Interim Financial Information and Report

for the six months to 30 September 2024

Wessex Water
YTL GROUP

Business Review

Chief Executive's Overview

These are my first set of interim accounts as Chief Executive of Wessex Water Services Limited. It's an inspiring but equally challenging time to take this role and I'm very grateful to my predecessor for leaving the company in a such a well-placed position.

Expectations of what the water industry can achieve have rarely been higher. Our customers expect excellent service and that we are having a positive impact on the environment. This is set against a backdrop of a climate that is rapidly changing, regulations that are rightly getting more stringent, an economic outlook that is still difficult, and an industry that is not trusted. To address these challenges, we submitted our 2025-2030 business plan to our regulator at the end of 2023. In July, we received our draft determination (DD) from Ofwat and since then, we have been working hard to respond to that DD and agree a final determination (FD) that will meet customer expectations, regulatory standards and is practically deliverable. We expect our FD in mid-December.

Our 2025-2030 business plan is an ambitious one. We will be investing over £2bn more than the previous investment period and tackling a range of issues that are important to our customers and the environment. We plan to further reduce leakage, tackle spilling from storm overflows, and increase the resilience of our water supply network. We want to do all of this in ways that enhance the environment 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, increase our smart metering programme, and work even more closely with our supply chain. Nevertheless, we are confident that the necessary increases in bills that we are proposing will see a significant improvement in customer service and the resilience of our assets.

To be credible and trusted, we must not only demonstrate to customers we spend their money prudently, but we must also show we perform well. Our principal quality regulators, the Environment Agency (EA) and Drinking Water inspectorate (DWI), publish annual reports on our performance. It is a matter of pride to the whole team at Wessex Water that we should be industry leading in these reports.

I was very pleased that in 2023, the EA judged us as industry leading and a 4-star company (the maximum star rating) through their Environmental Performance Assessment (EPA). The EPA is an integrated assessment of environmental performance across a range of metrics and to be judged 4-star is not easy. The EA are currently consulting on changes to the EPA for the next business plan period, and we will be encouraging them to ensure that it properly reflects companies' contributions to the environment.

Wessex Water has long understood that providing clean and safe water for our customers is the most fundamental service we provide; for us this is non-negotiable. This has again been recognised by the DWI through their annual performance review, where we continue to be the top performing water and sewerage company.

Our ability to continue to perform at these high standards is reflected in the quality of our 2025-2030 business plan, our focus on performance and the exceptional quality of people at Wessex Water.

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. The health, safety and wellbeing of our staff and contractors is of highest priority. My strong focus is on ensuring a workplace where people's physical and mental wellbeing is prioritised.

It is also important that we have a strong pipeline of future leaders in our industry. 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.

Business Review *(continued)*

Since our last annual report, we have had a general election and a change of government, both of which offer the water industry new challenges but also real opportunities. Defra have commissioned Dan Corry to undertake a review that "... will examine whether the inherited regulatory landscape is fit for purpose and develop recommendations to ensure that regulation across the Department is driving economic growth while protecting the environment". Importantly, the new government has also established an Independent Commission chaired by Sir Jon Cunliffe to undertake the widest ranging review of the water industry since privatisation with the intention of reporting in 2025. This is welcome news, and we look forward to engaging with these reviews to shape a future for the water industry that meets customer expectations, enhances the environment, is resilient to climate change and continues to be an attractive place for long term investors.

I will also be championing the Sustainable Solutions for Water and Nature (SSWAN) coalition, which has crafted a new vision for the water environment. Together with Green Alliance, The Rivers Trust, RSPB, The Wildlife Trusts, Sustainability First, CIWEM and Water UK, we propose replacing today's fragmented regulatory model with a catchment-wide approach which 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. We will be making the case for this kind of catchment-based approach as part of our engagement with Sir Jon Cunliffe's Commission.

Performance for customers and the environment

The first six months of 2024-25 has seen continued work and investment to improve performance and build resilience to a rapidly changing climate, all within tightening regulatory standards. We are pleased to see performance generally being maintained or improving on last year, although we recognise there is still more we can do, especially in certain areas.

There are three metrics reported which show reduced performance from last year. For water consumption, last year saw a significant reduction in the volume of water used as a result of wetter weather and the cost-of-living impact, neither of which have been repeated in the first 6 months of this year. Our work and commitment to promoting water saving continues. Our compliance with drinking water standards (CRI) has reduced following an increase in customer tap failures this year however we expect to remain below penalty thresholds. An increase in the number of total pollution incidents puts us at risk of one red metric in the Environmental Performance Assessment this year, which would mean we could not be a Leading company. This is a real disappointment to us and reinforces our commitment to make significant investment to reduce the impact of storm overflows and improve our sewerage system such that this is addressed.

Business Review *(continued)*

The table shows our key measures for customers and the environment and whether performance to date is consistent with meeting the full year target.

Outcome	Key measures	Performance commitment target	Status in current reporting year	Trend versus last year
Protecting and enhancing the environment	EA Environmental performance assessment	Leading	Behind target - see below [1]	Worsening
	Treatment works compliance	100%	Behind target - see below [2]	Stable
	Satisfactory sludge disposal	100%	On target	Stable
	Greenhouse gas emissions (tCO_2)	<101,000	Ahead of target	Stable
Providing excellent service to customers	Customer satisfaction score (C-MeX)	Upper quartile	On target	Stable
	Developer satisfaction score (D-MeX)	Upper quartile	On target	Stable
	Customers rating good value for money	84%	Pending annual survey	-
Providing excellent drinking water	Compliance with drinking water standards (CRI)	0	Behind target - see below [3]	Worsening
Using water efficiently	Volume of water leaked	<63.9 Ml/day	Behind target - see below [4]	Improving
	Volume of water used per person (litres per day)	<136.6 l/p/d	Behind target - see below [5]	Worsening
Minimising sewer flooding	Internal sewer flooding incidents (nr/per 10,000 sewer connections)	<1.34	Behind target - see below [6]	Improving
	Customer property sewer flooding (external) (nr/10000 sewer connections)	<15.68	Behind target - see below [6]	Improving
Resilient services	Restrictions on water use (e.g. hosepipe bans)	None	On target	Stable
	Water supply interruptions >3 hours (minutes per property)	<5 min	Ahead of target	Improving

[1] Over recent years we have seen an increase in total pollutions not because of a degradation in asset performance but primarily due to identifying more incidents through greater monitoring at Sewage Pumping Stations (SPS) and Water Recycling Centres (WRCs). Through root cause analysis we have added to our list of actions to target these areas, at the same time continuing with activities instigated in previous years.

[2] Treatment works compliance is measured as the number of failing sites as a percentage of the total number of sites with discharge permits, with 100% compliance targeted. While we always target 100% compliance, results of 99% or greater are considered acceptable and do not incur any penalty. We are currently expecting to stay above 99% at the end of the year.

Business Review *(continued)*

[3] Our drinking water compliance is measured against an index called the Compliance Risk Index (CRI), with zero being perfect. While we aspire to deliver 0 against CRI, results of up to 2 are considered acceptable and do not incur any penalty. We are currently expecting to remain below 2 at the end of the year.

[4] Our leakage position continues to improve from the highs seen in 2022-23 following a long, dry summer and freeze/thaw events. Performance is reported based on a three-year average and so will continue to be impacted by those highs. In-year levels are reducing from summer peaks, and we expect to achieve continued reductions over the Autumn.

[5] Water consumption is measured as the volume of water used per person in the home. Although not meeting our target, we continue with a varied range of demand management activities including metering; Home Check visits fitting water efficient products and fixing leaking plumbing fixtures; promotion of non-household efficiency audits; distribution of water butts and our GetWaterFit calculator. Other considerations this year include promotional initiatives in partnership with local/national organisations; household-level flow regulators as an additional or alternative means of saving water; and seeking opportunities to work with developers to increase water efficiency in new builds.

[6] Internal and external sewer flooding occurs when water escapes from the sewerage system either inside or within the curtilage of a building normally used for residential, public, community and business purposes. Our activities to discourage sewer misuse to encourage positive and sustained changes in behaviours and appropriate disposal into the sewerage system brings further reductions in the numbers of blockages reported. Against tightening performance targets, we are pleased to see an improving position on floodings.

Financial Performance

Key financial performance indicators

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Increase/ (decrease) %
Income Statement			
Operating costs	**236.6**	211.0	12.1%
Profit/(loss) after tax	**19.6**	(8.0)	345.0%
Dividends declared	**37.0**	37.0	-
Statement of financial position			
Regulatory gearing[1]	**71.8%**	67.0%	7.2%
Regulatory capital value	**4,402.3**	4,184.3	5.2%
Statement of cashflows			
Net capital investment	**248.0**	189.6	30.8%
Cash (outflow)/inflow before dividends	**26.4**	(100.3)	126.3%

[1] as defined in Ofwat RAG4.12 as net debt divided by Regulatory Capital Value.

Business Review *(continued)*

Financial statements review

Results for the half year show operating profit increased by £19.7m from £78.0m to £97.7m, whilst the position after taxation improved from a loss of £8.0m last year to a profit after taxation of £19.6m this year.

Total revenues increased by £45.5m from £287.0m to £332.5m. Regulated tariff revenue increased by £42.1m, mainly due to price rises permitted under the regulatory mechanism.

Operating costs increased by £25.6m from £211.0m to £236.6m. Labour costs of £89.9m were £11.7m higher partly driven by an increase in headcount to drive operational improvements and to deliver the step up in capital programme. Annual pay increases, which take effect from 1 April each year, increased costs by £3.9m period-on-period. The increases in labour costs were partly offset by a £5.2m increase in capitalisation.

There were upward pressures on business rates and Environment Agency charges with a combined increase of £2.9m or 20%. Higher technology third-party costs and insurance contracts resulted in £2.4m of additional costs. Bad debt charges grew by £0.7m as a result of the effect of new pricing but were lower as a proportion of overall household revenues. New obligations such as phosphorus removal added a further £3.2m of costs. Depreciation and amortisation increased by £3.7m from £60.6m to £64.3m primarily as a result of new asset construction.

Net financing expenses decreased by £16.7m from £91.1m to £74.4m. Financial expenses decreased by £21.6m as a result of lower inflation on the index linked bond portfolio against which there was a £0.2m increase in the interest costs relating to IAS 19 pension accounting. Financial income fell by £4.9m as a result of reduced funds held in short and medium term deposits.

Net capital investment for the six months was £248.0m, a significant increase on £189.6m last year and remains consistent with the timing of the construction programme for the current regulatory period. The increased level of spend meant Regulatory gearing eroded by 7.2%.

The regulatory capital value increased by £218.0m to £4,402.3m primarily as a result of the high levels of capital investment applied as part of the calculation. Since privatisation the regulatory capital value has continued to reflect the growth of the size of the business and the investment programme.

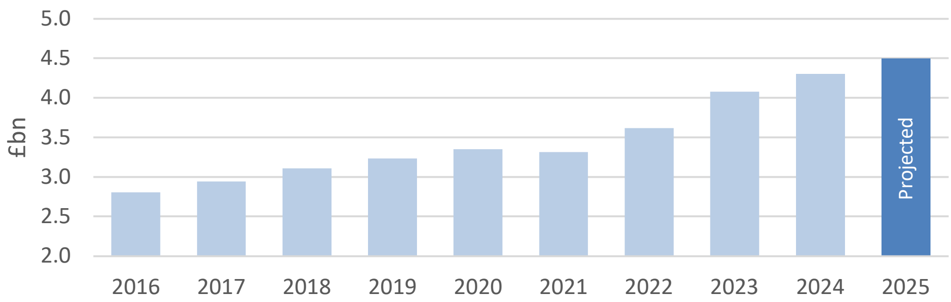

Chart: Regulatory Capital Value growth since 2016

Total taxation, including deferred tax, reversed from a credit of £5.1m last year to a charge of £3.7m this year. There was no tax paid in either period due to the availability of full expensing for capital expenditure.

Dividends declared for the six months to 30 September 2024 were £37.0m, unchanged from £37.0m for the same period last year.

Cash and cash equivalents ended the period overdrawn at £4.8m, reducing by £10.6m from an opening cash reserve of £5.8m. The net cash inflow from operating activities was £112.3m less cash outflows from investment activities of £219.4m plus net cash inflows from financing of £96.5m.

Business Review *(continued)*

Risk Management

Principal risks are those risks that can have a material impact on the delivery of our current business plan in the short to medium term and as such the Board sets the risk appetite and tolerance levels it expects the business to operate within while balancing the pressure of performance, cost and risk.

The risks are categorised as:

Risk type	Definition
Strategic risk	Internal or external events that can deter or prevent the business from meeting its strategic objectives
Operational risk	Inefficiencies or breakdown in internal processes, people, and systems
Compliance & Regulatory risk	Arise from laws and regulations that rely on penalties or sanctions to regulate the operations of the business. Regulatory risk is the effect of a change in laws and regulations that could potentially cause losses to the business, sector or market and Compliance risk relates to the potential to violate a law or regulation
Financial risk	Business' ability to manage debt and fulfil financial obligations
Business risk	Basic viability of the business to turn a profit and cover operating expenses whilst maintaining its value

The Company regularly scans for emerging risks and opportunities of relevance to the business and incorporates any changes into the corporate risk register together with the plans for mitigating these risks. Following the response to the PR24 business plan draft determination, we continue to fulfil our commitments in AMP7 and the planning of the AMP8 programme to deliver efficient value for customers whilst maintaining performance in the face of increasing external threats.

To deliver excellent service to customers and the environment, we continually seek to identify opportunities to meet our outcomes more efficiently, working with Government and regulators where appropriate. We are committed to achieving the benefits of using new technology to provide improved information to support decision making and investment planning. We are committed to providing open and transparent information about our performance to help engage with customers and stakeholders and to deliver the improvements that are expected.

The changing geopolitical environment has increased the volatility in market conditions, impacting supply chain lead times and cost increases. The unsettled global conditions have also resulted in an increasing cyber threat. Resource shortages remain challenging for our supply chain and our own workforce. In transitioning to deliver the larger environmental programme in AMP8 we are working with our supply chain to strengthen our resilience and are focusing on the development and retention of key resources to maintain a high level of service to customers.

Business Review *(continued)*

The current trends of principal risks are shown below:

Principal risks - strategic

Principal risk	Description	Risk update
Reputation & positioning	National or regional issues that impact the perception of the business	Industry perception continues to be negative, with focus broadening
Political action	Actions taken by government that fundamentally change our operating environment affecting the business and/or cash flows.	Progression on Introduction of The Water (Special Measures) Bill
Regulatory action	Actions taken by regulators that fundamentally change our operating environment affecting the business and/or cash flows.	Cross industry discussions with regulators underway
Environment & public value	The expectation on the business to create value beyond a focus on short term performance	Continuing to build long-term positive working relationships with NGOs while creating environmental and social benefit
Climate volatility	The need to adapt to changing climate and weather patterns	Increased frequency of extreme weather events. Cross-regional strategic planning progressing

Principal risks – compliance, financial and operational

Principal risk	Description	Risk update
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	Pollution reduction strategy adapted and increased monitoring in place
Resourcing 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 deliver our strategic objectives	AMP8 recruitment plans are in place to ensure adequate resourcing
Supply chain resilience (including loss of power)	Resource scarcity or disruptions to supply chains which prevent the procurement of products or services at the expected cost, availability, or quality	Critical AMP8 capital delivery partner frameworks have been awarded
Health and safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors, or the public	Engagement of Process Safety Director with additional resources
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 threat alongside greater awareness of vulnerabilities. Work continues to protect operational technology systems

Business Review *(continued)*

Principal risk	Description	Risk update
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	Review of contingency arrangements underway considering incidents elsewhere in industry. Updated disinfection policy
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	Sector continues to face financing challenges however feedback remains positive from investors and relationship banks
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	Continual improvement of our Asset Management Framework focusing on asset data and strategic alignment
Governance and ethics	Non-compliance with our own values, behaviors, and standards, or with statutory and regulatory obligations, either unintentionally, intentionally, or maliciously (e.g., insider threat)	Strong culture of good governance and ethics and continue to progress activities to further improve our position

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge the interim financial statements:

- have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the UK,

- give a true and fair view of the assets, liabilities, financial position and profit or loss of the company,

- include a fair review of the information required by DTR 4.2.7R, being an indication of the important events during the period and descriptions of the principal risks and uncertainties for the remaining months of the year,

- include a fair review of the information required by DTR 4.2.8R, disclosure of related party transactions and changes therein.

The Directors of Wessex Water Services Ltd are listed on pages 54 to 57 of the Company's Annual Report and Accounts 2023-24.

By order of the board

Andrew Pymer
Director

Condensed Income Statement

	Note	**Half year to 30.09.24 (unaudited) £m**	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Revenue	*2,3*	**332.5**	287.0	574.4
Charge for bad and doubtful debts		**(6.9)**	(6.2)	(18.4)
Other operating costs		**(229.7)**	(204.8)	(422.2)
Total operating costs	*4*	**(236.6)**	(211.0)	(440.6)
Other income	*4*	**1.8**	2.0	4.7
Operating profit	*2*	**97.7**	78.0	138.5
Financial income		**0.1**	5.0	8.1
Financial expenses		**(74.5)**	(96.1)	(189.8)
Net financing expense	*5*	**(74.4)**	(91.1)	(181.7)
Profit/(Loss) before tax		**23.3**	(13.1)	(43.2)
Taxation	*6*	**(3.7)**	5.1	10.2
Profit/(loss) for the period		**19.6**	(8.0)	(33.0)

As there are no non-controlling interests, the Profit/(loss for the year is wholly attributable to the owners of the parent company.

Condensed Statement of Other Comprehensive Income

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Profit/(loss) for the period	**19.6**	(8.0)	(33.0)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	**(2.2)**	9.3	5.1
Income tax on items that will not be reclassified to profit or loss	**0.5**	(0.8)	(1.3)
Other comprehensive (loss)/gain for the period, net of income tax	**(1.7)**	8.5	3.8
Total comprehensive income/(loss) for the period	**17.9**	0.5	(29.2)

Condensed Statement of Financial Position

	Note	**30.09.24 (unaudited)**	30.09.23 (unaudited)	31.03.24 (audited)
		£m	£m	£m
Non-current assets				
Property, plant and equipment	*9*	**4,591.8**	4,260.9	4,414.4
Intangible assets	*8*	**40.2**	51.2	46.2
Investment in subsidiaries		**-**	-	-
Retirement benefit surplus		**3.3**	10.4	6.7
		4,635.3	4,322.8	4,467.3
Current assets				
Inventories		**7.6**	6.9	7.0
Trade and other receivables		**188.2**	164.2	203.1
Corporation tax receivable		**0.3**	7.0	0.9
Cash and cash equivalents	*10*	**-**	45.0	5.8
		196.1	223.1	216.8
Total assets		**4,831.4**	4,545.9	4,684.1
Current liabilities				
Bank Overdraft		**(4.8)**	(17.8)	-
Other interest-bearing loans and borrowings	*10*	**(66.5)**	(166.2)	(66.2)
Trade and other payables		**(238.4)**	(194.8)	(272.4)
Provisions		**(1.4)**	(1.2)	(1.2)
		(311.1)	(380.0)	(339.8)
Non-current liabilities				
Other interest-bearing loans and borrowings	*10*	**(3,091.5)**	(2,666.5)	(2,903.0)
Contract liabilities		**(5.7)**	(5.9)	(5.7)
Retirement benefit deficit		**(0.6)**	(0.7)	(0.7)
Deferred grants and contributions		**(325.7)**	(317.8)	(322.2)
Deferred tax liabilities		**(575.1)**	(575.0)	(571.9)
		(3,998.6)	(3,565.9)	(3,803.5)
Total liabilities		**(4,309.7)**	(3,945.9)	(4,143.3)
Net assets	*2*	**521.7**	600.0	540.8
Equity				
Share capital		**-**	-	-
Retained earnings		**521.7**	600.0	540.8
Total equity		**521.7**	600.0	540.8

The interim financial statements were approved by the board of directors on 25 November 2024 and signed on its behalf by

Andrew Pymer, Director

Condensed Statement of Changes in Equity

	Note	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2023		-	636.5	636.5
Total comprehensive income for the period				
Loss for the period		-	(8.0)	(8.0)
Other comprehensive income		-	8.5	8.5
Total comprehensive income for the period		-	0.5	0.5
Transactions with owners, recorded directly in equity				
Dividends	*7*	-	(37.0)	(37.0)
Total contributions by and distributions to owners		-	(37.0)	(37.0)
Balance at 30 September 2023 (unaudited)		-	600.0	600.0
Balance at 1 April 2024		**-**	**540.8**	**540.8**
Total comprehensive income for the period				
Profit for the period		-	**19.6**	**19.6**
Other comprehensive income		-	**(1.7)**	**(1.7)**
Total comprehensive income for the period		-	**17.9**	**17.9**
Transactions with owners, recorded directly in equity				
Dividends	*7*	-	**(37.0)**	**(37.0)**
Total contributions by and distributions to owners		-	**(37.0)**	**(37.0)**
Balance at 30 September 2024 (unaudited)		**-**	**521.7**	**521.7**

Condensed Statement of Cash Flows

	Note	**Half year to 30.09.24 (unaudited) £m**	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Cash flows from operating activities				
Profit/(loss) for the period		**19.6**	(8.0)	(33.0)
Adjustments for:				
Depreciation, amortisation and impairment		**65.3**	59.3	123.1
Financial income		**(0.1)**	(5.0)	(8.1)
Financial expense		**74.5**	96.1	189.8
Taxation		**5.2**	(5.1)	(10.2)
		163.0	137.3	261.6
Decrease/(increase) in trade and other receivables		**14.9**	30.9	(6.9)
(Increase) in inventories		**(0.6)**	(0.6)	(0.7)
(Decrease)/increase in trade and other payables		**(65.7)**	(62.8)	22.5
Increase/(decrease) in provisions and employee benefits		**0.1**	(17.6)	(18.7)
		(51.3)	(50.1)	(3.8)
Tax received		**0.6**	-	7.7
Net cash from operating activities		**112.3**	87.2	265.5
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**0.8**	1.0	2.2
Interest received		**0.1**	3.9	8.1
Acquisition of property, plant and equipment		**(221.1)**	(158.2)	(353.9)
Acquisition of intangible assets		**(1.4)**	(5.5)	(8.8)
Sale of financial instruments		**-**	130.0	130.0
Proceeds from infrastructure charges and capital contributions		**2.2**	1.8	5.4
Net cash from investing activities		**(219.4)**	(27.0)	(217.0)
Cash flows from financing activities				
Proceeds from new borrowings		**269.0**	-	232.5
Interest payments		**(27.9)**	(24.7)	(98.3)
Repayment of borrowings		**(107.0)**	(135.6)	(274.5)
Repayment of lease liabilities		**(0.6)**	(0.2)	(0.4)
Dividend payments		**(37.0)**	(37.0)	(66.5)
Net cash from financing activities		**96.5**	(197.5)	(207.2)
(Decrease)/increase in cash and cash equivalents		**(10.6)**	(137.3)	(158.7)
Opening cash and cash equivalents		**5.8**	164.5	164.5
Closing cash and cash equivalents	*10*	**(4.8)**	27.2	5.8

Notes to the Interim Financial Information

1. Basis of preparation and accounting policies

Wessex Water Services Ltd (the Company) is a private company incorporated, domiciled and registered in England and the UK. The registered number is 02366648 and the registered address is Wessex Water Operations Centre, Claverton Down, Bath, BA2 7WW.

The interim report was approved by the Directors on 25 November 2024. It has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 "Interim Financial Reporting" as adopted by the UK. It should be read in conjunction with the 2024 Annual Review and Accounts, which are available on the Company website, and which contain the audited financial statements for the year ended 31 March 2024.

The information for the year ended 31 March 2024 does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The latest statutory financial statements have been reported on by the Company's auditor for the year ended 30 June 2024 and have been delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The accounting policies, presentation and methods of computation are prepared in accordance with UK adopted international accounting standards and are consistent with those applied in the audited financial statement of the Company for the year ended 31 March 2024.

Going Concern

The directors believe, after due and careful enquiry, that the company has sufficient resources for its present requirements and, therefore, consider it appropriate to adopt the going concern basis in preparing the interim financial statements to 30 September 2024. In forming this assessment, the directors have considered the following information:

• The company's business activities, together with the factors likely to affect its future development, performance and position.

• The financial position of the company, its forecast monthly cash flows for the period to March 2026, liquidity position, covenants and borrowing facilities including reasonable downside sensitivities to the cash flows to check the company can operate within its current facilities and covenants.

• The positive financial headroom across key debt covenant ratios.

• The company has available a combination of cash and undrawn bank facilities totalling £375.2 million at 30 September 2024 (2023 - £252.2 million).

• The company's requirement to repay scheduled loan maturities, with the next scheduled repayment being a loan of £50 million by 31 May 2025.

• The capital investment programme over the next price review period, some of which will require financing in the period to March 2026.

• The consistently strong operating performance, market experience and history of successfully issuing bonds and raising debt over the past 20 years, including the last issue in November 2023.

• The company operates in an industry that is currently subject to economic regulation rather than market competition. Ofwat, the economic regulator, has a statutory obligation to set price limits that it believes will enable the water companies to finance their activities.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Notes to the Interim Financial Information *(continued)*

1. Basis of preparation and accounting policies *(continued)*

Seasonality of operations

Whilst demand for water is usually higher during the drier spring and summer months, fluctuations in seasonal weather patterns can impact both revenue and costs.

2. Business unit performance

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Revenue			
Regulated	**323.3**	281.2	558.8
Unregulated	**9.2**	5.8	15.6
Total revenue	**332.5**	287.0	574.4
Operating profit			
Regulated	**97.7**	78.0	138.4
Unregulated	**-**	-	0.1
Total operating profit	**97.7**	78.0	138.5
Net assets			
Regulated	**521.7**	600.0	540.3
Unregulated	**-**	-	0.5
Total net assets	**521.7**	600.0	540.8

3. Revenue analysis

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Water and sewerage services			
Household – measured	**189.5**	158.2	283.4
Household - unmeasured	**84.2**	77.7	153.9
Non-household - measured	**41.9**	37.7	106.9
Non-household - unmeasured	**2.4**	2.2	5.1
Total water and sewerage services	**318.0**	275.8	549.3
Other regulated services	**5.3**	5.4	9.5
Unregulated services	**9.2**	5.8	15.6
Total revenue	**332.5**	287.0	574.4

Notes to the Interim Financial Information *(continued)*

4. Operating Costs and other income

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Employment costs	**89.9**	78.2	159.3
Power	**23.9**	25.0	53.5
Raw Materials and consumables	**8.5**	10.1	17.9
Business rates	**12.5**	11.2	20.8
Charge for bad and doubtful debts	**6.9**	6.2	18.4
Service charges	**4.9**	3.3	6.5
Depreciation of property, plant and equipment	**58.7**	56.1	113.1
Depreciation of right-of-use assets	**0.4**	0.2	0.4
Amortisation of intangible assets	**5.2**	4.3	8.7
Impairment of intangible assets	**-**	-	4.2
Property, plant & equipment written off	**2.5**	0.8	1.4
Intangible assets written off	**0.3**	-	-
Short term lease rentals	**5.5**	5.6	11.8
Hire of plant and machinery	**0.2**	0.4	0.6
Infrastructure maintenance	**11.2**	10.6	20.6
Ofwat licence fee	**1.2**	1.5	1.6
Cost of finished goods and w.i.p.	**2.9**	2.8	4.7
Charges from other group companies	**9.7**	7.8	18.2
Other operating costs	**59.0**	48.5	103.4
	303.4	272.6	565.1
Own work capitalised	**(66.8)**	(61.6)	(124.5)
Total operating costs	**236.6**	211.0	440.6

Gain on disposal of property, plant and equipment	**(0.3)**	(0.5)	(1.6)
Amortisation of deferred income	**(1.5)**	(1.5)	(3.1)
Total other income	**(1.8)**	(2.0)	(4.7)

Notes to the Interim Financial Information *(continued)*

5. Net Finance Costs

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Finance income			
Interest receivable on short term bank deposits	**0.1**	3.7	6.8
Gains on short-term financial investments	**-**	1.3	1.3
Total finance income	**0.1**	5.0	8.1
Finance expense			
To subsidiary undertakings	**(67.5)**	(86.4)	(172.4)
Net interest on net defined benefit pension plan liability	**(1.2)**	(1.0)	(0.1)
On bank loans and leases	**(16.1)**	(15.6)	(32.6)
Interest capitalised	**10.3**	6.9	15.3
Total finance expense	**(74.5)**	(96.1)	(189.8)
Net financing expense	**(74.4)**	(91.1)	(181.7)

6. Taxation

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Corporation tax			
Current period	**-**	-	-
Adjustment in respect of previous periods	**-**	-	(1.6)
Deferred tax			
Current period	**(6.1)**	(16.4)	(10.0)
Adjustment in respect of previous periods	**9.8**	11.3	1.4
Total tax expense/(credit)	**3.7**	(5.1)	(10.2)

Tax charged within the six months ended 30 September 2024 has been calculated by applying the effective rate of tax which is expected to apply to the Company for the year ended 31 March 2025 using rates substantively enacted by 30 September 2024 as required by IAS34 'Interim Financial Reporting'.

The Finance (No 2) Act 2023 was enacted in June 2023. This legislation includes the BEPS Pillar Two legislation which will impact the Company's accounting period starting on 1 July 2024. The Company is part of the wider YTL Group which operates across a number of jurisdictions some of which are yet to implement the Pillar Two legislation, or some have only done so recently with an effective start date of 1 January 2025. As a result of the different effective start dates of the legislation, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes across the whole Group and its impact is currently not known or reasonably estimable. However, considering the UK entity on a standalone basis, the Company has performed an initial assessment based on the most recent information available. Based on the assessment performed, the Company does not expect a potential exposure to Pillar Two top-up taxes in the UK.

Notes to the Interim Financial Information *(continued)*

7. 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 considering both current and projected business performance.

In particular the Board considers:

- Our current and projected performance in delivering the level of service customers expect from an efficient water and sewerage company and that where that level of service has not been delivered, that customers have been adequately compensated and shareholders impacted,
- that we are delivering the required quality and environmental outputs and making sufficient investment in our infrastructure to maintain and, where necessary, increase resilience,
- that the correct amount of tax has been paid,
- that we have met any unexpected additional expenditure needs that may have arisen during the year to date, as new operational risks emerge,
- the level of regulatory gearing and its comparison with Ofwat's expectations pertaining at the time
- sufficiency of distributable reserves,
- the benefits of inflation and whether they're clearly linked to outperformance or the prudent actions of management,
- maintaining a solid investment grade credit rating at all times.

	Half year to 30.09.24 (unaudited) £m	Half year to 30.09.23 (unaudited) £m	Year to 31.03.24 (audited) £m
Interim dividends for the current year	**37.0**	37.0	51.7
Final dividend for the current year	**-**	-	14.8
	37.0	37.0	66.5

8. Intangible assets

	£m
Cost	
At 1 April 2024	102.2
Transfer to property, plant and equipment	(1.9)
Additions in the period	1.4
Disposals in the period	(1.7)
At 30 September 2024 (unaudited)	100.0
Amortisation	
At 1 April 2024	(56.0)
Charge for the period	(5.2)
Disposals in the period	1.4
At 30 September 2024 (unaudited)	(59.8)
Net book value	
At 30 September 2024 (unaudited)	**40.2**

Notes to the Interim Financial Information *(continued)*

9. Property, plant and equipment

	£m
Cost	
At 1 April 2024	6,239.1
Transfer from intangible assets	1.9
Additions in the period	237.6
Disposals in the period	(12.7)
At 30 September 2024 (unaudited)	6,465.9
Depreciation	
At 1 April 2024	(1,824.7)
Charge for the period	(59.1)
Disposals in the period	9.7
At 30 September 2024 (unaudited)	(1,874.1)
Net book value	
At 30 September 2024 (unaudited)	**4,591.8**

10. Analysis of net debt

	30.09.24 (unaudited) £m	30.09.23 (unaudited) £m	31.03.24 (audited) £m
Cash at bank and short-term deposits	**-**	45.0	5.8
Bank overdraft	**(4.8)**	(17.8)	-
Lease liabilities under 1 year	**(0.4)**	(0.2)	(0.2)
Lease liabilities over 1 year	**(2.6)**	(2.4)	(2.3)
Loans under 1 year	**(66.1)**	(166.0)	(66.0)
Loans over 1 year	**(563.5)**	(409.3)	(401.3)
Loans from subsidiary company over 1 year	**(2,525.4)**	(2,254.8)	(2,499.4)
	(3,162.8)	(2,805.5)	(2,963.4)

During the period the Company repaid £107.0m of loans and revolving credit facilities together with £0.6m of lease liabilities.

Notes to the Interim Financial Information *(continued)*

11. Financial instruments

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	**Fair value**	**Level 1**	**Level 2**
	30.09.24 (unaudited) £m	**30.09.24 (unaudited) £m**	**30.09.24 (unaudited) £m**	**30.09.24 (unaudited) £m**
Financial liabilities				
Interest-bearing loans and borrowings:				
Fixed rate borrowings	**1,586.8**	**1,411.8**	**1,411.8**	**-**
Floating rate borrowings	**637.4**	**637.4**	**-**	**637.4**
Indexed-linked borrowings	**938.6**	**966.3**	**966.3**	**-**
Total financial liabilities	**3,162.8**	**3,015.5**	**2,378.1**	**637.4**

	Carrying amount	Fair value	Level 1	Level 2
	31.03.24 (audited) £m	31.03.24 (audited) £m	31.03.24 (audited) £m	31.03.24 (audited) £m
Financial liabilities				
Interest-bearing loans and borrowings:				
Fixed rate borrowings	1,641.8	1,529.1	1,479.1	50.0
Floating rate borrowings	414.0	414.0	-	414.0
Indexed-linked borrowings	913.4	937.3	937.3	-
Total financial liabilities	2,969.2	2,880.4	2,416.4	464.0

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.

12. Related party transactions

There has been no material change during the six months ended 30 September 2024 in transactions with related parties from that disclosed in the Company's annual report and accounts for the year ended 31 March 2024.

13. 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 any 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 formally respond on the investigation of the Company and the timing of a response is unknown, though In early August 2024 Ofwat published proposed enforcement action in respect of three other companies, including proposed fines. 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 as they conduct their investigations.

14. Commitments

Capital expenditure contracted but not provided at 30 September 2024 was £225.3m (2023: £129.6m).

The Company has guaranteed Bonds of £2,525.4m (2023: £2,254.8m) issued by its wholly owned subsidiary company Wessex Water Services Finance Plc.

The Company has provided performance guarantees on its own behalf of £0.5m (2023: £0.2m).

15. Subsequent events

In early October 2024 the claim relating to the Environmental Information Regulations 2024 (EIR) was settled by agreement between the Claimants and Defendants. The parties have agreed that ongoing proceedings should end, but that the first phase judgment, handed down on 28 June 2024 and which is largely in the defendants' favour, should stand. The Claimants have also agreed to pay an element of the Defendants' costs.

16. Accounting estimates and judgements

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. Details of these accounting judgments and key sources of estimation are set out in the Company's financial statements for the year ended 31 March 2024.

There have been no significant changes to these accounting judgments or estimates since 31 March 2024.