

Interim Financial Information and Report

for the six months to 30 September 2025



Business Review

Chief Executive's Overview

As we publish our interim accounts, I want to take this opportunity to reflect on our performance, the challenges we face, and the progress we are making for our customers, communities, and the environment.

Our customers rightly expect us to deliver high-quality services, protect the natural environment, and operate with transparency and integrity. These expectations come at a time of significant external pressures: climate volatility, economic uncertainty, and an industry-wide trust deficit. So far this year, we are ahead or on track for the majority of our 23 Performance Commitments. Our performance also remains strong when benchmarked across the sector and, in Ofwat's recently published performance report for 2024-25, we achieved 8 out of 12 green ratings which – along with Northumbrian – was the most of any company.

Customer service remains a cornerstone of our approach. Despite wider industry challenges, our teams continue to deliver exceptional service. We maintained a high C-Mex score – Ofwat's measure of customer experience – and our Trustpilot rating remains strong at 4.5. However, we recognise that trust must be earned, not assumed. Our customers expect consistent delivery, responsible investment, and meaningful engagement. We are committed to meeting those expectations.

Affordability remains a key concern, especially as cost-of-living pressures persist. We are expanding our support for customers in financial difficulty, with a clear ambition: by 2030, no household will spend more than 5% of its disposable income on water. Currently, 84,000 households have reduced charges through our Tailored Assistance Programme. We have recently reviewed our action plan to increase this further.

Improving environmental performance is also central to our mission. We are investing in technology and infrastructure to improve river health and reduce pollution. For example, we are scaling up our in-sewer monitoring from 3,000 to 10,000 units over AMP8, with 2,300 installed already this year and implementing a "solve at source" strategy to address wastewater challenges holistically. This includes customer-facing initiatives to manage rainwater, such as promoting rain gardens and water butts to reduce stormwater entering sewers, as well as a £300m sewerage investment plan to seal pipes and expand treatment capacity by 2030.

Water supply resilience is also under close scrutiny. Following a dry spring and summer, reservoir and aquifer levels are below average. The dry weather also causes ground movement which in turn damages our pipes and increases leakage. While we do not foresee immediate supply issues, we are therefore intensifying efforts to reduce leakage and promote responsible water use. Over the past six months, we have also optimised abstraction, protected raw water sources and started our smart metering programme.

Six months into AMP8, we remain focused on delivering our ambitious 2025-30 business plan. The Competition and Markets Authority (CMA) has now published its provisional determination following our referral, and we are reviewing its findings carefully. Subject to the CMA's redetermination, we plan to invest over £2 billion more than in the previous period, targeting improvements in leakage, storm overflow management, and water supply resilience. We will prioritise nature-based solutions, decarbonisation, and are collaborating on delivery with our supply chain and YTL Construction colleagues.

Following the Independent Water Commission's report, we continue to advocate for catchment-based approaches, simplified regulation, and nature-positive solutions. We are proud to support the Sustainable Solutions for Water and Nature (SSWAN) coalition, which promotes integrated, low-carbon strategies across water, farming, planning, and development. A unified regulatory framework is essential to achieving better environmental, social, and economic outcomes.

YTL continues to demonstrate ongoing support for the company, underpinned by the strength of its long-term commitment and its distinctive approach to ownership, which is rooted in stewardship in perpetuity. This philosophy ensures stability and alignment with our strategic objectives, enabling us to pursue sustainable growth. YTL's backing of our investment programme, including the proposal within the business plan to reinvest dividends, reflects a shared vision for reinvesting in the business and maintaining strong liquidity.

Our colleagues remain the foundation of our success. Their safety, wellbeing, and development are our top priorities with the Health and Safety Committee continuing to guide our efforts. Through the YTL Academy, we are nurturing future leaders – offering 60 places this year across apprenticeships and graduate programmes.

Business Review *(continued)*

Performance for customers and the environment

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. The first six months of 2025-26, and our 2025-30 delivery plan has seen continued work and investment to maintain and enhance services to both customers and the environment. We are pleased to see performance generally being maintained or improving on last year, although we recognise the need for improvement in certain areas.

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

There are just two metrics reported which show reduced performance from last year. Leakage levels this year have significantly increased as a result of the prolonged dry and warm weather experienced. Our focus remains on leak detection and repair, and we would hope to reduce levels from the peaks experienced. Discharge permit compliance has also reduced from last year with three sites currently not meeting compliance. Two of these are at water treatment centres and we are reviewing our wash-water treatment systems at all our water treatment sites to improve compliance.

Outcome	Key measures	Performance commitment target	Status in current reporting year	Trend versus last year
Safe reliable water	Compliance with drinking water standards (CRI)	0	Behind target - see below ¹	Improving
	Water supply interruptions >3 hours (minutes per property)	<5 min	Ahead of target	Improving
An effective sewerage system	Internal sewer flooding incidents (nr/10,000 sewer connections)	<1.54	Ahead of target	Improving
	External sewer flooding incidents (nr/10000 sewer connections)	<16.55	Behind target - see below ²	Improving
	Total pollution incidents (nr/10000 km sewer)	<25.02	Behind target - see below ³	Improving
	Storm overflows - spills	29,573	Ahead of target	Improving
Excellent customer experience	Customer satisfaction score (C-MeX)	Upper quartile	On target	Stable
	Developer satisfaction score (D-MeX)	Upper quartile	On target	Stable
	Customers on a Tailored Assistance Programme (TAP)	90,000	Behind target - see below ⁴	-
Sustainable abstraction	Leakage	<67.0 MI/day	Behind target - see below ⁵	Worsening
Excellent river and coastal water quality	Discharge permit compliance	100%	Behind target - see below ⁶	Worsening
	River water quality (phosphorus removed)	258.8 t	Pending annual assessment	-
Net zero carbon	Operational GHG emissions – ktCO ₂	<151.9	On target	-

Business Review *(continued)*

¹ The Drinking Water Inspectorate introduced the Compliance Risk Index (CRI) to illustrate the risk arising from treated water compliance failures. While we aspire to deliver the target of 0 against CRI, results within the annual deadband of 0-2 are considered acceptable and do not incur any penalty. We expect to remain less than the deadband at the end of the year.

² External sewer flooding occurs when water escapes from the sewerage system 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 continues to bring further reductions in the numbers of blockages reported. Although behind target, we are pleased to be forecasting an improving position on floodings again this year.

³ We continue activities and initiatives to reduce pollutions as set out in our Pollution Incident Reduction Plan. Increased monitoring at Sewage Pumping Stations (SPS) and Water Recycling Centres (WRCs) also provides further opportunities to understand how our networks are affected by external factors such as extremes of weather.

⁴ We've seen strong performance in some areas of TAP growth, but challenges particularly around data sharing, mean we're currently falling short of target. Our action plan has been recently reviewed, generating new ideas and firming up our approach. We remain committed to doing our utmost to reach target, monitoring progress and staying flexible so we can adapt as new opportunities and insights emerge.

⁵ The hottest summer on record has triggered significant leakage breakout this year. Performance is reported based on a three-year average with higher levels experienced this year impacting future performance. In-year levels are reducing from the Summer peaks, and we expect to achieve continued reductions over the Autumn.

⁶ 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 by the regulator. While we always target 100% compliance, results of 99% or greater are within regulatory tolerances and therefore considered acceptable given the complexities involved. We are currently expecting to stay above 99% at the end of the year.

Business Review *(continued)*

Financial Performance

Key financial performance indicators

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Increase/ (decrease) %
Income Statement			
Operating costs	267.2	236.6	13.1%
Profit after tax	50.1	19.6	354.1%
Dividends declared	-	37.0	(100.0%)
Statement of financial position			
Regulatory gearing ¹	72.6%	71.8%	1.0%
Regulatory capital value	4,734.4	4,402.3	7.5%
Statement of cashflows			
Net capital investment	207.7	220.3	(5.7%)

¹ as defined in Ofwat RAG4.13 as net debt divided by Regulatory Capital Value.

Financial statements review

Results for the half year show operating profit increased by £48.2m from £97.7m to £145.9m, whilst the position after taxation improved from a profit of £19.6m last year to a profit after taxation of £50.1m this year.

Total revenues increased by £78.7m from £332.5m to £411.2m. Regulated tariff revenue increased by £73.6m, mainly due to price rises permitted under the regulatory mechanism.

Operating costs increased by £30.6m from £236.6m to £267.2m. Labour costs of £83.9m were £6.0m lower partially reflecting the transfer of staff to YTL Construction, a group company set up in November 2024 with the purpose of delivering the Wessex Water capital programme. Against this, annual pay increases, which take effect from 1 April each year, increased costs by £2.8m period-on-period or 3.5%.

There were upward pressures on energy costs, Environment Agency charges and cloud based technology with a combined increase of £5.3m. Expected credit losses grew by £4.9m as a result of a one off charge relating to the new billing system and the effect of new tariff pricing, with underlying collectability remaining constant. New obligations such as phosphorus removal added a further £2.9m of costs and capitalisation reduced by £19.1m reflecting the new arrangement for capital programme delivery.

Depreciation and amortisation increased by £4.3m from £62.8m to £67.1m primarily as a result of new asset construction.

Net financing expenses increased by £4.0m from £74.4m to £78.4m. Financial expenses increased by £7.0m as a result of increased levels of borrowing to fund capital investment, whilst financial income increased by £3.0m reflecting the timing of new borrowing and holding funds in short and medium term deposits.

Net capital investment for the six months was £207.7m, which represents an 82% increase when compared to the £114.2m spent during the same timeframe at the start of the previous regulatory period. Current spend levels are consistent with the timing and doubling in size of the construction programme for the current regulatory period. The ongoing level of spend meant Regulatory gearing increased by 1.0%.

Business Review *(continued)*

The regulatory capital value increased by £332.1m to £4,734.4m 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.

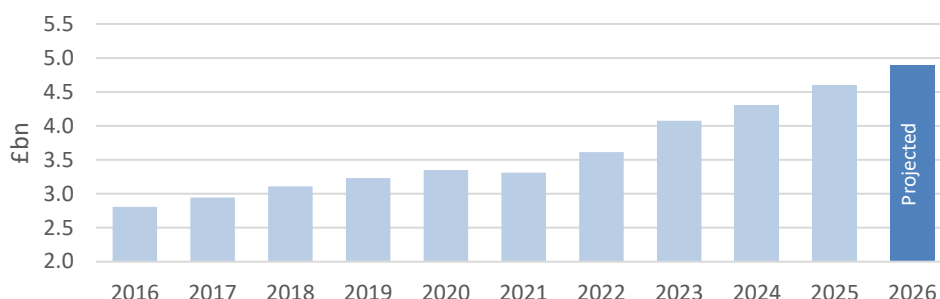


Chart: Regulatory Capital Value growth since 2016

Total taxation, including deferred tax, increased from a charge of £3.7m last year to a charge of £17.4m this year, reflecting the increased levels of profitability. There was no tax paid in either period due to the availability of full expensing for capital expenditure.

Consistent with the position set out by the Board in the Company's PR24 Business Plan, there were no dividends declared for the six months to 30 September 2025, a reduction of £37.0m for the same period last year.

Cash and cash equivalents ended the period at £67.0m, reducing by £491.5m from an opening cash reserve of £558.5m. The net cash inflow from operating activities was £116.5m less cash outflows from investment activities of £204.2m less net cash outflows from financing of £403.8m.

Risk Management

Principal risks are those risks that can have a material impact on our strategic objectives 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, fulfil financial obligations and continue as a going concern

Business Review *(continued)*

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.

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 current geopolitical environment means volatile market conditions remain, marked by ongoing complex and interrelated challenges that are increasing persistent disruption and uncertainty. The unsettled global conditions have also resulted in an increasing cyber threat, with several high-profile attacks having been carried out in the UK gaining significant media focus. We continue 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.

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, although we continue to perform well in terms of customer service measures and complaint handling
Political action	Actions taken by government that fundamentally change our operating environment affecting the business and/or cash flows.	Significant engagement with MP's and DEFRA post-Water Commission, including support to design new legislation and regulatory frameworks
Regulatory action	Actions taken by regulators that fundamentally change our operating environment affecting the business and/or cash flows.	We maintain strong relationships with Ofwat and focus on the PR24 redetermination with the CMA
Environment & public value	The expectation on the business to create value beyond a focus on short term performance	DEFRA have accepted more than 30 nature-based treatment solution trials to treat groundwater overflows. We continue to prepare for revised EPA and WIRI measures
Climate volatility	The need to adapt to changing climate and weather patterns	Increased frequency of extreme weather events. Cross-regional strategic planning progressing

Business Review *(continued)*

Principal risks – compliance, financial and operational

Principal risk	Description	Risk update
Environmental harm	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	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	Succession planning exercise and competency framework reviews are being rolled out across the business to ensure continuity and high-quality service
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 suppliers and vulnerable products have been mapped and are subject to ongoing assessment
Health and safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors, or the public	Process safety training being rolled out to senior leaders throughout the company. Revised OHS strategy agreed by the board
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.	Threat level remains high with several high-profile cyber-attacks reported in the media. Work continues to increase security and mitigate vulnerabilities
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	Updates to Drinking Water Safety Plans ensures proactive management of water quality incidents and emerging risk. Continuity of supply was maintained through the driest spring and summer on record
Financial viability	Inability to raise finance at appropriate levels and/or manage cash/gearing to maintain financial viability and provide a fair 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 strategy and up-skilling of colleagues to aim for ISO55001 accreditation
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. People strategy updated and values, ethics, and behaviors reinforced at staff seminars

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 69 to 71 of the Company's Integrated Annual Report 2024-25.

By order of the board

Andrew Pymer
Director

Condensed Income Statement

	<i>Note</i>	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Revenue	2,3	411.2	332.5	652.6
Expected credit loss charge		(11.8)	(6.9)	(12.3)
Other expenses		(255.4)	(229.7)	(481.7)
Total operating costs	4	(267.2)	(236.6)	(494.0)
Other operating income	4	1.9	1.8	6.4
Operating profit	2	145.9	97.7	165.0
Financial income	5	3.1	0.1	1.2
Financial expenses	5	(81.5)	(74.5)	(149.2)
		(78.4)	(74.4)	(148.0)
Profit before tax		67.5	23.3	17.0
Tax on profit	6	(17.4)	(3.7)	(5.3)
Profit for the period		50.1	19.6	11.7

Condensed Statement of Other Comprehensive Income

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Profit for the period	50.1	19.6	11.7
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	(11.1)	(2.2)	14.5
Income tax on items that will not be reclassified to profit or loss	2.8	0.5	(3.6)
Other comprehensive (loss)/gain for the period, net of income tax	(8.3)	(1.7)	10.9
Total comprehensive income for the period	41.8	17.9	22.6

Condensed Statement of Financial Position

	Note	30.09.25 (unaudited) £m	30.09.24 (unaudited) £m	31.03.25 (audited) £m
Non-current assets				
Property, plant and equipment	9	4,848.3	4,588.7	4,718.2
Right of use assets	10	5.1	3.1	5.7
Intangible assets	8	36.8	40.2	33.2
Investment in subsidiaries		-	-	-
Retirement benefit assets		9.7	3.3	21.3
		4,899.9	4,635.3	4,778.4
Current assets				
Inventories		8.2	7.6	7.6
Trade and other receivables		199.5	188.2	209.2
Corporation tax receivable		0.2	0.3	0.6
Cash and cash equivalents	11	70.0	-	558.5
		277.9	196.1	775.9
Total assets		5,177.8	4,831.4	5,554.3
Current liabilities				
Bank Overdraft		(3.0)	(4.8)	-
Other interest-bearing loans and borrowings	11	(125.9)	(66.5)	(184.3)
Trade and other payables		(193.3)	(238.4)	(290.1)
Provisions		(1.0)	(1.4)	(0.4)
		(323.2)	(311.1)	(474.8)
Non-current liabilities				
Other interest-bearing loans and borrowings	12	(3,378.0)	(3,091.5)	(3,659.3)
Contract liabilities		(5.5)	(5.7)	(5.8)
Retirement benefit deficit		(0.6)	(0.6)	(0.6)
Deferred grants and contributions		(336.9)	(325.7)	(335.1)
Deferred tax liabilities		(593.9)	(575.1)	(580.8)
		(4,314.9)	(3,998.6)	(4,581.6)
Total liabilities		(4,638.1)	(4,309.7)	(5,056.4)
Net assets	2	539.7	521.7	497.9
Equity				
Share capital		-	-	-
Capital contribution reserve		1.0	-	1.0
Retained earnings		538.7	521.7	496.9
Total equity		539.7	521.7	497.9

The interim financial statements were approved by the board of directors on 24 November 2025 and signed on its behalf by

Andrew Pymer, Director

Condensed Statement of Changes in Equity

	Note	Share capital £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2024		-	-	540.8	540.8
Total comprehensive income for the period					
Loss for the period		-	-	19.6	19.6
Other comprehensive loss		-	-	(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
Balance at 1 April 2025		-	1.0	496.9	497.9
Total comprehensive income for the period					
Profit for the period		-	-	50.1	50.1
Other comprehensive loss		-	-	(8.3)	(8.3)
Total comprehensive income for the period		-	-	41.8	41.8
Transactions with owners, recorded directly in equity					
Dividends	7	-	-	-	-
Total contributions by and distributions to owners		-	-	-	-
Balance at 30 September 2025 (unaudited)		-	1.0	538.7	539.7

Condensed Statement of Cash Flows

	Note	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Cash flows from operating activities				
Profit for the period		50.1	19.6	11.7
Adjustments for:				
Depreciation and amortisation		66.8	62.3	127.5
Loss/(gain) on disposal of PPE		0.9	3.0	2.5
Impairment of intangible assets		1.5	-	12.7
Financial income		(3.1)	(0.1)	(1.2)
Financial expense		81.5	74.5	149.2
Taxation		17.4	3.7	5.3
		215.1	163.0	307.7
Decrease/(increase) in trade and other receivables		8.9	14.9	(6.1)
Increase in inventories		(0.6)	(0.6)	(0.6)
(Decrease)/increase in trade and other payables		(107.9)	(65.7)	25.0
Increase/(decrease) in provisions and employee benefits		0.6	0.1	(0.7)
		(99.0)	(51.3)	17.6
Tax received		0.4	0.6	0.3
Net cash flow from operating activities		116.5	112.3	325.6
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		1.2	0.8	4.6
Interest received		2.3	0.1	1.2
Acquisition of property, plant and equipment		(197.6)	(221.1)	(418.4)
Acquisition of intangible assets		(11.0)	(1.4)	(10.6)
Proceeds from infrastructure charges and capital contributions		0.9	2.2	11.4
Net cash flows from investing activities		(204.2)	(219.4)	(411.8)
Cash flows from financing activities				
Proceeds from new borrowings		-	269.0	1,013.6
Interest paid		(30.2)	(27.9)	(116.8)
Repayment of borrowings		(358.0)	(107.0)	(190.0)
Payment of lease liabilities		(0.8)	(0.6)	(1.4)
Dividends paid		(14.8)	(37.0)	(66.5)
Net cash flow generated from/(used in) financing activities		(403.8)	96.5	638.9
Net (decrease)/increase in cash and cash equivalents		(491.5)	(10.6)	552.7
Opening cash and cash equivalents		558.5	5.8	5.8
Closing cash and cash equivalents	10	67.0	(4.8)	558.5

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 24 November 2025. 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 Integrated Annual Report 2024-25, which are available on the Company website, and which contains the audited financial statements for the year ended 31 March 2025.

The information for the year ended 31 March 2025 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 2025 and have been delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The 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 2025.

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 2025. 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 2027, 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 £370.0 million at 30 September 2025 (2024 - £375.2 million).
- The company's requirement to repay scheduled loan maturities, with the next scheduled repayment being a loan of £120 million by 31 January 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 March 2025.
- 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 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Revenue			
Regulated	396.9	323.3	634.1
Unregulated	14.3	9.2	18.5
Total revenue	411.2	332.5	652.6
Operating profit			
Regulated	145.9	97.7	164.8
Unregulated	-	-	0.2
Total operating profit	145.9	97.7	165.0
Net assets			
Regulated	539.1	521.7	497.3
Unregulated	0.6	-	0.6
Total net assets	539.7	521.7	497.9

3. Revenue analysis

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Water and sewerage services			
Household – measured	243.5	189.5	334.9
Household - unmeasured	99.9	84.2	167.0
Non-household - measured	45.6	41.9	118.3
Non-household - unmeasured	1.8	2.4	2.6
Total water and sewerage services	390.8	318.0	622.8
Other regulated services	6.1	5.3	11.3
Unregulated services	14.3	9.2	18.5
Total revenue	411.2	332.5	652.6

Notes to the Interim Financial Information (continued)

4. Operating Costs and other operating income

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Employee costs	83.9	89.9	171.8
Power	26.0	23.9	50.7
Raw Materials and consumables used	13.6	8.5	20.6
Business rates	12.8	12.5	25.0
Expected credit loss charge	11.8	6.9	12.3
Service charges	6.5	4.9	9.8
Depreciation of property, plant and equipment	62.6	58.7	118.9
Depreciation of right-of-use assets	0.6	0.4	1.0
Amortisation of intangible assets	5.5	5.2	10.6
Impairment of intangible assets	-	-	12.7
Loss on disposal of property, plant and equipment	0.9	2.5	5.8
Loss on disposal of intangible assets	1.5	0.3	-
Short term lease rentals	3.6	5.5	11.2
Expenses relating to short-term leases	0.2	0.2	0.4
Infrastructure maintenance	12.8	11.2	22.0
Ofwat licence fee	1.4	1.2	2.5
Charges from other group companies	10.4	9.7	33.4
Other operating costs	60.8	61.9	120.6
	314.9	303.4	629.3
Own work capitalised	(47.7)	(66.8)	(135.3)
Total operating costs	267.2	236.6	494.0
Gain on disposal of property, plant and equipment	(0.3)	(0.3)	(1.9)
Amortisation of deferred income	(1.6)	(1.5)	(3.1)
Property damage compensation	-	-	(1.4)
Total other operating income	(1.9)	(1.8)	(6.4)

Other operating costs consist of costs not falling into any of the above categories, such as; transport, insurance, IT, rent or hired staff. Own work capitalised relates to costs transferred to assets under construction.

Notes to the Interim Financial Information (continued)

5. Financial income and financial expenses

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Financial income			
Interest receivable on short term bank deposits	3.1	0.1	1.2
Financial expenses			
Interest payable to subsidiary company	(79.2)	(67.5)	(132.1)
Net interest on net defined benefit pension liability	(0.5)	(1.2)	0.3
Interest on bank loans	(11.1)	(16.0)	(38.8)
Interest expense on leases	(0.1)	(0.1)	(0.1)
Interest capitalised	9.4	10.3	21.5
	(81.5)	(74.5)	(149.2)

6. Taxation

	Half year to 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Current taxation			
UK corporation tax	-	-	0.1
UK corporation tax adjustment to prior periods	-	-	(0.1)
Deferred taxation			
Arising from origination and reversal of temporary differences	17.4	(6.1)	5.4
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	9.8	(0.1)
Tax expense in the income statement	17.4	3.7	5.3

Tax charged within the six months ended 30 September 2025 has been calculated by applying the effective rate of tax which is expected to apply to the Company for the year ended 31 March 2026 using rates substantively enacted by 30 September 2025 as required by IAS34 'Interim Financial Reporting'.

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 tax charges do not include a current charge relating to Pillar 2 income taxes.

Notes to the Interim Financial Information (continued)

7. Dividends

The dividend policy is to declare dividends consistent with our 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 takes into account:

- 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
- the 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 30.09.25 (unaudited) £m	Half year to 30.09.24 (unaudited) £m	Year to 31.03.25 (audited) £m
Interim dividends for the current year	-	37.0	51.7
Final dividend for the current year	-	-	14.8
	<u>-</u>	<u>37.0</u>	<u>66.5</u>

8. Property, plant and equipment

	£m
Cost	
At 1 April 2025	6,637.2
Additions in the period	194.5
Disposals in the period	<u>(13.5)</u>
At 30 September 2025 (unaudited)	6,818.2
Depreciation	
At 1 April 2025	(1,919.0)
Charge for the period	(62.6)
Disposals in the period	<u>11.7</u>
At 30 September 2025 (unaudited)	(1,969.9)
Net book value	
At 30 September 2025 (unaudited)	<u><u>4,848.3</u></u>

Notes to the Interim Financial Information *(continued)*

9. Right of use assets

	£m
Cost or valuation	
At 1 April 2025	7.6
Additions in the period	-
Terminations in the period	-
At 30 September 2025 (unaudited)	<u>7.6</u>
Depreciation	
At 1 April 2025	(1.9)
Charge for the period	(0.6)
Eliminated on termination	-
At 30 September 2025 (unaudited)	<u>(2.5)</u>
Net book value	
At 30 September 2025 (unaudited)	<u>5.1</u>

10. Intangible assets

	£m
Cost or valuation	
At 1 April 2025	94.2
Additions in the period	11.0
Disposals in the period	(1.5)
At 30 September 2025 (unaudited)	<u>103.7</u>
Amortisation	
At 1 April 2025	(61.4)
Charge for the period	(5.5)
Eliminated on disposal	-
At 30 September 2025 (unaudited)	<u>(66.9)</u>
Net book value	
At 30 September 2025 (unaudited)	<u>36.8</u>

During 2024 and 2025, impairment losses of £16.7m were recognised due to delays in the completion of internally developing a new Billing and Customer service platform. In assessing impairment, management estimated the recoverable amount based on expected future cash flows and used an appropriate discount rate of 4.45% based on the Company's cost of capital.

After assessing the most effective way to complete the project, the Company has made the decision to transition to a Software as a Service (SaaS) solution. Therefore, in the current year the asset was derecognised as future economic benefits are no longer expected from the use of the asset.

Notes to the Interim Financial Information (continued)

11. Analysis of net debt

	30.09.25 (unaudited) £m	30.09.24 (unaudited) £m	31.03.25 (audited) £m
Cash at bank and short-term deposits	70.0	-	558.8
Bank overdraft	(3.0)	(4.8)	-
Lease liabilities under 1 year	(0.7)	(0.4)	(1.3)
Lease liabilities over 1 year	(4.3)	(2.6)	(4.2)
Loans under 1 year	(125.2)	(66.1)	(183.0)
Loans over 1 year	(218.9)	(563.5)	(518.9)
Loans from subsidiary company over 1 year	(3,154.8)	(2,525.4)	(3,136.2)
	(3,436.9)	(3,162.8)	(3,285.1)

During the period the Company repaid £358.0m of loans and revolving credit facilities together with £0.8m of lease liabilities.

12. 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 30.09.25 (unaudited) £m	Fair value 30.09.25 (unaudited) £m	Level 1 30.09.25 (unaudited) £m	Level 2 30.09.25 (unaudited) £m
Financial liabilities				
<i>Interest-bearing loans and borrowings:</i>				
Fixed rate borrowings	2,178.2	2,050.6	2,050.6	-
Floating rate borrowings	352.0	352.0	-	352.0
Indexed-linked borrowings	976.7	1,085.2	1,085.2	-
Total financial liabilities	3,506.9	3,487.8	3,135.8	352.0

	Carrying amount 31.03.25 (audited) £m	Fair value 31.03.25 (audited) £m	Level 1 31.03.25 (audited) £m	Level 2 31.03.25 (audited) £m
Financial liabilities				
<i>Interest-bearing loans and borrowings:</i>				
Fixed rate borrowings	2,177.1	2,020.3	2,020.3	-
Floating rate borrowings	707.4	707.4	-	707.4
Indexed-linked borrowings	959.1	997.6	997.6	-
Total financial liabilities	3,843.6	3,725.3	3,017.9	707.4

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Notes to the Interim Financial Information *(continued)*

13. Related party transactions

There has been no material change during the six months ended 30 September 2025 in transactions with related parties from that disclosed in the Company's annual report and accounts for the year ended 31 March 2025.

14. 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 subsequently opened enforcement cases into all sewerage undertakers in England and Wales, including the Company.

On 11 November 2025, Ofwat published the findings of its investigation into the Company, including that it had identified historic breaches of statutory and regulatory obligations and licence conditions by the Company. Ofwat also announced its intention to accept an undertaking proposed by Wessex Water in settlement of these proceedings. The undertakings included a commitment by Wessex Water to invest £11.0m to fund additional environmental improvements and support local communities, by way of redress for these historic breaches. A consultation on the proposed acceptance of the undertaking is now open to the public and key stakeholders before Ofwat's final decision in December 2025. These additional investments will be fully funded by the company and its shareholders.

The Company continues to cooperate with the parallel but separate investigation by the EA which is ongoing

15. Commitments

Capital expenditure contracted but not provided at 30 September 2025 was £138.5m (2024: £225.3m).

The Company has guaranteed Bonds of £3,154.8m (2024: £2,525.4m) 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 (2024: £0.5m).

16. Subsequent events

There were no subsequent events requiring disclosure in these interim statements.

17. 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 2025.

There have been no significant changes to these accounting judgments or estimates since 31 March 2025.