Developed Internally	The Audit and Risk Committee considered the key financial risk of the degree of judgement involved in the classification of expenditure between operating expenses and capital expenditure. In doing so they considered the level of capital expenditure, the Regulatory Accounting Guidelines and IAS16, the recharges from overhead to capital projects and the controls of the Company. The Committee considered the financial impact of internally developed intangible assets, including classification of capital and operating expenditure, eligibility of capital expenditure, overhead absorption and any potential asset impairment in accordance to IAS 36 and IAS 38.
Internally generated intangible assets	The Audit and Risk Committee discussed the decisions and progress being made on the billing system replacement and the appropriate accounting treatment including the assessed impairment.
Expected Credit Loss	The Audit and Risk Committee considered the key financial risk that arose due to the subjective nature of the assumptions used. It reviewed the significant judgements made when assessing the reasonableness of the provision rates applied against historic collection rates and future recovery, particularly in light of current cost of living difficulties and economic uncertainties and ensured that the methodology chosen was in accordance with IFRS 9.
Defined Benefit Pension Obligations, Assets, and Actuarial Assumptions	The Audit and Risk Committee considered the key financial risk that the assumptions made by the Company in association with the independent actuary, in arriving at the pension obligations under IAS 19, could lead to an overly prudent or aggressive position. In particular, the assumptions in relation to inflation, discount rate, pension and salary increases, return on equity and life expectancy were tested against the range of assumptions used by other companies.
Defined Benefit Pension Assets	The Audit and Risk Committee considered the key financial risk of the inappropriate valuation of hard to value pension assets, specifically around private equity fund and pooled investments.
Going concern, long- term viability and breach of financial covenants	The Audit and Risk Committee considered the long-term viability assessment and its appropriateness, assumptions, and its approach to reverse stress testing. The Committee considered the going concern of the company in conjunction with the work completed by the auditor under IAS 570, including the company's compliance with financial covenants and the timing of bond issues.
Accounting for litigation and any legal provisions	The Audit and Risk Committee considered the key financial risk that arose regarding the need for provisions for any legal or litigation action and considered the judgement, recognition processes and estimations for any such provision.
Misstatements	Management confirmed to the Audit and Risk Committee there were no material misstatements in the financial statements to achieve a particular presentation. The Audit and Risk Committee was satisfied that the external auditor had fulfilled its responsibilities to the Audit Committee and the Company.



Nomination Committee Report

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

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

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

Role and report on activities

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

The purpose of the Nomination Committee is to ensure that appropriate procedures are in place for the nomination, selection, training, and evaluation of Directors. The role of the Nomination Committee is to evaluate the balance of skills, experience, and knowledge on the Board. The Committee reviews Board structure, size and composition and will make

recommendations to the Board on new appointments and succession. The Board will also consider any extensions to the term of appointment for Directors.

During the year, the members of the Committee met to discuss succession planning for the Chief Executive role. These discussions focused on identifying the balance of skills and experience required for the position, evaluating potential candidates, and considering the appropriate timing for transition. Following this process, the Committee recommended the appointment of Ruth Jefferson as Chief Executive of Wessex Water, recognising her strong leadership capabilities and alignment with the Company's strategic priorities.

The Board considered the appointment of Sarah Hendry as an Independent Non-Executive Director and concluded that she had the skills, experience and knowledge relevant to ensuring that the Board can take decisions that promote the long-term success of the Company, particularly in maintaining an appropriate balance of Board expertise in light of Fiona Reynolds' term having come to an end. Her appointment was recommended to the Board accordingly.

Following a detailed review of the Board's current composition and future leadership requirements it was agreed that Jim McKenna be appointed as Deputy Chair, effective 1 October 2024. The Committee unanimously agreed that Jim's experience, strategic perspective, and longstanding involvement with the organisation make him well-suited to the role. His appointment reflects our continued focus on maintaining strong and effective governance.

Health and Safety Committee Report

Health, safety, wellbeing, the need to prevent harm, and ensure a safe working environment for our people remains at the heart of everything we do as a Company. The continued development and implementation of health and safety and process safety policy, strategy, and practice has remained the primary focus of the Board's attention throughout the year.

The Health and Safety Committee, supported by an independent Process Safety Advisory Board, continues to review major risks and controls, and challenges the Company as it drives performance improvement in both personal health and safety and process safety disciplines.

Committee Members

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

Health and Safety Board Committee attendance - Non-Executive Directors	
Tim Gardam (Chair)	4/4
David Barclay	4/4
Jim McKenna	4/4
Kevin Wall	4/4

Committee Meetings

The Committee is scheduled to meet at least four times a year and reports to the Board after each meeting. This year it met four times, to consider the Company's delivery of its strategy and continuous improvement activities. The work of the Committee is in addition to



the regular health, safety and wellbeing reports which are presented and discussed at every Board meeting. Members of the Board have continued to make regular visits to Wessex Water sites and spend time with teams in the field.

The Board and Committee are supported by an Advisory Board comprising leading health and safety and process safety experts. The Chair of the Advisory Board also attends the Health and Safety Board Committee meetings. Terms of Reference for the Committee and Advisory Board were reviewed and approved in the year. The Chair of the Committee, the Chair of the Advisory Board, the Health and Safety Director and other senior Executives meet monthly between committee meetings to monitor key issues and progress.

Focus of Committee

During the year, the Committee has reviewed and considered a range of critical topics related to personal and process safety.

Key areas of focus included:

- Process safety management at Avonmouth and other biogas sites:
 - ♦ Process safety risk and controls: including evaluation of process safety risks and the implementation of short-term mitigation measures and longer-term engineering programmes to reduce risks to as low as reasonably practicable (ALARP).
- People: including the appointment of a Process Safety Director and supporting process safety resources; delivery of process safety training; assessment of individual competence; and initiatives to enhance engagement and awareness.

- ♦ Processes: including review of risk assessments, the process safety management system and audits to ensure compliance.
- ♦ Plant: including oversight of planned and reactive maintenance, asset management and infrastructure investment to improve operational resilience.
- Control of Major Accident Hazards (COMAH) at Avonmouth: including the Major Accident Prevention Policy, hazard control measures, ongoing engagement with the Competent Authority and outcomes from their planned interventions.
- Application of High-Hazard process controls at non-COMAH facilities: consideration of how high-hazard controls are extended to sites not formally designated under COMAH regulations.
- Incident investigation outputs: review of findings from structured investigation processes, including Make it Right reviews and Kelvin Top Set investigations.
- High potential safety incidents and near misses: including analysis of root causes and implementation of corrective actions to support continuous improvement in safety performance.
- Training and competency development: including assessment of training and competency requirements, including programmes delivered by external organisations such as the IChemE and the Health and Safety Executive.
- Internal Audits findings: reviewing internal audit outcomes on health and safety topics, including temporary works and occupational health surveillance.

- Monitor engagement with the Competent Authority.

During the year, the Committee, Board members, and all senior leaders participated in executive-level process safety training. This training has been systematically cascaded throughout the Company to reinforce the importance of cultivating a strong process safety culture.

Over the year, the Committee observed a continued improvement in overall personal health and safety performance compared to 2023-24 and previous years. Notably, there was a reduction in safety incidents, including fewer reportable injuries and a decline in lost time incidents.

Ongoing enhancements to the process safety management system, alongside targeted hazard study programmes, have contributed to a deeper understanding of the Company's process safety risks. In response, remedial work programmes have been initiated to mitigate these risks, supported by performance indicators to enable continuous monitoring and evaluation.

Employee engagement in health and safety remains strong. Colleagues continue to actively report improvement opportunities at a rate consistent with the record levels seen in 2023-24. Additionally, the company sought employee feedback on its health and safety commitment through the recent employee survey, which once again confirmed strong understanding of the Company's expectations and commitment.



Environment and Public Value Committee Report

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

Environment and Public Value Committee attendance	
Fiona Reynolds (chair until January 2025)	1/1
Kate Mingay	3/3
Tim Gardam	3/3
Jim McKenna	3/3
Kevin Wall	3/3
Sarah Hendry (chair from February 2025)	2/2

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

Focusing on outcomes for people, the environment, nature and water across the region, the Committee's functions are to:

- oversee the development of an integrated social purpose that sets out clear goals for: environmental leadership including exemplary delivery of environmental obligations in the Company's

operations and across its catchments; and the positive social and economic investment impact the Company will make for the communities it serves;

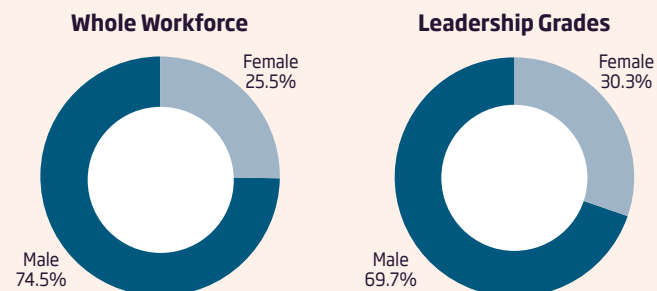
- establish and lead ongoing dialogue with staff, retail and business customers, communities, local authorities, and other interested stakeholders about the Company's social purpose;
- identify and monitor external developments which are likely to be drivers of change that may have a significant influence on the Company's social purpose;
- develop and maintain a strategy to deliver the Company's social purpose and long-term shareholder value;
- ensure that the Company's social purpose is fully integrated with and shapes the strategy for the Price Determination Process;
- develop socially responsible values and standards and regularly review performance measures and key performance indicators, including their independent audit, and verification to ensure their delivery;
- oversee the development of workplace policies and procedures that deliver the company's people values, human rights, diversity, and inclusion requirements.

In line with its horizon-scanning function, the Committee periodically invites external perspectives to inform the Board's strategic thinking.

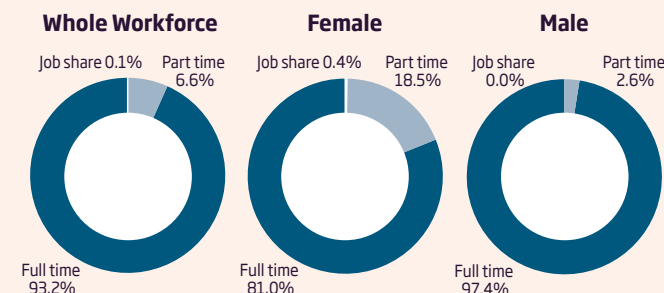
The meetings of the Committee during the reporting year focused on water quality issues in relation to the water environment, including recreational sites; current and emerging public health risks, especially in relation to water and wastewater; culture, inclusion, and diversity within the business; the Company's gender pay gap report (extract shown on page 34); sustainable finance; and annual reporting requirements.

The following metrics reflect all employees of Wessex Water Service Limited on 31 March 2025.

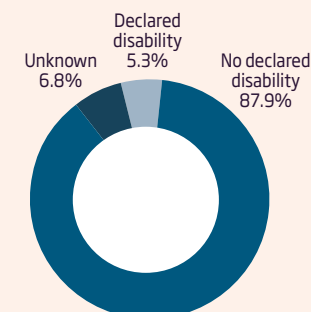
Gender diversity



Working pattern diversity



Employees with a disability





Remuneration Committee Report

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

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

There is a majority of independent members on the Committee. The Committee is chaired by a Non-Executive Director appointed by the shareholder, by way of exception to Ofwat's Objectives. However, the Committee reflects the requirements of a private company with a sole shareholder, but with most of the independent membership ensuring a formal and transparent procedure for developing policy on executive remuneration.

There were no changes to the membership of the Committee for 2024-2025.

Role of the Remuneration Committee

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

The Committee determines, on behalf of the Board, the Company's policy on the total remuneration of Executive Directors, the Chief Executive, and the executive team. The Committee ensures there is a link between reward

and performance to promote the long-term success of the Company and does not reward poor performance.

This report sets out the remuneration policy for the Directors of Wessex Water and discloses the amounts paid to them in the financial year ended 30 June 2025.

Activities of the Remuneration Committee

The Committee met once during the financial year under review. The Committee continued to monitor the Company's remuneration policy to take account of evolving best and market practice. The annual bonus plan is designed to promote the success of the Company in achieving its objectives over the five-year regulatory period and is based on a portfolio of KPIs linked to the Company's performance scorecard and Ofwat's measures of success.

Strategic Alignment of Remuneration

Salary and bonus levels were benchmarked against the Korn Ferry Hay Group National Utilities market sector with jobs sized in relation to scope, role responsibilities and impact to determine salary. The Committee continued to take a proactive approach to responding to developments in legislation, best practice, and the wider market, as well as the corporate strategy, to ensure that the Company's senior executive reward policy remained market competitive and appropriate.

The Committee ensured that any changes in senior executive remuneration were proportionate in the context of workforce pay. Whilst it has not set a specific policy on the relationship between Executive Directors' pay and that of the rest of the workforce, it aims to ensure that executive salary movement is appropriately aligned to the rest of the workforce, and it specifically considers this aspect as part of its decision-making process.

The Committee considered performance-related executive pay in the context of Ofwat's requirement that such remuneration must demonstrate a substantial link to stretching performance delivery for customers,

communities, and the environment. This is particularly relevant in light of the Company's inclusion in Ofwat's Special Measures regime, which underscores the need for urgent and sustained improvements in service delivery and environmental performance. The Company recognises that executive incentives must be aligned with the expectations set out in the Special Measures water bill, ensuring that pay outcomes are directly tied to measurable progress in areas such as leakage reduction, pollution incidents, and customer satisfaction. The Company is committed to transparency around the relationship between pay and overall performance, reinforcing accountability and public trust during this critical period of regulatory scrutiny.

To ensure that the Company's remuneration practices are competitive but not excessive, the Committee has access to detailed external research on market data and trends from experienced specialist consultants.

Remuneration of the Senior Management Group

The Committee takes advice from their independent advisers, Korn Ferry Hay Group. Korn Ferry Hay Group provided detailed market analysis and advice to the Committee for the senior management group, including Executive Directors and Non-Executive Directors. The total payment made to Korn Ferry Hay Group for the year ended 30 June 2025 was £18,000. In line with best practice, the Committee assesses from time to time whether the appointment of its current independent remuneration advisers remains appropriate and whether the role should be put out to tender.

The Committee also considers what compensation commitments (including pension contributions and all other elements) Directors' terms of appointment would entail in the event of early termination. The aim is to avoid rewarding poor performance, and the Remuneration Committee would take a robust line on reducing compensation to reflect departing Directors' obligations to mitigate loss.



The Chief Executive and the Group Director of People attend the Committee meetings to provide advice and respond to specific questions. They did not participate in any discussion concerning their own remuneration.

Changes to the Executive Directors

As part of planned organisational changes, there were changes to the Executive Director population during 2024-2025. The following appointments and changes were made effective 1 October 2024:

- Ruth Jefferson, previously Chief Compliance Officer and already a Director, took up the role of Chief Executive for Wessex Water Services Limited.
- Colin Skellett, Group Chief Executive stood down from the Board.
- John Thompson, formerly Chief Operating Officer stood down from the Board.

Remuneration principles and policy

The Committee continues to monitor variable pay arrangements for Executive Directors and senior managers. The Committee believes that the arrangements are appropriately managed and that the choice of performance measures and targets does not encourage undue risk-taking by the executives so that the long-term performance of the business is not put at risk by considerations of short-term value. The arrangements incorporate a range of internal and external performance metrics, measuring both operational and financial performance providing a rounded assessment of overall company performance to ensure that a significant portion of executive remuneration is performance related. More details on the remuneration policy for Executive Directors is shown later in this report.

Recruitment of Executive Directors

The base salary for any new Executive Director takes into account market data for the relevant role, relativity with the salaries of existing Executive Directors, the individual's previous experience, and current base salary. If an individual is recruited at below market level, their base salary may be aligned over a period of time to the median of the relevant market position, subject to their performance in the role.

Individual Executive Directors participate in a senior manager bonus scheme, governed by the Committee. Executive Directors have a target bonus set at 25% of base salary and their maximum bonus at 50% of base salary.

Policy for loss of office

There are no specific provisions for compensation on early termination (except for payment in lieu of accrued but untaken holidays) or loss of office due to a change of ownership of the Company. The Committee will review all contractual obligations and will seek legal advice, as and when necessary, on the Company's liability to pay compensation in such circumstances.

The Committee will seek to reduce the level of compensation payable taking into account, among other factors, the Company's and the individual's performance, the Executive Director's obligation to mitigate loss, and length of service.

Early termination payments made in the year

There were no early termination payments during the year.

Remuneration arrangements for Executive Directors 2024-2025

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

- basic salary
- bonus (non-pensionable) subject to individual and company performance
- pension plan
- company car or allowance
- private health insurance and executive medical screening.



The table below highlights the key elements of executive remuneration and the link to Company strategy, how executive remuneration is operated in practice and the link to relevant performance metrics.

Element of pay	Purpose and link to company strategy	How operated in practice	Maximum opportunity	Description of performance metrics
Base salary	To attract and retain the high calibre Executive Directors needed to implement the Company's strategy and maintain its leading position in the industry. To provide a competitive salary relative to comparable companies in terms of size and complexity.	Reviewed annually and takes effect from 1 April. The review takes into consideration: • individual responsibilities • salary levels for similar sized roles in the national utilities market • the level of pay increases awarded across the Company • economic and market conditions • the performance of the Company Salaries are paid monthly.	There is no prescribed maximum increase. However, Executive Director salary increases are aligned to those provided to all Company employees. Such increases are negotiated by the joint staff council involving management and trade union representatives.	n/a
Taxable benefits	To attract and retain high calibre Executive Directors and to remain competitive in the market.	Benefits include: • company car or allowance • private medical insurance and executive health screening.	n/a	n/a
Pension	To attract and retain high calibre Executive Directors and to remain competitive in the market.	The current Executive Directors participate in either the Company's defined benefit pension scheme or the YTL UK Group section of the Aon MasterTrust. Executive Directors are also insured for a lump sum of up to four times their pensionable salary on death in service.	Up to 15.5% of base salary.	n/a



Element of pay	Purpose and link to company strategy	How operated in practice	Maximum opportunity	Description of performance metrics
Annual bonus	To motivate and reward Executive Directors for the achievement of demanding objectives and key strategic measures (including measures of customer satisfaction, service quality, environmental performance, employee alignment and financial performance) over the financial year and five-year regulatory period. The performance measures set are stretching in the context of the nature, risk and profile of the Company and have regard to historical company performance, sector comparisons and the performance commitments made in the relevant business plan. The measures and the weightings ensure that bonuses are linked to stretching delivery for customers and the environment.	The Board of Directors sets annual performance targets for the Company prior to the commencement of each financial year. Company and individual performance against those targets are measured at the end of the financial year and the level of bonus payable is calculated at that point. Bonuses are paid in May. The Committee has the discretion to, and does consider the effect of, corporate performance on environmental and governance risks when reviewing Executive Director bonuses to ensure variable remuneration incentivises and rewards appropriate behaviour in line with Ofwat's expectations. Part of the bonus may be forfeited for underperformance in respect of customer service, environmental, regulation and employee related performance targets. Annual bonus is not pensionable.	Maximum bonus opportunity on 1 April 2024 was 100% of base salary. Effective 1 October 2024 maximum bonus opportunity was reduced to 50% of base salary.	Combination of key performance indicators relating to customer satisfaction, service quality, environmental performance, employee alignment and financial performance. The Remuneration Committee has absolute discretion in making bonus payments.

A detailed explanation of each of these follows and the table below highlights some of the elements.

	Ruth Jefferson Chief Executive	Andy Pymer Chief Finance Officer
Target bonus (% of salary)	25	25
Maximum bonus (% of salary)	50	50
Pension arrangement	Defined contribution	Defined benefit Pension deferred
Benefit entitlement	Car allowance £17,000 and private medical insurance £1,988 (family)	Car allowance £17,000 and private medical insurance £1,988 (family)



Base salaries and benefits

Executive Directors' remuneration is reviewed annually by the Committee and takes effect from 1 April. Salaries are set with reference to individual performance, experience, and contribution, together with development in the relevant employment market (having regard to the median position for the national utilities market) and internal relativities.

The Committee gives due consideration to the current economic climate and current market practice regarding executive salary reviews and the broader employee salary review policy at the Company.

We do not normally link pay levels to company performance measures, as this is done where appropriate through the bonus arrangements.

Executive Directors' base salary 2024-2025

As part of the changes to the Board's composition effective 1 October 2024, the Committee conducted a review of Executive Directors' total reward. This review was completed to ensure continuity, alignment with the company's strategic goals, ensure reward supports the attraction and retention of executives, whilst also ensuring that compensation packages remain competitive, equitable, and aligned with market expectations.

The salaries for the rest of the Company are usually increased effective 1 April. For 2024-25 a salary uplift of 5% was applied effective 1 April 2024. This was in accordance with a one-year deal agreed with the recognised Trade Unions and was also awarded to those employees not covered by trade union agreements.

Executive Directors' Bonus Payments 2024-2025

All Executive Director bonuses are funded by the shareholder with no costs borne by the Company's customers.

The annual bonus of Executive Directors is performance-related and designed to promote the long-term success of the Company. It is dependent on the achievement of Company and individual targets.

For the regulatory year to 31 March 2025 there were 20 internal performance indicators upon which executive remuneration was based, as shown below:

Serving people and places	- C-Mex (Customer measure of experience) - D-MeX (Developer measure of experience) - Trustpilot - Water quality compliance (CRI) - Water supply interruptions - Sewer flooding (internal and external incidents)
Enhancing the environment	- Environmental Performance Assessment (EPA) - Pollutions (category 1-2 and category 3) - Leakage - Greenhouse gas emissions - River with improved water quality (WINEP) - Storm overflow and FPF progress - monitoring and improvement
Empowering our people	- Employees understanding Wessex Water's commitment to health & safety and their own responsibility - Employees rating company as a good employer - Training plan compliance - Employees recognising Wessex Water as inclusive and promoting diversity
Financial measures	- Operational costs - Net capex - Cashflow before dividends - Dividends declared



Only if the Committee judged that three quarters or more of the customer and environmental targets had been achieved, would Executive Directors be eligible for any bonus payment. The Committee would take account of any extenuating circumstances outside the control of the Company when determining the level of bonus payments.

The Company did not achieve three-quarters or more of the customer and environmental targets in 2024-25 regulatory year, and therefore no executive bonuses were paid for 2024-25.

The Executive Directors Bonus structure for 2024-25 from 1 October 2024 is illustrated below:

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



Pensions

Defined Benefit Scheme

One of the Executive Directors is a member of the WPS section of the Wessex Water defined benefit pension scheme. The scheme is a HMRC registered defined benefit occupational pension scheme and provides:

- a normal retirement age of 65 years
- a pension at normal retirement age based on 1/60th of completed pensionable service and final pensionable salary
- life cover of four times basic salary
- a pension payable in the event of retirement on grounds of ill health
- a dependent's pension on death of two thirds of the member's pension
- guaranteed increases in line with price inflation (subject to a maximum of 5% each year).

Members' contributions are payable at the rate of 8% of basic salary, with the Company making a further 15.5% contribution. Early payment of pension is available from age 55 with the consent of the Company. Any pension would be subject to a reduction, based on rates the trustees consider appropriate, acting on actuarial advice, to reflect the expected longer payment of the pension. No additional pension will become receivable by a Director if that Director retires early.

In the event of incapacity, an unreduced pension is payable immediately. Incapacity pensions can be paid on either a 'partial' or 'full ill health' basis depending on the conditions met. A full ill health pension is topped up to give additional service to age 65, subject to a maximum of 20 years.

Under the Trust Deed and Rules, pensions in payment in excess of any guaranteed minimum pension are guaranteed to increase in line with price inflation subject

to a maximum of 5% each year. In the calculation of individual cash equivalent transfer values, allowance is made for such increases.

As a result of the changes in pension legislation for high earners, Wessex Water has introduced the following options for individuals under age 55 who are affected by the tax changes:

- continue in the scheme, with individuals meeting any tax liabilities as they fall due; or
- continue in the scheme with a capped pensionable salary which restricts pension growth to the annual allowance limit (£50,000 pa) and receive a cash supplement in lieu of pension entitlement on the excess salary. The cash supplement is based on the employer contribution rate to the scheme.

Defined Contribution Scheme

Other Executive Directors are enrolled in the YTL UK Group Section of the Aon MasterTrust which provides:

- employee contributions options, deducted from salary at between 3% and 8% per annum
- company contributions of between 5% and 12% per annum (dependent on the level of employee contribution) in addition to the amount the individual pays
- a default normal retirement age of 65 years
- the option to select an alternative retirement age.

Differences between Executive Directors' and Employees' remuneration

The following differences exist between the Company's policy for the remuneration of Executive Directors and its policy for the remuneration of employees.

- Executive Directors pay and benefits are benchmarked against the median position of the National Utilities market whilst we benchmark pay and benefits for all fully qualified and experienced

employees against the median position of the Willis Towers Watson Energy and National Resources remuneration survey

- a lower level of target and maximum annual bonus opportunity applies to various employees when compared to Executive Directors
- Executive Directors (and senior managers) participate in a bonus scheme that is not available to other employees to motivate and reward them for achievement of demanding financial objectives and key strategic measures.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of staff ranging from employees to Executive Directors.

Executive Directors' service contracts

All Executive Directors' service contracts are terminable by either the Company or the Executive Director providing 12 months' notice. There is a theoretical maximum payment in case of redundancy of 100% of salary inclusive of allowances and benefits plus a redundancy entitlement. There are no specific contractual payments or benefits which would be triggered in the event of a change in control of the Company.

Executive Directors	Date of current agreement	Date of appointment as Executive Director	Notice period
Ruth Jefferson	1 October 2024	26 September 2022	12 months
Andy Pymer	21 July 2016	1 August 2016	12 months



Executive Directors' service contracts are available for inspection during normal office hours at the registered office, Wessex Water, Claverton Down Road, Bath BA2 7WW. The Committee will continue to review the contractual terms for Executive Directors to ensure they reflect best practice and are compliant with employment law.

Non-Executive Directors

The remuneration policy for Independent Non-Executive Directors is determined by the Board. The remuneration reflects the time commitment and responsibilities of the role.

The breakdown of the Independent Non-Executive Directors' fees from 1 July 2024 is shown in the

Directors' Emoluments table below. Independent Non-Executive Directors do not participate in share or bonus schemes or any other performance-related scheme, nor is any pension provision made.

Independent Non-Executive Directors are normally appointed for three-year terms (subject to statutory provisions relating to the removal of a Director) that may be renewed. They do not have service contracts, but their terms of engagement are regulated by letters of appointment (copies of which are available for inspection during normal office hours at the registered office). Any term beyond six years for an Independent Non-Executive Director is subject to particularly rigorous review and considers the need for progressive

refreshing of the Board balanced against the requirement for skills, experience, independence, and knowledge.

Non-Executive Directors appointed by the shareholder do not receive any fees or other payments from the Company.

Directors' Emoluments

The table below shows the emoluments for the current and preceding year. All Executive Director bonuses for 2023-24 were funded by the shareholder with no costs borne by the Company's customers. No bonuses were paid to the Executive Directors for 2024-25.

	Salary		Benefits ²		Bonus ¹¹		Pension		Total	
	FY2025 £k	FY2024 £k	FY2025 £k	FY2024 £k	FY2025 ¹⁰ £k	FY2024 ⁹ £k	FY2025 £k	FY2024 £k	FY2025 £k	FY2024 £k
Colin Skellett ^{5,12}	73	290	5	23	-	-	-	-	78	313
Andy Pymer ^{3,12}	228	159	12	11	-	81	35	25	275	276
John Thompson ⁵	92	354	4	16	-	180	10	39	106	589
Ruth Jefferson ^{4,12}	453	246	14	18	-	126	48	30	515	420
Jim McKenna ⁶	176	116	-	-	-	-	-	-	176	116
Kate Mingay	108	100	-	-	-	-	-	-	108	100
Fiona Reynolds ⁷	54	89	-	-	-	-	-	-	54	89
Tim Gardam	91	84	-	-	-	-	-	-	91	84
Kevin Wall	91	84	-	-	-	-	-	-	91	84
Sarah Hendry ⁸	32	-	-	-	-	-	-	-	32	-
	1,398	1,523	35	68	-	387	93	94	1,526	2,071

Notes to table:

- No emoluments earned by Francis Yeoh, Hann Yeoh, Hong Yeoh, Mark Yeoh, Kathleen Chew or David Barclay
- Benefits comprise private medical insurance, company car or allowance and fuel benefits
- Andy Pymer moved to 0.6 FTE on 1 June 2023
- Ruth Jefferson was appointed to the role of Chief Executive on 1 October 2024, previously Chief Compliance Officer.
- Colin Skellett and John Thompson stepped down from the Board on 30 September 2024
- Jim McKenna was appointed to the role of Deputy Chair on 1 October 2024
- Fiona Reynolds stepped down from the Board on 27 January 2025
- Sarah Hendry was appointed to the Board on 27 January 2025
- The Chief Executive did not receive a bonus for FY2024
- No bonuses are being paid for FY2025
- The cost of Executive Director bonuses is funded by the Shareholder
- Colin Skellett, Andy Pymer and Ruth Jefferson received emoluments for services to other Group Companies which are disclosed in the financial statements for those companies.



Chairman

No remuneration was paid to the Chairman during 2024-25 (2023-24 - £nil).

Chief Executive

The total remuneration, on a full time equivalent basis, for the Chief Executive during each year was:

	Remuneration FY2025 £000	Remuneration FY2024 £000	% change
Salary	554	483	+14.7%
Bonus	-	-	-
Benefits	20	38	-47.4%
Total	574	521	+10.2%

The Chief Executives remuneration in FY2025 represents a combination of Colin Skellett to 30 September 2024 and Ruth Jefferson from 1 October 2024. The Chief Executive did not receive a bonus in either year.

Relative importance of spend on pay

Note 7 to the accounts shows the total employment costs of the Company, and the movement between 2024-25 and 2023-24.

The pay increase awarded to the employees of the Company on 1 April 2025 was a 3.5% increase over the preceding year.

	FY2025 £m	FY2024 £m	Movement £m	Movement %
Wages and salaries	133.5	131.1	+2.4	+1.8%
Social security costs	16.5	16.1	+0.4	+2.5%
Other pension costs	17.9	17.2	+0.7	+4.1%
Total employment costs	167.9	164.4	+3.5	+2.1%

Percentage of	FY2025	FY2024	Source
Turnover	24.3%	27.5%	Income statement
Profit before tax	529.7%	-655.0%	Income statement
Profit after tax	739.6%	-1021.1%	Income statement
Dividends	379.0%	247.2%	Note 12
Capital expenditure	45.4%	38.9%	Cash flow statement



Pay ratios table

Year	Method	25th percentile pay ratio (P25)	50th percentile pay ratio (P50)	75th percentile pay ratio (P75)
FY2025	A	14:1	12:1	12:1
FY2024	A	16:1	14:1	14:1
FY2023	A	17:1	14:1	14:1
FY2022	A	17:1	14:1	14:1
FY2021	A	17:1	13:1	13:1
FY2020	A	18:1	15:1	15:1

Notes:

1. The Company chose Option A as the preferred method of calculating the pay ratio for the financial year under review. The individual pay and benefits for every employee of the company were determined (for the financial year being reported on the Director's Remuneration Report).
2. The pay and benefits were ranked from lowest to highest, and the employees at the 25th, 50th and 75th percentiles were identified.
3. The pay ratios were calculated by dividing the CEO's single table of remuneration with the employee pay and benefits at each of those percentile points. The pay ratio was calculated for all employees as at April 2025.
4. Full-time equivalent (FTE) remuneration was determined by assuming that all full-time employees are engaged on a 40 hour per week contract. Remuneration for all part-time employees was re-calculated to a 40 hour per week, full time equivalent.

Executive Directors' Defined Benefit Pension Provision

	Pension service completed in years ⁽¹⁾	Normal retirement date at 65	Accrued pension at 30-06-2024 £pa	Increase in accrued pension during the year £pa	Accrued pension at 30-06-2025 £pa
Andy Pymer ⁽¹⁾	24	18/08/2033	81,230	2,850	84,080

Notes:

- (1) Deferred pension

Ruth Jefferson is a member of the Defined Contribution Scheme.

Executive Directors' share interests

Shares held

There are no shares held by the Directors in the Company or the UK parent company.

Remuneration Arrangements for Executive Directors 2025-26

Base Salary 2025-26

At the meeting in March 2025 the Committee set the base salaries for each Executive Director effective 1 April 2025, which represents an uplift of 3.5% in line with the salary increase for the rest of the Company.

	Effective 1 April 2025
Chief Executive Officer	£590,000
Chief Finance Officer (0.6 FTE)	£248,400



Bonus scheme 2025-26

For the regulatory year to March 2026 there are 19 internal performance indicators, as shown below:

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

At the end of the year, the Committee will review company and individual performance, including performance against the measures.

Only if the Committee judges that three quarters or more of the customer and environmental targets have been achieved, will Executive Directors be eligible for any bonus payment. The Committee would take account of any extenuating circumstances outside the control of the Company when determining the level of bonus payments.

The size of the bonus award is determined by Company financial performance, against targets set by the Board. This aligns with the shareholder's expectations and means that bonuses will reflect the financial performance of the Company.

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

	Weighting	Target Bonus Opportunity	Maximum Bonus Opportunity
Serving people and places	35%	8.75%	17.5%
Enhancing the environment	35%	8.75%	17.5%
Empowering our people	10%	2.5%	5%
Discretionary award	10%	2.5%	5%
Personal Objectives	10%	2.5%	5%
TOTAL		25%	50%

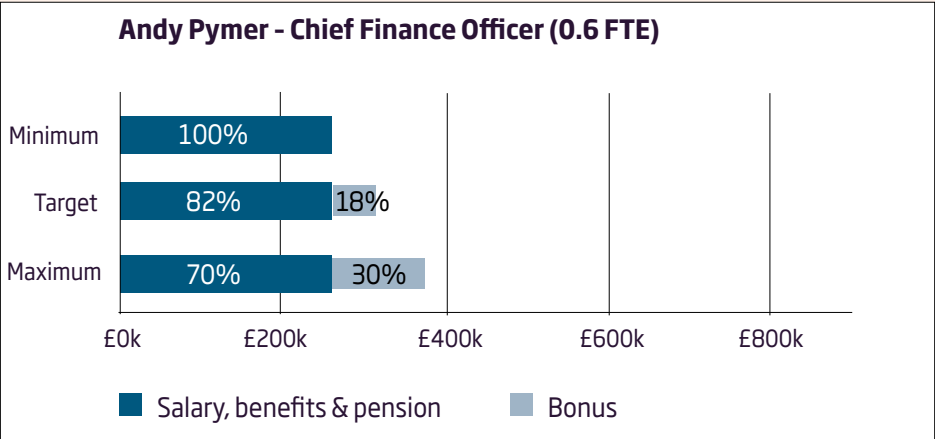
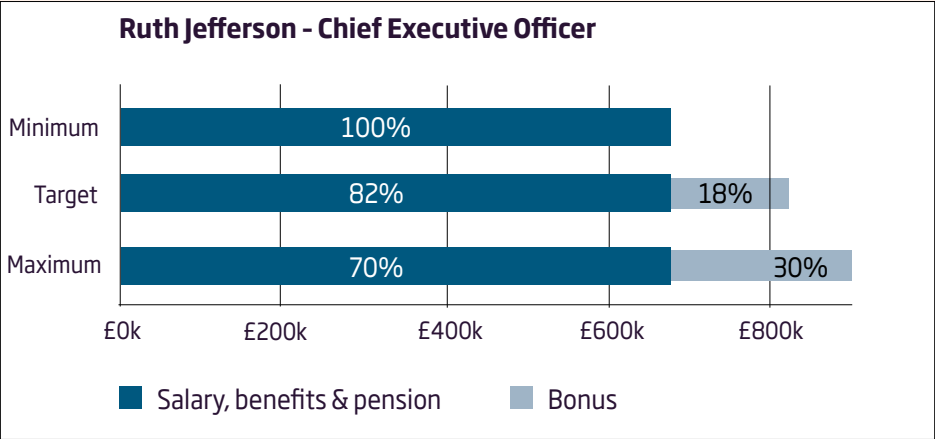


Illustrations of Remuneration Policy

(using estimated 2025-26 data)

The graphs below show the proportion of remuneration borne by the Company for each of the Executive Directors.

- The base level of remuneration, which is not dependent upon performance and comprises basic salary, benefits in kind and pension.
- The expected level of remuneration, reflecting a typical level of achievement against performance targets.
- The maximum level of remuneration, if all annual performance targets were fully achieved.





Risk management

The effective management of risk is central to how we can deliver effective and efficient services to our customers and minimise the impact we have on the environment. It is critical that we have a robust risk management framework in which material risks to the business are proactively identified, evaluated, communicated and the appropriate response defined and implemented. Health and Safety risk management is embedded within the company's overarching risk management framework, ensuring that risks to employee wellbeing and operational safety are identified, assessed, and mitigated alongside other strategic and operational risks. The Company's processes are flexible to respond to changes in risk and ensure that the necessary controls and mitigation measures are put in place. Risks are defined as any event that can impede our ability to achieve our objectives. The most significant risks facing us are referred to as 'principal risks'.

Risk management process

Our policy on risk assessment and management is subject to regular review by the Board including the review and update of risk and tolerance levels. The Board reviews strategic risks and other principal risks on a regular basis.

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

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

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

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

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

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

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

Risk management governance

The diagram below explains the governance structure for risk management across the business.

We continuously review and improve the risk management framework. Since the last annual review, the following changes have been made:

- we have enhanced our operational wastewater risk methodologies to align with the DWI's Drinking Water Safety Plan (DWSP) approach
- the Board have reviewed the risk appetite framework and agreed updated appetite and tolerance positions aligned to the Company's strategic objectives and principal risks.

In pursuit of continuous improvement, an external audit of the risk management framework was conducted, with a structured plan established to implement the resulting recommendations.

Principal risks

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



Over the past 12 months, Wessex Water has maintained a stable risk profile. However, our overall risk exposure has increased due to a more volatile external environment, including regulatory shifts, climate pressures, and heightened public scrutiny.

The regulatory environment remains a key area of focus, particularly in light of the PR24 price review and ongoing engagement with the Competition and Markets Authority. We have intensified our collaboration with regulators and policymakers, advocating for a more adaptive, catchment-based regulatory model through the SSWAN initiative. Political scrutiny of the sector continues, but the company has responded with increased transparency and stakeholder engagement.

Environmental performance and climate volatility remain high-priority risks. We continue to invest in enhanced monitoring and asset maintenance. The company has also advanced its climate adaptation planning, publishing updated drought and water resource management plans and progressing towards net zero targets.

Cybersecurity has seen significant investment, with the successful implementation of ISO 27001:2022 and continued progress under the OTSIP programme. Operational resilience has been strengthened through improved asset management systems and enhanced health and safety performance, including a notable reduction in reportable incidents. The Board remains committed to identifying and managing occupational and process safety risks, recognising their critical role in ensuring operational resilience and shaping the overall risk profile of the Company. This commitment is further reinforced by the active participation of the Health and Safety Director on the Corporate Risk Management Group (CRMG), ensuring that safety considerations are embedded within the Company's broader risk governance framework.



Despite sector-wide financial pressures, we remain well-regarded by investors, securing substantial funding and maintaining strong liquidity. Workforce planning and skills development have been prioritised to support delivery of the AMP8 programme, with a focus on leadership development and apprenticeship expansion.

We have summarised our principal risks below. Further information is then provided on each principal risk including a statement on the context and the mitigation in place to address each risk.

Principal risks - strategic

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

Principal risks - compliance, financial and operational

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



Reputation and positioning

Description of the risk

National or regional issues that affect the perception of the business and the trust the public have in us.

Context

Although we perform reasonably well against regulatory performance targets, we understand that there are areas where we can be judged beyond these measures, and we recognise there is always room for improvement. The focus on the industry is also an opportunity to make stakeholders aware of our activities and provides a greater platform to discuss and implement change to benefit our customers and the environment.

The Company is operating in the context of an unprecedentedly low level of public trust in the water industry and its regulation.

Risk Appetite statement

We should maintain good performance and be transparent in our operations. We have a high appetite for change and innovation in areas such as real-time monitoring and reporting.

Mitigation and controls include

- Management of operational and compliance risks.
- Focusing on continued excellent service to customers and communities.
- Maintaining excellent relationships with all stakeholders.
- Ensuring a continued focus on our longer-term resilience and the need for long-term asset investment.
- Horizon scanning and keeping ahead of emergent risks.
- Explaining the bigger story about the public benefit and service to society we offer.
- Continuing to show thought leadership on systemic challenges.
- Communicating effectively on our bigger ambitions for the 25-year Environment Plan and demonstrating a commitment to bring our customers with us.
- Use of sustainable nature-based solutions to align ourselves with the broad-based support for a move towards a catchment-based approach for regulating the water industry.
- Continue to work with stakeholders to influence the regulatory environment for the benefit of customers and the environment.

Political action

Description of the risk

Actions taken by the government that fundamentally change our operating environment affecting the business and/or cash flows.

Context

As a private provider of an essential public service our position as a licensed water and sewerage undertaker is subject to political perspectives and preferences.

Risk Appetite statement

We want to continue to contribute proactively and factually to the debate about the pace and nature of change in the sector while minimising the impact on our operating environment.

Mitigation and controls include

- Advocating the benefits of private companies delivering essential public services.
- Advocating the need for reform and long-term investment to improve outcomes through SSWAN.
- Engaging in issues of public importance and providing factual evidence.
- Leading by example in demonstrating high standards of assurance in everything we do.
- Communicating value to customers and stakeholders of our operational performance and investment.
- Engaging in relevant government and regulatory consultations.
- Keeping abreast of changing or new legislation and regulatory requirements.



Regulatory action

Description of the risk

Actions taken by regulators that fundamentally change our operating environment affecting the business and/or cash flows.

Context

As a private provider of an essential public service our position as a licensed water and sewerage undertaker and many of our associated obligations are defined by statute. A strong regulatory framework allows quality and independent economic regulators to determine many of the outcomes we are required to deliver and the amount of revenue that we can collect through our charges, as evidenced through the PR24 price review and our subsequent referral to the CMA.

Risk Appetite statement

We want to be at the forefront of regulatory reform, leading the sector towards an outcome-based approach and promoting alignment between regulators.

Mitigation and controls include

- Preparation and provision of high-quality regulatory submission delivering for customers and the environment.
- Consulting with customers and stakeholders to understand their requirements.
- Strong consistent performance.
- Communicating value to customers and stakeholders of our operational performance and investment.
- Embedding culture that embraces Ofwat's challenges to seek opportunities.
- Engaging in relevant government and regulatory consultations.
- Keeping abreast of changing or new legislation and regulatory requirements.
- Assessing and communicating the impact of changes in interpretation or expectation of existing regulations will have a material impact on the business.
- Demonstrate the efficiencies that can be delivered through the SSWAN approach through rigorous Cost Benefit Assessment in collaboration with the regulators.

Environment and public value

Description of the risk

The expectation on the business to create value beyond a focus on short-term performance.

Context

Society expects corporations to create value beyond short-term operational performance and financial returns.

The need to lead on finding solutions to the problems of people and planet is particularly important to younger generations and therefore to our future customers and their willingness to pay.

Risk Appetite statement

We should take opportunities to improve public value through our day-to-day activities and make visible the full value of the activities we undertake.

Mitigation and controls include

- Monitoring delivery against our published roadmap to net-zero carbon.
- Increasing our wider stakeholder engagement on such matters as catchment markets, storm overflows and vulnerability.
- Driving a change to outcomes-based regulation to allow innovation and wider value delivery to be sought through collaboration.
- Communicating effectively at the strategic level.
- The Environment and Public Value Committee continues to advise the Board on opportunities to increase both public and shareholder value through contributions to enhanced outcomes for people, environment, nature, and water across the region.
- Promotion of social tariffs.
- Implementing a determined action plan to target reducing our pollutions to zero.



Climate volatility

Description of the risk

The need to adapt to changing climate and weather patterns.

Context

The natural environment we are operating within is changing and we must adapt to reduce our impact and ensure we can provide resilient services in the face of such changes, including for water, air and biodiversity.

Risk Appetite statement

Our services to customers and the environment should be resilient in reasonable climate scenarios.

Mitigation and controls include

- Water Resource Management Plan (WRMP), maintaining the supply/demand balance now and for the long term.
- Drainage and Wastewater management plans (DWMPs) detailing how we will provide resilience across our wastewater service to more extreme conditions.
- Committed targets for net zero operational and embodied carbon which are published in our roadmap to net-zero carbon.
- Our 25-year strategic direction statement incorporates long-term outcome targets for net zero carbon, increased biodiversity, sustainability abstraction and great river and coastal water quality as outcomes.
- Incorporating climate change scenarios into our long-term delivery strategies and decision-making.
- Continual improvement of our Asset Management framework.

Environmental harm

Description of the risk

Acute (e.g. serious pollutions) or chronic harm to the natural environment as a result of activities conducted by or on behalf of the company.

Context

Our waste water operations take away and treat 863 million litres of sewage from 2.9 million customers each day. Escape of sewage into the environment can impact wildlife and the health of our region's watercourses.

As custodians of the environment, we are committed to not causing environmental harm through the reduction of pollutions.

Risk Appetite statement

We must meet all statutory and regulatory requirements to protect the environment from harm.

Mitigation and controls include

- Risk-based prioritisation process for the maintenance and replacement of our assets
- ISO 9001 (Quality management).
- Robust monitoring of our operations 24/7.
- Rigorous sampling/testing programme.
- Emergency planning and business continuity plans.
- 'Stop the block' and '3 P's - poo, pee and paper' campaigns to raise awareness of sewer misuse.
- National lobbying of wet wipe manufacturers and supermarkets to tackle false advertising of 'flushable wet wipes.'
- EDM monitoring of overflows.
- Rising main monitoring programme.
- Robust culture of self-reporting.
- Use of Stormharvester machine learning/ artificial intelligence network monitoring approach to predict potential problems.
- Storm Overflow Assessment Framework.
- Delivery of our pollution reduction strategy.
- Storm Overflow Action Plan.



Supply chain resilience

Description of the risk

Resource scarcity or disruptions to supply chains which prevent the procurement of products or services at the expected cost, availability, or quality.

Context

Several events in the chemical supply chain over recent years have highlighted the fragility of some of the industry's suppliers. The government has also identified that the most significant single risk to public water supplies is a failure in the chemical supply chain.

This is a market issue where we have only limited means of proactively mitigating any supply chain loss, although we are relatively well placed compared to other water companies. Our controls are particularly important, and we have reviewed our business continuity arrangements for loss of supply of chemicals and loss of critical supplies generally.

Risk Appetite statement

We will reduce the risk of supply chain disruption that jeopardises core company outcomes to as low as reasonably practicable.

Mitigation and controls include

- Maintain strong relationships with the supply chain.
- Secured partnerships through the capital delivery framework and are increasing our internal capability to deliver the AMP8 programme.
- Development of design and construction project resilience within wider YTL Group.
- Engage in industry updates to government and escalation of issues.
- Minimise risk of failure through early procurement of key materials and alternative arrangements for emergency call-off.
- Detailed and tested contingency arrangements in place.
- Regular monitoring of the supply chain, early warning of issues and quick mitigation.
- Reviewing existing contingency arrangements and seeking to become more self-sufficient and resilient.

Secure sites, systems and operations

Description of the risk

An internal or external threat actor initiates a security incident that: renders the business unable to deliver the supply of safe drinking water and the management of waste; results in breaches of data protection or other laws; or impacts critical activities such as regulatory and financial reporting.

Context

Threats to safety, security and business resilience range from activism and criminal activity, and up to Nation State sponsored threats (including some types of cyber-crime and sabotage). Physical Security, Cyber Security, Information Security and Personnel Security measures are operated in combination to counter and contain such threats and to recover quickly from incidents, helping to protect the personnel, sites, information assets, Information Technology (IT) and Operational Technology (OT) systems that are fundamental to our daily operations and activities.

Risk Appetite statement

We must understand the threats to the security of our sites, systems and operations and employ the appropriate controls to reduce the impact of threats to our core objectives to as low as reasonably practicable.

Mitigation and controls include

- Security Education and Awareness.
- Compliance with Regulatory Standards, security control frameworks and certification (including NIS regulations and ISO27001).
- Secure architecture and 'Secure by Design' processes.
- System and Security Engineering (including secure designs and patterns).
- Threat Intelligence and understanding, including the support of the Centre for the Protection of National Infrastructure (CPNI) and National Cyber Security Centre (NCSC).
- Incident Response preparedness (including training and exercises).
- Vulnerability Management (including discovery, assessment and mitigation).
- Business Continuity and Disaster Recovery planning.
- Specialist and technical auditing and testing, including Penetration Testing.
- Continuous Monitoring, Detection and Response (including 24/7 Cyber Security Operations Centre (CSOC) services).
- Capability Development and continuous improvement activity (including the Operational Technology Security Improvement Programme).



Health and safety

Description of the risk

Failure of operational controls, plant or an external hazard that affects the health and safety of employees, contractors, or the public.

Context

Working with and around water, sewage, gas, construction sites, plant and equipment exposes employees, contractors and the public to man-made and naturally occurring hazards.

The Board remains committed to understanding our occupational and process safety risks and ensuring that they're appropriately managed.

Risk Appetite statement

Health, Safety and Wellbeing is a core company value. All reasonably practicable means will be used to ensure the health, safety and welfare of our employees whilst at work and of those who may be affected by our daily operations and activities.

Mitigation and controls include

- Dedicated Health and Safety Committee and an expert Advisory Board.
- Implemented a cross-business health and safety management process.
- Detailed process safety review of sites.
- Embedding process safety into our decision-making framework.
- Full Health and Safety risk register.
- Compliance with regulatory requirements including COMAH and DSEAR.
- Embedded behavioural safety programmes.
- Maintained ISO 45001 certified for our engineering and construction activities.
- Easy reporting of incidents, near misses and observation through our health and safety app ensuring data is used to drive proactive intervention.
- Supporting our employees through resilience building, mental health and financial wellbeing initiatives.
- Improved communication with employees on health and safety issues.
- Sharing of best practice and advice between Water UK members.
- Ensuring employees and contractors are trained to have a full understanding of the safety processes on all our sites and follow them at all times.

Uninformed action

Description of the risk

Inadequate information (e.g. poor asset data) resulting in sub-optimal decision-making, unsatisfactory day to day business operation/ performance and/or an increase in cost and risk.

Context

The environment in which we're operating in means that each decision needs to be the right one. Failure to make the right decision can have a direct impact on cost, increase the company's risk profile or create an immediate impact to customers or the environment through a pollution or service outage. Making the right decision is reliant on our people and systems having access to adequate information.

Risk Appetite statement

We will reduce the risk of inadequate information that has a material impact on the company's performance, cost and/or risk. We will use assurance activities to verify the quality of data as appropriate.

Mitigation and controls include

- Multiple corporate systems to house robust data that has an assigned data owner and data steward.
- Information Management Steering Group.
- Information Management Framework.
- Established data access layer improving access and transparency.
- Data quality review.
- Development and implementation of the Asset Management Framework.
- Sector involvement with Ofwat's Roadmap for Enhancing Asset Health Information programme.
- Rollout of Field Service Phase 3, our work management system for below ground assets.



Resources and skills

Description of the risk

Failure to have the right resources with the right skills in the right place will have an effect on our ability to operate effectively and on our strategic objectives.

Context

Our business is made up of almost 2,900 employees undertaking a wide range of roles with varying skills requirements. For some time there has been national shortage in STEM skills (Science, Technology, Engineering and Maths). However, post-Brexit and Covid 19 there remains a national shortage of resources in total, affecting most sectors and roles. Many people are now used to home working and are less willing to move for a new job.

Staff retention remains key to maintaining the highly skilled, committed, and talented people we need.

Risk Appetite statement

We will actively seek opportunities to improve our reputation as an 'employer of choice' to attract and retain the best talent, and we will ensure succession and workforce planning for key skills that are difficult to recruit in the market.

Mitigation and controls include

- Growing our apprenticeship and graduate programmes.
- Improved attraction and retention of colleagues, i.e., Increased flexible working.
- Succession planning for senior and key positions.
- Continued commitment to training and development.
- Evolving the YTL Academy to include construction and supply chain.
- Promoting our Culture, Inclusion and Diversity programme.
- Accredited Employer Provider of Apprenticeships through the YTL Wessex Academy.

Governance and ethics

Description of the risk

Non-compliance with our own values, behaviours, and standards, or with statutory and regulatory obligations, either unintentionally, intentionally or maliciously (e.g. insider threat).

Context

We have multiple regulators and are required to comply with thousands of statutory and regulatory requirements. A risk exists that non-compliance with these requirements may occur unintentionally, intentionally, or maliciously which can have a direct impact on services to customers and/or the company's reputation.

Risk Appetite statement

Our organisation will adhere to its core values and fulfil its corporate responsibilities by ensuring it acts responsibly, ethically, and with integrity.

Mitigation and controls include

- Robust governance frameworks.
- ISO standards.
- Suite of assurance activities from first, second and third line of defence.
- Core business policies covering requirements including business ethics, code of conduct, 'Raising a Concern'.
- Separation of duties.
- Environment and Public Value Committee.
- Audit and Risk Committee.
- Training materials to support colleague responsibility, understanding and adherence to changes in obligations and regulations.



Supply of unfit or insufficient water

Description of the risk

Inability to provide a reliable source of water to customers when they need it in line with quality standards.

Context

We treat and supply more than 280 million litres of water a day to 1.4 million customers. Providing wholesome drinking water is a fundamental obligation to our customers and a responsibility that we take very seriously.

There are many risks that can affect our ability to deliver the right quantity and quality of water to our customers cost effectively. Our Water Resource Management Plan identifies the long-term approach to addressing these and other emerging issues while continuing to provide the expected quantity and quality of water.

Our resilience and performance is measured by a combination of performance commitments and other metrics to ensure we continue to make appropriate risk-based decisions for the short, medium and long term.

Risk Appetite statement

We seek to reduce water quality risks to as low as reasonably practicable and maximise opportunities to increase the resilience of our water supply system.

Mitigation and controls include

- Water Resource Management Plan, maintaining the supply/demand balance now and for the long term.
- Mature drinking water safety planning approach that meets regulatory requirements.
- Risk-based prioritisation process for the maintenance and replacement of our assets.
- ISO 9001 (Quality management) certified.
- Robust monitoring of our operations 24/7.
- Rigorous sampling/testing programme.
- Emergency planning and business continuity plan.
- Water Smart training.
- Continued engagement with regulatory and advisory bodies including Water UK and UKWIR.

Financial viability

Description of the risk

Inability to raise finance at appropriate levels and/or manage cash/gearing to maintain financial viability and provide a fair return on investment.

Context

The Company has a significant and increasing funding requirement for its investment programme and refinancing maturing debt, both in the current AMP period and into the future. This is a well-controlled risk, but it is important we continue to maintain our high standards to mitigate the risk.

There continues to be significant global economic and financial implications. These include the ongoing conflicts in Ukraine and the Middle East, US tariff policies affecting global trade, and insufficient experienced resources. All of which influence either our ability to raise debt efficiently or impact our cost base.

Risk Appetite statement

We work to ensure the company remains financially resilient now and for the duration of our long-term viability statement.

Mitigation and controls include

- Maintain communications and strong relationships with financial institutions and credit rating agencies.
- Maintain and annually review borrowing policy.
- Regular monitoring of position, horizon scanning and forecasting.
- More detailed modelling of financial viability scenarios.
- Focusing on maintaining industry leading customer service and environmental performance.
- Robust sustainable financing framework.



Long-term viability statement

The Company has a long-term commitment to the provision of resilient services for the communities it serves and plans on the basis of stewardship in perpetuity.

In December 2024 Ofwat published its final determinations on our 2025-30 business plan which set out our long-term delivery strategies and outlined operational plans out to 31 March 2035. Given this the Directors have determined 2035 as an appropriate planning horizon for the Company's long term viability statement.

The Company has asked the Competition and Markets Authority (CMA) to redetermine Ofwat's final determination. The Board stands behind the Statement of Case made to the CMA and uses this position to form the basis of this long-term viability statement. Furthermore, in extending the viability assessment to March 2035, we assume that the 2029 Final Determination will make any necessary resets to enable the company to continue to finance its functions.

Given the ongoing process, there remains significant uncertainty for the period. This is reflected in our selection of shocks and scenarios modelled.

For the most immediate term analysis up to 31 December 2026 the Directors have taken into account:

- the current financial position of the Company, its cash deposits and available funds
- the expected turnover up to March 2026 from the customer charges that have already been set
- that the larger capital expenditure programme is of a similar nature to that delivered in previous regulatory control periods, allowing the Directors to be able to predict the cost of construction with some certainty
- that borrowing facilities in place are in the majority long term and maturing after 31 December 2026
- that the mix of borrowings is spread between fixed, floating and index-linked
- predictions of interest rates
- the need and costs of additional financing
- that there are sufficient finance facilities in place to fund our working capital requirements.

The key areas considered by the Directors in this regard were:

- the principal risks as shown in the Annual Review Summary
- the shocks and stresses shown in the Company's resilience action plan
- the liquidity of the Company over the planning horizon
- compliance with financial covenants in respect of gearing and interest cover.

Having done so, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to 31 December 2026. Further details are given in Note 1 on page 126 of the financial statements.

The Company's approach to the assessment and consideration of the full range of risks, including common external risks that affect the water sector as whole as well as specific Company risks is detailed in the previous section of this Integrated Annual Report (see pages 101 to 110).

When assessing financial viability over a longer period, Directors considered:

- the financial and operational impact if the risks identified in the corporate risk register were to occur
- the impact on WWSL if risks related to the wider group were to occur
- the wider economic and regulatory environment, including the recent and ongoing Corry, Cunliffe, EFRA and NAO reviews of the water sector and the expectation that these will result in reforms that will improve the resilience, stability and predictability and the regulatory environment
- the impact of any other foreseeable risk.

This ensures that all operational, financial, and regulatory risks and liabilities are fully considered. The assumptions used in stress testing for this viability statement, together with the overarching assumptions as discussed on page 117 are consistent with this wider risk assessment reported elsewhere in the Company's accounts.



The Corporate risk register is updated on an on-going basis and reviewed by the Company's risk management group and Board every six months to ensure it is a true reflection of the circumstances of the Company. The potential financial impacts (shocks) of the principal risks contained in the Corporate risk register are summarised in the below table:

Principal risk	Financial shocks
Reputation & positioning	Decreased collections
Political action	Unfunded obligations
Regulatory action	Regulatory fine and/or unfunded obligations
Environment & public value	Unfunded obligations
Climate volatility	Increased cost, reduced performance
Environmental harm	Short term cost increases, reduced performance, regulatory fines
Resources and skills	Short term cost shocks, Increase in costs over time
Supply chain resilience	Short or long term increase in costs
Health and safety	Short term cost increases, reduced performance, regulatory fines
Technology resilience	Short term cost increases, reduced performance, regulatory fines
Supply of unfit or insufficient water	Short term cost increases, reduced performance, regulatory fines
Financial viability	Increased cost of debt and inadequate allowed cost of equity
Uninformed action	Increase in costs, reduced performance
Governance and ethics	Regulatory fines



The following table summarises the individual financial shocks we have considered and modelled, informed by considering the potential financial impacts outlined above. The levels of financial impact are set having considered historical precedent (both on Company performance, that of its peers or analogous risks that have occurred in other

sectors), independent expert forecasts (for instance forecast ranges published by the Bank of England), and where appropriate guidance within the final PR24 methodology.

Area	Stress test
Inflation	1. Sustained lower (up to 1%) than forecast CPIH, reducing allowed revenues and RCV growth. 2. Short-term deflationary scenario with negative CPIH (down to -3%) over two years, reducing allowed revenues and RCV growth. 3. Short-term higher (up to 10%) than forecast CPIH, increasing costs. 4. Short-term increase in the wedge (up to 2%) between RPI and CPIH on top of current forecasts, increasing accruals on debt without increases in revenues.
Revenues	1. Sustained lower demand (up to 5%) for household and commercial customers, reducing revenues collected. 2. Short-term shock to lower demand (up to 10%) reducing revenues recovered. 3. Lower allowed revenues (3% of RoRE ODI penalties) through poor operational performance. 4. Decreased collections and an increase in customers' inability or refusal to pay, this reduces cash into the business and increases bad debt charge within modelled operational costs.
Capital expenditure	1. Short-term and sustained input price pressures above (up to 1.5%) CPIH, increasing capital costs. 2. Short-term increases (up to £35m) to capital expenditure because of sudden asset failures/environmental incidents/loss of suppliers. 3. Sustained increase (up to 10%) in capital maintenance expenditure. 4. Significant unfunded obligations increasing (up to £100m) capital expenditure.
Operational expenditure	1. Short-term and sustained input price pressures above (up to 3%) CPIH, increasing operational expenditure. 2. Short-term increases (up to £5m) to operational expenditure because of sudden asset failures/environmental incidents/loss of suppliers. 3. Sustained increase (up to £8m p/a) in operational expenditure. 4. Significant regulatory fines (up to 8% of turnover).
Financing	1. Credit rating downgrade, resulting in higher (up to 0.5%) costs of raising new debt. 2. Sustained increase (up to 2%) in cost of raising new debt above the forecast benchmark indices. 3. Poor market performance of pension assets resulting in an unfavourable movement towards net pension liability (of up to £100m).



Scenarios were then developed ensuring that the analysis correctly identified linked and compounded risks and were sensitivity tested with reasonable, plausible, and extreme levels of severity.

Scenario	Details and sensitivity testing
Wastewater incident	This might include a major pollution incident or the widespread distribution of unfit water, either driven by catastrophic asset failure, extreme weather events or malicious damage (e.g. cyber attack). The base scenarios include the capital costs of rectification and then increases severity by progressively including risks of fines, penalties from regulatory delivery incentives, customer compensation payments and at the most extreme the withholding of customer bill payments.
Water supply incident	
Simultaneous water and wastewater incidents	As above but assumes incidents occur concurrently.
Macroeconomy	This scenario assumes a sustained economic downturn in the UK that increases Company input prices and reduces productivity resulting in sustained overspends of regulatory cost allowances while depressing indices of consumer prices and reducing Company sales. An accompanying credit squeeze means that the costs of new finance increase.
Combined operational and macroeconomic shock	Assumes operational failure coincides with higher input costs resulting in consistent overspends against regulatory allowances. Alongside this depressed consumer price indices reduce sales and regulatory value. Sensitivity testing increases the severity by assuming demand and sales volumes also decrease and the Company suffers higher interest costs through a credit rating downgrade.
New unfunded obligations	This scenario assumes that government or regulators impose new obligations on the Company that create additional costs and diverts management focus leading to operational failure. These are modelled individually and then alongside operational or macroeconomic shocks to fully test the resilience of the Company.
Extreme weather event	Extreme weather event (either a 'beast from the east' or a prolonged dry period) causes overspend on operational expenditure and asset failures resulting in ODI penalties.
Climate change	Ongoing climate change causes more uncertain weather, dryer summers and wetter winters lead to additional operational and maintenance expenditure. This was modelled individually and alongside operational and macroeconomic shocks to fully test the resilience of the Company.

The individual shocks, scenarios, and levels of sensitivity considered within the financial viability assessment are reviewed and agreed by senior management across the finance, risk and investment, and economic regulation teams. Our full approach to risk identification, management and mitigation is described on pages 101 to 110 of this Annual Report and Accounts. These are then presented to the Company's Audit and Risk Committee for review.

In total the Company modelled 36 scenarios, the most severe of which consider multiple concurrent and linked risks.



The following table highlights which shocks were active and in which years in each scenario:

Scenario	Financial shocks				
	Inflation	Revenue	Opex	Capex	Financing
<i>Operational incidents (similar for water/waste and combined)</i>	none	ODI penalties	1:3 years shock	1:3 years shock	1:10 years regulatory enforcement
<i>Totex overspend</i>	none	none	1:3 years shock - Sustained maintenance overspend	1:3 years shock - Sustained maintenance overspend	none
<i>Macroeconomy</i>	Lower inflation and Higher RPI/CPIH wedge	Lower demand	Input price mismatch	Input price mismatch	Sustained increase in cost of financing
<i>Combined operational and macroeconomic shock</i>	Lower inflation	ODI penalties	1:3 years shock - Input price mismatch	1:3 years shock - Input price mismatch	credit rating downgrade
<i>New unfunded obligations</i>	Lower inflation	none	Unfunded obligations over 2025-30	Unfunded obligations over 2025-30	credit rating downgrade
<i>Cyber attack</i>	none	ODI penalties	1:10 year shock	1:10 year shock	none
<i>Climate change</i>	Lower inflation	none	Sustained increase	One off upsizing of assets	none

When considering long term financial viability the Directors primarily considered the ability of the Company to retain credit metrics consistent with an investment grade credit rating, as this would continue to grant access to the debt and equity markets for the Company to finance its functions.

The Directors note the PR24 final determination does not allow sufficient expenditure allowances for the Company to deliver its obligations and sets a cost of capital that they consider is unlikely to attract equity, unless at a discount to the Regulatory Capital Value (RCV).

However, to reflect the uncertainty in the outcome of the CMA redetermination we have included an alternative scenario that constrains revenues to those set out in the final determination, retaining our latest forecast of baseline costs.

Due to the increased scale of investment, there is sustained downwards pressure on selected debt covenants (EBITDA / Interest). This may pose an issue towards the end

of the assessed period. However, we believe that through constructive engagement with lenders this will be resolved as in these cases we maintain the key credit rating metrics (AICR / PMICR and gearing) consistent with investment grade credit rating and have a track record of positive engagement and strong performance that could improve future ratios.

In many of these scenarios we see further pressure on key credit rating metrics (gearing and interest covers) that may threaten the Company's investment grade credit rating, and cause breaches to the financial covenants on our debt facilities.

This is of particular note where there is sustained low inflation and significant totex overspends, and on interest covers with sudden reductions in revenue and significant fines.



Several control measures are in place to mitigate or prevent impacts. These include:

- *Insurance against significant one-off shocks such as flooding*

This will help the Company recover some of the totex incurred in specific shocks where they are driven by insurable external risks.

- *The suite of regulatory reconciliation mechanisms in place to allocate risk between the Company and customers*

The impact of reduced demand on revenues will be mitigated by the revenue forecasting incentive mechanism and the impact of additional expenditure through the totex sharing and aggregate (cost) sharing mechanisms. In addition, further, smaller scale, protections to the RCV and revenues exist, such as the cost of debt indexation mechanism.

- *Reducing expenditure with limited short or medium-term benefits*

This alongside restriction of the discretionary elements of pay can help offset other increases in totex. However, given the challenging determination and the scale of the

upcoming capital programme we will not have the ability to completely offset increases in costs, and these levers will have lower impact than in previous assessments. It is important to note that if this restriction on expenditure is required over the longer term this will place more stress on the business and reduce its long-term resilience.

- *Restricting dividends*

The Company has always committed to ensuring it maintains a solid investment grade credit rating and operates a flexible dividend policy that will help ensure this. The Directors note that dividends can be restricted under the cash lock up clause in the licence if there is foresight of the risks. However, we retain, in our base case, complete restriction of dividends in any case to fund real RCV growth.

The table below sets out the most extreme case for each scenario and indicates the pre and post mitigation impact on gearing (target <75%), and interest covers (Moody's AICR target >1.2x and EBITDA / Interest target >2.75x). Red represents sustained breaches, amber represents short term breaches and green represents limited issues.

Scenario	Pre-Mitigation		Post Mitigation	
	Gearing	Interest Covers	Gearing	Interest Covers
Wastewater incident	●	●	●	●
Water supply incident	●	●	●	●
Simultaneous water and wastewater incidents	●	●	●	●
Macroeconomy	●	●	●	●
Combined operational and macroeconomic shock	●	●	●	●
New unfunded obligations	●	●	●	●
Extreme weather event	●	●	●	●
Climate change	●	●	●	●



The Directors note that in many cases the mitigations outlined above were sufficient to restrict the breaches to short-term failures relating to specific shocks, where further action would have limited immediate impact. The Directors considered that in these cases the impact would not affect the underlying viability of the Company as credit rating agencies focus more on the overall trends and sustained exceedance of metrics.

Where there are still the most extreme sustained breaches then this is resolved through equity issuance in the next five years of c£0.75bn, with further requirements if the scale of investment continues post 2030. We have a long-term shareholder who considers their stewardship in perpetuity and who stands ready to invest into Wessex Water, for a fair return under a stable regulatory framework.

In the event of a mis-calibrated regulatory package, the Directors will also need to seek additional equity. The Board considers the final determination to be unfinanceable although additional equity may still be forthcoming, at a discount to the RCV. This would provide short term relief and enable the Company to maintain viability through these shocks but represents a severe medium to long term risk to the underlying viability of not just the Company, but the sector as a whole.

The Directors also note the further protections in the regulatory model, (such as interim determinations, or subsequent price determinations recognising a material shift in the balance of risk), which in many of these scenarios, would allow turnover to be adjusted upwards in the event of a substantial adverse effect on the financial position of the Company.

The Directors, through the Audit and Risk Committee which comprises all Independent Directors, challenged Company management on its analysis of the risks and of the mitigations. The Directors have made the following reasoned and reasonable assumptions:

- that the CMA outcome will ensure that the Company can finance the proper carrying out of its statutory functions. Specifically:
 - ♦ that the size and funding of the investment programme post-2025 will be consistent with the statement of case;
 - ♦ that returns are set to attract the necessary equity investment;
- the availability of debt and equity funding;
- stability of the financial regulatory framework; and
- that the Company has an active and long-term shareholder, YTL, who is committed to long-term stewardship and investment for a fair return.

On the basis of the assumptions outlined above and the assessments referenced on pages 111-116, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to 31 March 2035.



Accounts

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Directors' report

The Directors have pleasure in presenting their report and the audited financial statements (subsequently referred to as accounts) for the year to 30 June 2025.

The Directors consider the annual report taken as a whole, to be fair, balanced and understandable and it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In reaching decisions the Board, individually and collectively, takes account of the requirements of s.172 of Companies Act 2006 and the impact of decisions on the Company's stakeholders.

Principal activities

The main activities of the Company are the supply of water and the treatment and disposal of waste water.

Results

The trading results for the year ended 30 June 2025 and the Company's financial position at that period end are shown in the attached financial statements. The Company has generated revenue of £691.0m during the year (2024: £598.8m) resulting in a profit before taxation of £31.7m (2024: Loss of £25.1m). For further detail on the results for the year see page 36.

The Directors consider the trading performance for the year to be adequate and they are confident of the future prospects of the Company.

Going concern disclosure

An overview of the business activities of Wessex Water Services Limited is given in the Strategic Report on pages 3 to 67. A review of the principal risks that the company faces is given in the risk management section on pages 101 to 110. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 20.

The Company meets its day-to-day working capital requirements and medium and long term funding requirements through the cash and short term deposits described in note 19 and the facilities described in note 20. Under some of the facilities the Company is required to comply with an interest cover and gearing covenant tested quarterly. During the year the Company through its subsidiary, Wessex Water Finance Plc, issued £600m of corporate bonds under its £5bn Euro medium-term note programme reflecting the Company's ability to secure finance.

The Directors have considered the financial position of the Company and cash flow forecasts for the period from the date of approval of these Financial Statements

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

The Directors have noted there is further debt falling due for repayment within the going concern period, in particular £120m of KFW IPEX Bank loan due in January 2026. The Directors have considered the consistently strong operating performance, market experience for the company and other water companies, the current leverage and credit rating of the bonds and a successful history of issuing bonds and raising debt over the past 20 years, most recently the bonds issued in March 2025 which are mentioned above.

Based on this consideration, as well as the time period available to raise the required funding, the Directors are satisfied that the issuance of debt included within the forecasts for the going concern period to repay the loans and finance the capital programme over the period is achievable. In order to facilitate the future issuance of bonds the Company established a £5bn Euro medium-term note programme on 6 September 2023. The first issuance under the programme took place in November 2023 with the latest issuance in March 2025. The programme was renewed on 6 September 2024.

On the assumption that any required funding described above will be successfully raised by the company for the reasons noted above, the Directors have considered a



severe but plausible downside scenario, to assess the impact on covenant compliance through the going concern review period. This includes considering the impact of adverse macroeconomic factors including higher inflation and interest rates combined with lower consumption and operational events such as asset and customer service failures leading to regulatory enforcement. In situations requiring mitigations to be deployed, the Company could reduce discretionary expenditure, defer capital expenditure and/or cancel non-essential capital expenditure.

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

Environment, social purpose and governance

Wessex Water Services Ltd has a vision that guides our progress towards being a responsible and sustainable water company, ensuring that our activities meet the demands of our environmental, social and governance stakeholders and responsibilities now and in the future.

Ethical policy

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

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

Our people

It takes great people and great teamwork to provide water and sewerage services to nearly three million customers, 24 hours a day, seven days a week. That is why we encourage and reward our employees for their contribution to achieving our aims. We seek their ideas and put them into practice, celebrate success at our annual awards and encourage them to 'Go the Extra Mile' with our GEM scheme. In addition, our People Programme is a dedicated programme of initiatives to address current and future strategic people priorities in areas including resourcing, talent management, reward and recognition, future working, diversity, and employee wellbeing.

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

Employment

Wessex Water Services Limited is an equal opportunities employer. Policies and procedures aim to ensure no person or group of persons applying for a job with the Company is treated less favourably than any other person or groups of persons because of their gender, race, class, colour, nationality, ethnic origin, marital status, sexual orientation, age, trade union membership or activity, religious belief or physical or mental disability.

Selection procedures and criteria ensure that individuals are selected and promoted based on their relevant merits and abilities. These procedures are monitored and regularly reviewed.

Where necessary, the Company provides staff with ongoing professional development to enable them to compete or qualify for positions, or to progress, within the Company.

Streamlined energy and carbon reporting

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

Emissions for 2024-25 are shown on page 56. All the emissions shown use location-based reporting and represent an April to March year as this is consistent with the Company's regulatory reporting.

The Modern Slavery Act 2015

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

Environment policy

The Company protects conserves and improves the environment and operates in a socially responsible manner. This is important to our colleagues, customers, and shareholder. Working practices are continually revised as improved techniques and technologies become available. The environment policy is reviewed annually.

Research and development

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

**Suppliers**

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

The payment policy in respect of suppliers is to agree the payment terms for transactions in advance and to make payments in accordance with those terms. At 30 June 2025, trade creditors represented approximately 18 days trade purchases (2024: 22 days).

The Company does not follow any specific external code or standard on payment policy.

Community and charitable donations

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

During the year £939,941 was donated to UK charities and local organisations (2024: £726,584) of which £281,403 (2024: £264,012) was donated to local debt advice agencies to help provide debt and financial advice to customers in our area who are struggling to pay their water bills.

Disclosure of information to auditor

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

Auditor

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

By order of the Board.

Ruth Jefferson

Chief Executive
Claverton Down
Bath
BA2 7WW
19 September 2025



Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the non-statutory financial statements (subsequently referred to as accounts) in accordance with applicable United Kingdom law and regulations.

The Company's licence conditions, as set by the Water Services Regulation Authority, require the Directors to prepare Company accounts for each financial year to 30 June.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with UK adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the

Company's financial position and financial performance;

- in respect of the company's financial statements, state whether UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

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

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

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with UK adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit for the Company;

- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.



Statutory financial statements

Income Statement For the year ended 30 June 2025

	Note	2025 £ m	2024 £ m
Revenue	3	691.0	598.8
Operating costs			
Expected credit loss charge		(23.5)	(18.7)
Other expenses		(493.4)	(432.9)
Total operating costs		(516.9)	(451.6)
Other operating income		6.4	4.5
Operating profit		180.5	151.7
Financial income	9	3.4	6.3
Financial expenses	10	(152.2)	(183.1)
		(148.8)	(176.8)
Profit/(loss) before tax		31.7	(25.1)
Tax on profit/(loss)	11	(9.0)	9.0
Profit/(loss) for the year		22.7	(16.1)

Statement of Comprehensive Income For the year ended 30 June 2025

	Note	2025 £ m	2024 £ m
Profit/(loss) for the year		22.7	(16.1)
Other comprehensive profit/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of defined benefit liability	22	5.6	(6.4)
Income tax on items that will not be reclassified to profit or loss	11	(1.4)	1.6
Other comprehensive income for the year, net of income tax		4.2	(4.8)
Total comprehensive income for the year		26.9	(20.9)



Statutory financial statements

Statement of Financial Position At 30 June 2025

	Note	2025 £ m	2024 £ m
Non-current assets			
Property, plant and equipment	13	4,768.5	4,488.0
Right of use assets	14	5.5	
Intangible assets	15	33.8	45.2
Investments in subsidiaries	16	-	-
Retirement benefit assets	22	11.7	5.9
		<u>4,819.5</u>	<u>4,539.1</u>
Current assets			
Inventories	17	8.0	7.3
Trade and other receivables	18	243.8	233.8
Corporation tax receivable	18	0.6	0.6
Other financial assets	19	50.0	-
Cash and cash equivalents	19	44.1	-
		<u>346.5</u>	<u>241.7</u>
Total assets		<u>5,166.0</u>	<u>4,780.8</u>
Current liabilities			
Bank overdraft	19	-	(4.3)
Other interest-bearing loans and borrowings	20	(134.5)	(66.8)
Trade and other payables	21	(226.9)	(261.4)
Provisions	24	(1.6)	(1.4)
		<u>(363.0)</u>	<u>(333.9)</u>

	Note	2025 £ m	2024 £ m
Non-current liabilities			
Other interest-bearing loans and borrowings	20	(3,368.2)	(3,017.9)
Contract liabilities	21	(5.8)	(5.7)
Retirement benefit deficit	22	(0.6)	(0.7)
Deferred grants and contributions	23	(336.5)	(324.0)
Deferred tax liabilities	25	(587.7)	(577.0)
		<u>(4,298.8)</u>	<u>(3,925.3)</u>
Total liabilities		<u>(4,661.8)</u>	<u>(4,259.2)</u>
Net assets		<u>504.2</u>	<u>521.6</u>
Capital and reserves			
Share capital	26	-	-
Capital contribution reserve		1.0	-
Retained earnings		<u>503.2</u>	<u>521.6</u>
Total equity		<u>504.2</u>	<u>521.6</u>

Approved by the board on 19 September 2025 and signed on its behalf by:

Ruth Jefferson
Chief Executive



Statutory financial statements

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

	Note	Share capital £ m	Capital contribution reserve £ m	Retained earnings £ m	Total £ m
At 1 July 2023		-	-	609.0	609.0
Total comprehensive loss for the year					
Loss for the year		-	-	(16.1)	(16.1)
Other comprehensive income		-	-	(4.8)	(4.8)
Total comprehensive loss		-	-	(20.9)	(20.9)
Transactions with owners, recorded directly in equity					
Dividends	12	-	-	(66.5)	(66.5)
At 30 June 2024		-	-	521.6	521.6

	Note	Share capital £ m	Capital contribution reserve £ m	Retained earnings £ m	Total £ m
Balance at 1 July 2024		-	-	521.6	521.6
Total comprehensive profit for the year					
Profit for the year		-	-	22.7	22.7
Other comprehensive income		-	-	4.2	4.2
Total comprehensive income		-	-	26.9	26.9
Transactions with owners, recorded directly in equity					
Dividends	12	-	-	(44.3)	(44.3)
Other capital contribution reserve movements		-	1.0	(1.0)	-
Total contributions by and distributions to owners		-	1.0	(45.3)	(44.3)
At 30 June 2025		-	1.0	503.2	504.2



Statutory financial statements

Statement of Cash Flows For the year ended 30 June 2025

	Note	2025 £ m	2024 £ m
Cash flows from operating activities			
Profit/(loss) for the year		22.7	(16.1)
<i>Adjustments for:</i>			
Depreciation and amortisation		130.0	120.9
Loss on disposal of PPE		3.0	1.2
Net loss on derecognition of intangible assets		14.3	4.2
Financial income		(3.4)	(6.3)
Financial expense		152.2	183.1
Taxation	11	9.0	(9.0)
		<u>327.8</u>	<u>278.0</u>
Working capital adjustments			
Increase in inventories	17	(0.7)	(0.5)
Increase in trade and other receivables	18	(9.7)	(22.4)
(Decrease)/increase in trade and other payables	21	(56.7)	43.9
Increase in provisions and employee benefits	22	0.4	-
		<u>(66.7)</u>	<u>21.0</u>
Tax received	11	0.3	7.6
		<u>261.4</u>	<u>306.6</u>
Net cash from operating activities			

Cash flows from investing activities

Proceeds from sale of property, plant and equipment		3.0	2.0
Interest received		3.1	6.5
Acquisition of property, plant and equipment		(356.0)	(415.4)
Acquisition of intangible assets	15	(14.1)	(7.1)
Purchase of financial instruments		(50.0)	-
Sale of financial instruments		-	46.3
Proceeds from infrastructure charges and capital contributions		10.8	6.1
		<u>(403.2)</u>	<u>(361.6)</u>
Net cash flows from investing activities			

Cash flows from financing activities

Proceeds from borrowings		851.6	393.2
Interest paid		(122.8)	(100.6)
Repayment of borrowings		(478.0)	(301.6)
Payment of lease liabilities		(1.5)	(0.5)
Dividends paid	12	(59.1)	(66.5)
		<u>190.2</u>	<u>(76.0)</u>

Net Cash flow generated from/(used in) financing activities

Net increase/(decrease) in cash and cash equivalents		48.4	(131.0)
Cash and cash equivalents at 1 July		(4.3)	126.7
		<u>44.1</u>	<u>(4.3)</u>
Cash and cash equivalents at 30 June			



Notes to the Financial Statements for the Year Ended 30 June 2025

1 Accounting policies

1.1 Basis of preparation

Wessex Water Services Limited (the 'company') is a private company limited by share capital, incorporated, domiciled and registered in England in the UK.

The registered number is 2366648 and the registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

1.2 Measurement convention

The financial statements are prepared on a cost basis and presented in pounds sterling which is the company's functional and presentational currency.

1.3 Going concern

Going concern disclosure

An overview of the business activities of Wessex Water Services Limited is given in the Strategic Report on pages 3 to 67. A review of the principal risks that the company faces is given in the risk management section on pages 101 to 110. The debt facilities available at the year end date, amounts outstanding and the maturity profile of this debt are shown in note 20.

The Company meets its day-to-day working capital requirements and medium and long term funding

requirements through the cash and short term deposits described in note 19 and the facilities described in note 20. Under some of the facilities the Company is required to comply with an interest cover and gearing covenant tested quarterly. During the year the Company issued £600m of corporate bonds under its £5bn Euro medium-term note programme reflecting the Company's ability to secure finance.

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

The Directors have noted there is further debt falling due for repayment within the going concern period, in particular £120m of KfW IPEX Bank loan due in January 2026. The Directors have considered the consistently strong operating performance, market experience for the company and other water companies, the current leverage and credit rating of the bonds and a successful history of issuing bonds and raising debt over the past 20 years, most recently the bonds issued in March 2025 which are mentioned above.

Based on this consideration, as well as the time period available to raise the required funding, the Directors are satisfied that the issuance of debt included within the forecasts for the going concern period to repay the loans and finance the capital programme over the period is achievable. In order to facilitate the future issuance of bonds the Company established a £5bn Euro medium-term note programme on 6 September 2023. The first issuance under the programme took place in November 2023 with the latest issuance in March 2025. The programme was renewed on 6 September 2024.

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

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



1.4 Foreign currency

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.5 Financial instruments

Cash and cash equivalents

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient. The Company initially measures a financial

asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost includes intercompany loans repayable in more than 12 months, and trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when: the right to receive cash flows from the asset have expired, or; the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement - loans and borrowings

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



derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 18.

Derecognition

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

1.6 Property, plant and equipment

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

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

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

Depreciation

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

Asset class	Depreciation method and rate
land and buildings	10 to 80 years
infrastructure assets	60 to 200 years
plant, machinery and motor vehicles	2 to 30 years
office and IT equipment	3 to 10 years

Infrastructure assets comprise these eight components:

Impounding reservoirs 150 years, raw water mains 100 years, treated water mains 100 years, communication pipes 100 years, sewers 200 years, sewage pumping stations 60 years, combined sewer overflows 80 years and sea outfalls 60 years.

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

1.7 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Asset class	Amortisation method and rate
Specialised computer software	10 years
In-house computer software development	5 years
Other computer software	3 years

1.8 Inventories

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

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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



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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables and contract assets is disclosed in Note 27.

The company considers a financial asset in default when contractual payments are 80 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

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

amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

1.10 Employee benefits

Defined benefit plans

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

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

Re-measurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets. The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

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

The company's employees are members of the Wessex Water Ltd Group pension scheme. The company recognizes a cost equal to its contribution payable for the period. The assets of the scheme are held separately from those of the Group. The scheme has been closed to new members since 2009.

Defined contribution plans

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

Short-term benefits

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



1.11 Provisions

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

1.12 Deferred grants and contributions

Grants and contributions in respect of specific expenditure on non-infrastructure property, plant and equipment are treated as contract liabilities and recognised in the income statement over the expected useful economic lives of the related assets.

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

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

1.13 Revenue

Supply of water and sewerage services

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

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

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

Period over which income is recognised

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

Financing component

The proceeds do not need to be adjusted for the difference in timing of payments and recognition of

income as the timing difference does not arise as a result of the provision of finance, but rather comes as a consequence of the nature of the regulatory environment.

Other revenue - general

Other Revenue which includes income from related parties and smaller non-core income streams is recognised by reference to each distinct performance obligation promised in the contract with customer. Depending on the substances of the respective contract with the customer, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Other income - Developer Services

These are services related to the obligation under statute to allow property developers to establish an authorised connection to the water and/or sewerage network.

In obtaining the connection the developer may contribute to the Company's capital costs through the following:

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

1.14 Expenses

IFRS16 lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant



periodic rate of interest on the remaining balance of the liability. Variable lease payments that do not depend on an index or a rate are recognised as expenses. In addition, depreciation is charged on a straight-line basis on a right-of-use asset recognised at the inception of the lease (or the date of adoption of IFRS 16 if later).

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

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

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

1.15 Taxation

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

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

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

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

1.16 Dividends

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

1.17 Contract balances

Contract assets

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has

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

1.18 Leases

Definition

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

Company as a lessee

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

i) Right-of-use assets

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

- land and property 4 to 97 years



- motor vehicles and other equipment 3 to 4 years

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

ii) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

the assessment of an option to purchase the underlying asset.

The company's lease liabilities are included in Interest-bearing loans and borrowings (see Note 20).

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

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

Company as a lessor

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

1.19 Software-as-a-Service (SaaS)

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

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

1.20 Changes in accounting policies and disclosures

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

1.21 IFRS Standards issued but not effective

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

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing



the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to IAS7, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

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

2 Changes in accounting estimates

During the year the estimated useful economic lives of certain infrastructure assets were revised, with effect from 1 July 2024. This followed a detailed review of the asset lives coinciding with the preparation of the regulatory business plan which occurs every five years. The detailed work involved in preparing the plan enabled us to gain a greater understanding of our assets and their expected lives, and to ensure they are maintained in a sustainable manner. It also ensures that any extension to those lives is reflected in reduced customer bills over the foreseeable future.

Water infrastructure communication pipes - economic life increased from 60 years to 100 years.

The revised lives were based on operational experience, revisions to design horizons and industry comparisons. The net effect of the changes in the current financial year was a reduction in the depreciation charge of £1.2m.

Assuming the assets are held until the end of their estimated useful lives, depreciation in the short term in relation to these assets will be decreased by approx. £1.2m per annum.

3 Business Unit Performance

Operating segments are reported in a manner consistent with internal reporting provided to the Board. The water business comprises the regulated water and waste water services undertaken by Wessex Water. Unregulated activities include the provision of services to other companies within the YTL(UK) group.

	2025 £ m	2024 £ m
Revenue		
Regulated	672.3	581.1
Unregulated	18.7	17.7
	<u>691.0</u>	<u>598.8</u>
Operating profit		
Regulated	180.5	151.7
Unregulated	-	-
	<u>180.5</u>	<u>151.7</u>
Net assets		
Regulated	504.2	521.6
Unregulated	-	-
	<u>504.2</u>	<u>521.6</u>

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

The Board monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a combination of turnover, operating profit and net asset value and is measured consistently with the consolidated financial statements.



4 Revenue from contracts with customers

Current year	Household £ m	Non-household £ m	Total £ m
Wholesale revenue - Water Supply			
Unmeasured	58.7	1.4	60.1
Measured	120.3	55.0	175.3
	<u>179.0</u>	<u>56.4</u>	<u>235.4</u>
Wholesale revenue - Waste Water			
Unmeasured	116.1	1.5	117.6
Measured	238.6	66.5	305.1
	<u>354.7</u>	<u>68.0</u>	<u>422.7</u>
Other revenue			
Regulated	-		14.2
Unregulated	-		18.7
Total revenue			<u>691.0</u>

The Company categorises its customer base into measured and unmeasured segments for the purposes of billing and revenue recognition. Measured customers are those with a water meter installed at their premises, and charges are based on actual water consumption recorded by the meter. Unmeasured customers, by contrast, do not have a water meter, and their charges are assessed using a fixed tariff derived from the rateable value of the property.

	Household £ m	Non-household £ m	Total £ m
Prior year			
Wholesale revenue - Water Supply			
Unmeasured	54.4	2.1	56.5
Measured	98.6	52.2	150.8
	<u>153.0</u>	<u>54.3</u>	<u>207.3</u>
Wholesale revenue - Waste Water			
Unmeasured	105.7	3.2	108.9
Measured	196.1	59.0	255.1
	<u>301.8</u>	<u>62.2</u>	<u>364.0</u>
Other revenue			
Regulated			9.8
Unregulated			17.7
Total revenue			<u>598.8</u>



In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removing and treating of waste water. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, though following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams including those relating to activities, typically performed opposite property developers, including activities that facilitate the creation of an authorised connection through which properties can obtain water and waste water services.

Contract balances

Contract assets of £6.5m (2024: £5.5m) are included in the statement of financial position under trade and other receivables, see note 18. At the year-end there were liabilities for receipts in advance relating to contracts of £78.3m (2024: £77.1m), see note 21.

5 Operating costs

The analysis of the Company's other gains and losses for the year is as follows:

	2025 £ m	2024 £ m
Employee costs	167.9	164.4
Power	51.4	53.0
Raw materials and consumables used	23.5	17.4
Business rates	25.1	21.5
Expected credit loss charge	23.5	18.7
Service charges	10.7	6.5
Depreciation of property, plant and equipment	120.7	114.6
Amortisation of intangible assets	11.2	8.9
Net loss on derecognition of intangible assets	14.3	4.2
Depreciation of right of use assets	1.2	0.5
Loss on disposal of property, plant and equipment	4.9	2.6
Short-term lease rentals	11.4	11.7
Expenses relating to short-term leases	0.4	0.6
Infrastructure maintenance	21.9	19.4
Ofwat licence fee	2.0	2.0
Charges from other group companies	34.6	19.0
Other operating costs	117.5	112.8
	642.2	577.8
Own work capitalised	(125.3)	(126.2)
	516.9	451.6
Other operating income		
Gain on disposal of property, plant and equipment	(1.9)	(1.4)
Amortisation of deferred income	(3.1)	(3.1)
Property damage compensation	(1.4)	-
	(6.4)	(4.5)

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



6 Auditors' remuneration

	2025 £ 000	2024 £ 000
Audit of these financial statements	326	295
Audit-related assurance services	181	140
Other non-audit services	96	186
	<u>603</u>	<u>621</u>

Audit-related assurance services are in connection with the Company's regulatory reporting requirements for Ofwat. The non-audit services include £96,000 relating to bond issuances.

7 Staff costs

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

	2025 No.	2024 No.
Average number of employees	<u>2890</u>	<u>2936</u>

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

	2025 £ m	2024 £ m
Wages and salaries	133.5	131.1
Social security costs	16.5	16.1
Pension costs, defined contribution scheme	12.2	11.3
Pension costs, defined benefit scheme	5.7	5.9
	<u>167.9</u>	<u>164.4</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2025 £000	2024 £000
Total Directors' remuneration including benefits in kind	<u>1526</u>	<u>2071</u>
In respect of the highest paid director:		
	<u>2025 £000</u>	<u>2024 £000</u>
Remuneration of highest paid Director	<u>515</u>	<u>590</u>

Details of directors' remuneration can be found in the Governance Report. Directors' remuneration is in respect of four Executive Directors, six Non-Executive Directors and six YTL appointed directors (2024 - four Executive Directors, five Non-Executive Directors and six YTL appointed directors).



9 Interest receivable and similar income

	2025 £ m	2024 £ m
Interest receivable on short-term bank deposits	3.1	4.3
Gain on short-term financial instrument	-	1.3
Net interest on net defined benefit pension plan surplus	0.3	0.7
Total finance income	<u>3.4</u>	<u>6.3</u>

10 Interest payable and similar expenses

	2025 £ m	2024 £ m
Interest payable to subsidiary company	(136.3)	(165.5)
Interest on bank loans	(37.4)	(33.7)
Interest expense on leases	(0.2)	(0.1)
Interest payable before capitalisation	(173.9)	(199.3)
Interest capitalised	21.7	16.2
Net interest payable	<u>(152.2)</u>	<u>(183.1)</u>

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

11 Income tax

Tax charged/(credited) in the income statement

	2025 £ m	2024 £ m
Current taxation		
UK corporation tax	0.1	-
UK corporation tax adjustment to prior periods	(0.4)	-
	<u>(0.3)</u>	<u>-</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	9.2	(5.0)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	0.1	(4.0)
Total deferred taxation	<u>9.3</u>	<u>(9.0)</u>
Tax expense/(credit) in the income statement	<u>9.0</u>	<u>(9.0)</u>

Taxation recognised in other comprehensive income

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



Reconciliation of effective tax rate

	2025 £ m	2024 £ m
Profit/(loss) before tax	31.7	(25.1)
Corporation tax at standard rate	7.9	(6.3)
Adjustment in respect of prior periods	(0.3)	(4.0)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1.4	1.3
Total tax credit	9.0	(9.0)

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

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

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

12 Dividends

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

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

In particular the Board takes into account:

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

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

	2025 £ m	2024 £ m
Interim dividends for the current year	44.3	51.7
Final dividend for the current year	-	14.8
	44.3	66.5



13 Property, plant and equipment

	Land and buildings £ m	Infrastructure assets £ m	Plant & equipment £ m	Motor vehicles £ m	Office & IT equipment £ m	Assets under construction £ m	Total £ m
Cost							
Balance at 1 July 2023	1,063.6	2,508.2	2,046.6	46.2	40.9	227.3	5,932.8
Additions	-	-	-	-	-	423.5	423.5
Disposals	(3.2)	(0.2)	(14.8)	(3.7)	-	-	(21.9)
Transfers on commissioning	27.0	74.5	85.5	7.4	5.2	(199.6)	-
Balance at 30 June 2024	1,087.4	2,582.5	2,117.3	49.9	46.1	451.2	6,334.4
Balance at 1 July 2024	1,087.4	2,582.5	2,117.3	49.9	46.1	451.2	6,334.4
Additions	-	-	-	-	-	410.4	410.4
Disposals	(9.0)	(0.2)	(18.1)	(6.9)	-	-	(34.2)
Transfers on commissioning	67.5	85.4	187.4	6.3	6.2	(352.8)	-
Balance at 30 June 2025	1,145.9	2,667.7	2,286.6	49.3	52.3	508.8	6,710.6
Depreciation							
Balance at 1 July 2023	(368.1)	(192.1)	(1,137.6)	(28.3)	(27.6)	-	(1,753.7)
Charge for the year	(17.4)	(19.3)	(67.2)	(5.6)	(5.1)	-	(114.6)
Eliminated on disposal	1.6	-	14.1	3.0	-	-	18.7
Balance at 30 June 2024	(383.9)	(211.4)	(1,190.7)	(30.9)	(32.7)	-	(1,849.6)
Balance at 1 July 2024	(383.9)	(211.4)	(1,190.7)	(30.9)	(32.7)	-	(1,849.6)
Charge for the year	(18.1)	(19.1)	(71.8)	(6.4)	(5.3)	-	(120.7)
Eliminated on disposal	5.9	-	16.8	5.5	-	-	28.2
Balance at 30 June 2025	(396.1)	(230.5)	(1,245.7)	(31.8)	(38.0)	-	(1,942.1)
Net Book Value							
At 1 July 2023	695.5	2,316.1	909.0	17.9	13.3	227.3	4,179.1
At 30 June 2024	703.5	2,371.1	926.6	19.0	13.4	451.2	4,484.8
At 30 June 2025	749.8	2,437.2	1,040.9	17.5	14.3	508.8	4,768.5



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

There are no impairment losses recognised in these financial statements (2024: £nil). Cumulative borrowing costs capitalised and included above were £71.0m (2024: £49.3m).

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

14 Leases

Company as a lessee

The Company has lease contracts for various items of property, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

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

	Land & buildings £ m	Plant & equipment £ m	Motor vehicles £ m	Total £ m
Cost or valuation				
Balance at 1 July 2023	2.1	0.2	1.1	3.4
Additions	-	-	1.2	1.2
Terminations	-	-	-	-
Balance at 30 June 2024	2.1	0.2	2.3	4.6
Balance at 1 July 2024	2.1	0.2	2.3	4.6
Additions	-	0.4	2.9	3.3
Terminations	-	-	(0.2)	(0.2)
Balance at 30 June 2025	2.1	0.6	5.0	7.7
Depreciation				
Balance at 1 July 2023	(0.4)	(0.1)	(0.2)	(0.7)
Charge for year	(0.1)	-	(0.4)	(0.5)
Eliminated on termination	-	-	-	-
Balance at 30 June 2024	(0.5)	(0.1)	(0.6)	(1.2)
Balance at 1 July 2024	(0.5)	(0.1)	(0.6)	(1.2)
Charge for the year	(0.1)	(0.1)	(1.0)	(1.2)
Eliminated on termination	-	-	0.2	0.2
Balance at 30 June 2025	(0.6)	(0.2)	(1.4)	(2.2)
Net book value				
At 1 July 2023	1.7	0.1	0.9	2.7
At 30 June 2024	1.6	0.1	1.7	3.4
At 30 June 2025	1.5	0.4	3.6	5.5



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

	Note	2025 £ m
As at 1 July		3.3
Additions		3.3
Accretion of interest		0.2
Payments		(1.5)
As at 30 June		5.3
Current	20	1.4
Non-current	20	3.9
		5.3

The maturity analysis of lease liabilities is also disclosed in Note 20.

The following are the amounts recognised in profit or loss:

Expenses	2025 £ m	2024 £ m
Depreciation expense of right-of use assets	1.2	0.5
Interest	0.2	0.1
Expenses relating to short-term leases	11.4	11.7
Total	12.8	12.3

The Company had total cash outflows for leases of £1.5m in 2025 (£0.5m in 2024). The Company also had non-cash additions to right-of-use assets and lease liabilities of £3.3m in 2025 (£1.2m in 2024).

Company as a lessor

The Company has entered into operating leases consisting of certain land and buildings. Rental income recognised by the Company during the year is £0.8m (2024: £0.7m).

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

	2025 £ m	2024 £ m
Less than one year	0.3	0.4
2 years	0.9	1.0
5 years	0.7	0.9
Total future lease income	1.9	2.3



15 Intangible assets

	Software £ m	Software in development £ m	Total £ m
Cost or valuation			
Balance at 1 July 2023	73.7	22.7	96.4
Additions	-	7.1	7.1
Disposals	-	-	-
Impairment	-	(4.2)	(4.2)
Transfer on commissioning	10.7	(10.7)	-
Balance at 30 June 2024	84.4	14.9	99.3
Balance at 1 July 2024	84.4	14.9	99.3
Additions	-	14.1	14.1
Disposals	(1.7)	(14.0)	(15.7)
Transfer on commissioning	10.1	(10.1)	-
Balance at 30 June 2025	92.8	4.9	97.7
Amortisation			
Balance at 1 July 2023	(45.2)	-	(45.2)
Charge for year	(8.9)	-	(8.9)
Disposals	-	-	-
Balance at 30 June 2024	(54.1)	-	(54.1)
Balance at 1 July 2024	(54.1)	-	(54.1)
Charge for year	(11.2)	-	(11.2)
Disposals	1.4	-	1.4
Balance at 30 June 2025	(63.9)	-	(63.9)
Net book value			
At 1 July 2023	28.5	22.7	51.2
At 30 June 2024	30.3	14.9	45.2
At 30 June 2025	28.9	4.9	33.8

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

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

16 Investments

The Company has an investment of £13,001 (2024 - £13,001) in 100% of the ordinary share capital of a subsidiary company Wessex Water Services Finance Plc, whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

17 Inventories

	2025 £ m	2024 £ m
Raw materials and consumables	8.0	7.3
	8.0	7.3

There was no significant write-down of inventories to net realisable value in either year.



18 Trade and other receivables

	2025 £ m	2024 £ m
Amounts receivable from customers	158.2	139.8
Owed by immediate holding company	16.3	16.3
Owed by fellow subsidiary companies	24.0	24.5
Owed by other group companies	0.5	0.2
Owed by associate companies	1.0	0.9
Prepayments	22.8	24.4
Corporation tax	0.6	0.6
Contract assets	6.5	5.5
VAT debtors	5.8	10.4
Other receivables	8.7	11.8
	<u>244.4</u>	<u>234.4</u>
	2025 £ m	2024 £ m
Contract assets		
Balance at 1 July	5.5	5.9
Additions	6.8	5.1
Utilisations	(5.8)	(5.5)
	<u>6.5</u>	<u>5.5</u>
Balance at 30 June		

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

Trade receivables are expected to be recovered in no more than 12 months.

All outstanding related party receivable balances are owed on commercial terms and arise through normal business operations. The company has considered the present value of the contractual cash flows and compared this to a prudent assessment of the present value of the cash flows that are expected to be received. Having performed this assessment, the company has

determined that no material expected credit loss provisions are required as at year end for related party balances owed.

The Company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 27 "Financial instruments".

19 Cash and cash equivalents

	2025 £ m	2024 £ m
Short-term bank deposits	30.0	-
Cash at bank and in hand	14.1	-
	<u>44.1</u>	<u>-</u>
Other financial assets		
Term deposits with UK banks from 3 to 6 months	<u>50.0</u>	<u>-</u>



20 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 27.

	2025 £ m	2024 £ m
Current loans and borrowings		
Bank overdraft	-	4.3
Bank borrowings	133.1	66.1
Current portion of long term lease liabilities	1.4	0.7
	<u>134.5</u>	<u>71.1</u>
	2025 £ m	2024 £ m
Non-current loans and borrowings		
Bank borrowings	218.9	501.4
Lease liabilities	3.9	2.6
Loans owed to subsidiary company	3,145.4	2,513.9
	<u>3,368.2</u>	<u>3,017.9</u>

Lease liabilities

Terms and debt repayment schedule:

	Minimum lease payment 2025 £ m	Interest 2025 £ m	Principal 2025 £ m
Less than one year	1.5	(0.1)	1.4
Between one and five years	3.1	(0.3)	2.8
More than five years	1.6	(0.5)	1.1
	<u>6.2</u>	<u>(0.9)</u>	<u>5.3</u>
	Minimum lease payment 2024 £ m	Interest 2024 £ m	Principal 2024 £ m
Less than one year	0.7	-	0.7
Between one and five years	1.6	(0.1)	1.5
More than five years	1.6	(0.5)	1.1
	<u>3.9</u>	<u>(0.6)</u>	<u>3.3</u>



Terms and debt repayment schedule:

	Currency	Nominal interest rate	Year of maturity	Issue Value 2025 £ m	Carrying amount 2025 £ m	Issue Value 2024 £ m	Carrying amount 2024 £ m
EIB loans	Sterling	5.46%	2025	50.0	-	50.0	50.0
KfW Bank loan £200m	Sterling	5.49%	2026	200.0	127.8	200.0	143.5
KfW Bank loan £75m	Sterling	5.22%	2029	75.0	74.6	75.0	74.3
NatWest Bank loan £150m	Sterling	5.42%	2032	150.0	149.6	150.0	149.7
Revolving credit	Sterling	4.85%	2027	-	-	150.0	150.0
<i>Loans owed to subsidiary company</i>							
Fixed	Sterling	5.38%	2028	200.0	199.7	200.0	199.6
Fixed	Sterling	5.75%	2033	350.0	347.1	350.0	346.9
Fixed	Sterling	1.50%	2029	250.0	248.9	250.0	248.6
Fixed	Sterling	1.25%	2036	300.0	296.3	300.0	295.9
Fixed	Sterling	5.13%	2032	300.0	297.4	300.0	297.1
Fixed	Sterling	6.50%	2033	35.0	34.8	35.0	34.8
Fixed	Sterling	6.50%	2035	35.0	34.7	35.0	34.7
Fixed	Sterling	6.50%	2038	65.0	64.2	65.0	64.2
Fixed	Sterling	6.50%	2043	65.0	64.6	65.0	64.6
Fixed	Sterling	6.13%	2034	350.0	344.2	-	-
Fixed	Sterling	6.50%	2040	250.0	245.7	-	-
Index Linked	Sterling	2.19%	2039	50.0	92.5	50.0	89.6
Index Linked	Sterling	1.75%	2046	75.0	148.4	75.0	141.9
Index Linked	Sterling	1.75%	2051	75.0	148.4	75.0	141.9
Index Linked	Sterling	1.37%	2057	75.0	148.4	75.0	141.9
Index Linked	Sterling	1.37%	2057	75.0	148.4	75.0	141.9
Index Linked	Sterling	1.49%	2058	50.0	93.9	50.0	90.1
Index Linked	Sterling	1.50%	2058	50.0	93.9	50.0	90.1
Index Linked	Sterling	1.50%	2058	50.0	93.9	50.0	90.1
				3,175.0	3,497.4	2,725.0	3,081.4

Note:

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

All bonds are listed on the London Stock Exchange under Wessex Water Services Finance Plc, a 100% subsidiary (Note 16). Interest is payable based on the nominal interest rate as disclosed. Index-linked bonds increase in value annually in line with the Retail Prices Index.

Bank overdrafts and leases are excluded from this schedule. No bank overdrafts were utilised in the current and prior year.



Changes in liabilities arising from financing activities

	1 July 2024 £ m	Cash flows £ m	New leases £ m	Other £ m	30 June 2025 £ m
Current interest bearing loans and borrowings (excluding items listed below)	66.1	(66.1)	-	133.1	133.1
Current obligations under leases and hire purchase	0.7	(1.5)	0.4	1.8	1.4
Non-current interest bearing loans and borrowings (excluding items listed below)	3,015.3	439.7	-	(90.7)	3,364.3
Non-current obligations under leases and hire purchase contracts	2.6	-	2.9	(1.6)	3.9
	3,084.7	372.1	3.3	42.6	3,502.7
Interest Accrued under Trade and other payables	53.6	(122.8)	-	131.6	62.4
Total liabilities from financing activities	3,138.3	249.3	3.3	174.2	3,565.1

	1 July 2023 £ m	Cash flows £ m	New leases £ m	Other £ m	30 June 2024 £ m
Current interest bearing loans and borrowings (excluding items listed below)	256.5	(301.6)	-	111.2	66.1
Current obligations under leases and hire purchase	0.4	(0.5)	0.3	0.5	0.7
Non-current interest bearing loans and borrowings (excluding items listed below)	2,646.7	393.2	-	(24.6)	3,015.3
Non-current obligations under leases and hire purchase contracts	2.1	-	0.9	(0.4)	2.6
	2,905.7	91.1	1.2	86.7	3,084.7
Interest Accrued under Trade and other payables	40.9	(100.6)	-	113.3	53.6
Total liabilities from financing activities	2,946.6	(9.5)	1.2	200.0	3,138.3

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

The Company classifies interest paid as cash flows from financing activities.

The Company's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in note 27 "Financial instruments".



21 Trade and other payables

	2025 £ m	2024 £ m
Current		
Amounts payable to suppliers	19.7	38.5
Owed to subsidiary company	55.9	44.9
Owed to other group companies	15.4	-
Dividends	-	14.8
Other payables	9.1	8.9
Taxation and social security	4.4	3.9
Accrued expenses	49.9	79.0
Contract liabilities	72.5	71.4
	<u>226.9</u>	<u>261.4</u>
Non-current		
Contract liabilities	5.8	5.7
	<u>232.7</u>	<u>267.1</u>

Accrued expenses includes capital accruals of £20.3m (2024: £48.6m) and interest accruals of £6.5m (2024: £8.7m). The remainder of the balance mainly consists of accruals for other operating costs. Amounts owed to subsidiary company represent interest accrued on listed bonds.

	2025 £ m	2024 £ m
Analysis of Contract Liabilities		
At 1 July	77.1	71.9
Deferred during the year	76.9	76.9
Recognised as revenue during the year	(75.7)	(71.7)
At 30 June	<u>78.3</u>	<u>77.1</u>

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

22 Retirement benefits

Pension plans

Reconciliation of scheme assets and liabilities recognised The amounts recognised in the statement of financial position are as follows:

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

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

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

Liabilities for an unfunded arrangement and a compensatory payment for added years' service are held outside the defined benefit scheme. The Company also operates a defined contribution section within the main pension scheme. During the year the Company paid £12.2m (2024: £11.3m) to the defined contribution section and at 30 June 2025 owed £0.8m (2024: £1.2 m).



Profile of the scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees, and current pensioners. Broadly, about 23% of the DBO is attributable to current employees, 13% to deferred pensioners and 64% to current pensioners. The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 12-13 years, reflecting the appropriate split of defined benefit obligation between current employees (duration of c18-19 years), deferred members (duration of c17-18 years) and current pensioners (duration of c10-11 years).

Funding requirements

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

Risks associated with the scheme

Asset volatility - the DBO is calculated using a discount rate set with reference to corporate bond yields. If assets under-perform this yield, this will create a deficit.

The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

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

Inflation risk - The majority of the scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

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

Virgin Media vs NTL Case

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

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

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

Reporting at 30 June 2025

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

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

	30 June 2025	30 June 2024
Rate of increase in salaries - long term	1.70%	1.90%
Rate of increase in pensions		
- WWPS ⁽¹⁾ and 1/80ths members	2.70%	2.90%
- MIS ⁽²⁾ members	2.30%	2.60%
- Reduced level members	1.90%	2.00%
- Post 88 GMP ⁽³⁾	1.90%	2.10%
Discount rate	5.60%	5.10%
Inflation assumption - RPI ⁽⁴⁾	2.80%	3.10%
Inflation assumption - CPI ⁽⁵⁾	2.30%	2.60%

(1) WWPS - Wessex Water Pension Scheme

(2) MIS - Mirror Image Scheme

(3) GMP - Guaranteed Minimum Pension

(4) RPI - Retail Price Index

(5) CPI - Consumer Price Index



Mortality assumptions:

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

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

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

Members are assumed to take four times their pre-commutation pension as cash at retirement.

Sensitivity analysis

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

A reduction in the discount rate of 0.1% would increase the scheme liabilities by £6.7m from £531.1m to £537.8m, reducing the scheme surplus to £5.0m.

An increase in the inflation assumption of 0.1% would increase the scheme liabilities by £6.7m from £531.1m to £537.8m, reducing the scheme surplus to £5.0m.

An increase in life expectancy of 1 year would increase the scheme liabilities by £15.7m from £531.1m to £546.8m, reducing the scheme to a deficit of £4.0m.

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

The value of the assets:

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

The amounts recognised in the income statement and other comprehensive income:

	2025 £ m	2024 £ m
Operating cost - service cost		
Current service cost	4.7	4.9
Administrative expenses paid	1.0	1.2
Past service cost	-	(0.2)
Financing cost		
Net interest income/(expense)	(0.3)	(0.7)
Pension expense recognised in Income Statement	<u>5.4</u>	<u>5.2</u>



	2025 £ m	2024 £ m
Re-measurements in OCI		
Return on plan assets, excluding amounts included in interest income/(expense)	35.0	(1.6)
Actuarial (gains) arising from changes in demographic assumptions	(50.0)	1.6
Actuarial (gains) arising from changes in financial assumptions	(1.0)	(2.6)
Actuarial losses due to liability experience	10.4	9.0
(Gains) recognised in OCI	(5.6)	6.4
(Gains)/losses recognised in Income Statement and OCI	(0.2)	11.6

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

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

Changes to the fair value of scheme assets during the year

	2025 £ m	2024 £ m
Fair value at start of year	574.6	568.0
Interest income on scheme assets	28.7	29.0
Return on plan assets, excluding amounts included in interest income/(expense)	(35.0)	1.6
Contributions by employer	5.6	5.9
Net benefits paid out	(30.1)	(28.7)
Administrative costs incurred	(1.0)	(1.2)
Fair value at end of year	542.8	574.6

Additional analysis:

Actual return on scheme's assets

	2025 £ m	2024 £ m
Interest income on scheme assets	28.7	29.0
Return on plan assets, excluding amounts included in interest income/(expense)	(35.0)	(1.6)
Actual return on scheme assets	(6.3)	30.6



23 Deferred grants and contributions

	Requisitions £ m	Other contributions £ m	Adopted sewers £ m	Infrastructure charges £ m	Total £ m
Balance at 1 July 2024	40.4	33.7	116.6	133.3	324.0
Received during the year	4.1	4.6	4.4	2.5	15.6
Amortised in year	(0.3)	(0.6)	(0.8)	(1.4)	(3.1)
Balance at 30 June 2025	<u>44.2</u>	<u>37.7</u>	<u>120.2</u>	<u>134.4</u>	<u>336.5</u>

	Requisitions £ m	Other contributions £ m	Adopted sewers £ m	Infrastructure charges £ m	Total £ m
Balance at 1 July 2023	38.3	33.3	112.3	132.4	316.3
Received during the year	2.5	0.9	5.1	2.3	10.8
Amortised in year	(0.4)	(0.5)	(0.8)	(1.4)	(3.1)
Balance at 30 June 2024	<u>40.4</u>	<u>33.7</u>	<u>116.6</u>	<u>133.3</u>	<u>324.0</u>

Amortised amounts are included as part of Other Operating Income in the Income Statement.

24 Other provisions

	Claim costs £ m	Restructuring costs £ m	Total £ m
At 1 July 2024	1.3	0.1	1.4
Additional provisions	-	0.8	0.8
Provisions used	(0.2)	(0.4)	(0.6)
At 30 June 2025	<u>1.1</u>	<u>0.5</u>	<u>1.6</u>
Current liabilities	<u>1.1</u>	<u>0.5</u>	<u>1.6</u>
	<u>1.1</u>	<u>0.5</u>	<u>1.6</u>

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

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



25 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities		Assets		Net	
	2025	2024	2025	2024	2025	2024
	£ m	£ m	£ m	£ m	£ m	£ m
Property, plant and equipment	733.0	696.7	(51.9)	(48.5)	681.1	648.2
Employee benefits	2.9	1.5	-	-	2.9	1.5
Losses and interest restriction	-	-	(96.3)	(72.6)	(96.3)	(72.6)
Provisions	-	-	-	(0.1)	-	(0.1)
	735.9	698.2	(148.2)	(121.2)	587.7	577.0
Tax (assets)/liabilities						
Offsetting of tax assets/liabilities	(148.2)	(121.2)	148.2	121.2	-	-
	587.7	577.0	-	-	587.7	577.0

Movement in deferred tax during the year

	1 July	Recognised	Recognised	30 June
	2024	in income	in equity	2025
	£ m	£ m	£ m	£ m
Property, plant and equipment	648.2	32.9	-	681.1
Employee benefits	1.5	-	1.4	2.9
Losses and interest restriction	(72.6)	(23.7)	-	(96.3)
Provisions	(0.1)	0.1	-	-
	577.0	9.3	1.4	587.7

Movement in deferred tax during the prior year

	1 July	Recognised	Recognised	30 June
	2023	in income	in equity	2024
	£ m	£ m	£ m	£ m
Property, plant and equipment	598.1	50.1	-	648.2
Employee benefits	2.9	0.2	(1.6)	1.5
Losses and interest restriction	(13.1)	(59.5)	-	(72.6)
Provisions	(0.3)	0.2	-	(0.1)
	587.6	(9.0)	(1.6)	577.0

26 Share capital

Allotted, called up and fully paid shares

	No.	2025	No.	2024
		£		£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
			2025	2024
			£	£
Shares classified as liabilities			-	-
Shares classified in shareholders' funds			<u>2</u>	<u>2</u>
			<u>2</u>	<u>2</u>

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



27 Financial instruments

Fair values of financial instruments

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

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

The fair values of long-term fixed-rate inter-company borrowings are classified as level 1 in the IFRS 13 fair value hierarchy and have a carrying value of £2,177.6m and a fair value of £2,048.6m. The fair values of long-term index-linked inter-company borrowings are classified as level 1 in the IFRS 13 fair value hierarchy and have a carrying value of £967.8m and a fair value of £953.8m. Bank loans are classified as level 2 and have a carrying value of £352.0m and fair value of £352.0m. All other loans and leases are classified as level 2 and have a carrying value and fair value of £5.3m.

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

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

	Carrying amount 2025 £ m	Fair value 2025 £ m	Level 1 2025 £ m	Level 2 2025 £ m
Financial liabilities				
<i>Interest-bearing loans and borrowings:</i>				
Fixed rate borrowings	2,177.6	2,048.6	2,048.6	-
Floating rate borrowings	357.3	357.3	-	357.3
Indexed-linked borrowings	967.8	953.8	953.8	-
Total financial liabilities	3,502.7	3,359.7	3,002.4	357.3

	Carrying amount 2024 £ m	Fair value 2024 £ m	Level 1 2024 £ m	Level 2 2024 £ m
Financial liabilities				
<i>Interest-bearing loans and borrowings:</i>				
Fixed rate borrowings	1,589.7	1,447.4	1,444.1	3.3
Floating rate borrowings	571.8	571.8	-	571.8
Indexed-linked borrowings	927.5	934.8	934.8	-
Total financial liabilities	3,089.0	2,954.0	2,378.9	575.1

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



Credit risk

Financial risk management

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

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

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

	2025 £ m	2024 £ m
Other financial assets	50.0	-
Cash and cash equivalents	44.1	-
	<u>94.1</u>	<u>-</u>

The concentration of credit risk for amounts receivable from customers at the balance sheet date by geographic region was:

	2025 £ m	2024 £ m
South West England	<u>158.2</u>	<u>139.8</u>
	<u>158.2</u>	<u>139.8</u>

Billed and unbilled receivables are from domestic and business customers. No individual customer or industrial sector has a material balance outstanding at either year end, aside from £6.7m from Water 2 Business Ltd, a fellow subsidiary in the water industry.

No credit risk exists in relation to amounts owed by fellow group companies.

Set out below is the information about the credit risk exposure on the company's trade receivables using a provision matrix.

	2025 £ m	2024 £ m
Billed receivables	109.8	104.0
Unbilled receivables	108.2	83.5
Expected credit losses	(59.8)	(47.7)
	<u>158.2</u>	<u>139.8</u>

	Gross 2025 £ m	ECL rate 2025 %	ECL 2025 £ m
Less than 1 year	168.6	15.4%	(26.0)
1 to 2 years	19.0	54.7%	(10.4)
2 to 3 years	13.3	66.9%	(8.9)
3 to 4 years	11.1	76.6%	(8.5)
More than 4 years	6.0	100.0%	(6.0)
	<u>218.0</u>	<u>27.4%</u>	<u>(59.8)</u>

	Gross 2024 £ m	ECL rate 2024 %	ECL 2024 £ m
Less than 1 year	137.0	8.0%	(11.0)
1 to 2 years	16.2	57.4%	(9.3)
2 to 3 years	12.9	68.2%	(8.8)
3 to 4 years	11.5	75.7%	(8.7)
More than 4 years	9.9	100.0%	(9.9)
	<u>187.5</u>	<u>25.4%</u>	<u>(47.7)</u>



The movement in the expected credit loss allowance in respect of trade receivables during the year was as follows:

	2025 £ m	2024 £ m
Balance at 1 July	(47.7)	(38.5)
Written off	11.5	9.8
Adjustment for non-paying customers	0.8	0.8
Non-payers subsequently becoming payers	(0.9)	(1.1)
Charge to profit and loss	(23.5)	(18.7)
	<u>(59.8)</u>	<u>(47.7)</u>

The expected credit loss policy is shown in the accounting policies (note 1.9).

Cash flow hedges

The company does not have any cash flow hedges (2024 - none).

Liquidity risk

Financial risk management

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

Maturity analysis for financial liabilities and financial assets

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

2025 Non-derivative assets	Carrying amount £ m	Contractual cash flow £ m	Year 1 £ m	Years 2 to 5 £ m	Over 5 years £ m
Lease liabilities	5.3	6.2	1.5	3.1	1.6
Unsecured bank loans	352.0	430.2	149.3	111.2	169.6
Inter-company loans	3,145.4	5,711.1	139.9	915.1	4,656.1
	<u>3,502.7</u>	<u>6,147.6</u>	<u>290.8</u>	<u>1,029.5</u>	<u>4,827.3</u>

2024 Non-derivative assets	Carrying amount £ m	Contractual cash flow £ m	Year 1 £ m	Years 2 to 5 £ m	Over 5 years £ m
Lease liabilities	3.3	3.9	0.7	1.6	1.6
Unsecured bank loans	571.8	712.9	101.4	428.6	182.9
Inter-company loans	2,513.9	4,623.3	82.5	524.1	4,016.7
	<u>3,089.0</u>	<u>5,340.2</u>	<u>184.6</u>	<u>954.3</u>	<u>4,201.3</u>



Market risk

There is no exposure to equity or foreign currency risk, the interest rate risk is shown below.

Interest rate risk

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

	2025 £ m	2024 £ m
Fixed rate instruments	2,177.6	1,589.7
Floating rate instruments	357.3	571.8
Index linked instruments	967.8	927.5
	<u>3,502.7</u>	<u>3,089.0</u>

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

Sensitivity

The floating rate instruments are sensitive to interest rate movements. If there was a 1% increase in interest rates on those floating rate instruments at the balance sheet date, there would be an additional interest charge to the income statement of £3.6m.

Inflation sensitivity

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

28 Capital management

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

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial

covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a gearing ratio, which is net debt divided Regulatory Capital Value (RCV). The company includes within net debt interest bearing loans and borrowings, less cash and short-term deposits, excluding discontinued operations.

	2025 £ m	2024 £ m
Cash at bank	(14.1)	-
Short term deposits (less than 3 months)	(30.0)	-
Medium term deposits (3-6 months)	(50.0)	-
Bank Overdraft	-	4.3
Bank Loans	352.0	567.5
Leases	5.3	3.3
Bonds	3,145.4	2,513.9
Total Net Debt	<u>3,408.6</u>	<u>3,089.0</u>
RCV at 30 June	<u>4,733.2</u>	<u>4,331.6</u>
Gearing	72.0%	71.3%

[View the RCV for each regulated water and sewerage company](#), which is published by Ofwat in March.

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

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



29 Commitments

Capital commitments

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

The company has guaranteed Bonds of £3,145.4m (2024 - £2,513.9m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc.

The company has provided performance guarantees on its own behalf of £0.4m (2024 - £0.5m).

30 Contingencies

Incident at Avonmouth Water Recycling Centre

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

Flow to full treatment investigation

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



31 Related party transactions

There were no transactions with key management personnel.

Directors' emoluments have been disclosed in the Remuneration Committee Report.

There have been no transactions with pre-penultimate, penultimate and ultimate holding companies described in note 32.

All other transactions with related parties and balances at the year-end are summarised in the following table:

	2025 £ m	2024 £ m
Sales of goods and services:		
Fellow subsidiaries	93.0	97.3
Other group companies	3.4	0.9
Immediate holding company	0.8	1.0
Joint ventures	1.5	1.5
Purchase of goods and services:		
Fellow subsidiaries	5.7	4.8
Other group companies	168.2	0.7
Immediate holding company	0.2	0.6
Joint ventures	15.6	14.6
Interest expense:		
Subsidiary	136.3	165.5
Year-end balances owing by:		
Fellow subsidiaries	24.0	24.5
Other group companies	0.5	0.2
Immediate holding company	16.3	16.3
Joint ventures	1.0	0.9
Year-end balances owing to:		
Subsidiary	3,201.3	2,558.8
Other group companies	15.4	-
Immediate holding company	-	14.8

Terms and conditions of transactions with related parties

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

At present the Company has no expected credit loss on intercompany receivables. The Company has assessed the amounts of future cash flows and probability of default and there is sufficient headroom that no material provision is required.

The Company has guaranteed Bonds of £3,145.4m (2024 - £2,513.9m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc. The bond proceeds are lent to WWSL on the same terms as the bonds themselves.

32 Parent and ultimate parent undertaking

The parent of the smallest group in which these financial statements are consolidated is Wessex Water Ltd, a company incorporated in England whose registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The company's immediate parent is Wessex Water Ltd, a company registered in England. The pre-penultimate and penultimate holding companies are YTL Corporation Berhad and Yeoh Tiong Lay & Sons Holdings Sdn Bhd (both registered in Malaysia).

The ultimate parent is Yeoh Tiong Lay & Sons Family Holdings Ltd registered in Jersey.

The most senior parent entity producing publicly available financial statements is YTL Corporation Berhad incorporated in Malaysia. These financial statements are available upon request from Menara YTL, 205 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

33 Non adjusting events after the financial period

There were no subsequent events requiring disclosure in these financial statements.



34 Critical accounting judgements and key sources of estimation uncertainty

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

Significant estimates

Revenue recognition

The unbilled income accrual from metered water services requires an estimation of the amount of commissioning unbilled charges at the period end. This is calculated using system generated information based on average customer volume usage. A 2% movement in average consumption equates to a £1.7m movement in the unbilled income accrual.

Asset lives

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

Defined benefit pension scheme deficit

In recognising the deficit on the balance sheet there are a number of assumptions concerning inflation, rate of increase of salaries and pensions, mortality rates and interest rates that can have a significant effect on the deficit recorded. These assumptions are discussed with independent qualified actuaries and disclosed in note 22 to the financial statements. The sensitivities around these assumptions are also reflected in the note.

Expected credit loss allowance

The expected credit loss on outstanding receivables is a key estimate under IFRS 9. We base our estimate of recoverability by grouping customers into similar economic profiles and applying a percentage loss rate based on forward looking judgements on the future collection rates that are likely to be achieved. In particular for the year ended 30 June 2025 this has included additional considerations of the possible impact of the ongoing economic uncertainty on the expected collection rates of outstanding receivables at the

balance sheet date. These assumptions are discussed in note 27. A 1% reduction in collection rates would increase the expected credit loss allowance by £6.5m.

Significant judgements

Classification of capital expenditure

Due to the high value of capital expenditure the judgements made on the classification of expenses as operating or capital, and within capital between maintenance and enhancement, are key to the preparation of the accounts. The Company follows both accounting standards and guidelines issued by Ofwat in making these judgements.

Climate-related matters

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



Independent Auditor's Report to the members of Wessex Water Services Limited

Opinion

We have audited the financial statements of Wessex Water Services Limited for the year ended 30 June 2025 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 34 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2025 and of its profit for the year then ended
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included completing the following procedures:

- gained an understanding of the process undertaken by management to perform the going concern assessment, including discussion with management to ensure all key factors were taken into account
- obtained management's forecast cash flows and covenant calculations covering the period from the date of signing to 31 December 2026 and agreed these to the Board approved budgets and forecasts
- inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern
- tested the mathematical accuracy of the cash flow forecasts, as well as the calculation of the forecast covenants
- compared forecast future cashflows to historical data, ensuring variations are in line with our expectations, such as historical performance, and understanding of the business and considered the reliability of past forecasts
- challenged the Company's ability to obtain additional liquidity, with the support of our debt advisory specialists and agreed available facilities to underlying agreements and the extent of drawings thereunder to external confirmations
- evaluated the timing of the additional funding during the going concern period against management's treasury plan
- performed forecast covenant testing and considered any indicator of breach in the assessment period
- considered the challenging but plausible downside scenario modelled by management in respect of the assumptions used in the going concern assessment and included sensitivity analysis on management's forecast cashflows to understand how more severe the conditions would have to be to breach liquidity and/or covenants



- we considered the regulatory impacts on management's assessment such as the Ofwat's announcement of the PR24 final determination and the company's subsequent referral of this determination to the Competition and Markets Authority (CMA). PR24 covers the period from April 2025 to March 2030
- understood and challenged the Board's controllable mitigation plans and the forecast impact on the ability of the business to operate within its financial covenants. We obtained supporting documentation to evaluate the plausibility and achievability of management's mitigation plans considering actions delivered to date
- considered the results of other audit procedures and other knowledge obtained in the audit and whether it was consistent with or contradicted management's assumptions
- assessed the appropriateness of disclosures within the Annual Report and Accounts.

Our key observations:

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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



Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 121, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
 - o UK adopted international accounting standards
 - o Financial Reporting Council (FRC)
 - o Tax Legislation (Governed by HM Revenue and Customs)
 - o General Data Protection Regulation
 - o The UK Bribery Act
 - o Anti-Money Laundering Legislation
 - o Health & Safety Legislation
 - o Ofwat Regulations
 - o The Water Act (2003; 2014)
 - o Environment Act (1995; 2021)
 - o Companies Act 2006
- We understood how Wessex Water Services Limited is complying with those frameworks by enquiring with management to understand how the company maintain and communicate its policies and procedures in relation to these areas. We evaluated the entity level control environment through discussion with management and in house - legal counsel and inspecting and observing the control environment.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with



management and internal audit to understand where they are considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of key management and in-house legal counsel, reviewing key policies, inspecting legal registers and correspondence of non-compliance from the relevant authorities and reports from any external legal teams, and reading board meeting minutes. We performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year that haven't been disclosed and to ensure that the management is in compliance with the applicable framework. For any non-compliance noted, we assessed the accounting implications and read the financial statements to evaluate the appropriateness of the disclosures.

A further description of our responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of our auditor's report.

Use of our report

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

Eleri James (Senior statutory auditor)

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

19 September 2025



Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.