Cambridge Water

South Staffs Water

To help create a world where essential services and infrastructure deliver for customers, clients and our planet

Annual report and financial statements

For the year ended 31 March 2026

South Staffordshire Water PLC

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This document sets out South Staffordshire Water PLC's annual report and financial statements for the year ended 31 March 2026. You can click on any of the chapter headings in the contents to go straight to that chapter. There are also clickable links throughout the document, which will take you to more information. These are underlined and highlighted in pink to make them easy to find in the text.

Registered Office:
Green Lane, Walsall, West Midlands, WS2 7PD
Registered in England and Wales, number 02662742


South Staffs Water

Welcome from the Chair and Managing Director

Welcome to South Staffordshire Water's annual report and financial statements covering the year from 1 April 2025 to 31 March 2026. This report sets out how we have performed during the year, the progress we have made and the areas where we know we must continue to improve for the benefit of our customers and other stakeholders.

As the provider of an essential public service, we are committed to providing the reliable and high-quality water supplies our customers expect. We are also committed to protecting and enhancing the environment, recognising the important role it plays in delivering societal benefits related to health and wellbeing. At a time of heightened public scrutiny of the England and Wales water sector, we remain committed to operating responsibly, efficiently and in the long-term interests of customers, communities and the environment. We are supported in this by the Board, the wider South Staffordshire Limited (formerly known as South Staffordshire Plc) Group and by our investors, who bring continuity, challenge and a long-term perspective.

"...we remain committed to operating responsibly, efficiently and in the long-term interests of customers..."

We are committed to being open and transparent in communicating our performance meaningfully with customers and other stakeholders. These financial statements, together with the detailed annual performance report published alongside are an important part of that commitment. They also reflect the importance we place on strong governance and accountability, both of which are essential to rebuilding trust and confidence in the services we provide.

This report covers the first year of the five-year planning period from 2025 to 2030. It describes some of our successes, including the launch of our universal metering and mains replacement programmes, as well as the action we have taken to improve our customer service. It also sets out the areas where our performance has been below our expectations, and those of our customers, and the work under way to improve in the year ahead.

This report is published at a time of significant change for the sector. The UK Government's White Paper, published in January, has provided more clarity on the direction of reform and the opportunity to strengthen the relationship between water companies, customers and society. We have played our part to help shape this work during the year and will continue to engage as the reforms develop. We will report on progress in next year's annual report and financial statements.

Finally, we would like to recognise our people and the role they continue to play in delivering clean water to customers' taps day in, day out. Across the business, our people consistently demonstrate a strong commitment to delivering good customer service – and to living our values of being professional, trusted, impactful and community focused. We look forward to working with everyone across our Cambridge and South Staffs regions in the year ahead, ensuring we all play our part in securing the water future for our customers, our communities and the environment.

Steve Johnson MBE
Chair

Elena Karpathakis
Managing Director

About South Staffordshire Water

We are part of the South Staffordshire Limited group of companies

We are a water only company and do not take away and treat waste water

We operate Cambridge Water and South Staffs Water

We are regulated by Ofwat, the Environment Agency and the Drinking Water Inspectorate

We have been a successful, privately run business for more than 170 years. We have never been in public ownership

We provide high-quality, clean drinking water to nearly 1.9 million people and 42,000 businesses every day

Our vision, purpose and values

Our vision

To help create a world where essential services and infrastructure deliver for customers, clients and our planet.

Our purpose

For more than 170 years, we have provided clean water supplies to consumers in our Cambridge and South Staffs regions. Our purpose, as defined by our Articles of Association, is to safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way.

To ensure we can always provide this essential public service, we conduct our business and operations for the benefit of the communities we serve, while creating long-term value and delivering positive outcomes for our customers and consumers, our people and the environment. This means:

- putting consumers' needs at the heart of all our decision-making;
- actively working in partnership with local communities;
- acting as the guardians of our assets, building resilience with regular investment;
- working hard to protect and enhance the natural environment; and
- running an efficient business in everyone's interests.

By doing this, we are **securing the water future** for our Cambridge and South Staffs regions. At the same time, our primary objective is to make sure the interests of consumers and the environment are always at the heart of our decision-making.

Our values

Our vision and purpose are underpinned by our values.

- **Professional**
- **Trusted**
- **Impactful**
- **Community focused**

These values are reflected in our people's objectives and the work they do to deliver for our customers and consumers, our communities and the environment every day.

Our business model

Every day, our people work hard to deliver outcomes for our customers and consumers, our communities, the environment and our business, in accordance with our vision, purpose and values.

Collect water

We collect water from 2 surface water reservoirs and 43 borehole sites across our Cambridge and South Staffs regions

Treat water

We treat the water we collect at 41 water treatment works - we test it regularly to ensure it is always of the highest quality

Test water

Each year, we carry out more than 95,000 water quality tests each year.

This is to ensure the water we supply to our customers is always of the highest quality

Store water

Once treated, we store the water in 69 service reservoirs and water storage towers until it is needed

Supply water

Each day, we put an average of 418 million litres of water into supply - 88 million litres in our Cambridge region and 330 million litres in our South Staffs region

We use 8,810 km of pipes and 114 pumping stations to move water round our networks

We supply water to 724,503 household properties and 41,776 business/non-household properties

Our business comprises wholesale, household retail and non-household retail functions

Wholesale	Household retail	Non-household retail
Water resources	Billing	Billing
Water treatment	Meter reading	Meter reading
Network and asset management	Customer service	Customer service

We also collect wastewater charges on behalf of Anglian Water in our Cambridge region and Severn Trent in our South Staffs region

The year at a glance

43km

The length of ageing water mains replaced

Managed the effects of prolonged dry weather and drought without significant customer impact

24,805

The number of household meters installed in our South Staffs region, beating our target

Launched our 'Brilliant Basics' performance development programme for frontline managers

73,000

The number of customers receiving targeted financial support

We are pleased to have exceeded our targets for leakage and for individual water use (per capita consumption) in our Cambridge and South Staffs regions.

60 seconds

The average call wait time in our contact centre – a significant improvement in performance

Saw an increase in complaints and negative customer sentiment towards the water companies

Strategic report

Managing Director's review

This annual report for the year to 31 March 2026 sets out the progress we have made during the year, alongside the areas where we need to do more to deliver for our customers and other stakeholders.

It has been a year of firsts: my first full year as Managing Director of South Staffordshire Water and the first year of AMP8, our five-year planning period to 2030. We have put plans in place to deliver an ambitious programme and, over the AMP8 period, we expect to invest £926 million in improving our water supply network, protecting and enhancing the environment in the face of a changing climate and delivering the services that matter most to our customers. This includes significantly increasing the amount of financial support we make available to customers who may be struggling to pay their water bills.

It has also been a challenging year at times. Ongoing geopolitical conflict and wider economic uncertainty have continued to contribute to cost-of-living pressures, making bill affordability a greater concern for some customers. In addition, we experienced a significant drought across our South Staffs region and prolonged dry weather in our Cambridge region after an exceptionally hot and dry spring and summer, followed by a wet and at times cold winter. This has impacted our performance target for mains bursts, for example. I want to thank colleagues across the business for the work they have done to maintain safe, clean drinking water supplies to the vast majority of our customers – particularly during the summer months.

Delivering for our customers

Delivering the reliable services our customers expect every day remains fundamental. This includes our performance against the principal customer experience measures: C-MeX for household customers, D-MeX for developer services customers and BR-MeX for our non-household retail customers. During the five-year planning period that ran from 2020 to 2025 (AMP7), while we made some progress, we did not meet our stretching targets for C-MeX overall. This was disappointing. When I became Managing Director, I made it clear that we needed to improve. While we have started to see some progress, there is more for us to do during the remaining years of AMP8.

One of the ways we have demonstrated this commitment is through the publication of our vulnerability strategy. This ensures customers who may find themselves in vulnerable circumstances can access water services that are inclusive, appropriate and affordable, with support targeted to their needs. The strategy reflects our aim that no customer is left behind, while recognising the particular challenges across our Cambridge and South Staffs regions, including inequality, an ageing population and poorer health outcomes in some communities.

During the year, Ofwat introduced a new consumer involvement rule under powers granted by the Water (Special Measures) Act 2025. The intention behind this rule is that all water companies listen to customers and consumers, understand their needs and take account of their experiences in the decisions that matter to them, with the aim of rebuilding trust and confidence. We already do a huge amount of work to understand our customers' views and we used this to shape our AMP8 plans. We see the new rule as something that builds on our extensive customer engagement and insight programme. To that end, we started work during the year to develop a new materiality framework, which will help us assess the impact of our decision-making on customers in a consistent way. I will report further on this in next year's annual report.

"The intention behind this rule is that all water companies listen to customers and consumers…."

Accountability to customers is an important consideration for all our decision-making. I therefore welcomed the introduction of the Water Voice accountability sessions, organised by CCW, the consumer watchdog. These sessions build on our wider customer engagement programme, and give a representative panel of consumers the opportunity to question senior executives directly. Our first session took place in March and gave us further insight into the issues that matter most to our customers. It resulted in an action plan, agreed with them, on improvements they expect us to deliver. We will continue to work with CCW and the consumer panel as this approach develops, including at our next session in the autumn.

Ensuring operational resilience

At the start of this review, I referred to our ambitious AMP8 plans. One area where we have performed well during the year is our universal metering programme, where we have committed to install 161,458 meters across our Cambridge and South Staffs regions. The programme launched in our South Staffs region in August 2025, with a target to install 20,646 new household meters during the year. I am pleased to report that we exceeded this target, installing 24,805 meters. This gives us a strong foundation to scale up the programme over the next four years. I recognise that some customers remain concerned about metering, which is why we have placed communication and customer support at the heart of our programme, with a particular focus on those in vulnerable circumstances. I will continue to report on our progress in future annual reports.

"By prioritising these parts of the network, we expect to reduce leakage and improve resilience."

Another area where we have performed well is with our mains replacement programme, the second largest single element of our AMP8 investment plans. Over the five years to 2030, we have committed to replacing 250 km of ageing water mains across both regions. This is a considerable step up from AMP7 and an important investment in the resilience of our underground network. We launched this programme in July 2025, targeting areas of the network with a history of bursts or leaks. By prioritising these parts of the network, we expect to reduce leakage and improve resilience. Clear and timely communication with customers and other stakeholders is critical to the success of this programme, so our teams provide information on each scheme before work starts, explaining why the work is needed. By year end, we had replaced more than 43 km of ageing water mains across our Cambridge and South Staffs regions, exceeding our target of 37 km for the year. I will report further on our progress as the programme continues through AMP8.

One area where we have not met our performance target is our commitment to proactively reduce lead pipes across our network. As with elsewhere in the sector, this has proved challenging, largely because of the difficulty of identifying qualifying lead services accurately. We have been working with our regulator Ofwat and other stakeholders on next steps and are currently focused on improving the quality of our data through proactive sampling and further validation of historic records. I will provide an update on this work in next year's annual report.

Protecting the environment

I referred earlier to the impact of prolonged dry weather and drought during the year. While both our Cambridge and South Staffs regions are classed by the Environment Agency as areas of serious water stress, the impact on our water sources is more acutely felt in our Cambridge region. The east of England is one of the driest parts of the country and all of the water we have available to supply comes from groundwater sources – mostly from aquifers that support rare chalk stream habitats. At the same time, abstraction constraints are tightening to protect the environment, while planned growth across the region is increasing future demand.

"…the impact on our water sources is more acutely felt in our Cambridge region."

During the year, we continued to work closely with our neighbour Anglian Water, our regulators and other key stakeholders on two business-critical programmes to secure sustainable and resilient water supplies for customers in our Cambridge region over the medium to long term: the Fens reservoir and a transfer of water from Anglian's Grafham reservoir. The Fens reservoir is expected to provide around 44 million litres of water a day into our Cambridge region once it is brought into service in the mid- to late-2030s. The Grafham transfer is a time-limited arrangement that will provide 26 million litres of water a day until the Fens reservoir is operational. Both programmes continue to progress broadly in line with the timelines set out in 'Securing your water future', our business plan for the five years to 2030.

We have also continued to deliver against our other environmental obligations and commitments. This includes our statutory Water Industry National Environment Programme (WINEP) schemes, and our catchment management and biodiversity enhancement programmes. During the year, our WINEP activity was largely focused on chalk stream restoration in our Cambridge region, while the work we undertake to support farmers and landowners through our SPRING catchment management programme has delivered around 2,250 hectares of biodiversity options across both regions.

A changing water sector

Everything we have done during the year has taken place against a changing regulatory backdrop. In late 2024, the Government established the Independent Water Commission, chaired by Sir Jon Cunliffe, a former Deputy Governor of the Bank of England. The Commission, known colloquially as 'the Cunliffe review', was tasked with developing a set of recommendations aimed at fundamentally reshaping the regulatory framework within which the sector operates, and to rebuild public trust and confidence in the monopoly water companies. Following a call for evidence and interim findings, the Commission published its final report in summer 2025.

"The Government published a White Paper in January 2026 … I welcome the clarity it provides."

Along with fellow water company CEOs, I met Sir Jon and his team to help shape the Commission's work. The final report made a number of recommendations to Government, including proposals for a new regulator. In response, the Government published a White Paper in January 2026 and I welcome the clarity it provides. Along with colleagues across the business I will continue to work with Government and other stakeholders to help ensure the new framework supports the delivery of value for water customers, society and the environment, reflecting our role as the provider of an essential public service.

Supporting our people

I said at the start of this review that it has been a year of firsts. It has also been a year of change. Since joining South Staffordshire Water, I have focused on strengthening the business for the future, including through new appointments to the Executive team to help shape the company's direction. I am pleased to be working with colleagues who are committed to delivering for our customers, the environment and our people. I look forward to the challenges and opportunities ahead as we continue to ramp up the delivery of our AMP8 investment programme.

"I have been impressed by the knowledge, experience and commitment of our people…."

I am also encouraged by a number of the initiatives introduced or expanded during the year, both within the water company and across the wider South Staffordshire Limited Group. These include our 'Brilliant Basics' performance development programme, designed to strengthen the management and leadership capability of our frontline managers across the business. This 12-week programme is intended to support a more consistent approach to leading teams, managing performance and making effective decisions. It launched in January 2026 with our water production, customer liaison and leakage teams. The first cohort has now completed the programme and my Executive team and I are considering how to build on this learning across other teams.

Earlier this year I enjoyed joining Charley Maher, our Group CEO, and the Managing Directors of other Group businesses to celebrate our apprentices. It was a valuable opportunity to hear directly from them about what is working well in the apprenticeship programme and where further improvements could be made. Looking ahead, I will continue to work with Group colleagues to ensure our apprenticeship offering remains relevant and helps build the skills we will need for the future of South Staffordshire Water.

I would like to end by thanking colleagues across the business for their contribution during the year. In visiting sites and meeting teams across our Cambridge and South Staffs regions, I have been impressed by the knowledge, experience and commitment of our people, and by the role they play in delivering high-quality drinking water to our customers every day. I look forward to continuing this engagement in the years ahead.

Elena Karpathakis
Managing Director

Managing our response to drought

A key feature of the reporting year was the prolonged dry weather and drought experienced across our Cambridge and South Staffs regions. This followed an exceptionally hot and dry spring and summer. Indeed, June was the driest month since 1976; during that time, we saw a large increase in how much water our customers used.

In our Cambridge region, customer demand in June reached an average of 98 million litres of water a day – or enough to fill 39 Olympic-sized swimming pools. This represents an 8% increase on typical demand for that time of year. We saw a larger increase in our South Staffs region, with demand averaging 365 million litres of water a day. This is enough to fill 146 Olympic swimming pools and represents a 15% increase on typical daily demand.

While we often see more demand for water during the summer months, the unusually prolonged period of hot, dry weather meant that the groundwater sources, rivers and reservoirs from where we take our water supplies were not replenished by rainfall.

In response to the drought, we urged customers across both regions to consider their water use and look at the ways they could cut back on non-essential activities, such as washing the car and using a watering can instead of a hosepipe to water the garden. We did not implement temporary use bans (also called 'hosepipe bans') across either region. Instead, we focused more attention on finding and fixing leaks, putting more teams in place for a faster response. We also carried our water-saving messages through into the autumn as a changing climate means drought is no longer just a summer issue.

Executive team

The Executive team is responsible for setting the strategic direction of the business. It is also responsible for the day-to-day operations of the wholesale and retail functions across the Cambridge and South Staffs regions.

The team oversees the implementation of policies and procedures that align with regulatory standards and environmental guidelines. Members of the Executive team work closely together to ensure financial stability through effective budgeting and cost control. In addition, it engages with a wide range of stakeholders, including customers, consumers and communities, government bodies and investors to foster a spirit of trust and collaboration. Overall, the leadership of the Executive team is key in ensuring the long-term success of the business and in enabling it to navigate the complex challenges of the England and Wales water sector.

Robert Boswell, Capital Delivery Director

Robert was appointed to the Executive team in 2023. He started his career with South Staffordshire Water nearly 30 years ago. He has been responsible for delivering operational experience throughout multiple front-line departments, specialising in energy, water production and civil engineering. In this role, Robert oversees the delivery of projects and operational technologies. His focus is on managing one of our biggest costs – energy – and tackling how we become greener as a business, while developing smarter networks.

David Brown, Transformation Director

David was appointed to the Executive team in 2025. He brings more than 20 years of experience in leading transformation and operational improvement across regulated, customer-focused utility sectors. His background includes developing long-term transformation strategies and leading large-scale initiatives, with a focus on accelerating progress towards net zero goals and enhancing operational performance. Before joining South Staffordshire Water, David held senior transformation and operational leadership positions at major UK utilities. Throughout his career, he has worked extensively with national engineering and field service teams to improve customer experience and deliver tangible value.

Caroline Cooper, Strategy & Regulation Director

Caroline was appointed to the Executive team in 2020. She was previously responsible for our successful PR19 and PR24 regulatory submissions, developing plans that deliver for our customers, our communities and the environment. For PR24, this saw South Staffordshire Water secure more than £926 million of funding for the five years to 2030. Caroline has spent all her career in the water sector, previously working for Severn Trent Water until she joined South Staffordshire Water in 2003 as an asset management analyst. She has progressed through several roles within the business, and has extensive knowledge of asset management, business planning and strategy development.

Shaun Dowen, Operations Director

Shaun was appointed to the Executive team in 2025. He has more than 16 years of leadership experience. He joined South Staffordshire Water from United Utilities, where he held the position of County Business Lead – Water Services, leading a 200-strong integrated water treatment and networks team responsible for delivery and performance across the whole clean water system. Shaun specialises in operational performance, transformation, water quality and environmental regulatory compliance. He has previously served as Acting Water Treatment Director at United Utilities, held a range of leadership roles at Severn Trent Water, and is a non-Executive Director for the Water Regulations Approval Scheme.

Dominique Mowle, Finance Director

Dominique was appointed to the Executive team in 2026. She brings more than 18 years of professional experience, including more than 8 years in the water sector. She trained in professional practice before progressing into senior finance leadership roles across regulated utilities and financial services. Within the water sector, Dominque most recently served as Head of FP&A and Business Planning at Severn Trent PLC. She has previously held a range of senior finance positions, including roles in investor relations, transformation and operations. Outside of the water sector, Dominique has worked in financial positions across Barclays Bank PLC and Home Retail Group PLC.

Alex Wilkes, Customer Service Director

Alex was appointed to the Executive team in 2025. He has nearly 20 years of leadership experience in the regulated utilities sector. His background includes developing and executing customer service improvement and commercial strategies, business planning, transformation programmes and innovative support schemes for customers in vulnerable circumstances. Alex has held a range of customer-focused leadership roles within the energy sector, including at E.ON UK, Western Power Distribution and National Grid, where, as External Affairs Director, he was responsible for customer service strategy, corporate communications, stakeholder engagement and the development of an £8 billion business plan agreed with the industry regulator. Prior to joining South Staffordshire Water he was Customer and Commercial Director at YES Energy Solutions, a Community Interest Company focused on the alleviation of fuel poverty.

Departures during the year

Graham Hubbold, Interim Finance Director – completed his fixed-term contract on 13 February 2026.

Our strategy

Ours is a long-term business. We were founded in 1853 in the interests of public welfare to provide clean water to both the University of Cambridge and the industrial Black Country. So, making sure we plan for the future is part of our DNA.

We have continued to supply high-quality drinking water across our Cambridge and South Staffs regions since then, evolving our business strategy as appropriate. This is to ensure we always deliver the services our customers expect – and at a price they are willing to pay.

Setting the context – water sector changes

The year has been one of considerable change for the England and Wales water sector. This is likely to have a significant impact on our strategy going forward. After the General Election in July 2024, the Government announced that it was going to take immediate action to fundamentally change the way the sector was regulated and deliver better outcomes for customers and the environment. This was in response to public anger over sewage discharges and levels of Executive pay and dividends across the sector.

The Government's first action was to introduce a new Water (Special Measures) Bill. The aim was to give regulators in the sector much stronger powers to intervene when water companies fail. It also promised to tighten the rules around governance and Executive accountability and impose new duties on regulators to tackle pollution. The Bill passed into law as the Water (Special Measures) Act in February 2025. We discussed this in more detail in last year's annual report.

The Government also announced the launch of an Independent Water Commission to undertake what it said was the most significant review of the sector since privatisation in 1989. The Commission, headed by Sir Jon Cunliffe, published its call for evidence just before the start of the reporting year in February 2025. We responded to this, both at an individual water company level and through Water UK, our trade association. Elena Karpathakis, our Managing Director, met with Sir Jon along with other water company CEOs to help shape the Commission's recommendations. Sir Jon's interim report was published in June 2025, with the final report published the following month.

The review made 88 recommendations to the Government, which responded in January 2026 with a White Paper titled 'A new vision for water'. The White Paper proposed a major overhaul of the sector, including replacing the economic regulator Ofwat, increasing accountability for water company Executives, and introducing a new supervisory approach and a new performance and improvement regime. We welcome the clarity the White Paper brings. This includes around the publication of longer-term strategic guidance for the water system during the 2026/27 reporting year and clearer guidance for the regulator in relation to the 2029 periodic review of price controls (the 2029 price review, or 'PR29'). At the same time, the Government is introducing a Clean Water Bill, which will formalise the new strategic guidance and make it legally binding for the new regulator. This will be reflected in our long-term strategy going forward.

Revisiting our long-term strategy

Before AMP8 got under way in April 2025, we published our long-term delivery strategy to 2050. At the heart of this strategy is our commitment to demonstrate our value to customers and society as the provider of an essential public service, now and in the future. This commitment is reflected in the following priorities. We keep these under review and recognise that they have evolved already and will continue to do so over time – as external and other circumstances and the expectations on us from Government and society change.

Priority area	Our commitment
Ending water poverty	We will: ▪ keep prices affordable by continuing to operate efficiently; ▪ use data-driven approaches to identify customers who may be struggling to pay their water bills; and ▪ offer the right levels of help and support to all customers who need it.
Protecting and enhancing the environment	We will: ▪ take less water from the environment, including the rare chalk stream habitats in our Cambridge region, and deliver sector-leading reductions in leakage and individual household water use; ▪ work with farmers and landowners to improve water quality; ▪ create or enhance habitats that support a wide range of plants and wildlife; ▪ support the sector to deliver new technologies to tackle per- and polyfluoroalkyl substances (PFAS) in water; and ▪ be transparent about our performance through the environmental performance assessment (EPA) process and through the development and implementation of our pollution incident reduction plan (PIRP).

Priority area	Our commitment
Adapting to a changing climate	We will: ▪ encourage sustainable practices within our business and supply chain; ▪ use more renewable energy at our sites; and ▪ make sure our network of treatment works, water mains and pumping stations can withstand extreme weather events.
Meeting the needs of a growing population	We will: ▪ develop new water sources, such as the Fens reservoir in our Cambridge region; ▪ make the most of our existing water sources; and ▪ work with household and non-household customers, including developers, to encourage more water efficiency and play our part in delivering the Government's growth agenda – especially in our Cambridge region.
Remaining financeable over the long term	We will: ▪ continue to meet all our legal, regulatory and financial obligations, driving efficiency across our operations, and remaining attractive to investors over the long term.

Assumptions underpinning our strategy

Our strategy is underpinned by a number of assumptions. This is because of the uncertainty associated with long-term planning. Recognising this uncertainty, we have made judgements in a number of areas, which are underpinned by the activities we need to carry out to appropriately account for the uncertainty. This has helped us to understand our future investment requirements. We set out the key assumptions below.

- **Our people.** It is critical for us to make sure our people have the skills they need to deliver our objectives. We remain committed to running an efficient business where our people are empowered to make decisions and where they possess the requisite skills to realise our long-term goals. All our people play a crucial role in bringing our strategy to life. Their dedication and hard work are integral to securing a sustainable water future for our customers and society.
- **Partnership working.** Looking ahead, we want to be a sustainable business that always delivers value for money for our customers, society and the environment. Key to this is the work we do in partnership with our communities and stakeholders. This is to ensure we generate positive impacts for society and that we leave the environment in a better state for future generations.
- **Collaboration and open data.** We think that fostering a culture of collaboration within and outside our business and a commitment to open data will enable us to tap into additional cost efficiencies and opportunities for partnership working. This includes continuing to work with industry groups such as UKWIR, the principal research platform for the sector. It also includes working with others to harness the potential benefits of artificial intelligence (AI).
- **Innovation.** We recognise the role innovation will play if we are to achieve our ambitions. This means testing and discovering new solutions to sourcing funds from innovation competitions and third party organisations. This is important if we are to continually deliver the improvements our customers have told us they expect and are willing to pay for.

At the same time, while we recognise the uncertainties associated with long-term planning, we also have to be able to demonstrate how we are delivering against our plans. During the year, we have delivered against our long-term commitments in a number of ways. Examples of these are included throughout this annual report and financial statements and are highlighted in the table below.

Priority area	Examples of how we have delivered against this commitment in 2025/26
Ending water poverty	■ In June 2025, we published our 'Help when you need it' vulnerability strategy. The core purpose of this is to ensure every customer, especially those in vulnerable circumstances, can access a reliable and supportive water service. It also sets out how we will support customers who are struggling to afford their water bills. This includes through discounted tariffs, payment plans, payment breaks and advice on managing debt. ■ We are currently developing a new customer service strategy. This is to ensure we can deliver improvements across a range of services, including billing, complaints, vulnerability and affordability support, and digital self-service options.
Protecting and enhancing the environment	■ We have started work on our chalk stream restoration programme, including initial designs, baseline surveys and ecological assessments. We are also progressing with our AMP8 WINEP obligations. We have carried out a range of schemes during the year, including biodiversity net gain assessments, ecological surveys and eel surveys. ■ We published our first PIRP in March 2026, outlining our performance in 2025 and the action plans we are implementing in 2026. See page 32 for more information. ■ We have aligned our policy on PFAS with the Drinking Water Inspectorate's (DWI) regulatory tiers. This policy covers 48 substances under the PFAS umbrella. Under our tier-based approach we monitor tier 1 water sources quarterly, tier 2 sources monthly and tier 3 sources weekly at both pre- and post-treatment points. We also deploy additional treatment at tier 3 sources, including granular activated carbon (GAC) and water blending before the water enters into supply.
Adapting to a changing climate	■ We remain on track to be sector leading for per capita consumption (PCC) in our Cambridge region and have outperformed our target in our South Staffs region. We anticipate demand to reduce further as our universal metering programme progresses and following behavioural change campaigns across both regions during summer 2026. ■ The new ceramic membrane filtration plant at our Hampton Loade water treatment works has enabled us to switch off the existing UV treatment process at the site. This has delivered a meaningful carbon reduction during the year of 690 tonnes of CO_2e. In addition, it has helped to improve the consistency and effectiveness of the filtration process, which in turn delivers water quality benefits for customers. ■ Alongside this, we have completed lighting upgrades at several sites in our South Staffs region, which has delivered an emissions saving of 1.76 tonnes of CO_2e. We have also reviewed the ventilation systems at our head office in Walsall, installing inverter drives to provide a more efficient approach to managing airflow. We expect these upgrades to equate to an emissions saving of 3.5 tonnes of CO_2e.
Meeting the needs of a growing population	■ We are continuing to progress the Grafham transfer project and the Fens reservoir strategic resource option in our Cambridge region with our neighbour Anglian Water. For the Fens reservoir project, this has included proactive engagement with key stakeholders on a long-term funding solution to help us manage the bill impacts for our customers. ■ To play our part to help keep more water in the environment and ensure sustainable supplies for our customers now and in the future, we launched our largest-ever mains replacement programme across our Cambridge and South Staffs regions in July 2025. We also launched our universal metering programme in August, with the aim of giving our customers more power over their water use. See pages 35 and 36 for more information.

Priority area	Examples of how we have delivered against this commitment in 2025/26
Remaining financeable over the long term	▪ We have continued to engage with Arjun Infrastructure Partners during the year on sustainable investment, climate resilience, community impact, diversity and health and safety, in accordance with its shareholder/investor role.

Understanding the things that matter to our customers

Underpinning our long-term strategy are the 'golden threads' that drive our engagement with customers. These are the overarching themes that customers continually reflect back to us. They help us to understand our customers' priorities while ensuring we are always embedded at the heart of the communities we serve. We summarise the five golden threads below.

- **Transparency and engagement.** Customers consistently tell us they want regular and effective communication and education. This is to help them understand the context – and any impact – of proposed changes to their water services and the role they can play in ensuring the best outcomes.
- **Focus on fairness and collective action.** It is essential that we develop policies that are seen to be 'fair' for all customers – particularly those in vulnerable circumstances. When customers are informed, we see more calls for collective responsibility to tackle the challenges we face. This includes when maintaining water supplies and tackling affordability issues.
- **Concern for the environment.** This links to a growing awareness among our customers of the impact of climate change on public services – for example, more floods and prolonged periods of drought. Customers say they want us to play a more prominent role in restoring and protecting the water environment for future generations.
- **The need to protect vulnerable customers.** A majority of our customers support the need for us to subsidise those households who are struggling to pay their water bills. Alongside this is the need to ensure our services are accessible to all customers across our Cambridge and South Staffs regions. The ongoing cost-of-living crisis is keeping this at the forefront of customers' minds.
- **Affordability.** Linked to the theme above, in recent years, customers' preferences have become more influenced by pressures on household bills. This has caused many customers to consider their own situations carefully in relation to the water service investments they want us to make. For our part, it means making sure we continue to have the right support in place for customers who are struggling to pay their water bills.

There is more detail on our golden threads on page 45. We will continue to track them, and the drivers behind them, through our comprehensive customer engagement and insight programme. This helps us to ensure that our strategy going forward continues to reflect the things that are important to our customers and their long-term priorities for the services we provide.

Steering our plans to delivery

The ambitious £926 million investment plan we are delivering over the course of AMP8 is the largest ever in our history. To ensure we can keep pace with the needs of our enhancement projects and identify any changes we need to make to our plans, we have introduced a number of new steering groups. These bring together senior leaders from across the business to provide strategic direction and ensure performance is reviewed and that risks are escalated, as appropriate.

The **Water Quality Steering Group** focuses on our regulatory compliance, delivery of our commitments and legal instruments to the DWI, and key areas for improvement. It identifies and escalates emerging risks, the mitigation required and any co-dependencies.

The **Environmental Compliance Steering Group** also focuses on regulatory compliance, providing a forum for performance discussions, areas for improvement and risk management. It also provides a strategic steer for key plans and programmes under development, including our drought and water resources management plans and our WINEP schemes.

The **Grafham and Fens Steering Group** ensures key internal stakeholders are aware of the progress of these key programmes. Critically, it is also the forum for approving key decisions that impact both the programmes and all our day-to-day business operations. This includes, for example, the financial implications associated with our chemicals and power costs. The group ensures decisions can be taken in a timely way by the right people and that there is an auditable trail of any decisions and risks.

These groups are intended to remain in place for the duration of AMP8. We have also committed to introducing more steering groups for specific projects or challenges. This is so we can ensure appropriate governance and swift resolution with all key internal stakeholders.

Financial performance

The first year of AMP8 has seen us deliver strong financial performance, despite operating in a challenging external environment.

Throughout the year we continued to prioritise resilience, customer support and disciplined financial management, which has enabled us to maintain stability while responding to severe weather events, which drove higher costs across our network, and while experiencing persistent inflationary pressures, particularly across energy, chemicals and financing.

As At 31 March 2026, our balance sheet remains robust. Our covenant net debt was £391.0 million (2025: £385.4 million) and our regulatory capital value (RCV) was £640.9 million (2025: £580.6 million). Gearing stands at 61.0% (2025: 66.4%), remaining well within our covenant requirements and consistent with our long-term financing strategy.

Overall, we have delivered the first year of AMP8 with a strong financial foundation, with a clear focus on delivering for customers and the environment and a continued focus on investment in resilience.

We summarise our key financial performance below.

	31 March 2026 (£m)	31 March 2025 (£m)
Turnover	195.4	153.4
Operating costs	(152.8)	(133.9)
Operating profit before exceptional items	50.7	30.2
Exceptional items	(1.2)	(0.5)
Operating profit after exceptional items	49.4	29.7
Net financing costs	(26.3)	(22.8)
Profit before tax	23.2	6.9
Corporation tax – current and deferred tax	(6.2)	(1.7)
Profit for the year	**17.0**	**5.2**

	31 March 2026 (£m)	31 March 2025 (£m)
Operating profit before exceptional items	50.7	30.2
Depreciation: intangible assets	1.3	1.2
Depreciation: non-infrastructure assets	30.3	25.7
Depreciation: infrastructure assets	4.7	4.5
Capital contributions	(4.7)	(3.5)
Adjusted EBITDA	**82.3**	**58.1**

Turnover

Turnover in the year grew by £42 million, driven predominantly by an increase in regulated tariffs from the PR24 final determination, higher water consumption, alongside a CPIH uplift of 3.5%. Non-appointed revenues have increased by £1.3 million, mainly within our Aqua Direct spring water business. Commissions are earned on the collection of amounts billed for other water companies for sewerage services they provide to customers, and through an agreement to identify customers to whom we offer insurance policies. Additional information on the movement in our turnover by category is set out on page 181.

Operating profit

Alongside the increased turnover noted above, our costs have increased compared with the prior year, largely driven by a higher depreciation charge as we deliver a significantly larger capital investment programme, alongside increased spend on our network repairs and maintenance activity. In addition, we have experienced inflationary cost increases in energy. Our bad debt provision assumptions have remained broadly consistent with the prior year and our calculation represents around 4% of household revenue (2025: 4%) over the course of nine years. We continue to monitor our cash collection position closely, while keeping our future customer support offerings under review, given the ongoing cost-of-living crisis. In the annual report and financial statements for the year ended 31 March 2025, a contingent liability relating to a potential penalty was referenced. This liability crystallised in October 2025 and an exceptional cost of £1.2 million in relation to the criminal cyber-attack in 2022 was recognised.

Capital investment

We have successfully delivered against our year 1 plan, ensuring our assets remain in good condition and continue to provide resilient supplies of high-quality, clean drinking water to our customers. Overall gross capital expenditure for the year was £79.8 million (2025: £48.8 million). Overall net capital expenditure, net of contributions, was £75.2 million (2025: £41.2 million). We have delivered above and beyond target on our two largest investment programmes; universal metering and mains renewal. The significance of our mains renewal programme for AMP8 demonstrates increased enhancement in our network and is recognised as capital investment. We have delivered our Maple Brook treatment works ultraviolet (UV) installation ahead of target, providing us with additional treatment resilience in our South Staffs region.

Treasury, net debt and borrowing costs

The main purpose of our financial instruments, including derivatives, is to finance our operations and limit risk from fluctuations in external indices outside our control. This includes entering floating to fixed interest rate swaps, where this is considered appropriate. The floating to fixed rate interest rate swaps designated as cash flow hedge ended as at 31 December 2025. During the reporting year and the prior year, our policy has been not to carry out any trading in financial instruments. Our policy in relation to cash, loans receivable and borrowings is to maintain flexibility with both fixed and floating rates of interest, and long- and short-term borrowings. To support the long-term financing needs of the business, we increased our revolving credit facility by a further £25 million shortly after the end of the financial period.

During the year, we did not require any additional drawdown from our revolving credit facility. Our balance sheet on 31 March 2026 showed cash and cash equivalents of £23.5 million (2025: £15.5 million) and we had drawn facilities amounting to £30 million (2025: £30 million) and undrawn facilities amounting to £45 million (2025: £45 million). Our net debt includes index-linked debt, bank loans and debenture stock less cash. The reconciliation between covenant net debt and book net debt is shown in the notes to the cash flow on page 169. Standard & Poor's (S&P) continues to rate the business as BBB+ in stable outlook, with Moody's rating us at Baa2/stable; both are within investment grade.

RoRE and total shareholder return

Return on regulated equity (RoRE) is a key performance indicator for our business and reflects the combined performance on total expenditure (totex), customer outcome delivery incentives (ODIs) and financing against the base return allowed in our PR24 final determination from Ofwat. RoRE for the reporting year under actual returns and actual equity was 6.3%. This is 0.6% higher than that allowed in our final determination of 5.7%. Performance is detailed in the table below.

	31 March 2026 (%)	31 March 2025 (%)
Base return	5.7	4.3
Wholesale totex	(0.6)	(2.3)
Retail totex	(1.7)	(2.1)
ODI performance	1.2	(2.2)
PCD outperformance	0.1	0.0
Financing	1.6	0.3
Tax	0.0	(0.1)
Other	(0.1)	0.0
Return on regulated equity (RoRE)	**6.3**	**(2.1)**
RCV growth	3.5	3.5
Total shareholder return	**9.7**	**1.3**

We set out a detailed reconciliation of RoRE on page 107 of the annual performance report published alongside these financial statements.

Dividend payment

Our dividend policy aims to ensure we distribute dividends that reflect the equity value created by the business, subject to:

- being compatible with delivering for customers and the environment, maintaining strong financial resilience, and funding AMP8 investment, consistent with our licence and Ofwat's guidance;
- maintaining credit metrics which are consistent with a Baa2 credit rating both now and over time; and
- having adequate liquidity to meet cash needs over the coming 12 months and having adequate distributable reserves.

Ahead of the business making a decision on dividend payments, the Board considers carefully the financial position and performance of the business. In the reporting year the Board assessed the final performance of AMP7and as a result a second interim dividend of £1.8 million was paid in the reporting year in relation to 2024/25 performance.

As we started AMP8 strongly, delivering against a number of our regulatory targets, the business paid an interim dividend of £4.2 million during the year in relation to first six months of performance for 2025/6. In addition, the Board approved a second interim dividend totalling £6.7 million (2025: £4.2 million) after the year end, in relation to the second six months of performance for 2025/26. This represents a 4.0% base dividend yield of regulated equity (2025: 2.1%).

Approach to taxation

We take the legal and social responsibilities for meeting our tax obligations seriously. We have no operations outside the United Kingdom (UK). As a result, the following information has specific reference to UK taxation only. We are committed to complying with tax laws in a responsible manner. This means balancing our obligations to the Government and the public with our duty to manage our affairs efficiently so that we can deliver cost-effective services to customers, while generating an economic return to investors. We make timely and accurate tax returns that reflect our fiscal obligations to the Government. In particular, we:

- do not engage in aggressive tax planning;
- do not engage in artificial tax arrangements;
- seek to maintain a transparent and collaborative relationship with HM Revenue & Customs (HMRC), principally through our Customer Compliance Manager; and
- seek independent professional tax advice on material matters, where the application of tax law is complex or uncertain.

We make use of applicable tax incentives provided by the Government within the terms outlined above. These may include, for example, preferential rates of capital allowances, and certain designated capital assets that add efficiency to our operations. Such incentives have been put in place to encourage appropriate business investment. These incentives have the effect of reducing customers' water bills. As well as corporation tax, we contribute to the UK Exchequer by means of several other taxes and levies. This includes, but is not limited to:

- employment taxes, National Insurance and the Apprenticeship Levy;
- carbon taxes and other energy-related taxes and levies;
- fuel duty and other vehicle-related taxes;
- business rates; and
- regulatory charges and licences, such as water abstraction charges.

We are committed to paying the right amount of tax at the right time. Alongside corporation tax on profits and deferred tax, we incur a range of other taxes and charges required by Government agencies. These tax charges total approximately £19.8 million (2025: £16.1 million).

The table below shows a split of the main tax charges. In addition, we also pay Environment Agency charges (which are not included in the table).

	31 March 2026 (£'000)	31 March 2025 (£'000)
Corporation tax – current tax	0	922
Corporation tax – deferred tax	6,200	756
Business rates	4,449	4,292
Employer National Insurance contributions	2,554	2,022
Environmental tax	6,204	7,669
Fuel duty	426	396
Total	**19,833**	**16,057**

Our approach to risk management applies to tax as it does to other business areas, with key issues escalated to the Board. All material tax matters are discussed with our Finance team and significant issues are escalated to the Board. The South Staffordshire Limited Group (the Group) independent Risk, Control and Assurance function also reviews significant risk areas where appropriate.

We have identified financial resilience as a key risk area. One possible factor considered within this area is economic uncertainty in relation to the possibility of unexpected tax law and policy changes by the Government. To mitigate this, we carefully monitor published tax legislation, guidance and policy documents to ensure we can assess the compliance requirements and the economic implications for us. We also engage with HMRC, where our tax position is likely to be materially affected by policy changes.

The corporation tax charge has increased from last year to £6.2 million (2025: £1.7 million). UK tax rules specify the rate of tax relief available on capital expenditure. Typically, this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. Accounting standards require that we make a provision for the tax we would pay in future periods, if the depreciation charge arising on expenditure for which tax relief has already been received is not offset by further tax allowances in those periods. However, the nature of our business, including a significant rolling capital programme and the long lives of our assets, means we do not expect these timing differences to reverse for the foreseeable future. This is a significant component of our deferred tax position.

Operational performance

Performance against our targets – summary

Category	Performance commitment (PC)	Unit of measure	PC target 2025/26	Year-end performance	Target pass (yes/no)
Customer service	C-MeX (customer measure of experience)	Score	Based on UKSCI 2026	9th	No
	D-MeX (developer measure of experience)	Score	Sector median	9th	Yes
	BR-MeX (business retailer measure of experience)	Score	Sector median	15th	No
Operational	Supply interruptions	mm:ss[1]	05:00	04:52	Yes
	Compliance Risk Index (CRI)	Score	0.00	1.13	No
	Water quality contacts	No/1,000 population	0.70	0.91	No
	Mains repairs	No./1,000 km of main	120.6	145.9	No
	Unplanned outage	% of PWPC[2]	2.60	1.96	Yes
	Operational greenhouse gas (GHG) emissions	Tonnes CO_2e	61,405	63,261	No
	Discharge permit compliance	% compliance	100	96.55	No
Environmental	Serious pollution incidents	Number	0	0	Yes
	Biodiversity	Nat. Eng.[3] units	0	0	Yes

Category	Performance commitment (PC)	Unit of measure	PC target 2025/26	Year-end performance	Target pass (yes/no)
Water consumption	Leakage – Cambridge region	Ml/d[4]	12.7 (3-yr average)	11.9	Yes
	Leakage – South Staffs region	Ml/d	60.8 (3-yr average)	59.5	Yes
	PCC[5] – Cambridge region	l/p/d[6]	126.9 (3-yr average)	120.0	Yes
	PCC – South Staffs region	l/p/d	134.6 (3-yr average)	133.8	Yes
	Business demand – Cambridge region	Ml/d	29.1 (3-yr average)	29.1	Yes
	Business demand – South Staffs region	Ml/d	63.9 (3-yr average)	62.9	Yes

Key:

1. mm:ss = minutes:seconds.
2. PWPC = peak weak pumping capacity (that is, the total volume of water all our sources can produce).
3. Nat. Eng. = Natural England.
4. Ml/d = megalitres per day (a megalitre is one million litres).
5. PCC = per capita consumption (how much water each household customer uses).
6. l/p/d = litres per person per day.

We measure our performance for the year against a set of customer-focused, operational, environmental and consumption metrics.

These metrics are common to all the water only companies in the sector – that is, those companies that only provide clean drinking water, and that do not take away and treat waste water and sewage. As this annual report and financial statements covers the first year of AMP8, this is the first time we have reported against this particular configuration of metrics.

Performance commentary

Performance against our regulatory targets during the year has been mixed. While we have missed some targets, we have performed well in a number of other areas, which has put us in a net reward position for the year overall. For those areas where we have missed targets during the year, we have put plans in place to ensure we deliver improved performance during the remaining four years of AMP8.

One area where we have performed well is with supply interruptions. This is one of our weather-dependent measures and we have traditionally been one of the best performers in the sector in this area. Despite the volatility of the weather during the winter months, we outperformed our target for the year. We will continue to build on this to ensure we maintain this outperformance in the year ahead. In addition, we are pleased to have outperformed the targets for leakage and household individual water use – what we call 'per capita consumption' or PCC – in both our Cambridge and South Staffs regions. This puts us in a reward position for these measures. Even so, we will continue to drive improvements in the most economically efficient way.

Another area where we have performed well is unplanned outage. This measure demonstrates the resilience and reliability of our water treatment assets in how they deliver the required volume of water without unexpected failures. Our performance in this area reflects our commitment to continually maintaining and upgrading these business-critical assets. We have also performed well against our key environmental measures for serious pollution incidents (see the case study below) and biodiversity.

We are disappointed to have missed some of our targets during the year, including for mains bursts and contacts from customers about their water quality. We have also missed our carbon emissions target for the year. This is largely due to an increase in the use of chemicals, related to the higher levels of water supplied to customers throughout the spring and summer.

In addition, while we have taken some significant steps in improving our customer service during the year (as reported below), this has not been reflected in our regulatory customer experience measures. At the time of writing, we expected to be placed 9th in the sector for C-MeX, the principal measure of household customer experience. This is below the UK Customer Satisfaction Index (USCI) target. We also expect to be place 9th in the sector for D-MeX, the measure for developer services customer experience, and 15th for BR-MeX, which is the measure of experience for non-household business retail customers.

We are mindful of the regulatory consequences that are triggered if we fail to meet our performance commitment targets. The core mechanism is for Ofwat to make a financial adjustment to these targets, which are typically returned to customers through lower bills. For our operational performance commitments, we ended the year in a reward position, and expect a total reward of nearly £2.4 million. This reward does not include our customer service measures. At the time of writing, we expected to be in penalty by around £1.2 million. This means our overall position for the year is likely to be a reward of around £1.2 million. We will continue to drive improvements across all our metrics in the most efficient way, delivering the things our customers have said are important to them.

Improving the services we deliver to customers

We recognise how important it is to improve our performance in the service we provide to our customers. We have taken significant steps forward in this area during the year, including in the following areas.

- We have made significant improvements in the responsiveness of our contact centre. This includes reducing our average call wait times, reducing the number of customers abandoning calls and having to re-attempt contact. We also implemented a case ownership model for complaints, assigning dedicated handlers to manage queries end-to-end and providing customers with direct contact details. This enhances our accountability and helps to build customer trust and confidence.
- We have reduced the number of failures against guaranteed service standards for things like actioning account queries, complaints and appointments on time.
- We have implemented a number of customer service initiatives during the year to deliver improvements across a range of areas, including billing services, complaints handling, and vulnerability and affordability support. We have also focused our attention on training and coaching our frontline people, and on developing our systems and digital self-service options.
- For non-household customers, we have increased the number of broken meter replacements and the number of meter verifications we complete each month. This allows us to bill customers accurately for the water they use. We have also delivered an improvement in satisfaction levels for non-household customers in relation to the wholesale services we provide. This helps us to maintain a safe, reliable supply of water and respond quickly if problems occur.
- We have expanded the frequency and quality of proactive information updates for customers during operational processes. This includes supply interruptions and when reporting a leak on the network.
- We have launched our 'Your water, your future' annual bill leaflet. This explains clearly how customers' bills help to fund critical investments on our network and the benefits these will deliver. The aim is to improve transparency and customer understanding. We have also simplified our customer billing communications. This includes using plain English and customer-tested messaging to ensure greater understanding and engagement.

Encouraging non-household water efficiency

In our Cambridge and South Staffs water resources management plans, we outlined a commitment to reduce non-household demand and support a national ambition to achieve a 9%reduction by 2038. During the year, we worked with specialist commercial water use assessors, Highlow Water, to review our non-household data against user types to help us identify those with exceptionally high water use.

Non-household users are benchmarked across similar businesses, taking into account all publicly available data. For example, at a hotel the benchmarking will take into account how many rooms there are, make an assumption on occupancy levels and calculate the expected daily usage. A similar process is then completed across a range of industries – sports centres, care homes, schools and others. Actual usage is used to identify inconsistencies, and we have targeted non-households for site visits across both our Cambridge and South Staffs regions.

Site visits carried out so far have identified several causes of high water use. These included external leaks on customers' properties, inefficiencies with swimming pool processes, and internal wastage through 'leaky loos' or urinals. Customers have received a report from us, outlining the issues identified, the volume of water being lost and the potential cost to the business. We have encouraged businesses to resolve these issues, which we confirm through updated meter readings. At the time of writing, we had resolved 0.258 million litres per day (Ml/d) across both regions, with an additional 0.120 Ml/d identified and awaiting resolution.

Our new approach has been well received by our non-household customers. We will continue to identify opportunities to reduce non-household demand through a range of methods.

Reporting our pollution performance

Just before the end of the year, we published our first pollution incident reduction plan (PIRP). The obligation to publish a PIRP each year is a new requirement under the Water (Special Measures) Act 2025. Our PIRP outlines our pollution performance during 2025 and our actions and plans for the improvements we will implement during 2026. We see it as a critical report both for providing transparency for our customers and to strengthen our commitment to environmental performance.

We are pleased to report that we recorded no serious pollution incidents during the year. However, we experienced seven Category 3 pollution incidents. We recognise the significance of any event and the potential impact on customers and the environment. All our pollution incidents resulted from burst water mains, where treated water then entered a water course. These events were classed as having a minor environmental impact. We put actions in place to prevent harm to the environment, such as implementing physical barriers or using dichlorination. This is the process of removing chlorine-based disinfectants from treated water before it is released into the environment or supplied to customers' taps.

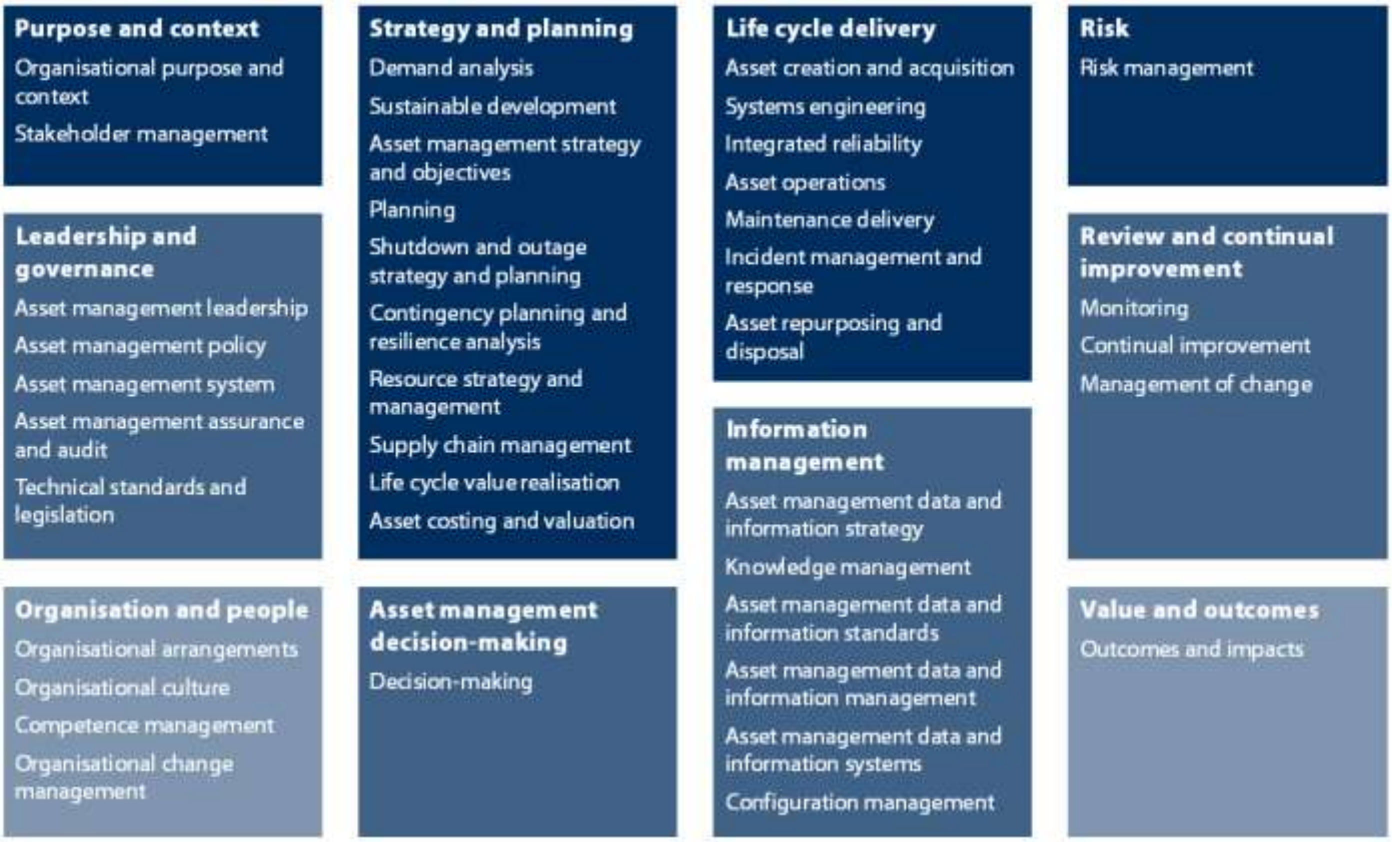
Our PIRP sets out our commitment to continuous improvement on incident reporting, operational management and environmental protection. We have identified measures for improvement, which we will implement throughout 2026. We will report on this through updated PIRPs so that customers can track our performance over time. We will also continue to play our part in delivering our wider environmental commitments in a number of areas, including:

- environmental responsibility;
- water management and abstraction;
- conservation;
- catchment management; and
- energy management.

Assessing our asset management maturity

Ahead of AMP8, Ofwat worked with water companies across the sector to co-create a framework to measure asset management maturity. The regulator is using this comprehensive asset management maturity assessment (AMMA) to evaluate how well we plan, manage and make decisions about our assets. The aim is to highlight strengths, weaknesses and areas for improvement with measures that can be applied consistently across companies. It also enables us to review the progress we have made since AMP7, and to demonstrate how we have enhanced our service performance, resilience and long-term value.

The AMMA is aligned with ISO 55001:2024, the international standard for asset management updated in 2024. This ensures our approach reflects recognised international best practice. It is structured around the Institute of Asset Management (IAM) ten-box model (see below), which provides an holistic framework covering the full asset management system. It demonstrates that all teams across the business affect our asset management maturity in some way – whether it be through operational, planning or people management roles.



Under the new framework, we complete an AMMA once every five years. This will help us to create a clear, evidence-based improvement plan and support long-term, sustainable asset management. In turn, this will help to strengthen collaboration across teams and improve outcomes for our customers and communities. It will also provide a baseline of asset management maturity as we head into the next price review business planning process and for a proposed new licence condition that is currently expected to come into effect in 2027. The increasing rigour and scrutiny being given to how water companies manage and monitor asset health align strongly with the AMMA. This places a real importance on the quality of our response and our proposed improvement plans throughout the current planning period.

Once we have completed the assessment, our Asset Management team will share the key findings and the improvement plan with colleagues across the business. This will help us to keep building a more joined-up and mature approach to asset management. At the time of writing, Ofwat was due to make its draft assessment, with final reports currently scheduled for publication in January 2027. This will benchmark our position in relation to other companies in the sector. We will report on this in more detail in next year's annual report and financial statements.

Delivery against our price control deliverables

For AMP8, Ofwat has introduced a new regulatory mechanism – price control deliverables (PCDs). The core purpose of this mechanism is to define the outcomes water companies must deliver for customers through their enhancement expenditure allowances. Examples of enhancements can include:

- environmental improvements;
- water quality improvements;
- resilience upgrades; and
- new supply- or demand-side solutions.

PCDs have been designed to protect the services we provide to customers, with funding returned if we fail to deliver our enhancement projects. They have also been designed to increase our transparency and oversight through clearer reporting and assurance on progress. The aim is to strengthen accountability for enhancement spending and encourage more timely delivery of service enhancements.

We have a number of PCDs to deliver over the five years to 2030, including our universal metering and mains replacement programmes (see case studies below). Alongside these, we have committed to deliver:

- treatment upgrades – for example, ultraviolet (UV) and nitrate removal;
- strategic supply and transfer projects, such as the Grafham transfer in our Cambridge region;
- our environmental improvement programme; and
- wider resilience investments, including in the areas of power generation, operational technology (OT) and cyber security.

As well as delivering strong progress against our universal metering and mains replacement programmes, where we exceeded our annual PCD targets, during the year we also delivered a number of key schemes that have enhanced resilience and water quality across our Cambridge and South Staffs regions. This included completing the implementation of enhanced treatment at our Maple Brook pumping station, alongside progress at Morden Grange pumping station. Here, we have completed the outline design and initiated early procurement to enable improved nitrate removal capability.

In addition, we successfully returned Glascote reservoir into supply for the first time in nearly ten years and installed a temporary UV treatment at Great Wilbraham in our Cambridge region to improve water quality and operational resilience. We have also made good progress on the Grafham transfer project, having completed the outline design and undertaken supporting surveys for the planning application. This positions the scheme strongly for subsequent delivery phases and represents an important step in enhancing strategic resilience within our Cambridge region. These successes are set against the challenges we experienced during the year as a result of the prolonged dry weather and drought conditions, with the associated supply/demand balance pressures across both regions.

One area where we have struggled to meet our PCD target during the year relates to our commitment to proactively reduce lead pipes as part of our mains replacement programme. This included carrying out work to replace 'mains to tap' connections at primary schools and nurseries across our Cambridge and South Staffs regions that we believed had lead pipes. In common with other companies across the sector, delivering against this PCD has presented us with some challenges during the year. This is largely because of the difficulty associated with identifying qualifying lead services.

As a result, we have not delivered against our target during the year and we expect to reprofile activity across AMP8 to enable us to get back on track. We have been working with Ofwat and other stakeholders on next steps in relation to this. We are focusing our current activity on improving the accuracy of the data we hold about lead pipes across the network in both regions through proactive sampling and further validation of historic information. We will then progress to site-based investigations and share an update of our progress in next year's annual report and financial statements.

Looking ahead, we will continue to progress our universal metering and mains replacement programmes. We have also started work to deliver a number of other enhancement obligations, including:

- implementing improvements at Great Chishill and Cookley pumping stations;
- completing the Morden Grange nitrate treatment project; and
- delivering new generators across critical sites, alongside other security and OT upgrades.

In addition, we will deliver essential work at the Slade Hill site in our South Staffs region and will also bring our St Ives, Croydon and Kingston water sources in our Cambridge region back into supply. We will share more detail on our progress with these projects in next year's annual report and financial statements.

Ensuring a resilient network for the long term

In July 2025, we launched our largest-ever mains replacement and rehabilitation programme. Over the course of AMP8, we will replace around 250 km of ageing water mains across our Cambridge and South Staffs regions. This is a step change in what was replaced during AMP7. This programme forms part of an £84 million investment we are making to proactively renew our mains network across both regions to improve our long-term resilience.

We are targeting the parts of the network that have a history of bursts. By replacing the water mains in these areas, we will reduce the number of leaks and increase the reliability of our network. We are working with Network Plus and fellow Group company, OnSite, to deliver this programme, with all schemes delivered using specialist techniques, including directional drilling and slip lining. The aim is to limit the impact on local communities and the environment as far as we possibly can.

We are pleased to report that we met our target for the length of mains replaced during the year, installing more than 43 km of new pipes across both regions, exceeding our target of 37 km for the year.

Actor-led training to help customer conversations

The largest single element of our current investment plan is our universal metering programme. Over the course of AMP8, we will install 161,458 meters across our Cambridge and South Staffs regions. Implementing universal metering will help us to manage water supplies across both regions sustainably in the face of climate change and a growing population.

We recognise how important it is to take customers along with us on our universal metering journey. We have adopted a customer-centric approach, with a focus on communication. This encompasses a range of approaches, such as:

- post cards and leaflets;
- local radio and social media adverts; and
- water efficiency home visits.

We also initiated a programme of immersive actor-led customer-service training for our front line teams. This was to give them the tools they needed to engage in positive face-to-face conversations with customers about our universal metering programme – especially if faced with opposing views about the work.

Our field engineers embraced the training, which included various scenarios focused on explaining more about our metering plans. This included helping customers to understand that having a meter can put the power in their hands so that they pay only for the water they use. At the same time, we have put arrangements in place to provide extra care and support for those customers who need it.

Since running the first training session, our field-based teams have reported how it has helped them to feel more confident and comfortable when engaging in dialogue with customers. We want to ensure our field-based teams continue to benefit from such immersive training as we start scaling up our universal metering programme. To that end, we have committed to re-running the training programme during 2026.

Aqua Direct – going from strength to strength

Over the past year, the non-appointed part of our business, Aqua Direct Tankering, has undergone a period of consolidation and strategic development. This has resulted in strong financial performance – helped in part by the prolonged period of hot, dry weather during the spring and summer months.

A key development for Aqua Direct during the year was the implementation of structural changes within the tankering operation to provide clear accountability and improved resilience. This included refining management responsibilities across transport, yard operations and driver oversight. This has helped to ensure stronger compliance with Operator Licence conditions and improved day-to-day decision-making. At the same time, Helene James, Aqua Direct's Director, retired after 26 years with the business.

Other work delivered during the year included several improvement projects designed to modernise processes and reduce operational risk. These included introducing and expanding digital systems to support driver paperwork, delivery documentation and vehicle monitoring. The aim was to improve data accuracy, traceability and efficiency. Enhancements to yard infrastructure, vehicle specification and maintenance planning also reduced downtime and improved asset reliability. A continued focus on winter driving standards, incident learning and proactive driver assessments has strengthened safety performance and operational resilience.

From a customer perspective, Aqua Direct continued to provide reliable national coverage across a range of provisions, including:

- emergency water supply;
- the food and beverage sector;
- utilities companies; and
- the construction sector.

Process improvements in scheduling, communication and pricing transparency have improved responsiveness and consistency, particularly for emergency and short-notice work.

Overall, the year has positioned Aqua Direct on a stronger operational footing. The improvements delivered provide a solid platform for continued growth, enhanced customer confidence and a sustained focus on safety, compliance and service excellence as Aqua Direct moves into the next financial year.

Our people

Our people are at the heart of our business. We recognise the critical role they play, and we take our duties towards them seriously. This means actively encouraging a fair and equitable working environment that enables them to perform to the best of their abilities at all times.

We also make sure we protect their health and wellbeing and do everything we can to minimise the risk of harm. Below, we describe some of the people-focused activities and initiatives carried out during the year.

Our people promises

In last year's annual report and financial statements, we discussed the launch of our new Group-wide people promises. These reflect what our people have told us is important to them, including in terms of:

- reward and recognition;
- fostering an inclusive and values-led culture across the business;
- ensuring effective communication and engagement; and
- providing growth and development opportunities for all.

Our people promises help us to create a working environment where everyone can thrive and contribute to our success. Below, we summarise some of the activities carried out during the year to embed our people promises. We will continue to reflect on our people promises in the coming years. This includes introducing new areas of focus to ensure they remain current, up to date and meaningful for all our people.

Our people promise	Examples of action taken in 2025/26
We inform, connect and engage through effective communication	▪ Launched a monthly vlog from Elena Karpathakis. ▪ Launched an events and awareness days calendar. ▪ Implemented a new online Manager Hub for leaders across the business. ▪ Launched a regular newsletter for managers. ▪ Participated in the Group-wide annual leadership conference and health and safety conference.
We recognise and reward our people fairly	▪ Encouraged employee recognition through national industry awards. ▪ Launched length of service recognition 'shout outs'. ▪ Introduced improved benefits, including enhanced family leave policies, a cycle to work scheme, a positive approach to flexible working and access to a 24/7 GP service.
Ours is an inclusive and values led culture	▪ Membership of the Women's Utilities Network (WUN), with mentorship opportunities available for women across the business. ▪ Signed the Armed Forces Covenant, recognising the sacrifices made by serving personnel, veterans and their families during their service to our country. ▪ Encouraged all our people to take ownership of health and safety through the Group-wide 'Staying safe together' strategy. ▪ Appointed mental health first aiders across the business.
We provide opportunities for growth and development	▪ Implemented our RISE Leadership Development programme. ▪ Developed and implemented a new behavioural framework. ▪ Provided career progression opportunities through internal routes. ▪ Contributed to the launch of a new Group-wide careers website. ▪ Offered apprenticeship opportunities across the business.

Keeping our people safe

We are committed to making sure we keep our people safe when they are carrying out their jobs each day. We have continued to adhere to the principles of the Group-wide 'Staying safe together' strategy, which describes our commitment to our people, the expectations we have of them, and how we share and learn through a process of continuous improvement. We have also implemented a number of programmes to ensure health and safety is at the core of all our business practices and operations.

In April 2025, we joined other Group companies to celebrate the World Day for Health and Safety at Work. This annual event began in 2003 to raise awareness of occupational health and safety practices and initiatives. We recognise that health and safety is the responsibility of everyone across our business and that it is essential that we all work together to ensure everyone is kept safe regardless of their roles or where they work. As part of our communication about this event, we reminded all our people about the Group health and safety strategy, as well as the need to flag up any issues on our Eco Online health and safety reporting system.

In addition, in May 2025, we encouraged our people to focus on their mental health during Mental Health Awareness Week. We combined this with information and strategies for personal learning and growth. During the week, we held sessions and shared resources with our people on a range of topics. These included using soft skills and the role of our mental health first aiders. We also provided links to additional sources of information for anyone who wanted to explore topics in more detail.

In July 2025, we joined other colleagues at the annual Group health and safety conference. As well as sharing updates on our health and safety strategy, delegates also participated in sessions on identifying and controlling critical risks. There were a number of key deliverables from the conference around developing and implementing a critical risk register, recording critical risks, and the need to include these risks in safety inductions across the business.

We have also launched a programme of safety audits and leadership safety tours across our sites. The audits are a formal, systematic process to evaluate teams' compliance with a relevant procedure or standard. There is a standardised process for these audits, with a centralised timetable. The themes for each audit are based on specific health and safety performance data and trends identified through monthly reporting, previous audits and proactive investigations. Any non-compliance is reported on our Eco Online system.

Alongside the safety audits, our leadership insight safety tours are designed to reinforce our health and safety messages across the business. These are more informal, with a focus on open and honest conversations and strong listening skills. The approach we have taken is designed to build trust, with open-ended discussions that reveal how work is actually carried out across the business. They also help us to understand how leadership decisions can influence our day-to-day operations.

Looking ahead, we will continue to focus our attention and emphasis on keeping all our people safe.

Enhancing our site security

As the provider of an essential public service, we recognise how important it is to keep all our offices and water production sites secure – and to keep the people who work there safe. During the year, we engaged a new security maintenance contractor. We have appointed a smaller, forward-thinking business with a collaborative approach that aligns with our values and priorities. We have been working with the contractor to identify potential issues and develop a longer-term, sustainable approach to security, without necessarily increasing costs to the business.

One improvement we have seen as a result of this partnership has been the development of joint working relationships across our Information Technology (IT), Water Production, OT, and Security and Resilience teams. As well as embedding the security maintenance contractor as an integrated component of this model, we have also embedded security requirements within project initiation documents (PIDs). This ensures a clear line of sight and the early involvement of the contractor. We are also seeing some wider benefits of this partnership. This includes having the ability to rectify failures more quickly and there being steady progress in modernising the security estate. We consider this collaborative approach is helping to strengthen our operational resilience, while supporting our long-term security strategy.

Celebrating National Apprenticeship Week

We are proud to have a number of apprentices working across the business. We are also proud that other past apprentices have progressed into permanent roles and career paths with us. To mark National Apprenticeship Week in February 2026 our apprentices took part in a Group-wide event, where they shared some of the things they enjoy about our apprenticeship programme. They were also able to suggest ideas for improvements around future rotation opportunities across all Group companies to give all our apprentices a broader range of experiences to help with their development. We will explore this further as we look to develop our apprenticeship offering.

Charley Maher, the Group CEO, Barry Hayward, the Group Chief Commercial Officer, and Mick Horn, the Group Chief Financial Officer, attended the event along with Elena Karpathakis and the Managing Directors of other Group businesses. There was also an awards ceremony to showcase the hard work of all the apprentices, with categories celebrating their commitment to learning, and their resilience and reliability.

We will continue to ensure we always provide our apprentices with the environment and opportunities they need to thrive, develop and reach their full potential.

Expanding our people networks

In last year's sustainability and social responsibility report published alongside the annual report and financial statements, we announced the launch of two new people networks – the Women's Network and Unity+ Network. We have now added another two networks, which were launched during the year.

- The **Disability and Neurodiversity Network (DANN)** aims to create an inclusive, supportive and empowering environment where neurodivergent and disabled colleagues can thrive. We achieve this through activities designed to raise awareness, break down barriers, and champion accessibility and inclusion across the business. DANN offers a safe space for colleagues to share their lived experiences and offer peer support. It also acts as a voice for our neurodivergent and disabled people, helping to shape policy and improvements in the work place.
- Our new **Parents and Carers Network** aims to make the work place better for everyone navigating family responsibilities and the changing journey of care. It aims to build community, raise awareness and shape policies. This is so our people across all roles and locations feel supported and able to thrive, whatever their life stage or personal circumstances.

We have held joint events between our networks where there is a shared interest and relevance, and a new initiative launched during the year links them all. This is the 'Network Shelf', a Group-wide, employee-led book club, which has brought people together from different areas of the business and encouraged a culture of learning and open discussion.

We will continue to develop new people networks across the business and will share any updates as appropriate in next year's annual report and financial statements.

Thinking green

In February 2026, we celebrated Green Week. This is a celebration of the actions and activities everyone can take to reduce waste and consider the impact of our carbon footprint both in the work place and at home. Being mindful of our own impacts helps us to demonstrate accountability to our customers, our communities, our partners and the environment. It also reflects the responsibility we have to doing things responsibly and thoughtfully. Over the course of the week, we shared communications with our people on a range of topics, including:

- understanding personal carbon footprints;
- single-use plastics;
- recycling; and
- opportunities to reduce waste.

To support our ambition to send zero waste to landfill, we launched a competition asking for ideas to reduce waste across the business. We awarded a prize for the most impactful and achievable idea – in this case, to install crisp packet recycling units. We have taken this forward through a partnership with a recycling company and have rolled it out across our sites. Having thoroughly evaluated each of the ideas that were submitted, we have also taken a number of other suggestions forward. These include:

- setting up areas in our offices where people can recycle or reuse unwanted office equipment, such as pens, paper and desk equipment;
- confirming that all bottles used for water quality sampling are recycled and made from recycled plastic, wherever possible;
- improving the ways we use skips at our sites to reduce waste and ensure they are full before removal;
- reducing printing across our offices; and
- replacing older tea and coffee urns with more energy efficient appliances.

We will continue to focus on encouraging our people to come up with actions and ideas to help us to reduce our carbon footprint.

Gender, equality and diversity

As an employer with more than 250 employees, we are legally required to publish gender pay gap data in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. These regulations require us to report on our gender pay gap each year. We publish this information at a Group level. As one of the smaller water companies in the sector, we recognise the collective value of this approach. This is because it enables us to compare our results internally with other Group companies, as well as with the national gender pay gap picture.

On our April 2025 'snapshot' date, we employed 401 people across our Cambridge and South Staffs regions. This represents a very small decrease on the previous year (403). Overall, our gender workforce split is 76% male and 24% female. This remains unchanged on the previous year (76% male and 24% female, respectively). Most of our people are employed in our wholesale function, including in the areas of water production and in our field-based operations.

Our gender pay gap

Our mean gender pay gap for the year was 0.45%, compared with 5.72% the previous year. This positive change is attributable to changes in the gender diversity of our senior management team, which has increased the average hourly rate for women to just nine pence an hour less than men. We are pleased that our mean gender pay gap is considerably lower than the national average of 6.9%. At the same time, our median gender pay gap was 19.49%, compared with 15.72% the previous year. The decline is the result of a higher proportion of women across the business falling into the lower pay quartiles in 2025 compared with 2024.

We remain committed to addressing the disparity in median earnings between male and female employees across our business. For example, we have flexible working arrangements in place to support our people, accommodate diverse needs and actively promote a positive work/life balance. We also remain committed to our ongoing efforts to further reduce the mean and median gender pay gaps – creating a work place where all our people, regardless of gender or life stage, have equal opportunities and fair compensation.

Our bonus pay gap

During the year, our mean bonus pay gap was 46.51%, compared with 28.02% the previous year. The difference is because the average bonus for both men and women across the business dropped in 2025 compared with 2024. However, the drop for women was greater because at the snapshot date there were a higher number of men on the managerial bonus scheme than women. Our median bonus pay gap was 0%. This is the same as the previous year (0%) because employee bonuses are paid on business rather than individual performance.

What are the gender pay and gender bonus gaps?

The gender pay gap measures the difference, excluding overtime, between average hourly earnings of men and women as a proportion of men's average hourly earnings, expressed as a percentage of men's pay. It is measured across all jobs in the UK. It does not measure the difference in pay between men and women for doing the same job. In the UK, the mean gender pay gap has been declining steadily over time. We use mean and median statistical values to measure our gender pay gap. The mean value represents the difference between the average hourly pay for all men and women across the business. The median value represents the difference between the midpoints in the hourly pay ranges of all men and women across the business.

The gender bonus gap is the difference between the mean and median values of bonus pay for men and women across the business during the reporting year. It is expressed as a percentage of the bonuses paid to men.

Engaging our customers and stakeholders

As the provider of an essential public service, the views and preferences of our customers and other stakeholders are central to our decision-making. To ensure actionable insight, transparency and accountability, we use a range of high-quality engagement methods to capture and interpret these views.

We have further evolved our approach over the past year to make use of even more insights to inform our decision-making. This includes a greater shift to employing behavioural insights, which are helping to inform the delivery of our AMP8 investment plans.

Engaging with our customers

Our customer insight programme shapes both our day-to-day and long-term plans. We have continued to focus on our 'golden threads'. These are the key themes that emerged from our engagement when we were developing our AMP8 plans.

Understanding our golden threads

In the table below, we summarise our golden threads and the changes we saw during the year to the strength of those threads. We plan to carry out a full review during the 2026/27 reporting year as we start thinking about our engagement programme to inform our plans for AMP9, which will cover the five years from 2030 to 2035.

Golden thread	Specific factors driving the thread	Strength of the thread
Transparency and engagement to help customers understand the context and impact of any proposed changes to their water services and the role they can play in ensuring the best outcomes	▪ The need for regular and effective engagement and education to prevent customer dissatisfaction with their water services. This is set within the context of a continued decline in trust in the sector. ▪ But it is clear that some customers do not want to engage with their water company, until they have an issue that needs to be resolved.	This thread has remained consistent during the year. The negative coverage of the sector demonstrates the need for more proactive engagement with customers. Our first Water Voice accountability session in March 2026 reinforced the need for us to do more to communicate our investments in a way customers can engage with meaningfully. We will continue to engage in partnership with customers and other stakeholders. We will consult on how we can help them get the most from their water services, improve the effectiveness of our communications and help us deliver our investment plans. We will also take customers along with us on this journey.
A focus on fairness and collective action to meet water sector challenges	▪ The importance of policies that are seen to be 'fair' to customers – particularly for those in vulnerable circumstances. ▪ Greater calls for collective responsibility to tackle the challenges around affordability, for example. ▪ Given the societal pressures impacting households during the year, customers want us to offer policies that do not disadvantage them further.	This thread has remained consistent during the year, with customers continuing to highlight the need for fair and clearly articulated policies. We will continue to engage with customers and other stakeholders to understand what 'fair' means to them. We will also work with customers to understand how we can best support those who might be adversely impacted by our policy decisions
Concern for the environment, specifically the water environment	▪ Negative reports about the sector in the media. This includes sewage pollution and a perceived lack of improvement in reducing leakage levels. ▪ The view from customers that water companies need to play a stronger role in protecting the water environment ▪ The growing recognition of the value of blue-green spaces for health and wellbeing.	This thread continued to remain a high priority for customers during the year. Our customer priorities tracker and other research from CCW highlights how trust in a water company is often driven by perceptions of environmental performance. So, we need to be open and honest about our current performance and our plans to improve in the areas that matter most to customers. A number of customers and environmental stakeholders are continuing to push for more investment in the area of environmental protection to prevent further damage.

Golden thread	Specific factors driving the thread	Strength of the thread
The need to protect vulnerable customers – financial and non-financial support needs	■ The view from the majority of our customers is that we should continue to subsidise household customers who are struggling to pay their water bills. ■ The need to ensure accessible services for all customers. ■ Customers focusing on their personal situations more – weakening this thread slightly since 2022.	The cost-of-living crisis has kept this thread at the forefront of customers' minds. Our research studies and business-as-usual surveys during the year continue to evidence this thread, with feedback referencing the need to offer proactive support to meet customers' individual circumstances. At the heart of their expectations is the need for clear and timely communications. This thread will continue to run through our behavioural research programme, alongside our Assure Essential Saver tariff trial and our universal metering programme roll-out.
Affordability and cost-of-living increases	■ Increasing upward pressures on customers' household bills since 2022. ■ Affordability of water bills remaining a core priority for our customers. In our own and wider sector surveys, it is one of the principal reasons why customers are not fully satisfied with their water services.	This thread has remained consistent during the year. We will continue to monitor it in light of the potential impact of other geopolitical shocks. For many customers, their water bill remains a lower concern in relation to their overall household financial situation. We will continue to ensure we have the right financial support in place and that we effectively signpost customers to other organisations that can help them manage their finances.

Our golden threads underpin our wider engagement programme. This focuses on the areas where customers' feedback is most meaningful and where our people can use the insight to deliver better outcomes. Below, we summarise some of the key projects carried out during the year.

Assure Essential Saver tariff engagement

In last year's annual report and financial statements, we discussed the work we had carried out with our research partner Qa Research to evaluate the impact on customers of our Assure Essential Saver tariff trial. This tariff is designed to support low-income households who are not eligible for our Assure tariff, but who are struggling to pay their water bills. The aim is to help them save money and identify practical and appropriate changes to the way they use water at home every day.

Over the past year, we have completed one wave of quantitative research with 182 customers and completed the multi-stage qualitative research with 15 households. At the time of writing, the second wave of qualitative research was under way, with a third wave planned for summer 2026. This allows us to track the impacts of the trial on our customers – taking into account bill affordability, water use behaviours and emotional wellbeing. We plan to use all the research insight and data we hold about our customers' payment plans and water usage to evaluate the full impact of the trial by the end of 2026. We will also continue to further develop our behavioural model. This will help with the design of future tariffs to ensure they deliver the best outcomes for our customers.

Meeting extra help needs through co-creation

In summer 2024, we set up a new group within our H2Online community for our South Staffs region called 'Priority Watch'. This group comprised members who would qualify for extra help through our Priority Services Register (PSR). Over the 12 months to summer 2025, we ran a series of activities with the Priority Watch group. We used a mixture of polls, discussions and surveys to engage the group, aligning this approach with Ofwat's 'Paying fair' guidelines.

We also carried out a range of activities with our wider H2Online communities on ways to improve our PSR support. This included reviewing the letterbox drop cards we use to share information with customers during times when their water supplies might be interrupted temporarily – either because of planned works or where we are replacing or repairing a burst main. We have already made a number of improvements on the back of this engagement, including:

- making it easier for customers to complete our PSR application form;
- identifying a new PSR 'needs code' to capture whether customers are able to answer the door during supply interruptions;
- making our bereavement policy clearer; and
- improving our text messaging service for PSR customers to ensure they receive regular communication and support in the event of a large-scale supply interruption incident.

Moving forward, we will continue to develop our approach and communications around the PSR to ensure customers receive the right level of help and support when they need it.

Learning from our future customers

Now in its fifth year, our Young Innovators' Panel (YIP) gives young people from our Cambridge and South Staffs regions the opportunity to propose and shape ideas that address a specific business challenge. During the year, we selected our panel of 21 students from across our South Staffs region from more than 60 applicants. Our research partner Blue Marble helped us to design a two-day programme of activities to give the panel an understanding of the world of water and an opportunity to feed back on the roll-out of our universal metering programme.

In the first session, the panel learned how our business operates and engaged in group discussions on topics such as the water cycle, the services we offer, how water meters work and the environmental challenges we are currently facing. The students were organised into four teams and briefed to create a social media campaign to promote the benefits of having a water meter fitted. After four weeks, the panel reconvened to deliver their pitches to a number of our senior executives, including Elena Karpathakis.

Our senior executives were impressed by the students' pitches, praising their ingenuity and presentation skills. Most of these explored the use of video content, integrating the use of a digital app and AI. We gained a number of insights from the students' presentations. These included:

- humanising our campaigns by including real people and their metering journeys;
- keeping our water saving communications brief and focused on the here and now; and
- making sure our content comes across as 'genuine' – involving public service style adverts, for example.

Our YIP continues to be a success and brings our teams closer to the next generation of bill payers. We have used the latest insights to help shape the messaging and experience as our customers move to metered charges.

Putting customers at the heart of universal metering

As the largest single element of our AMP8 investment plans, our universal metering programme represents a significant step change in activity. We recognise that the subject of water meters can be an emotive one for some customers. It is vital to ensure bills remain affordable and that the advantages of having a meter can be delivered. Key to this is making sure customers' voices are at the heart of our programme. To support the development of our communication approach, during the year we:

- used socio-demographic insights to identify those households whose bills are likely to increase when they are moved to metered charges, and those who are likely to struggle to afford the increase. This means we can target additional proactive support as appropriate;
- started work on a club project with other water companies to carry out an ethnography study to help us improve our customer journey and communications;
- supported CCW's smart metering project and will use the insights from this to inform our approach going forward;
- set up a customer 'listening' programme, where we ask for feedback through short surveys at each stage of each customer's universal metering journey. We are triangulating satisfaction with customer contacts and complaints to inform our action plans going forward and improve the experience for our customers at every step; and
- engaged proactively with MPs and other stakeholders across both regions about our universal metering programme.

Evaluating our summer water efficiency campaign

Over the spring and summer we experienced a significant drought in our South Staffs region and a period of prolonged dry weather in our Cambridge region. This was accompanied by a succession of heat waves, which put our water supplies under significant pressure for an extended period. Taking learnings from our successful 'Can for the Cam' and 'Yes we Cam' campaigns, between May and December 2025, we asked customers across both regions to work with us to help manage our supplies.

Most customers responded positively to being kept informed about our water resources position, as well as on being given advice and tips on saving water. We also shared a 'thank you' message from Elena Karpathakis. This landed well, with customers feeding back that they liked hearing how their efforts to save water had resulted in a positive impact. We are using these insights to inform this summer's campaigns across both regions. A key learning for us was the strength of reaction of not fixing leaks quickly enough, particularly during a time when we are actively asking customers to save water. This feedback reinforces the need to keep engagement going and to also do all we can to play our part to save water.

Complying with Ofwat's consumer involvement rule

During the year, Ofwat introduced a new consumer involvement rule under powers granted by the Water (Special Measures) Act 2025. The overarching principle of this rule is that water companies listen to, understand and take account of the experiences and needs of consumers in decisions that matter most to them. It is intended to help rebuild public trust in the sector and lead to better outcomes for society. We are fully committed to supporting its implementation.

The rule applies to all consumers of water company services – including household, non-household and developer services customers. It requires companies to put arrangements in place for involving consumers in decisions that are likely to have a material impact on them. This includes things like bill affordability, performance on key services and priorities for improvements and investments. We have been reviewing how we will comply with the rule since November 2025. This includes working with independent partners to develop a materiality framework that is designed to help our people:

- identify when a decision is likely to have a material impact on consumers;
- determine the level of customer insight or involvement that is appropriate for that decision;
- ensure our customers' views are reflected in the decision-making process; and
- track the impact of our decisions on consumers over time.

Our materiality framework is designed to be proportionate and practical. It is also designed to ensure consumer impacts are considered consistently. At the time of writing, we were producing a forward-looking report on how we will comply with the rule during the 2026/27 reporting year. We will discuss this in more detail in next year's annual report and financial statements.

Holding our first customer accountability session

Just before the end of the reporting year, we held our first Water Voice accountability session. This is a CCW-led initiative, which is designed to make water companies answer directly to their customers. The aim is to ensure that real consumer experiences drive service improvements and stronger accountability through face-to-face engagement with company executives. We welcome this initiative and are supportive of the approach.

Our accountability session, facilitated by CCW and its external delivery partner, featured 12 customers from across our Cambridge and South Staffs regions whose role was to represent our wider community. The two-hour session was productive and gave us additional insight into the things that matter to our customers. We have responded to the action plan agreed with customers – the main areas we need to address include:

- better explaining our investment plans, how they link to the bills customers pay and the benefits they will deliver;
- improving our communications to ensure they are proactive and better raise awareness and accessibility of the support we can offer customers when they contact us; and
- improving our approach to resilience to ensure fewer customers are impacted in the event of a major incident. This includes educating customers on the things that are outside of our control, such as decisions on the location of new housing developments.

Our next accountability session will be held in the autumn. We will discuss this in next year's annual report and financial statements.

Engaging with our stakeholders

Across the business, our people engage with a wide variety of stakeholders every day. The insight they gain from these meetings and discussions helps us to improve the services we provide to customers. The relationships our people develop with stakeholders gives us a clear understanding of their needs. This is invaluable in helping us to develop our approach in a way that is proportionate to our size as one of the smaller companies in the sector. The outputs from this engagement also help to inform the section 172(1) statement, which follows this chapter.

During the year, we continued to capture the insight from our stakeholder engagement using the monthly reporting processes already in place to minimise the administrative burden on our people. We have found this approach to be effective in helping to drive and inform our decision-making across the business. At the same time, we have been working with our Group IT colleagues to develop and implement an in-house relationship management solution that will help us to capture stakeholder insights more effectively. We will discuss our progress with this in next year's annual report and financial statements.

Aligning with our golden threads

We recognise the value that aligning our customer and wider stakeholder engagement brings to the business. Key to this is how we align our stakeholder engagement to the golden threads described above. This gives us a more rounded view of the things that matter most both to our customers and our other stakeholders. Analysis of the engagement carried out during the year suggests that alignment with the following golden threads featured most prominently across our different stakeholder groups.

- **Transparency and engagement**, demonstrating a need among stakeholders for regular and effective engagement and education to help them understand more about who we are and what we do.
- **Fairness and collective action**, demonstrating that stakeholders expect our decision-making to be fair to all.
- **Concern for the environment**, reflecting the focus on the impact factors such as climate change and population growth can have on our water resources – particularly in our Cambridge region.

We will continue to capture this insight going forward to help us develop our approach to stakeholder engagement.

Working with the Independent Challenge Group

We have continued to use the insight gathered from the Independent Challenge Group (ICG) during the year. This is a group of expert stakeholders that contributes to our external challenge process and provides oversight on how we tackle these challenges in our decision-making.

We think it is important to bring external perspectives and challenge into our business planning and decision-making. This ensures we are always evolving, driving improvements that deliver better outcomes for customers and the environment. The ICG is key to this, providing critical insight and crucial feedback on all aspects of our plans and proposals. Its members are passionate about supporting our work, using their external perspectives and expertise to help us refine our plans and advise us on how best to implement them.

It has been a year of calibration, reflection and new starts for the ICG. Our longstanding support for and recognition of the ICG enabled a review of priorities that coincided with the start of AMP8 in April 2025. Working with the ICG Chair, Matt Cole, we reviewed the skills and experience of members. He then recruited new members to ensure the challenge provided by the ICG was strategic, informed by insight and practical to adopt. We agreed that focus should be on those areas where the ICG could add the most value and to provide insight that might not be available elsewhere, but also where the impact and eventual outcomes to customers and the environment could be the greatest.

We welcome that the ICG Chair recognises at first hand the value we place on external challenge and on seeking out different views and opinions – and how we reflect on these to evolve our plans and proposals. Co-creation is a key feature of the work we do with the ICG, which has helped to resolve some of the more longstanding issues that may otherwise have remained hidden.

We hold quarterly meetings with the ICG. During those meetings it has reviewed, critiqued, challenged and provided insight on a variety of topics that are a priority for us, customers and other stakeholders, policymakers and our regulators. During the year, the ICG carried out deep dives on a number of topics, including the following.

- How we will ensure the resilience of water resources in our Cambridge region before the Fens reservoir is brought into commission, and options to drive behavioural change in the meantime. This included specific challenge around the considerations for how we will engage with customers about the change from ground to surface water sources.
- How we will best ensure customer buy-in and advocacy as we progress with our universal metering programme. This included specific challenge around customer risk profiling and the delivery of critical workstreams.

- How we will support customers, including those who may be in vulnerable circumstances or at risk of water poverty. This included a detailed discussion on how our vulnerability strategy will drive a customer-focused culture across the business, and how it will be supported by our customer service strategy, which is currently in development.
- How we will drive improvements in our PCC performance, with particular reference to the work we have carried out to review the water balance, the physical and non-physical interventions we have put in place to reduce household demand and how we will learn from best practice across the sector.

Outside of the quarterly cycle of meetings, the ICG Chair has also held a number of separate meetings, with the Independent Non-executive Deputy Chair Sara Vaughan, Elena Karpathakis, and other Directors and senior leaders. These meetings provided specific focus on certain issues, including:

- the development of our vulnerability strategy;
- learning from and understanding the needs of future water customers and bill payers;
- embedding learnings from the universal metering programme to deliver improved customer journeys and a high level of customer experience; and
- providing targeted input and challenge into a number of customer insight and research programmes outlined above.

At the request of the ICG Chair and in response to greater scrutiny of the sector, we started to provide the group with enhanced visibility of our performance delivery at each meeting. This includes sharing openly our performance against our regulatory targets and engaging in honest conversations about the areas where we have done well and those where we need to improve.

Looking ahead, we will continue to engage with the ICG, reinforcing our commitment to rigorous external challenge and making sure we continue to drive value for our customers, our communities and the environment.

MP visit to Blithfield

In February 2026, we hosted Josh Newbury, the MP for Cannock Chase, at Blithfield reservoir in our South Staffs region. Natalie Akroyd, our Director of Water Quality and Environment, showed Josh around the site and shared with him some of the work we are doing to tackle water stress and to ensure sustainable water supplies for our customers in the future. In addition, Natalie and Josh discussed the catchment management work we carry out with farmers and landowners across the region, and how this contributes to reducing the incidences of agricultural pollution in the rivers from where we take our water supplies. They also briefly discussed our universal metering programme as a means of managing customer demand over the long term. This followed a more detailed meeting between Josh and Heidi Knapton, our Head of Universal Metering, in November 2025.

Helping to deliver our environmental and regulatory goals

Our Procurement team has played a central role in supporting our preparations for AMP8 by ensuring our commercial strategies and sourcing decisions are aligned with regulatory expectations, environmental commitments, and long-term customer outcomes. This directly showcases how strategic procurement decisions and approaches will help to deliver environmental improvements, among other things.

Over the past year, the team has introduced sourcing practices that prioritise suppliers with demonstrable environmental credentials – particularly those contributing to carbon reduction, sustainable material options, and improved lifecycle performance. By embedding assessment criteria into tenders, the team has encouraged suppliers to provide solutions that deliver wider public and environmental value, not just commercial efficiency.

In support of regulatory resilience, the team reviewed and updated several key frameworks to ensure they are fit for the challenges of AMP8. This included enhanced risk management consideration for critical suppliers and improved contract structures to support performance monitoring and compliance. The team also played a role in strengthening data transparency around environmental impact within the supply chain, helping to ensure we can evidence progress in line with regulatory reporting requirements.

Playing our part to deliver 'The Big Upgrade'

On a sunny day in March 2026, we welcomed a team from Water UK to our Hampton Loade water treatment works to film content for The Big Upgrade campaign, which has been launched with a number of water companies across the sector. The focus of the campaign is on sharing information with customers and society about the unprecedented levels of investment in water company infrastructure during AMP8. We welcomed the opportunity to work with Water UK to develop communication materials for this important campaign.

For our part, this meant sharing how we take water from the environment, how we store and treat it, and how we supply it through our network of pipes to customers' taps. Ella Shelley, our Head of Production, was on hand to talk about the process, explaining why we have to treat water in the first place. During filming, the Water UK team visited one of the river intakes from where we take our water before moving to the reservoir where we capture rainfall and store it until it is treated. The team then moved to the treatment plant to film the process we use to supply clean, high-quality drinking water to our customers.

Water UK launched The Big Upgrade campaign in March. It will run for the remaining years of AMP8.

Other engagement activity during the year

In the section 172(1) statement, which follows this chapter, we provide examples of some of the engagement activity undertaken by our people and the Board during the year, by stakeholder group. To demonstrate transparency, we will continue to share information about our work with stakeholders across the Cambridge and South Staffs regions.

Section 172(1) statement

Section 172(1) of the Companies Act 2006 requires Directors to act in a way they consider in good faith is likely to promote the long-term success of the company for the benefit of all its stakeholders as a whole.

In doing so, the Directors, both individually and through Board decision-making, have regard to factors set out in section 172(1) (a) to (f), as illustrated below. This chapter summarises how those factors have been considered in practice.

Section 172(1) factor	Relevant disclosure(s)
(a) The likely consequences of any decision in the long term	Our vision, purpose and values (page 4) Our business model (page 5) Our strategy (page16) Managing risk and uncertainty (page 80)
(b) The interests of the company's employees	Our people (page 38) Directors' report (page 151)
(c) The need to foster the company's business relationships with suppliers, customers and others	Engaging our customers and stakeholders (page 44) Environmental, social and governance (ESG) compliance (page 61) ESG Committee (page 129)
(d) The impact on the company's operations on the community and the environment	Key decisions taken by the Board (page 54) ESG compliance (page 61) Non-financial and sustainability information statement (page 66) ESG Committee (page 129)

Section 172(1) factor	Relevant disclosure(s)
(e) The desirability of the company maintaining a reputation for high standards of business conduct	Our people (page 38) Managing risk and uncertainty (page 80) Audit and Risk Committee (page 124) Remuneration policy (page 138) Ownership, funding and capital structure disclosure (see page 9 of the annual performance report)
(f) The need to act fairly between members of the company	Key decisions taken by the Board (page 54) Directors' report Directors' report (page 151)

The Board's approach to decision-making

The Board, both individually and collectively, is responsible for making decisions that are informed by the section 172(1) factors outlined above. The minutes from Board meetings record the decisions made and the agreed actions that need to be taken in the context of these factors. In terms of stakeholder engagement, the Board's role is set out below.

- To identify and keep under review who the company's key stakeholders are and why they are important. This includes customers, employees, suppliers and regulators.
- To determine which stakeholders it needs to engage with directly, including harnessing the expertise that is needed to help deliver successful business outcomes.
- To ensure decision-making processes consider the interests of stakeholders. This includes recognising these interests may change over time and that trade-offs may be required to balance the interests of different groups of stakeholders.
- To help utilise the most effective mechanisms for engaging with stakeholders.
- To provide feedback to those stakeholders with whom it has engaged directly, which should be tailored appropriately.

Key decisions taken by the Board

During the year, we and the Board proactively sought stakeholders' views on a range of matters to help with decision-making across a number of strategic business themes.

Strategic theme	Board decisions
Delivering for customers	▪ Vulnerability strategy, with Independent Non-executive Deputy Chair Sara Vaughan as Board Champion. ▪ Draft wholesale charges consultation. ▪ Customer charges. ▪ Universal metering programme, including approval of a smart metering framework. ▪ Whether to implement a temporary use ban in response to the prolonged dry weather and drought in our Cambridge and South Staffs regions.

Strategic theme	Board decisions
Environmental protection	■ Agreement to go beyond our performance commitment target for leakage across our Cambridge and South Staffs regions. ■ Water resources management plan annual reviews for the Cambridge and South Staffs regions. ■ Fens reservoir strategic resource option.
Governance focus	■ Amendment to the Articles of Association, to reflect and embed the company's purpose. ■ Group Acceptable Use policy for IT. ■ 2024/25 annual report and financial statements and annual performance report. ■ Interim report and financial statements. ■ Gender pay report and remuneration policy. ■ Assurance framework consultation.
Financial flows	■ Operational and capital expenditure budgets and forecasts. ■ PCD delivery plan. ■ Interim dividend payments. ■ PR19 blind year reconciliations. ■ Procurement strategy for energy hedging. ■ Dividend policy. ■ Ernst & Young LLP audit fee. ■ AMP8 reopeners – cyber and growth.

Our stakeholder groups

How we have engaged with stakeholders

Customers

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
This stakeholder group comprises current and future household and non-household customers; retailers; developers; self-lay providers; and new appointments and variations (NAVs). We share information with the Board each month against our respective measures of customer, developer and retailer experience (C-MeX, D-MeX and BR-MeX).	As the provider of an essential public service, customers are at the heart of all our decision-making. So, it is essential that they trust us to always provide the high-quality and reliable services they expect and pay for. To help build and maintain that trust, we share information with them about our performance. We also use our comprehensive engagement programme to gather meaningful insight about the things that are important to them.	▪ CCW Water Voice accountability session, engagement on progress with customer engagement planning for the PR29 price review process, and on our final vulnerability strategy. ▪ Multiple engagement and consultation events with customers and other stakeholders for Fens reservoir and the Grafham transfer. ▪ Knowledge sharing workshops on approaches to leakage, tariffs, water efficiency messages and the best ways to work with non-household customers. ▪ Launched a mains renewal engagement programme with customers in October 2025. Their feedback is collated and reviewed in bi-weekly meetings to generate actions to improve the programme. ▪ Public consultation events for the Fens reservoir strategic resource option and the Grafham transfer with Anglian Water. ▪ Engagement with the Department for Work and Pensions (DWP) on data sharing, to improve the process for assessing vulnerable customers for the WaterSure tariff. ▪ Engagement with Cadent and other providers to offer a 'one-stop shop' affordability support service in 2026.

Community

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
The focus of this stakeholder group is civil society. It includes community groups and organisations; charities; environmental non-governmental organisations (NGOs); and campaign groups. We share information with the Board about our community-focused activities.	We are committed to being embedded at the heart of the communities we serve. In recent years, we have established meaningful relationships with many community groups and other organisations, including environmental NGOs. As well as raising our profile in our communities, this engagement also helps to build trust among our stakeholders.	▪ In developing our 'inclusive by design' approach to our vulnerability strategy, we engaged with a number of community organisations, including Kaleidoscope, Staffordshire Network for Mental Health, Sandwell Visually Impaired, St Alban's Community Association, Sandwell Deaf Community Association and Support Staffordshire. ▪ Independent Non-executive Deputy Chair Sara Vaughan is the Board Champion for our vulnerability strategy

Our people

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
This stakeholder group comprises our office- and field-based employees; and the employees of other Group companies.	Our success as a business depends on the people we employ. Effective engagement with all our people is essential if we are to deliver our ambitious plans for resilient and affordable clean drinking water services now and in the future.	▪ The Group annual employee engagement survey. ▪ Monthly vlog from Elena Karpathakis. ▪ Monthly blog from Charley Maher, Group CEO, South Staffordshire Limited. ▪ Weekly communications round up for all people across the business, awareness days and other activities. ▪ Six-monthly Executive roadshows across the key sites in our Cambridge and South Staffs regions. ▪ See the 'Our people' chapter on page 38 for more detail on the engagement carried out during the year.

Regulators and government

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
Our regulatory stakeholders include Defra; Ofwat; the Environment Agency; the DWI; the non-household retail market operator MOSL; CCW; HMRC; and the UK Health Security Agency. Government stakeholders include, among others, national and local elected officials (MPs and local councillors); highways authorities; emergency services; the NHS; local resilience forums; and local enterprise groups. We regularly share information with the Board on key touchpoints with these stakeholders. This includes announcements on matters of policy that relate to the functioning of the sector.	This is a critical group of stakeholders for us, as failure to comply with our legal or regulatory obligations could result in financial penalties or other enforcement action, leading to reputational harm and the loss of our customers' trust in us. Failure to engage with government at a local and national level could also cause lasting damage to our reputation.	▪ Elena Karpathakis regular catch up meetings with Chris Walters, Ofwat Interim CEO. ▪ Emma Hardy MP, Parliamentary Under-Secretary of State (Minister for Water and Flooding), attended the Board meeting in September 2025. ▪ Extensive engagement with Ofwat, Defra, the DWI and the Environment Agency at a team, Executive and Board level on a range of matters, including the Independent Water Commission's final report and our water resources management plans, among others. ▪ Extensive engagement with the Regulators' Alliance for Progressing Infrastructure Development (RAPID) at a team, Executive and Board level on the Fens reservoir strategic resource option with Anglian Water. ▪ Engagement with MPs across our Cambridge and South Staffs regions about our universal metering programme, our mains replacement programme and our capital delivery programme to 2030. ▪ Extensive engagement at a team, Executive and Board level as part of the Water Scarcity Group to help understand different growth projections for our Cambridge region and the implications of each of these. ▪ Engagement with local resilience forums on critical incident and national pandemic planning at a strategic and tactical level.

Suppliers and partners

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
This stakeholder group comprises supply chain and other contract/business partners.	Our supply chain partners are essential in helping us deliver our day-to-day operations and capital investment programmes, while also helping us to support new and efficient ways of working. Failure to engage effectively with this group could affect our ability to provide high-quality and reliable water supplies to our customers.	■ Consideration with a potential supply partner of an approach to reducing non-household consumption to 2030. ■ Consideration of an asset management system with a potential supply partner to support improved data insights across the business. ■ Engagement with Sustainability First on a range of customer service and other projects. ■ Update on a project to potentially align the water and energy sectors around sharing PSR and demographic datasets.

Investors and lenders

About this stakeholder group	Why engagement is important	Examples of how we and the Board have engaged during 2025/26
This stakeholder group comprises Arjun Infrastructure Partners and institutional lenders.	Our investors and lenders want to be assured that we run our business effectively and efficiently, and that we engage proactively with them on strategic decisions. Failure to engage with these stakeholders would impact our ability to deliver an effective business strategy.	■ Engagement with our shareholder Arjun Infrastructure Partners on a range of matters, including immersive days, site visits and key topic deep dives on areas such as regulated revenue, energy and leakage. ■ Engagement with the ratings agencies as part of our annual review cycle. ■ Engagement with our lenders as part of our regular covenant compliance reviews.

This section 172(1) statement was approved at a meeting of the Directors held on 3 July 2026 and duly signed on its behalf.

Elena Karpathakis
Managing Director

3 July 2026

Environmental, social and governance compliance

Our environmental and social responsibilities are at the heart of our business operations. They are driven by our commitment to our planet, our people, our customers and our partners. Strong governance and standards underpin our delivery of these commitments and ambitions.

As a regulated water company, many of our activities can easily and directly be deemed to align with the three strands of environmental, social and governance (ESG) compliance. That said, we have found that for some of our people, this line of sight has not always been so apparent, despite their undeniable support for our activities in these areas. So, during the year we collaborated with other Group companies to align our ESG strategy and translate it into a meaningful approach that all our people could connect with.

Our branding of ESG as 'our planet; our people, customers and clients; and our partners' has added clarity and raised awareness across the business of the role we all play in each of these strands. We summarise our ESG strategy below.

Our planet

We have an ambition to have a meaningful and positive impact on our planet by making sure we always centre the environment at the heart of our operations. As stewards of the environment, we care deeply about the planet, recognising that the decisions we take today could have an impact in the future. In addition, our customers, partners and clients all engage in the stewardship of the UK's critical infrastructure assets. They share our desire to ensure we reduce our environmental impacts over time to a sustainable position. Our areas of focus during the year included:

- biodiversity;
- compliance;
- waste reduction;
- our plans for net zero carbon emissions; and
- reducing the demand for water.

Delivering long-term environmental benefits

We continue to deliver biodiversity improvements across our Cambridge and South Staffs regions. This includes delivering against our WINEP obligations, and continuing to promote our SPRING catchment management programme and PEBBLE community biodiversity fund. Both schemes support environmental change and water quality improvements in our wider catchments and local communities.

SPRING supports farmers and landowners to make small changes on their land that have the potential to make significant improvements to water quality within the catchment. It includes options that are designed to enhance biodiversity and improve soil structure, reduce agricultural run-off, and protect water quality. These options help to improve overall catchment resilience. During the year, around 2,250 hectares worth of biodiversity options were established through SPRING across both regions. We are currently supporting 80 organisations with this programme, using the following biodiversity options, among others. Each of these options helps to strengthen resilience in water catchments by supporting the creation of healthy, adaptable landscapes that are better able to respond to environmental pressures.

- **Cover crops.** These provide a wide range of benefits – from taking up residual nitrates from the soil to enabling a variety of species to grow on otherwise bare soil. They also help to reduce the incidences of nitrate run-off from the soil. This was a very popular intervention during the year, covering 880 hectares in total.
- **Wild bird seed mixes and buffer strips.** These can provide habitat for up to 25 pollinator species, increasing biodiversity on farmland and promoting natural pest control. Buffer strips around field boundaries can also provide protection for organisms that may be impacted by spray drift and field run-off.

Our PEBBLE fund provides support for projects within the community, in collaboration with local groups, organisations and charities. It is open for applications each year. One of the recent projects we have supported in our Cambridge region aimed to improve an area of historic fenland near a Scout camp site by raising the water levels on an inlet lake. This will support a multitude of wildlife and will deliver enormous community benefit, with planned educational visits and Duke of Edinburgh scheme expeditions, among other things. In addition, in our South Staffs region, we provided funding to enable the removal of Himalayan Balsam from the banks of the brook that runs through Walsall Arboretum. Himalayan Balsam is one of the most problematic invasive species, so preventing it from spreading in a habitat is important if native species are not to be crowded out.

We will continue to improve our biodiversity through our WINEP schemes, our commitment to ESG and our environment policy.

Safeguarding our veteran trees

We have a long-term commitment to environmental stewardship. One example of our approach in this area is our veteran trees project. The focus of this project is on identifying, assessing and safeguarding ancient and veteran trees across all our landholdings. The purpose is to protect their ecological, cultural and environmental value now and in the future.

Ancient and veteran trees are recognised nationally by their inclusion in the Government's irreplaceable habitats list. This is the official list of habitat types that are so rare, long-lived or complex that they cannot be replaced within any meaningful timescale. These habitats are so important that ancient woodlands and veteran trees collectively support a quarter of England's priority species, underpinning their significance to nature conservation.

We recognise that the presence of ancient and veteran trees in the landscape creates stable, ecological conditions that support uniquely rich biodiversity. This includes specialist fungi, invertebrates, birds and mammals – many of which depend on the decaying wood and micro-habitats that only very old trees can provide. So, we set up a project to address the increasing pressures on these trees from climate change, pests and disease, as well as from historic management gaps. Government policy highlights the need to strengthen resilience and ensure these habitats are protected for the future. By proactively surveying and recording our veteran trees, we can implement sensitive activities such as root zone protection to support both their immediate health and long-term landscape continuity.

The project is already delivering a number of benefits. For example, it is enhancing biodiversity across our Blithfield reservoir estate by protecting high-value habitats, supporting climate resilience through carbon storage and soil improvements, and strengthening our contributions to the delivery of national environmental targets. Veteran trees provide cultural and historical continuity within our landscapes, offering community, educational and heritage value alongside ecological gains.

Our people, customers and clients

We have an ambition in this area to build a caring business, where our people are rewarded fairly and given an opportunity to grow. We also want to build a business where everyone is welcome. Our people are the driving force for our business. We think their passion for a job well done helps to ensure excellent delivery for our customers and clients. All of our people, regardless of their role, are integral to delivering our ESG strategy. For our part, we seek to provide a safe, secure and inclusive environment that protects our people and promotes their wellbeing. We also strive to have robust systems in place, enabling compliance and efficiency within a culture of mutual respect.

Our areas of focus during the year include investing in our people with both technical and personal development training and building our people networks to ensure everyone across the business feels supported and included. See the 'Our people' chapter on page 38 for more information on our people-focused activities.

Getting the basics right – brilliantly

During the year, we launched our 'Brilliant Basics' programme. This is a structured performance programme that is designed to strengthen the core management practices of frontline and mid-level management across our business. Its purpose is to create consistency in how our teams are led, how performance is managed and how operational decisions are made. We think this will help us to deliver more reliable, proactive and data-driven services for our customers.

The programme started with a three-day Management Development Workshop for our operational managers and their leaders. This training focused on building essential capabilities, including things like:

- time management;
- prioritisation;
- data-led conversations;
- coaching skills;
- change leadership; and
- building high-performing teams.

Following training, each manager progressed into a 12-week coaching phase. Coaches selected from across the business worked alongside managers through weekly sessions and observational support to help embed new routines across the business. They also helped to strengthen accountability and support cultural change that benefits customers through more consistent service delivery.

Underpinning the programme are improved dashboards, clearer baselines and a more transparent view of operational performance. These tools ensure managers focus on the metrics that matter most. This enables them to make quicker, more informed decisions aligned to the outcomes we want to deliver for our customers.

Our partners

We have an ambition to ensure we always operate to the highest ethical standards and to support others to do the same. Key to this is building a relationship of trust with our partners – that is, all the organisations that support our business and help it to operate, including:

- customer advocates and local community organisations;
- our regulators;
- Government departments;
- our shareholders;
- financial institutions; and
- the supply chain, including other Group companies with which we work closely.

We recognise that without these partners, we could not provide the services we do, and we respect all their contributions and needs. These partnerships unite the Board, our managers, our people, and our customers around shared values that create positive change and ensure we continue to help our communities to thrive now and over the long term.

Our areas of focus during the year included implementing a new performance governance mechanism and further developing our risk identification and management framework.

Improving our strategic procurement process

During the year, our Procurement team developed and implemented a series of targeted process improvements designed to increase our agility and strengthen our governance. They have also helped to enhance the quality and consistency of our commercial decision-making. All these improvements support our aim of delivering even greater value for customers and ensuring our processes remain robust in the face of changing regulatory expectations.

A key development has been the introduction of streamlined tendering work flows. This simplifies the steps required to initiate and compete competitive sourcing activities. By reducing manual touchpoints and standardising documentation, the team has shortened average procurement cycle times and improved transparency, both for internal stakeholders and external supply partners. Initial feedback from our operational teams on this new approach has been positive. Our people are reporting that they have a clearer understanding of commercial requirements, which means fewer delays when projects get under way.

Alongside these work flow enhancements, the team has strengthened its supplier risk management practices by introducing a refreshed due diligence approach. This includes early visibility of financial, environmental and compliance indicators during sourcing events. As a result, we have a more complete picture of supply capability before awarding a contract. It also helps to position us strongly as we continue to deliver an essential public service in a complex and evolving supply chain landscape. In addition, the team has implemented improved guidance and training for colleagues across the business involved in purchasing activities. This has helped to embed consistency and supports improved alignment with our corporate governance framework.

Non-financial and sustainability information statement

We pride ourselves on our openness and transparency. We recognise the importance of making information about our climate-related risks and opportunities available for our customers and other stakeholders. These disclosures help to drive our approach to sustainability and deliver our wider company purpose.

As the provider of an essential public service, we recognise the significant impact a changing climate will have on our ability to deliver high-quality clean drinking water supplies to our customers. We also recognise the important role the sector has to play in protecting and enhancing the natural environment and helping the Government to meet its net zero and growth ambitions. At the same time, we understand how important it is for customers that we keep their water bills affordable while continuing to provide help and support to those who need it most.

The disclosures below have been made on a voluntary basis following the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Due to the voluntary nature of the disclosure, certain required disclosures for publicly quoted companies have not been made or are not applicable.

Our approach to climate change

We take a proactive approach to climate change. This includes:

- building resilience into and future-proofing our assets to enable us to adapt to a range of different scenarios, helping us to mitigate the effect of things like more intense rainfall and more prolonged periods of drought;
- playing an active part to help deliver the sector's ambitious net zero operational carbon emissions target, including by not adding any extra carbon or other greenhouse gas emissions from our own operations into the atmosphere by 2050; and
- running a safe, efficient and sustainable business that is agile and able to respond to the dual challenges of a changing climate and a growing population.

We recognise that there are financial and other risks associated with the transition to a low-carbon economy. But a changing climate also gives us the opportunity to drive performance improvements and mitigation activities. This includes through things like our universal metering programme and our plans to build more resilience across the network in our Cambridge and South Staffs regions.

Current and future climate change challenges

We know that climate change will affect both our capacity and our capability for service delivery and the environment that we strive to protect and enhance. In our current climate change adaptation report, we outline the current and future impacts of climate change on our Cambridge and South Staffs regions. We also detail our existing and proposed climate change adaptation measures, some of which are outlined above.

The Environment Agency has classified both our Cambridge and South Staffs regions as seriously water stressed. In 2025, we faced a significant period of prolonged dry weather in our Cambridge region and drought in our South Staffs region. We also experienced record temperatures and multiple heatwaves. The frequency of such extreme weather events is increasing; we previously saw similar conditions in 1976, 1995/96, 2018, 2022 and now 2025. In addition, we are seeing wetter winters, such as in 2023 and again over the past winter in 2025/26. This combination of water scarcity followed by periods of intense rainfall presents us with greater challenges to both the volume and the quality of water we have available for supply.

Moreover, the Government is continuing with its plans to supercharge growth in the east of England, with significant housing growth already in the pipeline. At the same time, we are mindful of the impact of our activities on the sources from where we take our water across both regions and acknowledge that not all our existing abstractions are sustainable over the long term. For example, many of the water courses within our Cambridge region are rare chalk stream habitats that have been modified by human activity over the years. This increases their sensitivity to things like drought.

We have also seen an increase in severe weather-related incidents at our water production sites in recent years because of periods of intense rainfall. For example, between October 2025 and January 2026, the Met Office recorded six named storms. This is an increase on the previous year when five named storms were recorded during the same period. The intense rainfall events associated with such storms can put pressure on our water treatment processes because of the increased levels of run-off from the land in our water catchments.

In the following sections, we describe how we are facing these challenges.

Our climate change strategy

We are familiar with the need to assess the risks and adaptation opportunities that climate change is creating – and to plan for this across our business. Under the Water Industry Act 1991 (as amended), we are required to assess and explain how we will manage our water resources to meet the needs of a growing population. This is particularly the case for our Cambridge region, which is located in one of the driest parts of the country. It also means assessing the impacts of climate change, such as higher temperatures or more intense rainfall, as described above. And it means taking changes to regulatory policy and legislation into consideration.

Every five years we produce a business plan for the subsequent five-year period. This is set within the context of a 25-year delivery strategy. We also produce and consult on 25-year water resources management plans, which ensure we can secure sustainable water supplies over the long term. We produce separate plans for our Cambridge and South Staffs regions, to account for the geographic and climate-related differences of these diverse water resource zones. Alongside these sit a number of other obligations we are required to deliver, including our drought management plans and WINEP schemes.

Key climate change risks and opportunities

We have carried out an in-depth climate risk assessment to determine our priority climate risks. We have cross-referenced these with the UK Third Climate Change Risk Assessment and fed them into our corporate risk register. In the following sections, we describe our priority climate-related risks – and some of the opportunities we have to mitigate those risks.

Securing future water supplies

As both our Cambridge and South Staffs regions are areas of serious water stress, our focus is on ensuring long-term water supply sustainability in the face of a changing climate and population growth. In our water resources management plans, we outline our strategies for demand management, abstraction reductions, and drought resilience. We are now one year into the delivery of our latest water resources management plans.

The plan for our Cambridge region looks to build on our sector-leading levels of PCC – that is, the average volume of water each person in a household uses, measured in litres per person per day (l/p/d) – and deliver the most ambitious leakage reduction programme of all the water companies in the sector. In addition, we require new water supplies to meet the region's environmental needs. So, we have been working with our neighbour Anglian Water and other stakeholders to develop our Grafham transfer programme for delivery during the current five-year planning period. We have also been exploring additional water resource options above and beyond those set out in our Cambridge plan, to support the Government's regional growth ambitions.

Our South Staffs plan does not require any new supply-side options before 2050. So, our focus is on delivering our ambitious demand reduction programme. Our plan is to deliver the Environment Act 2021 leakage reduction target of 50% ahead of the 2050 deadline. We will continue to reduce leakage at an accelerated rate during AMP8. In August 2025, we launched our universal metering programme, and this is a core feature of our approach for reducing household consumption. We have continued to see a sustained impact on PCC since the COVID-19 pandemic and our supporting water efficiency activity aims to deliver reductions from this new baseline.

Delivering a resilient supply of good quality water

An assessment of climate change impacts on drinking water quality carried out for our long-term delivery strategy highlighted a number of future risks. These include an increase in low flow events affecting river abstraction and increases in the levels of some nutrients in our reservoirs. To mitigate these risks, we have developed an adaptive planning pathway that identifies the potential investments in our treatment processes and raw water storage that we might need by 2050.

Over AMP8, we are investing around £140 million to enhance our assets. This includes adding more storage capacity and addressing single points of failure within our water storage and distribution system. In addition, we adapted our engagement with farmers and landowners to address changes in raw water quality. This includes tackling pollution from the herbicide Propyzamide at source. This pollution is often caused by run off from agricultural land during heavy rainfall.

Maintaining asset resilience

More intense weather events will place an additional stress on our water infrastructure. This includes our network of treatment works, pipes and pumping stations. As a business that looks to the long term, we continually invest in these assets. In addition, our modelling incorporates future climate predictions and deterioration forecasts to help us identify our long-term needs in an efficient way.

We have adopted holistic approaches to help us identify and manage all our interdependent risks. We are also collaborating proactively with our supply chain partners to support our long-term adaptation goals. In terms of mitigation, we have an established incident response process, which should help to mitigate community impacts from extreme weather events. But we acknowledge there is more work for us to do to increase our understanding of future flood risks. We are continuing to build our knowledge in this area to increase levels of flood resilience across all our operational sites.

Minimising the impact of our activities on the environment

As well as ensuring secure water supplies, we also prioritise the need to protect and enhance the environment. We work with a number of partners to make sure we have sustainable water supplies and flourishing local habitats that are resilient to climate change impacts. Through a number of WINEP projects across both regions, we aim to enhance biodiversity, remove invasive non-native species and protect key habitats.

In addition, to ensure we do not cause deterioration to the environment, we are reducing the volume of water we abstract from the environment. This follows modelling work and discussions with the Environment Agency. We have already started to carry out investigations to determine any additional reductions that are needed to meet the Environment Agency's defined environmental destination. To help limit the impacts of global warming on our customers, our business and the environment, we have also committed to reduce our carbon emissions.

Climate change scenario testing

In line with the requirements for non-financial and sustainability information disclosure, we have carried out qualitative testing under the following scenarios.

Scenario 1: the impact on the business if the world warms by more than 2°C

As part of the process for developing our long-term delivery strategy, we carried out climate change scenario testing under a high climate change assessment (RCP8.5) to understand the impact to our core pathway investment areas of the world warming by more than 2°C. The areas of operational resilience and water quality triggered the need for additional investment to ensure we can deliver our ambitions. It is well documented that a high climate scenario as per RCP8.5 would result in prolonged periods of dry weather and more extreme heatwaves. The effect of this on our operational resilience and our ability to provide reliable water supplies is also well evidenced. The impact is that despite water consumption reducing overall, these hotter periods bring much higher demand coupled with reduced raw water availability.

In developing our long-term strategy, we used a supply zone resilience model to replicate these conditions. This allowed us to stress test the network in our Cambridge and South Staffs regions and identify under what conditions and environmental factors customers would be at risk of losing their water supply. This enabled us to identify the water supply zones that would not meet our ambition under a high climate scenario. We also developed a new model to predict bursts and identify mains renewal rates. This model forecasts to 2050 and includes climate parameters that can have a material impact on the deterioration of our distribution mains. Results from the model have validated what we have observed during recent extreme weather events, with climate sensitive parameters such as air temperature and rainfall driving burst rates across our network.

Our water resources management plans test the robustness of our approach for this climate change scenario. This is because they consider the potential impact on resource availability. Our plans for both regions will still meet our demand and environmental needs if this scenario were to occur. In addition, we worked with our third party consultants Atkins to understand how the impacts of climate change can affect raw water quality, and at what point our existing infrastructure is no longer fit for purpose. The analysis evaluated the potential risk to drinking water quality at our largest water treatment works in relation to climate change-related impacts on river flows. There were a number of key findings from this assessment, including:

- an increase in the number of days when river abstraction is constrained because of more frequent low flow events;
- a modest increase in algal populations in the River Severn is projected because of an increase in low flow events; and
- a moderate increase in phosphorus and nitrates in Chelmarsh reservoir could increase the incidences of algal blooms and other quality-related problems.

Our analysis suggests these changes are likely to occur in the medium term from 2040 onwards and increase in severity beyond this date. In addition, for the high climate scenario our analysis suggests that, by 2035, our existing infrastructure will no longer be able to meet our regulatory needs and that an alternative pathway for investment will be required from 2040 onwards.

More information on our climate change scenario testing can be found on page 58 of our long-term delivery strategy.

Scenario 2: the impact on the business if the world warms by 1.5°C or less

We tested a scenario based on the current situation in our latest water resources management plans. Much of this is driven by climate change and its impact on future water availability both for public water supply and to address environmental needs. As both regions are in areas of serious water stress this means that in the future, the household demand for water is likely to be a high proportion of the current effective rainfall. So, we have included an assessment of the impact of climate change on the availability of water supply within both plans. We used the latest climate change projections (UKCP18) within the scenarios to develop these assessments. We also used the approach to assess climate change impacts as set out in the Environment Agency's water resources planning guideline.

Through our analysis, we have identified a number of key challenges across both regions within our latest water resources management plans, including:

- an increase in demand driven by population growth and the need to make sure we have enough water to meet this demand;
- the need to reduce abstraction to prevent environmental deterioration, particularly in our Cambridge region; and
- changes in rainfall patterns, leading to a higher risk of flooding and longer periods of drought.

Our analysis suggests these challenges are likely to become more pronounced over the medium term. In our latest business plan, we set out the investments we will make to mitigate these challenges over the short term, including:

- delivering leakage reductions of at least 15% across our Cambridge and South Staffs regions. This is on top of the reductions delivered during AMP7;
- developing alternative water sources, such as the transfer from Anglian Water's Grafham reservoir, into our Cambridge region;
- encouraging customers to be more water efficient, making more use of behavioural change campaigns; and
- delivering our universal metering programme across both regions.

Our progress in 2025/26

We have continued to monitor delivery against our water resources management plans and climate change adaptation report commitments, and the assumptions we made in our AMP8 business plan remain valid. Reducing demand is the first important step to ensuring our water needs are sustainable now and over the long term. To this end, we launched our universal metering programme in our South Staffs region with a comprehensive communication campaign for customers in the areas we are targeting. This includes offering free water audits to all customers having a meter fitted – helping them to use water wisely and to keep their bills as low as possible.

As well as reducing household demand, we have been helping our non-household customers to become more water efficient. This includes retrofitting hospitality sites, using data to identify high water use by sector and then taking action with business owners to tackle this. We have also worked closely with the Government-led Cambridge Water Scarcity Group to encourage interventions that support sustainable growth. In addition, we are members of the South Levels project steering group, which is exploring the viability of using agricultural reservoirs as a water source for the water companies and for industry.

In terms of other projects, the Ministry for Housing, Communities and Local Government (MHCLG) is adopting a two-phase approach to further water efficiency work. The first phase will be carried out by local authorities to retrofit their properties with water-saving devices. We have provided support and meter and logger installation data for this. The second phase focuses on a fund, administered by MOSL for which any non-household customer can apply to deliver water efficiency activities. We are a member of the tactical advisory group for this and continue to support the development of the programme with advice and meter data.

We recognise that reducing demand for water is critical. However, we also recognise that, on its own, this will not enable us to meet our customers' needs following the significant planned reductions in the volume of water we can abstract from the environment in our Cambridge region. So, we have adopted a two-pronged approach to delivering demand reductions and new supply options.

- We are on track with our programme to deliver a **transfer of water from Anglian's Grafham reservoir**. We have been working with Anglian Water to prepare the planning application and carry out common environmental surveys and public consultation. This joint working ensures we are delivering in an efficient way for our customers and stakeholders, as well as reducing disruption to landowners.
- We are also **moving forward with Anglian with the development of the Fens reservoir**. A key area of focus for us during the year has included developing a commercial and procurement strategy. In addition, we have been working to confirm the water sources for the reservoir and the treatment processes required. Ground investigations and environmental surveys have been undertaken throughout the year, giving us vital information for the planning application and design features. Between October and December 2025, we engaged in the third round of public consultation on our proposals for the reservoir. We shared an updated masterplan of the design and sought feedback on the plans for traffic and transport. This will help to inform the Development Consent Order (DCO) planning process.

Looking to the future

We are formally launching the universal metering programme in our Cambridge region during 2026/27 (year 2 of AMP8) and started the planning work for this during the year. We will apply the lessons learned from the start of the roll-out in our South Staffs region to ensure our customers have the best possible metering journey. For example, building on our offer of a free water audit to all South Staffs customers having a meter fitted, we will also provide a free 'leaky loo' fix to those customers. We will use our own plumbers to provide this service whether they report the leak themselves, or it is identified during the water audit process. Leaky loos are a major source of water wastage in households, and this service will help to reduce demand and individual customer bills.

During 2026, we will deliver water efficiency behavioural change campaigns across both our Cambridge and South Staffs regions. Our Cambridge campaign will build on our successful 'Can for the Cam' and 'Yes we Cam' campaigns that we ran in previous years. In our South Staffs region, we will apply the lessons learned from these campaigns to help educate our customers on why we need to save water and the simple measures they can take to do this. We will also continue to build on our non-household work, including delivering a programme of school audits and a retrofit programme with a large retailer in our area, in a scheme that we consider could run throughout AMP8.

In addition, we will continue to support the Water Scarcity Group – particularly the Government-funded water efficiency schemes. We are very keen to see progress with the Eddington scheme in our Cambridge region in year 2 of AMP8 and are collaborating with the DWI and Cambridge University on the regulatory or other changes needed. We firmly believe the scheme can not only save water for our Cambridge customers but act as a blueprint for other schemes in the wider area and nationwide. This sort of approach is vital if we are to reduce household consumption. So, the current obstacles will need to be overcome at pace.

As part of our commitment to supporting the work of the Water Scarcity Group, we have committed to exploring additional supply options above those in our Cambridge water resources management plan. We are carrying out feasibility studies at a number of borehole sites outside of the area of the chalk aquifer. We are also exploring the possibility of using the sports lake as a water source and we will continue to support the South Levels project.

Governance

We take the impact of climate change on our operations over the short, medium and long term seriously. The Board has ultimate responsibility for ensuring we address any climate-related risks and opportunities. This includes, for example, approving the:

- water resources management plans for our Cambridge and South Staffs regions;
- climate change adaptation programme; and
- capital investment programme for each five-year planning period.

The Audit and Risk Committee and ESG Committee are responsible for identifying and considering our climate-related risks and opportunities in addition to our other key corporate risks. See pages 124 to 131 for more information.

In addition, within our Strategy and Regulation Directorate, climate-related issues are embedded in our:

- long-term delivery strategy;
- water resources management plans;
- five-yearly business plan; and
- climate change adaptation report.

Also, within our Capital Delivery Directorate, climate change mitigation is considered as part of our carbon reduction initiatives, as we drive our net zero operational carbon ambitions, and the greater use of renewables across the business. Finally, all large budgetary and policy-based climate-related decisions for the short, medium and long term are subject to rigorous business planning, such as through the regulatory price review process, and through Board and Committee oversight. Our commitment to ESG focuses on the extent to which we have demonstrated our progress and transparency, including our climate-related activities.

The day-to-day governance of climate change-related issues rests collectively with our Water Strategy and Environment and Water Quality teams. Our people within these teams are responsible for:

- monitoring data and identifying trends;
- future forecasting, including identifying potential solutions;
- delivering against our WINEP obligations; and
- developing the overall strategy for our water resources management plans and WINEP.

We will continue to ensure that our people and teams have the skills and training they need to ensure we remain resilient to a changing climate over the short, medium and long term.

Our progress in 2025/26

We report against our Cambridge and South Staffs water resources management plans each year. This review assesses what we have experienced compared with our assumptions. It also assesses how well we have performed against our commitments. At each review, we are able to make changes if any of our assumptions need updating. This formal process ensures our plans are still appropriate and valid for the challenges we are experiencing now and those we are forecasting for the future. In addition, our adaptive planning approach means we have alternative developed pathways with which we can progress should any of these come to pass. Climate change does not currently alter our preferred pathway in either our Cambridge or South Staffs water resources management plans.

We continue to forecast trends in water quality data, including for new parameters such as PFAS. This is an area where guidance is being updated and our Drinking Water Safety Plan team ensures we are monitoring existing risks and parameters, as well as identifying future potential impacts. The result is that we can do something about this now. The updated drinking water safety plan (DWSP) guidance means we have focused our efforts on making sure our approach is fully embedded across the business. Looking ahead, this will be a fundamental driver for prioritisation, capital investment and future price reviews. We also started work to deliver our WINEP obligations during the year. This work is dominated by the chalk stream restoration programme in our Cambridge region, and the environmental destination programmes across both regions. Together, these will ensure our water environments are protected against future climate change impacts.

The ESG Committee is committed to making sure we deliver in all these areas. Deep dives are carried out with senior leaders from across the business into key topics, ensuring our approach is robust and ambitious. Below this, our ESG working group makes sure we are developing and delivering initiatives that support the Group's wider ESG strategy, especially those that sit outside our regulatory commitments. The working group includes representatives from all Group companies, which brings in wider sector experience and initiatives and ensures best practice.

Looking to the future

We will continue working closely with key stakeholders to deliver our WINEP obligations and other benefits for customers and the environment during AMP8. We will also deliver the latest drought plans for our Cambridge and South Staffs regions during 2026/27. These will outline our approach to dry weather and drought scenarios in a way that is easy for customers to understand. This ensures a transparent approach and also holds us accountable for delivery. In addition, our ESG Committee will continue to provide challenge to ensure our ambition is appropriate.

Risk management

We assess climate change risk as an integral part of our risk management processes. We consider the physical risks associated with drought and flooding – and the potential impact of these on our customers and operations – as part of our wider risk management approach. We also consider the transitional risks associated with changes to regulatory or environmental policy. We review these regularly in line with our risk management framework.

Our progress in 2025/26

Our focus during the year has been on developing the drought plans for our Cambridge and South Staffs regions. We develop these in line with guidance from the Environment Agency. Following the prolonged dry weather and drought we experienced during 2025, we have carried out a detailed lessons learned review, both internally and with the Environment Agency. Through this review, we have identified areas of success and – more importantly – areas where we need to improve. This work has informed the development of our drought plans. For example, we have developed environmental stress triggers to help us identify the impacts of dry weather sooner and enable us to take early steps to mitigate the risk to the environment.

During the year, we experienced raw water deterioration at the Great Wilbraham borehole site in our Cambridge region. We had scheduled the installation of a UV treatment process later in AMP8 to provide additional resilience at the site. As a result of this change in raw water quality we installed a temporary UV solution and have accelerated our plans for a permanent change. As part of this activity, we engaged with local landowners around land use and encouraged changes that will help to ensure the raw water quality is better protected.

High rainfall in our Cambridge region in recent years has also driven increases in nitrate levels in our raw water supplies. We are progressing upgrade schemes at a number of sites through our AMP8 capital delivery programme. We have also increased our catchment management work in these areas to reduce agricultural run-off and the overuse of fertiliser. In addition, we have started work on our chalk stream restoration programme. This is designed to deliver hydromorphological improvements such as reintroducing meanders, adding gravel and reprofiling river banks to restore the natural features of these water courses. This will help to protect these habitats from future climate change and improve their ecological resilience over the long term.

Looking to the future

We are looking to deliver our chalk stream restoration programme across seven rivers in our Cambridge region. We are delivering this work in partnership with local landowners and local authorities, with the aim of delivering mutual benefits. In addition, we are continuing to deliver our water quality resilience schemes and monitor our sites for rising trends. This is to enable us to proactively identify a range of nature- and infrastructure-based solutions to respond to these trends and mitigate the risks associated with them.

During 2026/27, we will bring three previously mothballed borehole sites in our Cambridge region back into supply. These sites are fed by greensand rather than chalk aquifers and were previously taken out of use more than 20 years ago because of water quality concerns. As water treatment capability has improved in recent years, we are now able to bring these sites back into commission to provide additional supply resilience in our Cambridge region. We are also looking to bring a fourth site into supply in the same area in year 4 of AMP8 (2028/29).

We are continuing to work with our neighbours Anglian Water and Severn Trent Water to carry out detailed investigations into the proposed environmental abstraction reductions scheduled from 2040 onwards. These are designed to protect water environments from future climate change impacts. The scale of these reductions is driving multi-billion pound investment. So, it is critical for us to determine if the size and location of these will indeed drive the desired outcomes.

Metrics and targets

Reporting methodology

The Board and Executive team are responsible for the reporting methodology used to collect the information in our non-financial and sustainability information disclosure. Our investors, the Executive team and other internal stakeholders agreed the climate-related metrics against which we report. We have followed the definitions that specify the type of measurements we must use according to regulation or law. This includes those definitions that have been agreed nationally or internationally – for example, the greenhouse gas (GHG) Protocol Methodology for measuring carbon emissions. There is guidance on reporting for the sector within IFRS S2. We have added these metrics to the ones we consider to be climate related. But they do not have a confidence rating because they have not been collated in the same way as our metrics. In addition, we have not disaggregated GHG emissions because we do not consider this would provide any additional information. During the year, we continued to develop the maturity of our data collection approach. Our Position Green ESG management system is key to this.

Targets

Our key climate-related targets are associated with our net zero carbon ambitions. These are to achieve net zero for Scope 1 and 2 GHG emissions by 2030, and net zero for Scope 1, 2 and 3 GHG emissions by 2050 as part of a sector-wide approach. We report our Scope 1 and 2 emissions in more detail in the Directors' report on page 151.

Metrics

The tables below include some of the key climate change-related metrics we report each year. For each metric, we apply an assurance grade, based on the reliability and accuracy of the data provided. This is an indicator of our maturity and highlights the areas where we need to improve our data. Looking ahead, we will explore the possibility of introducing metrics and targets that link to our key climate change risks and opportunities as outlined on page 68 above and that measure our progress over time.

Emissions

Metric	Definition	2025/26	2024/25	Assurance grade
CO_2 direct emissions – Scope 1 (tCO_2e)	Scope 1 includes direct emissions due to owned or controlled sources using the GHG Protocol Corporate Standard. Any calculations are done in line with annex 1 of the SFDR Delegated Protocol and the GHG Protocol Methodology.	24,067	20,267	A1
CO_2 indirect emissions – Scope 2 (tCO_2e)	Scope 2 includes direct emissions due to the purchase of electricity, heat or steam under the GHG Protocol Scope 2 Guidance. Any calculations are done in line with annex 1 of the SFDR Delegated Protocol and the GHG Protocol Methodology (location based).	18,174	20,295	A1
CO_2 indirect emissions – Scope 3 (tCO_2e)	Scope 3 includes all other indirect emissions accounted for under the GHG Protocol Corporate Value Chain (Scope 3). Any calculations are done in line with annex 1 of the SFDR Delegated Protocol and the GHG Protocol Methodology.	45,171	n/a	B2

Energy

Metric	Definition	2025/26	2024/25	Assurance grade
Energy consumption (GWh)	Total energy directly consumed (eg, direct fuel usage, purchased electricity/heating, cooling/steam energy).	259.19	224.92	A1
Procured from non-renewable energy (%)	Energy consumption other than that defined under 'renewable energy consumption' below.	60.35	56.39	A1
Procured from renewable energy (%)	Renewable energy consumed from geothermal, solar, sustainably sourced biomass (inc. biogas), hydropower and wind energy sources. Where electricity is contracted under a 'renewable scheme', like the UK Renewable Energy Guarantees of Origin (REGO) certificate scheme, it is accounted for as 'renewable'.	39.65	43.61	A1
Energy production (GWh)	Total energy directly produced.	41.77	35.59	A1
Energy produced which is non-renewable energy (%)	Energy produced other than that defined under 'renewable energy production' below.	99.79	99.77	A1

Metric	Definition	2025/26	2024/25	Assurance grade
Energy produced which is renewable energy (%)	Renewable energy produced from geothermal, solar, sustainably sourced biomass (inc. biogas), hydropower and wind energy sources. Where the energy if consumed would be contracted under a 'renewable scheme', like the UK Renewable Energy Guarantees of Origin (REGO) certificate scheme, it is accounted for as 'renewable' for production.	0.21	0.23	A1

Water conservation

Metric	Definition	2025/26	2024/25	Assurance grade
Total water consumption (m^3)	Total water consumed due to business activities or operations, including water delivered to customers and used in company offices.	168,768,554	175,406,926	A3

Waste

Metric	Definition	2025/26	2024/25	Assurance grade
Total waste (tonnes)	Total waste directly resulting from business activities or operations. Waste is defined as any substance or object being discarded.	222.93	264.00	A2
Total waste recovered (%)	Total waste directly resulting from business activities or operations that have been repurposed for another process and not discarded.	41.83	56.40	A2
Total waste sent to landfill (%)	Total waste directly resulting from business activities or operations sent to a site to be buried.	0.83	0	A2
Total waste sent to waste energy facility (%)	Total waste directly resulting from business activities or operations converted into energy of any form.	2.58	52.21	A2c
Total waste sent for incineration (%)	Total waste directly resulting from business activities or operations burned.	54.76	0	A2
Hazardous waste (tonnes)	Waste directly resulting from business operations that is hazardous. Hazardous waste is defined in Article 3(2) of Directive 2008/98 EC of the European Parliament and of the Council.	-	36.07	A2
Radioactive waste (tonnes)	Waste directly resulting from business activities or operations that is radioactive. Radioactive waste is defined in Article 3(7) of Council Directive 2011/0/Euratom.	0	0	A2

Metric	Definition	2025/26	2024/25	Assurance grade
Volume of raw materials that are renewable, recyclable and reusable (%)	Volume of raw materials procured, extracted, or created, directly from business activities or operations that is renewable, recyclable or reusable.	-	47.07	A2

Environmental compliance

Metric	Definition	2025/26	2024/25	Assurance grade
Number of non-environmental compliances (no.)	Environmental compliance incidents based on local jurisdiction requirements. Specifically, those of material interest – namely Category 1 and 2 pollution incidents and abstraction licence breaches.	0	2	A1

Fossil fuel exposure

Metric	Definition	2025/26	2024/25	Assurance grade
Percentage of revenue linked to companies active in the fossil fuel sector (%)	Amount of revenue directly or indirectly linked to operations within the fossil fuel sector. This includes fossil fuel extractors and any known fossil fuel service organisations. Fossil fuels include any substance that releases CO_2 when combusted such as coal, natural gas, derived gas, crude oil and petroleum.	0	0	A1

Metrics assurance grades – reliability

Reliability band	Methodology and scope description
A	Sound textual records, procedures, investigations and analysis properly documented and recognised as the best method of assessment. All data point areas are covered.
B	As A, but with minor shortcomings. Examples of these include old assessments, some missing documentation, some reliance on unconfirmed reports, some use of extrapolation. Almost all data points are covered but those missed would not make a material difference.
C	Extrapolation from a limited sample for which grade A or B is available. Some data point areas that would make a material difference are not included.
D	Unconfirmed verbal reports, cursory inspections or analysis. Many data point areas that would make a material difference are not included.

Metrics assurance grades – accuracy

Accuracy band	Quantitative description	Qualitative description
1	Within 0-0.99% of the accurate figure in the collector's professional opinion based on available data.	A comprehensive detailed comment that covers everything.
2	Within 1-4.99% of the accurate figure in the collector's professional opinion based on available data.	A comprehensive detailed comment that covers everything, leaving out insignificant details.
3	Within 5-9.99% of the accurate figure in the collector's professional opinion based on available data.	A comprehensive and detailed comment that covers most areas.
4	Within 10-24.99% of the accurate figure in the collector's professional opinion based on available data.	A moderately detailed answer covering several of the relevant areas.
5	Within 25-49.99% of the accurate figure in the collector's professional opinion based on available data.	A moderately detailed answer on a few relevant areas.
6	Within 50-100% of the accurate figure in the collector's professional opinion based on available data.	A poor and incomplete answer providing the most basic of details on only a few relevant areas.
7	Accuracy is outside of the above, small numbers or otherwise incompatible.	Somehow incompatible.

Managing risk and uncertainty

We recognise that risks exist in all businesses. Our approach to risk reflects our status as a regulated and licensed water company providing an essential public service.

We accept that not all risks can be mitigated entirely; our aim is to ensure our risk management activities reduce the overall estimated impact of risks to a level that is acceptable and does not affect our long-term viability.

The Board is responsible for setting our strategic objectives. It also determines our risk appetite and tolerance levels. We identify, prioritise and document the principal risks to our business, allowing the Board to ensure an effective internal control and assurance framework is in place. This comprises regular reviews and additional deep dives when further assurance is required. Emerging risks are captured and fed through to the risk register as appropriate. The Audit and Risk Committee reviews the effectiveness of our risk management and internal control framework through regular reviews of the principal risks.

Key water sector business risks

In common with other companies in the sector, we face a number of strategic business risks. We set out these sector-wide risks below.

Sector-wide risk	Impact on our business
Supply chain and resources	▪ AMP8 represents our largest-ever investment plan, with a strict regulatory contract on which we need to deliver. There is a risk that a compressed supply chain and delivery resources in high demand could impact our plans. ▪ There is a risk around the current negative profile of the sector. This could lead to a resource challenge associated with the perception of it not being an attractive one to work in. ▪ More geopolitical conflicts could lead to a combination of shortages and higher prices for things like chemicals and energy. A national approach to managing chemicals would be needed, for example, to prioritise public water supplies.
Regulatory reform	▪ While we support the need for regulatory reform within the sector, there is a risk that the pace of delivery and delays to the transition could impact our ability to respond to the requirements of the next price review process in a timely way. ▪ Alongside this, the timing of the next scheduled General Election in 2029 could also impact the price review timetable, leading to more uncertainty and the risks associated with this.
Financial sustainability	▪ There is a risk that geopolitical conflicts could continue to drive the cost-of-living crisis and cause more customers to find their water bills unaffordable. Inflation rises and increased food prices could impact customers' ability to pay, which in turn would affect our ability to collect the revenue we need to fund our AMP8 investment programme.

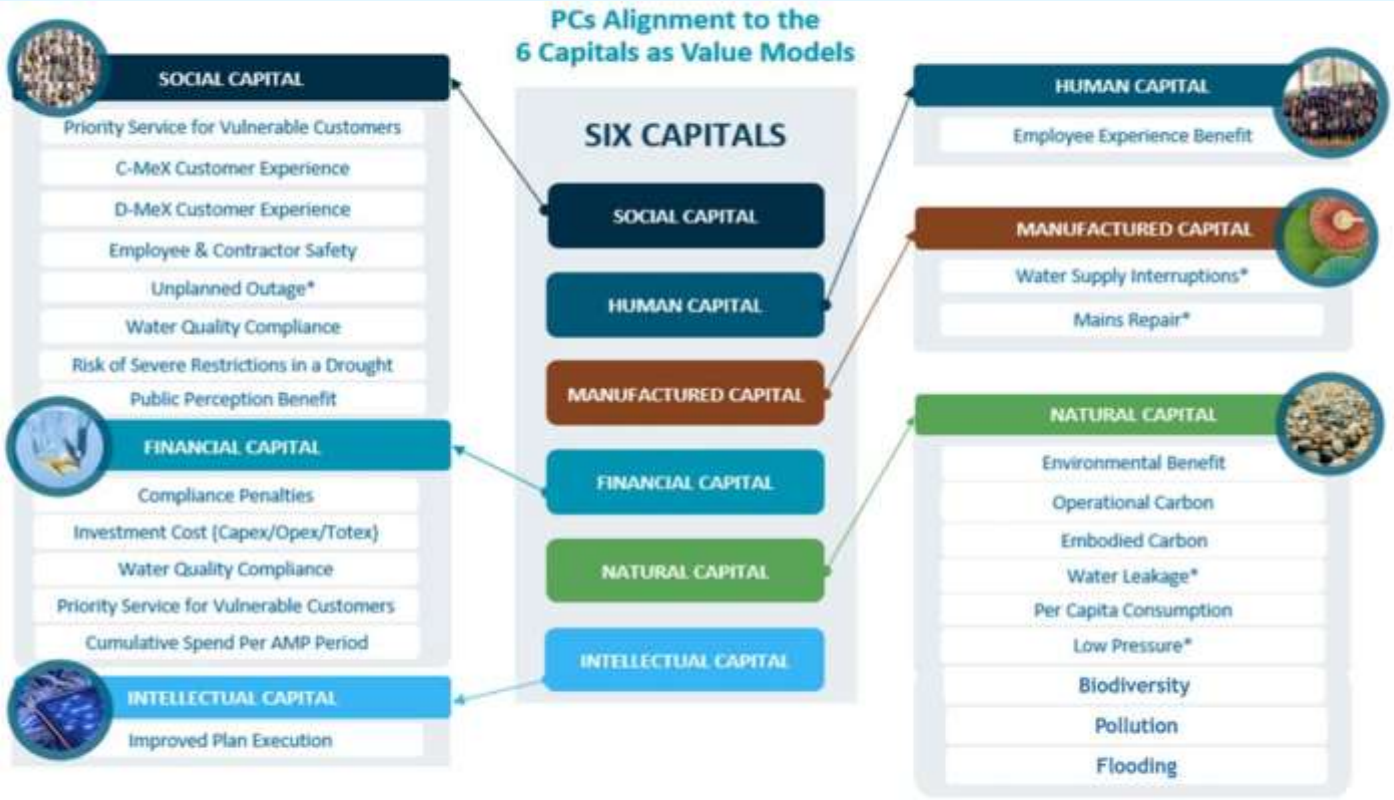
Our approach to risk management

We acknowledge that for risk to exist there must be a degree of uncertainty. We also acknowledge that there are opportunities and threats associated with our day-to-day business activities. So, we recognise the importance of striking the right balance between taking on too much risk or not taking on enough risk to achieve our strategic business objectives. We are committed to making sure our approach to risk management is clear and straightforward. In this way, we can be confident that all our people recognise the important part they play in mitigating risk across the business. We have a risk assessment framework in place, which considers both our appetite for and tolerance of risk.

- **Appetite** means reflecting where we want to be in terms of our risk management.
- **Tolerance** means understanding the maximum amount of risk we are prepared to accept, validated by the Board.

We illustrate our high-level risk management framework below.

Managing our operational risks



During the year, our Asset Management team carried out work to scope and implement a central operational asset risk register called Risk Manager. Following significant engagement across the business, the team has scoped the large volume of risk information related to our asset base that is currently being captured. This includes, for example, in documentation such as our DWSPs, in our works management system (Maximo) and in locally held risk registers.

Underpinned by the Six Capitals framework illustrated above, Risk Manager functions to allow a single repository of consistently assessed asset risk data, at both a strategic and a tactical level. It will help to give our Asset Management team visibility through the risk to the investment planning lifecycle by ensuring a current, live view of asset risk. It also gives us a clear line of sight to investment proposals within our Copperleaf Asset Investment Planning system. This is because both risk and investment are underpinned by the same value framework. Importantly, this enables us to capture regulatory compliance risk within the business as a priority.

Ultimately, this step change in our ability to understand asset risk through a value-based lens allows for greater maturity around decision-making linked to our current capital programme. In addition, it gives us a wealth of data and insight that will feed into our capital plans for the PR29 price review process. We will also use it to feed into the Audit and Risk Committee's asset health assessment at a Board level, enabling us to highlight priority and associated investment controls planned for delivery.

Risk management framework aims

The principal aims of our risk management framework are to:

- ensure there is no harm to our people, our stakeholders and the environment;
- improve performance;
- encourage innovation; and
- support the delivery of our strategic business objectives.

This helps us to integrate risk management across our teams, embedding it as part of our business culture. We want to ensure that risk management is a key element of our strategic, tactical and operational decision-making. This is so that whenever there are risks that could significantly impact our business objectives, we can make the necessary resources available to mitigate the risk. A key objective for us is to ensure risks are managed at all levels of the business. This gives the owner of the risk the authority, responsibility and resources to take effective action to implement controls to limit the risk or to escalate where additional resource is required outside their delegated authority. Our aim is to have documented accountabilities for risk management across the business.

Evolution of the framework during the year

Our Executive team has continued to strengthen the risk management framework to ensure it remains robust, forward-looking and aligned to best practice in the sector. A key development is the requirement for controls rated amber or 'partially effective' to be supported by a defined action plan, with accountable owners and delivery dates. We have maintained our six-monthly review cycle, although the Executive team undertakes an assessment each month to escalate emerging risks. Over the longer term, we will develop an operational risk management framework, with operational steering committees, working groups and strengthened escalation routes.

Six-monthly review process

The six-monthly review cycle has been enhanced under the auspices of the Group's Head of Risk, Control and Assurance, with the introduction of a more rigorous and structured assessment process. This includes deeper engagement with operational teams to reassess inherent risks, evaluate control effectiveness and refresh action plans. During the year, the Executive team also carried out a comprehensive challenge session. They reviewed each risk to ensure the scoring, tolerance levels and mitigation strategies remain appropriate. Structural refinements included:

- splitting water resources into risks specific to our Cambridge and South Staffs regions;
- consolidating customer risks;
- broadening the regulatory risk to include legal matters; and
- maintaining metering as a standalone risk.

In addition, following the most recent review of business risks, the Executive team added a number of emerging risks to a 'watchlist', which may need to be elevated under the framework. These emerging risks include stakeholder engagement, the ability of customers to pay their water bills, and strategic environmental exposure in the Cambridgeshire Fens. Looking ahead to the next review, the Executive team will ask the Board to consider the risk appetite for water quality, reconfirm appetite levels following recent structural changes to our risks, and evaluate the tolerance model to ensure clarity and consistency across categories.

Principal business risks

Health and safety

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Non-compliance incident from failing to meet our own health and safety standards. ▪ Health and Safety Executive (HSE) enquiry. ▪ Gaps in our understanding around the interface with our contract partners, as well as around managing construction regulations and the roles and responsibilities required. ▪ The understanding of the key risks associated with working at height, in confined spaces and in explosive atmospheres. ▪ Current negative views of the sector leading to more challenges and threats to our people.	▪ We have enhanced our commitment to health and safety with the launch of the Group's 'Staying safe together' strategy. This underpins our approach to safety and sets clear expectations on our people of the behaviours expected from them. It also aligns with our 'Plan. Do. Check. Act' model, as well as with regulatory best practice. ▪ There is an overarching Group health and safety policy, with shared and aligned standards for managing our hazards. We focus our attention on the most critical hazards and ensure robust and effective controls are in place. ▪ We have clear governance frameworks in place to provide oversight for the Board and the Group Executive team. We have also improved the use of site audits and leadership visits to support health and safety improvements across the business. ▪ We have consolidated our safety management systems and made them easily accessible for our people. And we have put in place a verification process, with 'go/no go' checks, for our critical risk projects. This ensures they progress with suitable mitigations in place.	◀▶	Water Working Group; Executive team; Group Executive team; Health and Safety Forum

Water resources – Cambridge region

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
■ The probability of a 1-in-200-year drought occurring in any single year is 0.5%. ■ Significant challenges on water resources, including household and non-household growth. ■ The number of time-limited abstraction licences with large-scale reductions agreed in our WINEP to be completed by 2030. ■ More incidences of prolonged dry weather, with the challenges this poses to our supply/demand balance over the long term. ■ The need to align the resource options for other water companies where the timing is outside our control, alongside the risk of developing and financing our own resources.	■ We are continuing to develop the Fens reservoir and Grafham transfer options with Anglian Water. We also measure progress against our water resources management plan each year. We received a joint regulator letter in 2025 about our performance in 2024/25. In response, we have put further measures in place to address concerns about outage and supply options. ■ We have a number of controls in place to mitigate the impact, or reduce the probability, of having insufficient water resources. These include our water resources management plan and drought plan. They also include the collaborative regional engagement carried out through WRE and tracking our metrics for leakage and PCC. In addition, our ongoing asset maintenance programme aims to minimise the risks of short-term supply interruptions. We used many of these options during 2025, where we saw significantly lower than average rainfall. ■ During the year, we started work on our next drought plan and have carried out a review into our drought triggers to ensure we respond quickly to changes in weather conditions to minimise the risk to supplies and any associated environmental impact. We are looking to bring our levels of service in line with the rest of the east of England. This means we would take action such as implementing temporary use bans earlier. ■ Our five-year business plan includes the investments we will make to improve our supply/demand balance. This includes a commitment to deliver a number of water quality improvement schemes to reduce nitrates in our water sources. It also includes a commitment to provide more resilient water sources during AMP8. Ofwat checks our performance against these commitments each year.	▲	Water quality, environmental compliance and Grafham and Fens Steering Group; ESG Committee; internal and external assurance

Water resources – South Staffs region

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ The probability of a 1-in-200-year drought occurring in any single year is 0.5%. ▪ Abstraction licence reductions of around 18 Ml/d to be completed by 2030, which reduces headroom. ▪ Incidences of prolonged dry weather and challenges to our supply/demand balance over the long term. Climate change, population growth and the need to ensure environmentally sustainable abstractions will have an impact. ▪ The 2025 drought caused Blithfield reservoir levels to be their lowest in five years for the time of year. ▪ Impact of the effect of weather-driven water quality issues on our water resources and the output delivered from our sites. For example, the drought caused elevated levels of Geosmin at Hampton Loade.	▪ We measure our progress against our water resources management plan each year. We received a joint regulator letter in 2025 about our performance in 2024/25 and have already addressed some previous concerns. ▪ We have a number of controls in place to mitigate the impact, or reduce the probability, of having insufficient water resources. These include our water resources management plan and drought plan. They also include the collaborative regional engagement carried out through WRW and tracking our metrics for leakage and PCC. In addition, our ongoing asset maintenance programme aims to minimise the risks of short-term supply interruptions. As a result of the drought in 2025, we entered level 2 of our drought plan triggers. So, we used many of these measures because of the impact of significantly lower than average rainfall. ▪ During the year, we started work on our next drought plan and have looked to update our environmental drought triggers to provide further focus on potential environmental impact. Under our water resources management plan, we are able to maintain one of the highest levels of service in the sector, with temporary use bans required at a 1-in-40 year interval. ▪ Our five-year business plan includes the investments we will make to improve our supply/demand balance. This includes a commitment to deliver a number of water quality improvement schemes to reduce nitrates in our water sources. It also includes a commitment to provide more resilient water sources during AMP8. Ofwat checks our performance against these commitments each year.	◀▶	Water Quality and Environmental Compliance Steering Groups; ESG Committee; internal and external assurance

Customer – affordability, billing and collections

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ The additional pressure on customers as a result of the economic climate and the impact of the cost-of-living crisis on household bills. ▪ A 25% increase in customers' bills at the start of AMP8 has led to more applications for our Assure tariff. ▪ The current structure and funding of the Assure tariff limits our ability to help more customers. ▪ Impact on affordability for customers whose bills will likely increase as a result of our universal metering programme – and the need to monitor this carefully.	▪ We continue to provide a range of support initiatives in line with CCW's affordability review and Ofwat's paying fair guidelines. This includes our Assure social tariff, our Assure Essential Saver tariff and the national WaterSure scheme. It also includes payment breaks, bespoke payment plans and assessments for financial hardship support through our Charitable Trust. ▪ We offer a range of payment methods, including internet and phone banking, standing orders, Direct Debit, PayPoint and direct payments from customers' benefits. We have implemented a self-service approach through MyAccount and a 24/7 payment telephony line. This enables customers to make payments and changes to their accounts at a time that suits them. ▪ During 2026, we are launching an Assure tariff cleansing process. This will remove customers who have continued to receive a 20% discount beyond the expiration of their term. In turn, this will enable us to extend our social tariff support to a new cohort of customers who are in the greatest need. ▪ As part of our vulnerability strategy, we will launch an affordability advice support programme. This will feature a comprehensive independent affordability assessment, advice on saving water and energy, income maximisation and benefit entitlement assessments, and access to external grant-funding support. ▪ We will assess customers completing this process for our other support options as outlined above, tethering that support to advice that tackles the root causes of their affordability issues. This will drive lasting benefits and ensure a greater social return on investment beyond our direct financial support.	▲	Executive team; Debt Collection Steering Group; monthly and quarterly business reviews; contact centre business reviews; annual billing working group

Customer -experience

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Continuing rise in customer expectations – for example, desire for real-time alerts and regular updates throughout all core processes. Set in the context of a wide loss of trust in the sector. ▪ New AMP8 C-MeX methodology with new weightings and incentive values calculated relative to the UKCSI benchmark – driving more customer contacts. ▪ Impact of our own activities, including the universal metering programme and our drive for greater collection and debt recovery – leading to more customer complaints and dissatisfaction with our services.	▪ We use a suite of relevant metrics and key performance indicators (KPIs) and have implemented performance tracking to drive leadership behaviours and oversight. Alongside our C-MeX and BR-MeX insights, we have comprehensive real-time monitors of customer sentiment, captured through Qualtrics. Relevant members of our Executive and senior management team also hold monthly performance reviews. ▪ We have a number of improvement actions under way, including resourcing levels in our contact centre and frontline services, workforce management scheduling, better use of automated billing, proactive support for customers facing significant bill increases, and proactive customer alerts during supply interruptions to keep them better informed. ▪ We have implemented guaranteed standards scheme (GSS) failure warning reports and a weekly view of actual failure, These are reported to our Customer Service Director. A singular point of payment process is in place to facilitate the reconciliation of actual failures to payments made and that they were made on time. ▪ We are developing a new customer service strategy. This will include our approach to complaints reduction, coaching and monitoring, contact centre responsiveness, digital transformation initiatives, and a broader billing improvement strategy.	◀▶	Executive team; monthly and quarterly business reviews; contact centre business reviews

Water quality

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Failure to provide a resilient supply of clean, safe drinking water, which is assured using a risk-based DWSP approach.	▪ The focus of our Water Quality team continues to be on driving internal improvement through action-driven working groups, building strong relationships with the DWI, ensuring a strong 'water quality first' culture across the business, and working to resolve existing issues. We have positive engagement with the enforcement and liaison teams at DWI.	◀▶	Water Quality Steering Group; Executive team; ESG Committee;

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
	▪ We have established a Water Quality Steering Group to ensure risk management and mitigation processes are followed. We have also initiated a confidence in compliance programme, driving competent operator training across our Water Quality team. ▪ We share water quality metrics at the Executive team's monthly business reviews, providing positive discussions and the development of new indicators. We also review how the DWSP process can support asset management and capital delivery processes, with the Executive team signing off all returns. We have produced and implemented water quality related policies and procedures – including launching a water quality charter. ▪ The Water Quality team backfilled a key vacancy during the year to support improvements and deliver training and best practice in relation to incident response and event preparedness.		internal and external audit

Policy/legal (reputational/regulatory)

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Failure to track either our licence to operate or legal compliance requirements. ▪ Failure to monitor when new requirements are set and our progress in delivering against these. ▪ Failure to have in place robust and auditable processes and documentation, impacting our ability to meet the requirements of assurance partners. ▪ Untimely delivery of mitigations, such as delays on undertakings, meaning we remain in an uncompliant state.	▪ We monitor our regulatory compliance through a number of steering groups, with regular reporting to the Audit and Risk Committee to track our progress. ▪ We use the Group Internal Audit function to review our processes and reporting and have monthly review meetings. An annual compliance sign off process has also been implemented by the Group Head of Risk, Control and Assurance.	◀▶	Executive team monthly business reviews; ESG Committee; Audit and Risk Committee; internal and external audit

Financial resilience

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Inflationary pressures on index linked debt, operating costs and capital investment programme. ▪ Unexpected fines/penalties, such as cyber and environmental undertakings. ▪ Unexpected financial adjustments from management accounting errors. ▪ Inability to control costs and customers refusing to pay. ▪ Non-compliance with covenants. ▪ Impact on credit ratings and potential downgrade to non-investment grade. ▪ Inability to ring fence regulated liquidity.	▪ We have a Treasury policy, with authority limits that the Finance Director reviews at least once a year. ▪ Our budget setting process takes place in quarter 3 of each financial year, with multiple layers of management review, as well as review and challenge from the Group. This includes a one-year budget and a five-year plan, including cash flow. At the time of writing, the Board had approved our budget for the 2026/27 financial year. ▪ We submit monthly financial performance reports for review to the Executive team, Board, and the Group Finance function. These include profit and loss, the balance sheet, cash flow and totex. They also include metrics such as FFO, RCV, AICR and net debt. We produce a monthly cash flow forecast, which the Finance Director reviews. We have implemented a 13-week rolling cash flow projection for the 2026/27 financial year to improve our short-term cash flow forecasting. ▪ We formally assess our covenant compliance every six months, with a proxy view reported each month to the Group Board to ensure compliance. Each year, we carry out a going concern review for a period covering at least 12 months. ▪ We monitor our credit ratings and have yearly meetings with the ratings agencies. The most recent reviews have resulted in reaffirmed ratings for the 2026/27 financial year. We also have an annual financial resilience review meeting with Ofwat. ▪ We have financial controls in place for monthly balance sheet reconciliations, reviews of journal postings and segregation of duties through access control. Our finance business partners also assess our functional budgets each month and our costs are proactively challenged.	◀▶	Executive team; Audit and Risk Committee; external audit by Ernst & Young

Operational technology, cyber-security and systems effectiveness

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ OT is compromised, leading to disruption or loss of supplies and/or changes to the quality of the water delivered to our customers. ▪ IT is compromised, resulting in the theft of employee and/or customer data, and/or the loss of IT systems essential to day-to-day business operability.	▪ Governance is managed by several steering groups: the Group information Strategy Steering Group (ISSG), supported by the Water Information Security Forum (ISF) and the UK-Network Information Security (NIS) Steering Group. We are subject to the Group's cyber security policies, supported by a specific OT cyber security policy and the continual maintenance of our OT and IT technical risk registers. ▪ We have separated our OT and IT networks to prevent lateral contamination. Our OT network is non-internet facing. We also carry out continuous threat detection and monitoring of our OT and IT networks by separate dedicated service operation centres (SOCs). ▪ We actively carry out penetration testing across our OT and IT networks and require our people to undertake regular cyber security training, accompanied by awareness campaigns. ▪ We are compliant with the DWI's sampling and surveillance programme (SSP) – the framework used in the UK to ensure that drinking water sampling, monitoring, and quality checks are carried out correctly and consistently.	◀▶	Executive team; internal review; Cyber Assessment Framework (CAF)

IT network and business systems effectiveness

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ IT is compromised, resulting in the theft of employee and/or customer data, and/or the loss of IT systems essential to day-to-day business operability. ▪ Failure or degradation of critical IT platforms, including billing, customer, asset and finance systems.	▪ Governance is through the ISSG and ISF, providing oversight, risk escalation and Executive visibility of our IT and information security risks. ▪ We have a centrally managed IT estate (networks, end-user devices and core systems), with resilience and continuity built into our on-premises Cloud and SaaS platforms. We manage technology lifecycle and obsolescence through a centralised asset inventory, with end-of-life systems identified and remediation aligned to our AMP8 investment plans. ▪ We are subject to Group-wide cyber and information policies on things like access control, ensuring a secure configuration and encryption. We support this with mandatory training for our people and awareness campaigns.	▼	Executive team; internal assurance

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
■ Outages across Cloud, software as a service (SaaS) or third party supplier environments. ■ Ageing or unsupported hardware and software not remediated in line with agreed lifecycle plans, weaknesses in data governance, insufficient disaster recovery/business continuity arrangements, and loss of end user or mobile capability during incidents where IT-enabled resilience is required to maintain operations.	■ Our IT network is monitored continuously by specialist SOCs, supported by penetration testing and formal incident escalation and response procedures.		

Environment

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
■ Changing rainfall patterns may make it harder to meet demand and could increase the risk of droughts, affecting our water supplies. ■ Higher temperatures and less rainfall in the summer means more stress on already scarce water resources when they are needed most. ■ More frequent heavy downpours and changes to the ecology of rivers may reduce the quality of the water we take from the environment, requiring more treatment.	■ In the event of a major incident, we mobilise our teams on the ground quickly to minimise the impact on customers and the environment. We have developed a new internal environmental incident reporting procedure and proactively self-report any incidents to the Environment Agency. ■ We work with the Environment Agency, Natural England and other stakeholders to deliver our WINEP obligations and ensure sustainable abstraction. This includes a significant chalk stream restoration programme in our Cambridge region during AMP8. ■ We have a well-established catchment management team, which is continuing to make a difference across our Cambridge and South Staffs regions. We have expanded our SPRING catchment management programme and are exploring how our PEBBLE community biodiversity fund can help us to deliver our regulatory performance commitments. ■ Our Water Strategy, OT and Production teams have continued to work together to maintain our MCERTs compliance.	▲	Water Strategy Steering Group; Executive team; monthly business reviews; ESG Committee

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Changes to environmental permitting regimes mean consents may be tighter and monitored differently.	▪ We monitor compliance with our abstraction licences and have carried out a detailed review into our discharge permits. We have detailed plans in place to ensure ongoing compliance. During the year, we submitted our first PIRP to the Environment Agency. We are benchmarking our performance with water companies in the sector to improve our clean water pollution response and monitoring.		

Asset health

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ Failure to prioritise our investment accurately and manage our risks at an operational level can result in material impacts to a number of business metrics, including customer service, reputational, water quality and financial.	▪ We recognise the need for targeted, value-based investment planning to ensure we maintain a resilient asset base. We set our short-term tactical and long-term strategic plans in the context of managing and maintaining our assets and supply capabilities. ▪ Our Asset Management team has implemented system and process changes to enable us to identify and optimise our investment needs, delivering solutions and strategies to help us mitigate this risk. We underpin this approach by consistently applying the Six Capitals value framework that captures the probability and consequence of asset failure before and after investment. ▪ Our AMP8 plans include significant investment across our base maintenance programmes and enhancement projects. This will enable us to drive step changes in source water quality treatment, our supply/demand position and in terms of our environmental impact. Our plans also include delivering targeted proactive maintenance and infrastructure resilience programmes to reduce network failures and the impacts associated with such incidents.	▼	Executive team; asset management maturity assessment; internal and external audit

Metering

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
■ Failures in operational field delivery, customer journeys and communications. ■ Resource constraints (internal and external supply chain). ■ Problems with technology and data controls and systems interface.	■ We have a steering group in place that meets regularly. We have set up a target operating model for efficiency – covering the contact centre and the planning and meter installation stages. There is a clear line of governance around all key decisions, which includes the support of Group-level expertise. ■ We have worked with sector-leading consultants to shape and challenge our universal metering programme, and we have engaged with water companies further ahead in their metering journey to ensure we learn from them and build on their successes. ■ We commissioned external resource to deliver an effective campaign to drive customer awareness and support. ■ Looking ahead, a recently procured meter reading technology will help with our stretching AMP8 year 2 PCD targets.	◀▶	Metering Steering Group; Executive team; ESG Committee; Board; internal and external assurance

People

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
■ Impact of changing legislation, technology, market conditions and a shortage of critical skills. ■ Impact of an ageing workforce and loss of critical knowledge, alongside insufficient training and succession planning. ■ Industrial relations disputes/industrial action.	■ We have established employee relations and industrial action risk management policies and processes in place. We engage with the relevant Trade Unions and have an escalation and dispute resolution process in place. ■ We undertake workforce planning, attraction and succession, with established structured workforce plans, recruitment, benchmarking and induction processes. We also use a safety-critical and operator role competence and training framework. ■ During the year, we developed a risk assessment and mitigation plan for the Employment Rights Act. ■ We carried out a workforce capability and demographic review, including engagement approaches for critical roles.	◀▶	First, second and third line assurance, including internal audit

Risk causes and triggers	How we are mitigating this risk	Risk profile	Assurance
▪ High rates of absence and turnover, alongside increased levels of illness and fatigue. ▪ Increased regulatory/operational demands without matching capability uplift.	▪ We implemented new leadership performance and engagement programmes and carried out legal and regulatory horizon scanning for potential people-related impacts. ▪ We launched new networks and inclusive practices to support employee retention.		

Key:
▲ = increasing risk.
▼ = decreasing risk.
◀▶ = risk has stayed the same.

Ensuring our long-term viability

We have carried out an assessment of our long-term financial viability. We have performed modelling on our base plans for the ten-year period to 2036 by selecting a plausible range of scenarios.

We have considered a severe and plausible downside scenario that has a 10% chance of occurring and the mitigations we could take to ensure we maintain an investment grade credit rating.

Stress testing

We have stress-tested our financial projections for the ten years from 2026 to 2036 by performing modelling against a number of plausible scenarios that could realistically impact our business. We have considered the key risks facing the business and the impact they could have on customers and other stakeholders. These are set out in the previous chapter and consider financial, operational and regulatory risks.

For the downside scenario that has a 10% chance of occurring, we have considered the actions we would take to mitigate the impact and maintain our target credit rating. We currently hold a credit rating with both Moody's and S&P. Although our current credit rating with Moody's is Baa2, consistent with the Board's objective of maintaining a strong investment grade, we are targeting a credit rating of Baa1. We consider this maintains our current level of credit quality and provides some headroom to enable us to remain financially resilient. Moody's uses the following metrics when assessing credit ratings.

- The ratio of debt to the regulatory capital value of the business (RCV gearing).
- An Adjusted Interest Cover Ratio (AICR).

Following Ofwat's PR24 price review process, Moody's updated its view of the stability of the regulatory environment. This means water companies need a stronger AICR to maintain the same credit rating. Moody's revised guidance credit ranges relating to smaller water companies are set out in the table below.

Moody's credit rating	RCV gearing	AICR
Baa1	60% to 68%	1.8x to 2.1x
Baa2	68% to 75%	1.6x to 1.8x

Moody's also takes specific sector factors into account – for example, more headroom as a result of the strong regulatory framework. Any breach of these ratios would also need to be 'persistent' to trigger a possible downgrade. But in our assessment, an AICR of >1.8 is considered the standard to achieve the target credit rating, while maintaining covenant net debt to RCV below 68%. Our target credit rating with S&P is BBB+. The key metric used in its assessment is the ratio of Funds From Operations (FFO) to net debt. S&P also tightened the required metrics to maintain our current credit rating. We require a minimum FFO/net debt of 11% for the appointed business.

We have performed stress tests against our Board approved plan and included the most significant risks we have identified from our risk management framework. We set out the specific scenarios we have modelled below.

Scenario	Size of the impact	Explanation
Base expenditure (botex) over-/ underspend (AMP8 and AMP9)	+/- 5% of allowed botex	▪ We could overspend our plans as a result of the cost of delivering schemes being more expensive than planned or further investment being required to meet our service targets. ▪ We could also underspend our botex through innovative new solutions or cost efficiencies.
Enhancement capital expenditure (capex) over-/underspend (AMP8 and AMP9)	5% underspend/5% overspend	▪ At PR24, Ofwat introduced PCDs. These require us to deliver specific outputs from our enhancement spend. ▪ There is a risk that these schemes will cost more to deliver than we have been funded. There is also the potential for new and emerging risks that could require additional investment to maintain service. ▪ Equally, we could deliver all our required outputs more efficiently.
Macroeconomic impact on the water sector	20% increase in energy costs and CPIH increases by 2% for the period from 2026 to 2030	▪ The Middle East conflict has led to significant increases in oil prices. The Bank of England has confirmed that if this increase is prolonged, it will also feed through to higher inflation. ▪ We have modelled a scenario where the increase in oil prices continues and leads to a 20% increase in energy costs for the remainder of the current price control period, along with a knock-on impact on CPIH of 2%. ▪ Energy represents a significant proportion of our operating costs. Ofwat has introduced an end-of-period true-up for the market rate of electricity compared with that assumed at PR24 – although this protects companies in the longer term. It does mean that energy costs would be significantly above our allowances for AMP8, impacting cash flows and metrics.

Scenario	Size of the impact	Explanation
Cash collection rates 2026 to 2036	+/- 20% change in bad debt charge	▪ Collection of outstanding debt could lower as a result of the impact of the ongoing cost-of-living crisis on the economy. ▪ It is also possible that new collection processes or systems could help to improve performance.
Inflation 2026 to 2030	Average CPIH +/- 2%	▪ Inflation has remained volatile over the past 12 months. We have run a scenario where inflation is at a persistently elevated level of 2% above the long-term historical rate of 2%. Within this scenario, we have assumed that costs only increase by 1%. This recognises that some of our costs are less affected by inflation, such as hedged energy costs (modelled below) and other fixed contracts currently in place. ▪ Inflation could continue to fall but with a risk that it is not seen in relation to specific sector costs. Our scenario assumes that inflation remains at 2% below the long-term rate. We have assumed none of the lower inflation feeds into lower sector-specific costs, leading to real terms overspend in totex.
CPIH/RPI wedge 2027 to 2030	CPIH/RPI wedge of 3%	▪ Historically, RPI has been around 1% higher than CPIH. ▪ However, over the past couple of years, the wedge between the two indices has been as high as 4%. This has a specific impact on our business as a significant proportion of our debt is RPI index-linked. ▪ If the CPIH/RPI wedge continues to be higher than historic levels, this will put pressure on our key ratios – in particular, FFO/net debt and gearing. We have assumed a downside scenario where the CPIH/RPI wedge is at 3% for the last three years of AMP8.
Cost change process	£12 million additional investment but with no in-period funding in AMP8	▪ Ofwat has introduced a cost change process for AMP8, allowing water companies to apply for additional investment in specific areas – such as asset health and growth – rather than delaying until AMP9. The default is that the additional investment would be reconciled at PR29. However, companies can request an in-period adjustment to secure funding earlier. ▪ We have run a scenario where we secure £12 million of additional capex funding for growth but with no in-period funding. This means we would have to fund the investment for the period to 2030, which would impact our gearing and FFO/net debt metrics.
Interest rates 2031 to 2036	+/- 2% increase in the cost of new debt	▪ To deliver our investment plan, there will be a need to raise new finance. There is a risk that interest rates on this new debt could be higher or lower than that assumed in our base plans. We have modelled a scenario where the cost of new debt is 2% higher/lower for the five years from 2031 to 2036.

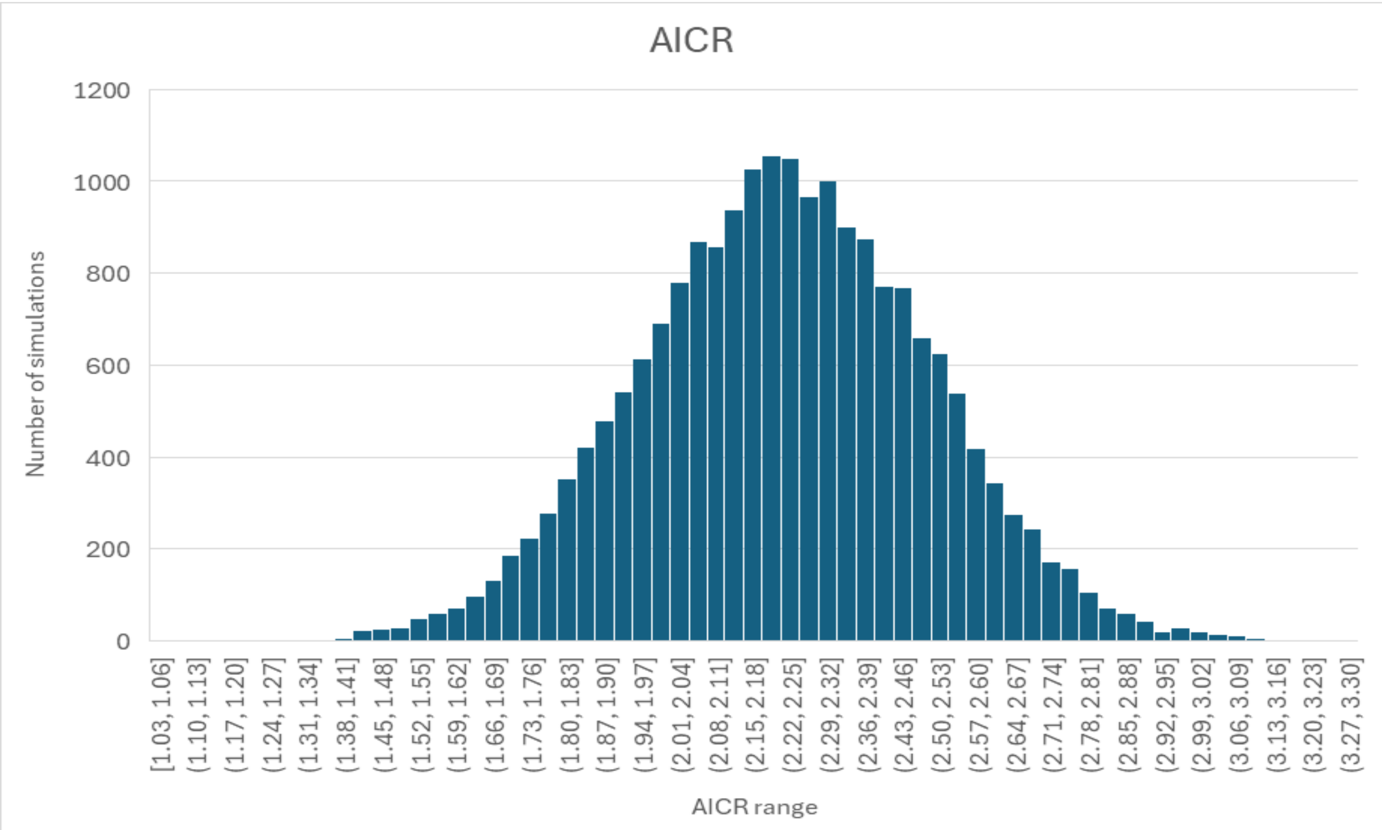
Scenario	Size of the impact	Explanation
ODIs 2026 to 2030, impacting revenues in the 2028 to 2032 period	+/- £2 million over AMP8	▪ Our PR24 final determination has stretching performance commitments. ▪ In the downside scenario, there is a risk that we fail to achieve our service targets, resulting in a penalty being incurred. We have assumed that this is £2 million each year from 2026 to 2030. The penalties are applied two years in arrears when we set charges. So, the impact on our metrics would be from 2028 to 2032. ▪ We will continue to target outperformance and have assumed that in the upside scenario we achieve £2 million in rewards for the five years from 2036 to 2030.

Monte Carlo modelling and outputs

To understand the range of possible impacts on our financial resilience, we have undertaken Monte Carlo simulation. This is a statistical modelling approach that predicts the probability of different events happening by performing random sampling thousands of times to construct a probability distribution. This shows the likelihood of each outcome occurring. We have undertaken this modelling on AICR, FFO/net debt and gearing as these impact our ability to maintain an investment grade credit rating. We have done this by considering the impact base on a 10% chance of the outcome occurring.

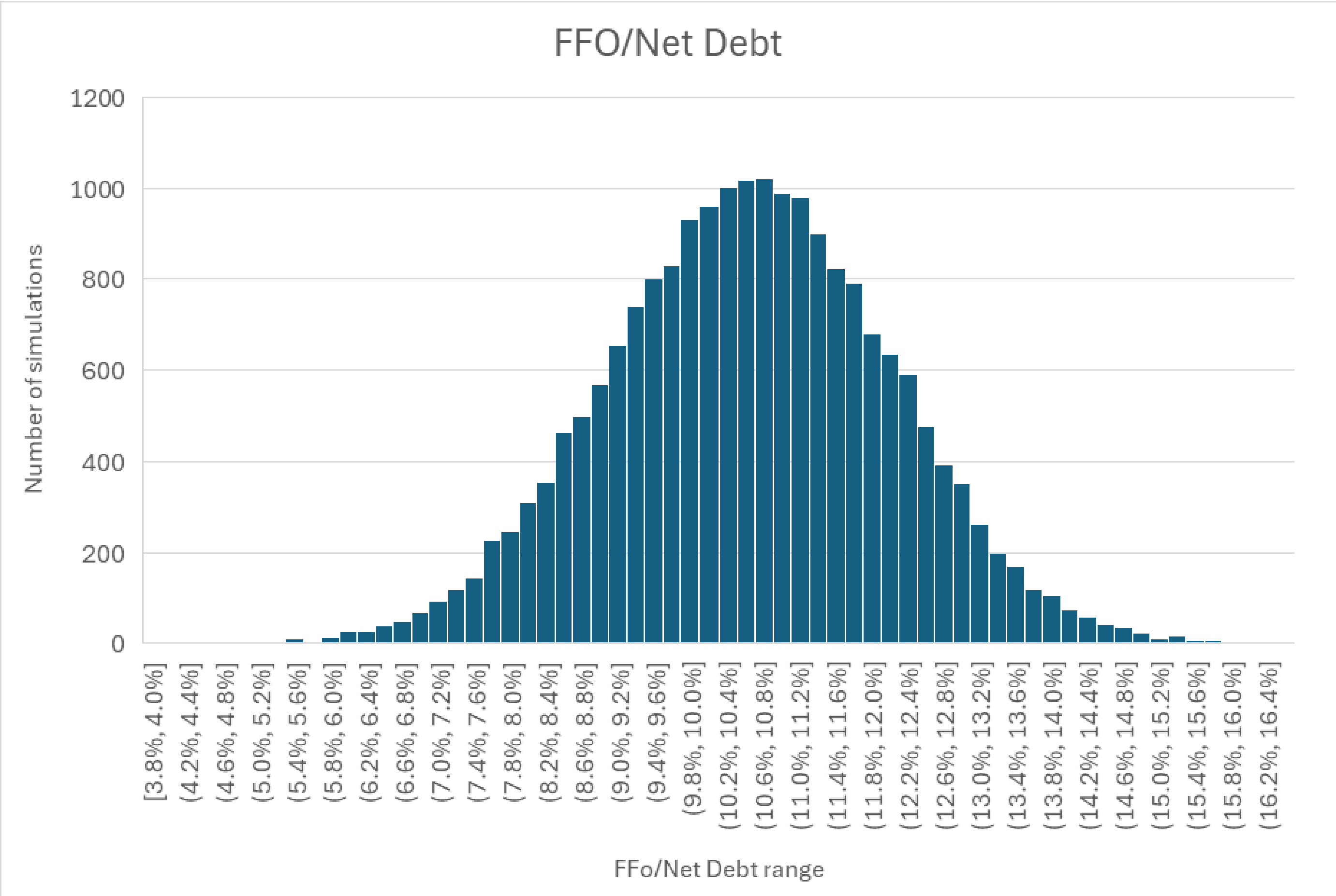
We set out the modelling outputs for the ten-year period to 2036 below.

AICR



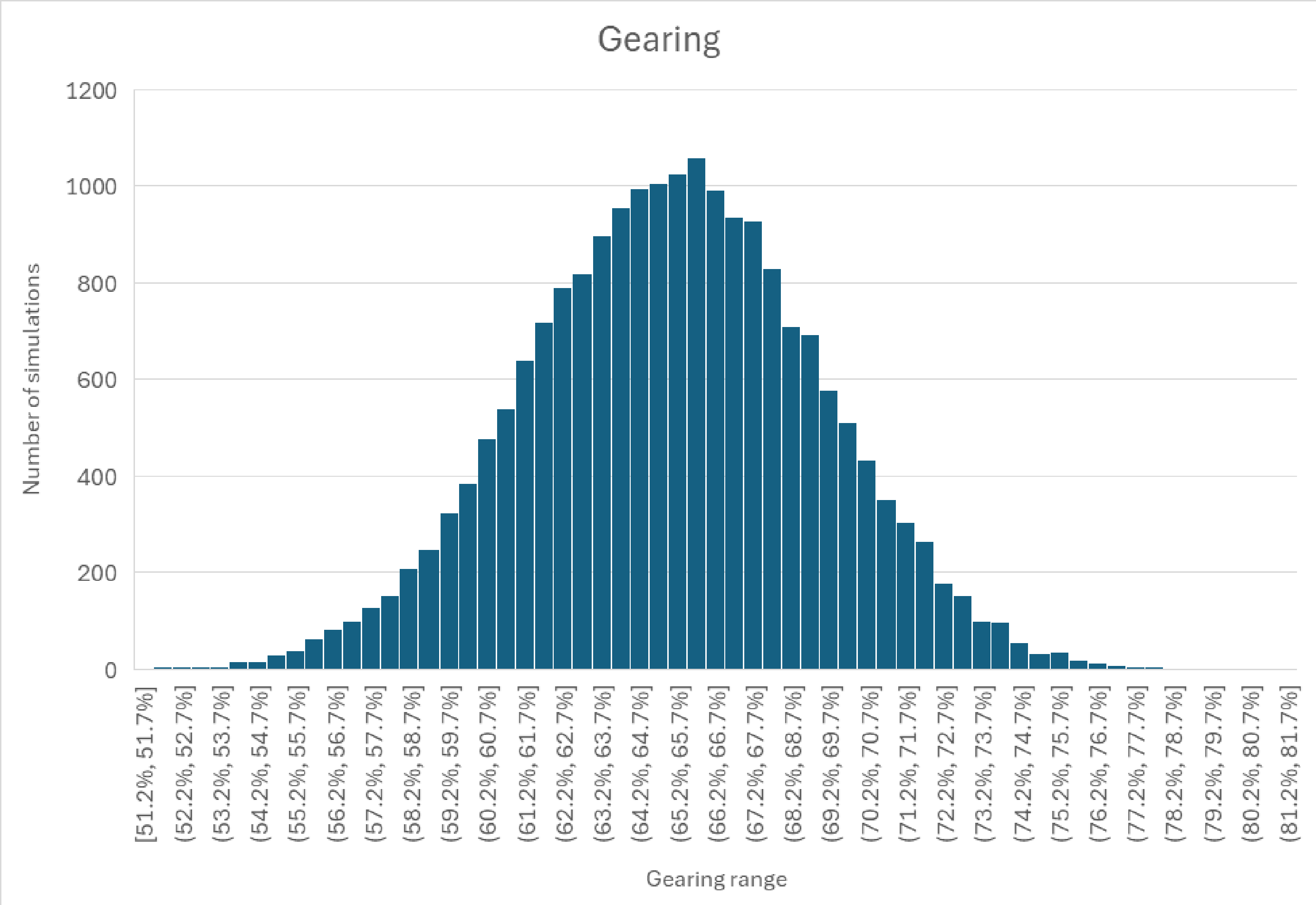
Our base AICR is 2.3 and the modelling output shows a 10% chance that this is as high as 2.6 and a 10% chance that it is as low as 1.9. At this level, we would be at the threshold to maintain our target credit rating.

FFO/net debt



Our base FFO/net debt is 11%. The resulting modelling output shows a 10% chance that this metric is as high as 12.5% and a 10% chance that it is as low as 8.6%. This would be below the level required to maintain our target credit rating, although it is still within investment grade.

Gearing



Our base gearing is 65% and the modelling output shows that there is a 10% chance this is as low as 60% and a 10% chance that this is as high as 71%. This is above that required to maintain our target credit rating, although it would still be within investment grade and below the level required by our debt covenants.

Mitigations considered

We have considered the actions senior leaders could take to ensure we maintain our target credit rating at the 10% chance of occurrence where AICR is 1.9, FFO/net debt is 8.6% and gearing is 71%. We consider that one or a combination of them would restore the financial metrics to an acceptable range.

Mitigation	Explanation
Risk management	We have a risk management process in place to ensure we understand the key risks facing our business. We assess each identified risk against the impact it has on our business and the likelihood of the risk occurring. We determine the overall rating of each risk by multiplying the impact and likelihood scores. This enables us to focus on the most important risks and ensure appropriate controls are put in place to minimise them. But we recognise that it does not eliminate all risks and that some incidents can develop quickly – for example, weather events.

Mitigation	Explanation
Totex outperformance	To ensure we maintain our credit rating, we could target a level of totex outperformance by, for example, using new, innovative solutions or changing the way we work. Alternatively, we could re-prioritise our overall programme to ensure we could offset these costs while still delivering for customers in the medium term.
Deferring dividends/capital injection	We could restrict dividend payments further to save cash and maintain investment grade metrics.
Regulatory mechanisms	There are a number of regulatory mechanisms in place for water companies that protect them from significant shocks. These include: ▪ totex sharing allowances that share the out- or underperformance of costs between customers and investors; ▪ specific true-ups to cover energy prices, materials and labour costs; ▪ a revenue true-up mechanism for wholesale over- or under-recovery; ▪ an overall adjustment mechanism (OAM) to mitigate the risk of the sector being in penalty from mis-calibrated performance commitment targets; ▪ indexation of the cost of new debt mechanisms to protect companies from changes in interest rates; ▪ tax reconciliations to protect companies from changes in tax rates; and ▪ uncertainty mechanisms. As part of the price review process, companies also have the ability to appeal Ofwat's decisions to the Competition and Markets Authority (CMA).

Where we would be below the targeted credited metric, we have set out the most appropriate mitigations we could use in the table below.

Scenario	Risk management	Totex outperformance	Deferring dividends/capital injection	Regulatory mechanism
Inflation	✓			✓
CPIH/RPI wedge	✓			✓
Botex and enhancement capex	✓	✓		✓
Macroeconomic impact on the water sector	✓	✓		✓
Cost of capital			✓	✓
Cash collections		✓	✓	✓
Interest rates	✓		✓	✓
ODIs	✓		✓	✓
Cost change process			✓	✓

Overall, we consider the mitigations outlined above would enable us to maintain our investment grade credit rating while still developing our commitments to customers.

Assurance

We have followed a two-stage process to assure our long-term viability statement. We have used senior leaders to carry out a review of all the calculations of the stress testing outputs to ensure the change from the base position is consistent with what would be expected from the particular scenario. We have then carried out independent internal assurance to ensure our statement is consistent with these calculations and that it complies with Ofwat's requirements.

Board statement on long-term viability

Based on the financial projections, the stress tests performed and the mitigations available, the Board declares that, in its opinion, the company is viable for the ten years to 2036.

The ten-year period has been selected because:

- the four years to March 2030 are covered by the company's PR24 final determination;
- the company's PR24 business plan also considered financeability in the longer term by modelling the five years from 2030 to 2035; and
- the Board has confidence that the regulatory system under which the company is licensed will ensure that it will remain financeable in future periods provided the business operates efficiently and Ofwat continues to make proportionate decisions regarding the weighted average cost of capital (WACC), cost allowances, and performance commitment targets.

The Board also declares that the company has carried out appropriate stress testing of its proposed performance over the next ten years using Monte Carlo modelling, and that the results of these tests show the business to be financially resilient once the range of mitigations are considered.

Details of the tests are described on pages 97 to 99 above. These tests are considered to cover severe, plausible and reasonable scenarios for key variables relevant to the company. Appropriate multiple scenarios have been considered through Monte Carlo modelling.

The stress testing considers the need for and the availability of new funding and is based on the realistic assumptions that the company continues to have its existing access to capital markets to fund its required investment programme and provide sufficient liquidity. The stress testing considers the implications of key metrics utilised by rating agencies.

The Board also declares that it has received appropriate assurance that the testing carried out is both appropriate and accurately performed.

Testing has been performed internally by expert people within the company. The calculations used in the testing have been verified by senior management and assured by independent internal assurance. This assurance is in line with the company's assurance framework.

This strategic report was approved at a meeting of Directors held on 3 July 2026 and duly signed on its behalf.

Elena Karpathakis
Managing Director

3 July 2026

Governance

Chair's introduction

This is my first annual report and financial statements as Chair of the South Staffordshire Water PLC Board, following changes to the Board's composition and leadership during the year. I welcome the opportunity to reflect on some of the company's achievements during the year, while also recognising the areas where the Board has challenged the business to do more for customers and the environment.

I would like to start by recognising the work my fellow Board members have undertaken during the year. This includes reinforcing their commitment to good governance, through amended Articles of Association to reflect and embed the company's purpose, and consideration of new requirements in relation to Executive remuneration and Directors' fitness and propriety. The rest of the Board and I will continue to ensure that we, and by extension, South Staffordshire Water, deliver against our purpose and remain compliant with our statutory and regulatory obligations.

"The Board has helped to shape these plans, providing a strategic oversight and constructive challenge..."

As I write this, the wider social and economic context continues to pose challenges for the company and its customers. Ongoing geopolitical instability and broader economic pressures continue to affect household budgets, particularly energy costs, which remains a concern for customers. Alongside this, the water sector in England and Wales remains under intense scrutiny, with public dissatisfaction about company performance contributing to reduced trust and confidence in the essential public service the sector provides.

As a Board, we have engaged with the Government and with the Independent Water Commission chaired by Sir Jon Cunliffe, which was established to consider how a new regulatory framework for the sector could operate. The Board will continue to work with key stakeholders as this important work progresses in the year ahead.

In the meantime, colleagues across the company have continued to deliver the things that matter most to customers and society. The reporting year marks the first of the AMP8 planning period, which runs until March 2030. The company has an ambitious programme to deliver, with stretching targets designed to secure the water future for customers, communities and the environment. The Board has helped to shape these plans, providing strategic oversight and constructive challenge to ensure they are aligned with:

- regulatory expectations;
- long-term water resource needs;
- customer outcomes; and
- environmental obligations.

During the year, the Board has focused its attention on governance. This means making sure it is effective and sufficiently independent, in accordance with Ofwat's principles of Board leadership, transparency and governance. I take my role as Chair seriously. As I also serve as Chair of the Group Board, I recognise the need to ensure that any conflicts of interest, including those arising from the Group structure within which South Staffordshire Water operates, are identified and managed – and that the Board's independent judgement is not compromised.

The Board has also provided challenge and insight across a number of key areas, including approval of the largest elements of the company's AMP8 plans: the universal metering programme and smart metering framework and the mains replacement programme. In addition, it approved the company's vulnerability strategy, for which Independent Non-executive Deputy Chair Sara Vaughan acts as Board Champion. This is an important area of focus given the financial pressures facing some customers. The Board has provided the strategic direction on the Fens reservoir strategic resource option and the time-limited transfer of water into the Cambridge region from Anglian's Grafham reservoir. It has also approved the company's operational and capital expenditure budgets and forecasts for the year ahead.

I would like to end this brief introduction by thanking my fellow Board members for their work during the year and for the support they have given me since I became Chair. I would also like to thank colleagues across the company for the commitment they have shown in responding to the challenges of the year – from maintaining water supplies to customers during an exceptionally hot and dry spring and summer to continuing to deliver in the face of continued public and media scrutiny.

I look forward to meeting more colleagues in the year ahead and learning more about how they are contributing to the delivery of clean, high-quality drinking water supplies that customers expect and pay for.

I should also like to extend my thanks to the Board members who stepped down during the year: The Rt Hon Lord Smith of Finsbury and Catherine May, who stepped down in April 2025; and Keith Harris and Peter Antolik, who stepped down in December. I should like to acknowledge the skill and expertise each brought to the Board, the role they played in driving the company forward, and their contribution in ensuring it is well-placed to deliver its ambitious plans for the future.

Steve Johnson MBE
Chair

Board of Directors

The Board comprises the Chair, the Deputy Chair, the Managing Director, the Group Chief Executive and four Non-executive Directors.

Consistent with the company's governance arrangements and the requirements of Condition P of the company's Instrument of Appointment (the licence), the Board maintained a majority of Independent Non-executive Directors during the year.

Steve Johnson MBE, Independent Non-executive Chair

Steve has more than 40 years' experience in energy and utility sectors and was CEO of Electricity North West for eight years. His dedication to the industry was recognised in June 2016 through the award of an MBE for services to energy networks. Prior to this, he was Managing Director of Morrison Utility Services, which followed ten years at United Utilities and the early part of his career at YEB and Norweb. Steve has also held positions as Non-executive Director of South West Water and Chair of the Energy Networks Association from 2011 to 2014. He also serves as Chair of South Staffordshire Limited.

Sara Vaughan, Independent Non-executive Deputy Chair

Sara is an experienced Executive and Non-executive Director. She started her career as a competition and regulatory lawyer at Slaughter & May before moving into the energy industry to join what later became E.ON UK. After broadening her experience there, she joined the UK Board as Executive Director for Strategy and Regulation, and latterly for Political and Regulatory Affairs. Sara brings a deep understanding of commercial, government and regulatory affairs, compliance, policy and governance to her role, together with a passion for customers and colleagues.

Sara is a Fellow of the Energy Institute and member of the Law Society. She currently holds positions as the Chair of the Board at Elexon Limited, Chair of the Balancing & Settlement Code Panel, Deputy Chair of South Staffordshire Limited and Non-executive Director at the North Sea Transition Authority. She also works with Icebreaker One as Co-Chair of its Open Energy Steering Group.

Professor Ian Barker, Senior Independent Non-executive Director

Ian spent much of his career in the UK water and environmental sectors, and brings extensive experience in water regulation, planning and management. He has advised governments, regulators and water companies and was the expert adviser to the Parliamentary Environmental Audit Committee for its inquiry into river water quality and sewage pollution. In 2021, he was given the World Water Summit's Global Water Excellence Award.

Ian is a Chartered Environmentalist and an Honorary Fellow and Vice-Chair of the Society for the Environment, where he also serves as Chair of the Remuneration Committee; a Director and Fellow of the Institute of Water where he has the lead for professional standards; an Expert Adviser to the Organisation for Economic Co-operation and Development (OECD); and an honorary professor at the University of Exeter Centre for Water Systems. He was Managing Director of Water Policy International Ltd until 21 February 2023.

Alice Cummings, Independent Non-executive Director

Alice has extensive commercial, financial and governance experience in regulated service industries. She was previously Group CFO at the InHealth Group and Group CFO at the AEA Group. Alice's earlier career was with South West Water plc and Price Waterhouse. She has a BEng degree in Chemical Engineering from Imperial College, London and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Alice is a Non-executive Director at Curo Housing Association, where she serves as Chair of the Audit and Assurance Committee. She has previously held a number of Non-executive Director Board and Committee roles in Idox Group and Cottsway Housing Association.

Elena Karpathakis, Managing Director, South Staffordshire Water PLC

Prior to joining South Staffordshire Water, Elena was Vice-President, Field Services at British Gas, where she led one of the UK's largest engineering workforces. Earlier in her career, she held leadership positions at Openreach and BT Group.

Elena is an executive leader for national service, engineering and operations business units operating at scale in highly regulated, engineering-led businesses. She has more than 20 years' experience, transforming all aspects of service, financial performance, systems and process, as well as mobilising complex stakeholder groups. Her analytical and structured approach achieves step change improvements in customer experience, people engagement, safety and financial results.

Charley Maher, Group Chief Executive Officer, South Staffordshire Limited

Charley has previously held senior leadership roles in the financial services and utilities sectors. Before joining South Staffordshire Limited, Charley worked for YTL UK, as Chief Commercial Officer at Wessex Water Group and as Managing Director at Pelican Business Services and water2business. Earlier in her career, she was with NatWest and the RBS Group.

Charley is passionate that essential services and infrastructure should always deliver for customers, clients and the planet. She has more than 20 years' experience, focused on driving business growth and delivering high standards of customer service and client delivery, engaging stakeholders in a variety of sectors. She is a passionate enabler of people and has achieved success as a leader developing cultures and connections focused on people thriving, supporting communities and creating social value.

Misha Nahorny, Non-executive Director (Arjun Infrastructure Partners Representative)

Misha is a Managing Director at Arjun and is responsible for originating and executing investments across Europe. He brings more than 20 years' experience in the energy and infrastructure investment industry. Misha previously led the European infrastructure investment team at John Laing. His experience spans all sectors of infrastructure, including energy, utilities, renewables, circular economy, transport, industrial parks as well as digital and social infrastructure.

Jim O'Sullivan, Independent Non-executive Director

Jim has extensive experience in transportation, utilities and aviation. He has held senior leadership roles across both the public and private sectors, focusing on infrastructure delivery, safety, engineering operations and innovation. He is a Fellow of the Royal Academy of Engineering and a Chartered Engineer.

Departures during the year

The Rt Hon Lord Chris Smith of Finsbury, Independent Non-executive Chair – stepped down on 30 April 2025.

Catherine May, Senior Independent Non-executive Director – stepped down on 30 April 2025.

Keith Harris, Non-executive Director (Arjun Infrastructure Partners Representative) – stepped down on 31 December 2025.

Peter Antolik, Non-executive Director (Arjun Infrastructure Partners Representative) – stepped down on 31 December 2025.

Corporate governance report

The Board has always placed good governance at the core of the business. Board members are aware of their obligations to ensure effective leadership and appropriate governance arrangements are in place.

Governance framework

Strong corporate governance is fundamental to the long-term success of South Staffordshire Water. As the provider of an essential public service, the company is committed to governance arrangements that support effective decision-making, accountability and transparency. This helps to ensure the delivery of safe, reliable and sustainable drinking water services, the protection of the environment and the creation of long-term value for:

- customers;
- communities;
- regulators;
- employees; and
- investors.

The company's governance framework defines the respective roles of shareholders, the Board, its Committees and management. It is underpinned by the company's constitutional documents, governance policies and delegated authority framework, which together support clear accountability and effective governance. During the year, the Board adopted formal Terms of Reference, providing greater clarity regarding the responsibilities of the Board, its Committees and management. The framework is designed to meet the needs of a regulated water company operating in the public interest and to support the Board in discharging its statutory and regulatory responsibilities.

Although the company is not publicly listed, the Board has regard to Ofwat's Board leadership, transparency and governance principles and, where appropriate, the UK Corporate Governance Code (the Code), applied on a proportionate "comply or explain" basis. A summary of how the company applies the key principles of the Code is set out below.

Code principles	How the company applies the principles
Board leadership and company purpose	Our vision, purpose and values (page 4) Section 172(1) statement (page 53) Corporate governance report (page 113)
Division of responsibilities	Role of the Board (Page 116) Board Committees (page 124)
Composition, succession and evaluation	Board structure and composition (page 114) Nomination Committee report (page 132)
Audit, risk and internal control	Managing risk and uncertainty (page 80 Audit and Risk Committee report (page 124)
Remuneration	Remuneration report (page138)

The Board also has regard to the Walker Guidelines, which seek to enhance transparency and disclosure in private equity-owned businesses. While not formally applicable, the Board recognises their relevance and seeks to align with them where appropriate.

The Board delegates detailed consideration of certain matters to its Committees. Committee Chairs provide regular updates to the Board on matters considered and, where appropriate, make recommendations on matters requiring Board approval. This approach enables detailed scrutiny while maintaining accountability with the Board as a whole.

The Board keeps its governance framework under regular review to ensure it remains effective and aligned with evolving regulatory expectations and good governance practice.

Board structure and composition

The Board comprises Executive and Non-executive Directors with a broad range of skills, experience and perspectives relevant to the company's activities as a regulated water business.

During the year, Independent Non-executive Directors formed the largest single group on the Board, consistent with the company's governance requirements and the requirements of Condition P of the company's Instrument of Appointment. The Board's principal Committees were chaired by Independent Non-executive Directors and maintained a majority of Independent Non-executive Director membership, supporting effective oversight, challenge and governance across the company's activities.

Directors may be appointed either by shareholders or by the Board, in accordance with the company's Articles of Association. Any Director appointed by the Board holds office until the next Annual General Meeting, at which point they are subject to election by shareholders.

At each Annual General Meeting, one-third of the Directors retire by rotation and may offer themselves for re-election, ensuring that each Director is subject to election at least once every three years. At the Annual General Meeting held on 18 September 2025, Keith Harris and Alice Cummings retired by rotation and were re-elected. Sara Vaughan and Jim O'Sullivan, who were appointed by the Board during the year, also stood for election and were duly elected by shareholders.

The Board reviews the tenure of Non-executive Directors periodically. Appointments are typically made for an initial three-year term and may be renewed, having regard to the Director's contribution and the skills and experience required by the Board.

The Board considers that its composition during the year was consistent with the company's governance requirements and licence obligations. Details of the Directors and their biographies are set out on pages 108 to 112.

Board leadership

Clear leadership and accountability are central to the effective operation of the Board.

Board role	Responsibilities
Independent Non-executive Chair	The Chair is responsible for leading the Board, setting its agenda and ensuring that Directors are able to contribute effectively to discussions and decision-making. The Chair promotes a culture of openness, constructive challenge and appropriate oversight.
Independent Non-executive Deputy Chair	The Deputy Chair supports the Chair in the discharge of their responsibilities, providing continuity of leadership, additional Board perspective and support in the effective operation of the Board.
Senior Independent Non-executive Director	The Senior Independent Non-executive Director plays a central role in supporting the independence and effectiveness of the Board, bringing additional experience, perspective and constructive challenge to the Board's leadership structure. The Senior independent Non-executive Director has specific responsibilities under the company's governance framework, including in relation to conflicts of interest, as described in the conflicts of interest section on page 122. The role has been strengthened and formally embedded within the governance framework, reflecting its important contribution to maintaining probity, effective governance and independent decision-making.
Independent Non-executive Directors	The Independent Non-executive Directors bring external experience and independent judgement to Board discussions. Their role includes scrutinising proposals, constructively challenging management and contributing to the development of strategy and key decisions.

Board role	Responsibilities
Investor-appointed Non-executive Director	The investor-appointed Non-executive Director contributes an investor and long-term infrastructure perspective to Board discussions. They bring insight into shareholder priorities, capital investment and the stewardship of long-term infrastructure assets.
Executive Directors	The Executive Directors are responsible for the day-to-day leadership of the business and the delivery of the strategy approved by the Board. They provide the Board with operational, financial and strategic insight to support informed decision-making.

Together, these roles support balanced discussion, informed decision-making and effective Board operation. Directors are encouraged to provide constructive challenge and contribute openly to discussions, ensuring that significant decisions are subject to appropriate scrutiny before being reached.

The Board seeks to foster a culture of openness, mutual respect and informed debate, supporting considered decision-making in the long-term interests of the company and its stakeholders.

The role of the Board

The Board's principal role is to set the company's strategic direction and oversee its delivery, ensuring the company continues to provide high-quality services in the interests of customers and other stakeholders. The Board is responsible for:

- approving strategy and significant investment decisions;
- overseeing operational and financial performance;
- monitoring governance, risk management and internal control arrangements;
- ensuring compliance with statutory and regulatory obligations;
- approving key regulatory submissions; and
- promoting the long-term success of the company.

Day-to-day management of the business is delegated to the Executive team through a defined framework of delegated authorities with clear lines of responsibility.

The Board maintains a schedule of matters reserved to it alongside delegated authorities for management. These arrangements help ensure that matters of strategic, financial, regulatory or reputational significance are considered at the appropriate level.

In accordance with section 172(1) of the Companies Act 2006, each Director acts in the way they consider, in good faith, would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

Board activities during the year

The Board's agenda remained focused on the areas it considered were most critical to the long-term success of the company and the delivery of its AMP8 commitments. Key matters considered during the year included:

- AMP8 mobilisation and delivery priorities;
- approval of the universal metering programme and smart metering framework;
- approval of the mains replacement programme;

- strategic water resource and resilience initiatives, including the Fens reservoir strategic resource option and the time-limited transfer of water into the Cambridge region from Anglian's Grafham reservoir;
- approval of operational and capital expenditure budgets and forecasts;
- approval of the company's vulnerability strategy;
- governance and regulatory matters, including the Board Terms of Reference and conflicts management arrangements; and
- oversight of operational and financial performance.

Through consideration of these matters, the Board provided strategic direction, oversight and challenge while monitoring progress against the company's objectives and commitments.

Board meetings

The Board holds regular scheduled meetings throughout the year, supplemented by additional meetings where required. During the year, the Board held six scheduled meetings together with seven additional meetings. Attendance at scheduled Board meetings during the year is set out below.

Directors	Role	Scheduled meetings attended
Steve Johnson	Independent Non-executive Chair	1/1
Sara Vaughan	Independent Non-executive Deputy Chair	6/6
Professor Ian Barker	Senior Independent Non-executive Director	6/6
Alice Cummings	Independent Non-executive Director	6/6
Elena Karpathakis	Managing Director, South Staffordshire Water PLC	6/6
Charley Maher	Group CEO, South Staffordshire Limited	6/6
Misha Nahorny	Non-executive Director (Arjun Infrastructure Partners Representative)	1/1
Jim O'Sullivan	Independent Non-executive Director	6/6

Note: Attendance reflects the number of meetings each Director was eligible to attend during the period in which they served.

Directors receive timely and appropriate information in advance of meetings to support informed discussion and decision-making.

Board and Committee agendas are planned through an annual programme of business, ensuring that key strategic, operational, regulatory and governance matters are considered at the appropriate point in the annual cycle, while retaining flexibility to respond to emerging issues and opportunities.

Effective governance extends beyond formal Board meetings. Non-executive Directors engage with senior management throughout the year through site visits, business briefings and discussions on areas of strategic and operational importance. These interactions support a strong understanding of the business and help ensure that Board discussions are informed by both operational experience and broader strategic considerations.

Board renewal, effectiveness and development

The Board recognises the importance of maintaining an appropriate balance of skills, experience and perspectives and is committed to continuous improvement through succession planning, development and review of its effectiveness. A number of changes were made to Board composition and leadership during and after the year.

- The Rt Hon Lord Smith of Finsbury and Catherine May stepped down from the Board on 30 April 2025. Keith Harris and Peter Antolik stepped down from the Board on 31 December 2025.
- Steve Johnson was appointed as an Independent Non-executive Director on 9 March 2026 and became Independent Non-executive Chair of the Board with effect from 26 March 2026. He also serves as Chair of the Group Board.
- Sara Vaughan served as Chair from 1 May 2025 until 26 March 2026, at which point she stepped down and was appointed Independent Non-executive Deputy Chair. Subsequent to the year end, she was appointed as a Non-executive Director and Deputy Chair of the Group Board.
- Jim O'Sullivan was appointed as an Independent Non-executive Director with effect from 1 April 2025.
- Misha Nahorny was appointed as a Non-executive Director, representing Arjun Infrastructure Partners, with effect from 23 February 2026.
- Professor Ian Barker's second three-year term was approved with effect from 12 April 2025. He was also appointed Senior Independent Non-Executive Director and Chair of the ESG Committee with effect from 1 May 2025.
- Alice Cummings' third three-year term of office was approved with effect from 13 May 2026.

A formal Board effectiveness review will be undertaken during 2026/27. The review originally planned for 2025/26 was deferred to allow sufficient time for the revised Board structure and leadership arrangements to become fully embedded before being formally evaluated. In the interim, the Senior Independent Non-executive Director will undertake a review of the Chair's performance and the effectiveness of the company's governance and conflict management arrangements, complementing the formal review process. This reflects the Board's commitment to maintaining high standards of governance, accountability and continuous improvement.

The Board maintains a skills matrix covering areas relevant to the company's activities, including governance, regulation, finance, risk management, infrastructure, customer service, sustainability and technology. The matrix is reviewed regularly and informs succession planning and future appointments.

	SJ	SV	IB	AC	EK	CM	MN	JO
Corporate governance	1	1	1	1	2	1	1	2
Regulatory and legal	1	1	1	1	2	1	1	2
Strategy	1	1	1	1	1	1	1	1
Health and safety	1	1	1	2	1	1	2	1
Environment/sustainability	1	1	1	2	2	2	2	1
Financial management	2	2	2	1	2	2	1	2
Audit/risk management	1	2	1	1	2	2	1	2
Corporate finance	2	2	2	1	-	2	1	-
Employee performance	1	1	1	1	1	1	1	1
DEI	1	1	1	1	1	1	2	1
Customer insight	1	1	1	2	2	1	1	1
Infrastructure delivery	1	2	1	1	2	1	1	1
Technology systems	1	2	2	1	1	2	1	2
Cyber/IT security	2	2	2	2	2	1	2	2
Comms/stakeholder	1	1	1	1	1	1	1	2
Political experience	1	1	1	1	2	1	1	1
Water sector/utilities experience	1	1	1	1	1	1	1	1

Note: '1' denotes primary skill; '2' denotes secondary skill.

Key: SJ = Steve Johnson; SV = Sara Vaughan; IB = Professor Ian Barker; AC = Alice Cummings; EK = Elena Karpathakis; CM = Charley Maher; MN = Misha Nahorny; JO = Jim O'Sulliavan.

Following the changes in Board composition and leadership, and having reviewed the Board's current skills and experience, the Nomination Committee recommended the appointment of an additional Independent Non-executive Director with water industry experience, recognising the challenges emerging across the sector and the commencement of preparations for AMP9. The appointment would also maintain the appropriate balance of Independent Non-executive Directors on the Board. A preferred candidate has been identified, with any appointment remaining subject to the satisfactory completion of the relevant regulatory and governance processes.

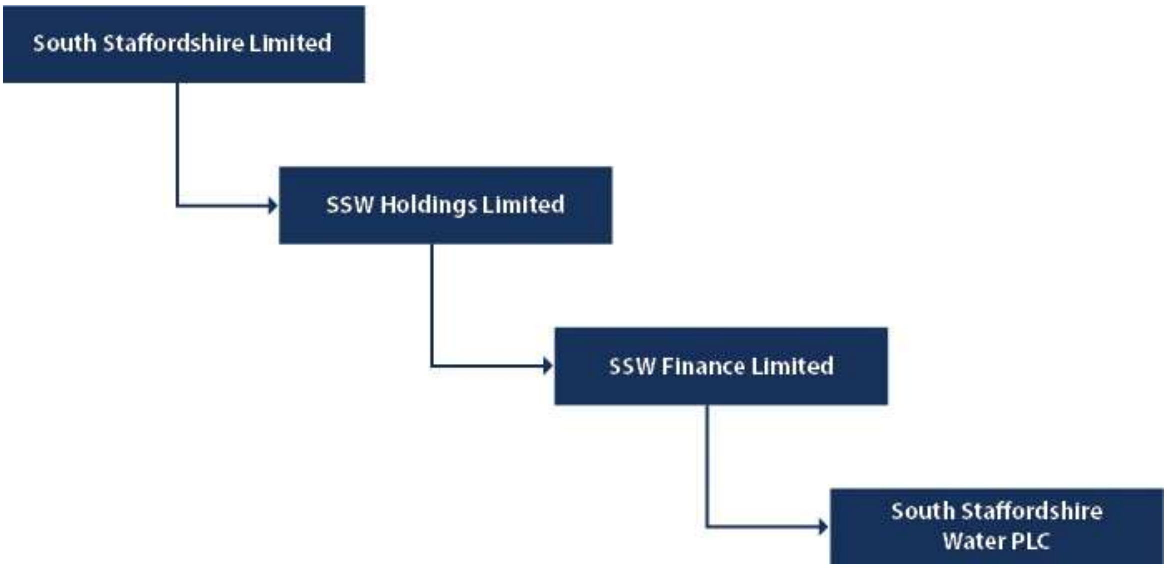
New Directors receive a tailored induction programme covering the company's regulatory framework, operations, financing arrangements and strategy. Directors also participate in site visits, business briefings and development activities to support their understanding of the business and maintain their effectiveness.

Independent Non-executive Directors are expected to devote sufficient time to discharge their responsibilities effectively. The Chair reviews Directors' external commitments periodically and Directors are expected to seek approval before accepting significant new appointments.

Directors may obtain independent professional advice at the company's expense where appropriate and have access to the advice and services of the Company Secretary, who supports the Board and its Committees in the discharge of their responsibilities.

Group structure and ownership

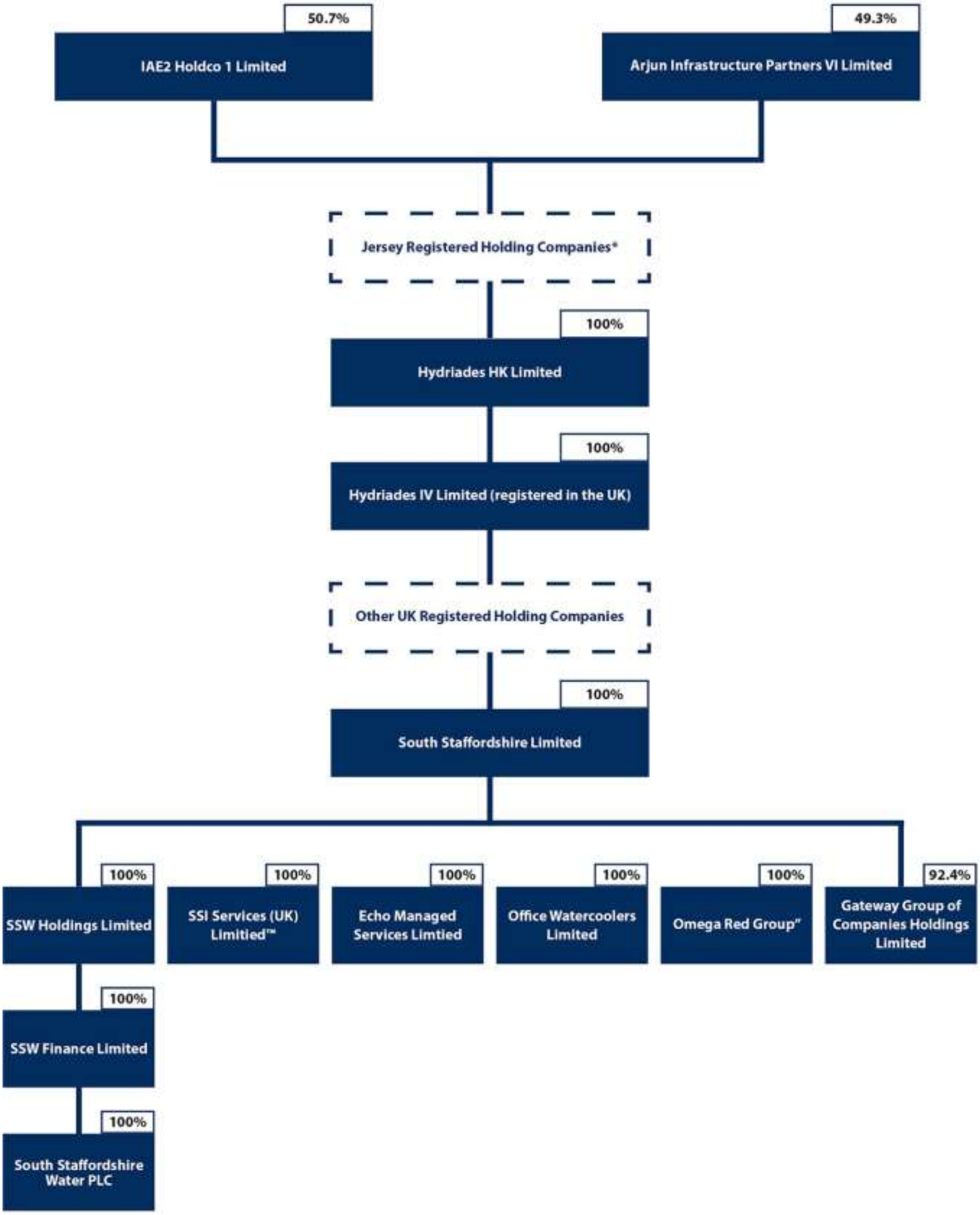
The company is part of the South Staffordshire Limited Group. Its immediate parent company is SSW Finance Limited.



The Group is wholly owned by pension funds and other institutional investors, advised and managed by Arjun Infrastructure Partners Limited (AIP). AIP is a UK-based independent infrastructure investment advisory business. The Group's immediate shareholders are IAE2 HoldCo 1 Limited, as majority shareholder, and Arjun Infrastructure Partners VI Limited. Both entities are ultimately controlled by AIP Holdings Limited.

The structure includes a number of intermediate UK holding companies above South Staffordshire Water and South Staffordshire Limited, ultimately headed by Hydriades IV Limited. Above this, the Group includes an entity incorporated in Hong Kong and additional entities incorporated in Jersey, which are UK tax resident.

A simplified Group structure is set out below.



* Jersey registered holding companies are UK resident for tax purposes.
**Omega Red Group is managed within the SSI Services division.
% represents economic equity interest held.

Relations with the Group and investors

South Staffordshire Limited, through its comprehensive knowledge of its subsidiaries and the regulated water sector, maintains an understanding of the regulatory framework applicable to the company including the company's obligations under its Instrument of Appointment.

South Staffordshire Limited provides management, professional and administrative support services to South Staffordshire Water on an arm's length, cost-recovery basis. There were no direct transactions during the year between South Staffordshire Water and the Group's shareholders.

Condition P undertakings have been provided by IAE2 HoldCo 1 Limited and AIP Holdings Limited as controlling shareholders within the Group. These undertakings require, among other matters, that:

i) the company is provided with such information as it reasonably requires to comply with its obligations and that any associated companies will do the same;
ii) no action is taken which would cause the company to breach its obligations; and
iii) the Board includes not fewer than three Independent Non-executive Directors and that Independent Non-executive Directors form the largest single group on the Board, each being persons of appropriate standing and relevant experience.

The Board values constructive engagement with shareholders and the wider Group while remaining focused on the company's responsibilities and objectives as a regulated water company. Regular engagement with investors is maintained through formal Board and Committee meetings, at which investors are represented in the minority, as well as through ongoing dialogue outside the formal meeting cycle.

The governance framework is designed to support clear accountabilities between the regulated water company, the wider Group and shareholders, while enabling the company to discharge its statutory and regulatory responsibilities effectively.

Conflicts of interest

The Board is committed to maintaining high standards of integrity, transparency and good governance. Effective identification and management of conflicts of interest is an important part of the company's governance framework and supports objective and informed decision-making.

As part of a wider Group structure, certain Directors hold roles within both South Staffordshire Water and other Group companies. Only the nominated Shareholder Directors hold roles within the shareholders.

Those Directors who hold roles within other Group companies are aware of their specific Companies Act statutory duties, as well as the fiduciary duties they owe to each company of which they are a director, when they exercise their role as a director of that company.

The Board has established a formal framework for identifying and managing actual, potential and perceived conflicts of interest, supported by the company's Conflicts of Interest Policy, Articles of Association and Board Terms of Reference. Directors are required to declare relevant interests on appointment and on an ongoing basis. Interests are formally recorded, kept under review and considered at the start of each Board and Committee meeting.

Where a conflict is identified, the Board determines the appropriate management action having regard to the circumstances of the matter under consideration. Depending on the nature of the matter, this may include restrictions on access to information, withdrawal from part of the discussion or exclusion from the associated decision-making process. These arrangements are formalised in the company's Conflicts of Interest Policy, Articles of Association and Board Terms of Reference.

Specific governance arrangements apply where Directors hold positions within the wider Group. Where matters arise in relation to which a Director has an interest, or where their ability to participate may reasonably be perceived to be affected, the Board considers the circumstances and determines the appropriate management action in accordance with the company's governance procedures.

Particular governance arrangements apply where matters involve the Chair and/or Deputy Chair, reflecting the fact that the Chair serves as Chair of the Group Board and, following the reporting period, the Deputy Chair was appointed Deputy Chair of the Group Board. In such circumstances, the Senior Independent Non-executive Director leads the Board's consideration of the relevant matter, providing additional oversight in accordance with the company's governance arrangements and maintaining the independence of the Board's decision-making in the best interests of the regulated company.

During the year, no matters arose that required the Board to implement enhanced conflict management measures beyond the routine declaration and review of interests.

The Board approved a revised Conflicts of Interest Policy and supporting procedures during the year and completed its first formal review under the updated framework. The review confirmed that declared interests were appropriately identified, recorded and managed in accordance with the company's governance arrangements. No Director reported any transactional, financial, external appointment or other registrable interest giving rise to a conflict, other than those associated with cross-directorships within the Group, which were managed through the company's established governance procedures.

The Board continues to review conflicts of interest as part of its regular governance processes and is satisfied that its arrangements provide a clear, robust and transparent framework for identifying, assessing and managing conflicts of interest.

Governance statement

The Board considers that the revised leadership structure, together with the wider governance developments introduced during and after the year, including updated Board Terms of Reference, clear conflict management arrangements and defined responsibilities for the Senior Independent Non-executive Director, has further strengthened the Board's governance framework, enabling the Board to discharge its statutory and regulatory responsibilities, including those arising under Condition P.

The Board is also satisfied that the governance arrangements in place throughout the year enabled effective oversight of the company's activities and supported the delivery of its strategic objectives and long-term success.

The Board remains committed to the continuous development of its governance framework and will continue to review and evolve its arrangements to reflect emerging regulatory expectations, recognised good practice and the interests of customers, communities and other stakeholders.

Committee reports

The Board is supported by its Committees, each operating under formal Terms of Reference approved by the Board. Summary reports of Committee activities, including membership and attendance, are set out in the following sections.

Audit and Risk Committee

Membership and attendance

Director	Role	Meetings attended
Alice Cummings	Member and Chair	4/4
Ian Barker	Member	4/4
Jim O'Sullivan	Member	4/4
Misha Nahorny	Member	0/0

The table above reflects Committee membership as at the year end.

The Committee comprises a majority of Independent Non-executive Directors and is chaired by Alice Cummings. The Board is satisfied that the Chair has recent and relevant financial experience.

Committee meetings are regularly attended by:

- Ernst & Young LLP, the company's external financial independent auditor;
- the Chair of the Board;
- other Board members who wish to attend to cover specific relevant matters;
- the Managing Director;
- the Finance Director;
- the Company Secretary;
- the Strategy and Regulation Director;
- Jacobs, the company's external technical independent auditor;
- the Group Chief Executive Officer;
- the Group Chief Financial Officer;
- the Group Head of Risk, Control and Assurance; and
- RSM LLP, the group's internal audit co-source provider.

Changes during the year

Keith Harris stepped down from the Committee on 31 December 2025. Misha Nahorny was appointed as a member with effect from 23 February 2026 as the Arjun Infrastructure Partners representative. Following the stepping down of Keith Harris and prior to Misha Nahorny's appointment, Charley Maher served on the Committee in a shareholder representative capacity on an interim basis, including at the Committee's January meeting. The Board is satisfied that the Committee remained quorate throughout this period.

The Board considers that the Committee continues to operate with an appropriate balance of skills, experience and independence.

Roles and responsibilities

The Committee supports the Board in overseeing the integrity of the company's financial reporting, the effectiveness of the risk management and internal control framework, and compliance with legal, regulatory and governance requirements.

It also oversees the performance and independence of the internal and external audit functions. In undertaking this role the Committee focuses on:

- the integrity of the company's financial statements;
- external financial auditors' qualifications and independence;
- performance of the auditors (internal, technical and financial);
- design, planning and performance of the company's internal audit function;
- adequacy of the company's risk management and internal controls systems;
- the assurance framework;
- probity assurance, including fraud detection, anti-bribery, modern slavery, other potential wrongdoing and whistleblowing;
- compliance with the requirements of the company's regulators; and
- compliance with treasury, legal, ethical and other regulatory requirements.

Terms of Reference

The Committee operates under formal Terms of Reference approved by the Board. The terms of reference were reviewed in June 2025 and again in March 2026, aligning its review cycle with the company's annual governance timetable. During the year, the Committee exercised its duties in accordance with its Terms of Reference. Its main duties are as follows.

- Reviewing, monitoring and assessing the company's performance against its regulatory compliance framework and to provide assurance to the Board that the company is complying with the requirements of its regulators.
- Reviewing and appraising the work of the external financial auditor by meeting with the auditor, reviewing the results of its work, discussing the quality of the audit with senior management, reviewing the level of non-audit fees and the nature of non-audit services provided, and reviewing the auditor's own assessment of its independence.
- Reviewing and appraising the work of the external technical auditor by meeting with the auditor, reviewing the results of its work, discussing the quality of the audit with senior management, reviewing the level of fees and the nature of the auditor's work.
- Monitoring, reviewing and challenging, when necessary, the integrity of the company's financial statements, including its annual report and financial statements, unaudited interim accounts and any other formal announcement relating to its financial performance, and reviewing significant financial reporting issues and judgements that they contain.
- Reviewing and challenging, when necessary, key regulatory submissions and publications, including the annual performance report, annual report and financial statements, and associated statements and disclosures.
- Challenging the company's processes for identifying, evaluating and managing significant risks and reviewing the evaluation of all primary business risks during the year and comparing this to the Board's risk appetite.
- Reviewing and considering the scope of the assurance framework and any comments received from customers and stakeholders following the publication of the draft document each year.
- Working with Group, reviewing the effectiveness of the company's internal audit arrangements, internal controls and risk management policies and practices. This includes making sure reasonable steps are taken to safeguard the company's assets and to prevent and detect fraud and other irregularities.
- Recommending to the Board the appointment, reappointment and, if necessary, the removal of the external auditor, working with the Group Audit Committee as the external auditor is appointed by South Staffordshire Limited. Reporting to the Board on how the Committee has discharged its responsibilities.
    - Monitoring the auditor's independence, performance and effectiveness, and approving the nature and scope of external audits.
    - Standing item at each meeting to review treasury, legal and regulatory issues.
    - Standing item at each meeting to review the treasury report.
    - Standing item at each meeting to review the probity dashboard, including, but not limited to, whistleblowing, modern slavery, anti-fraud and anti-bribery issues.

Following each Audit and Risk Committee meeting, the Chair of the Committee presents a summary of the Committee discussions to the next Board meeting.

Activities during the year

The Committee focused on the principal business risks as set out on pages 84 to 95 of the strategic report. The Committee also considered areas of significant judgement and estimation in relation to the financial statements. The principal areas of focus were as follows.

- Revenue recognition.
- Key financial controls.
- Going concern and long-term viability statement modelling assumptions.
- Bad debt.
- Infrastructure renewals expenditure (IRE) accounting.
- Fraud risk assessments.
- Customer affordability.
- Criminal cyber-attack potential future liabilities and disclosures.

Individual functions across the business are responsible for identifying, assessing, reporting, and managing risks relevant to their activities. Consolidated risk reports are produced and reviewed by the Committee twice a year. Risks associated with business planning reflect the challenges and uncertainties linked to the delivery of the company's business plan commitments.

Other areas of focus for the Committee during the year included:

- compliance and regulatory reporting;
- purchasing card compliance;
- AMP8 project management;
- water quality and water treatment;
- DWSP legislation readiness;
- environmental permits;
- developer and wholesale charges;
- assurance that agreed audit actions have been completed on a timely basis; and
- review of the material controls disclosures ahead of 2026/27 reporting.

In reviewing the significant financial reporting risks, including revenue recognition, key financial controls, going concern and long-term viability statement modelling assumptions, fraud risk assessments, customer affordability, IRE accounting and the outcomes of the criminal cyber-attack in July 2022, the Committee worked closely with senior management to ensure these risks were appropriately mitigated. The Committee also sought assurance that the company's accounting practices were aligned with applicable accounting standards and regulatory requirements and that they met the expectations of the external financial auditor.

Alongside this, the Committee reviews and challenges:

- papers and feedback from senior management;
- reports from the external auditors (financial and technical);
- reports from the Group Risk, Control and Assurance function (including reports from the internal audit co-source provider); and
- the company's risk register.

The Committee also considers areas of significant judgement and estimation, making comments and recommendations where appropriate, and seeking additional management clarification where required.

Financial reporting and forecasting

The Board, supported by the Committee, recognises the importance of presenting a fair, balanced, understandable assessment of the company's operational and financial performance, position, and future prospects. This is provided through the review of the company's operations and performance as set out in the strategic report.

The company's business plans, annual profit and loss budgets, cash flow budgets and forecasts, longer-term financial forecasts and investment proposals are formally prepared, and are subject to review and approval by the Board, supported by the Committee. Actual financial results and cash flows are reported to the Board on a regular basis, together with comparisons against budgets and forecasts. Material variances are identified and used to inform management actions, where appropriate.

The Board also receives regular reports on the company's actual and forecast compliance with its borrowing covenants, together with forecasts of undrawn and available borrowing facilities to support effective liquidity management and ongoing financial resilience, including credit rating agencies' reports.

Governance

The Board, supported by the Committee, reviews the effectiveness of the company's financial and accounting policies and procedures. These activities include, but are not limited to:

- considering and approving the accounting policies and judgements used in the preparation of the financial statements;
- reviewing and approving key internal financial policies, including the Treasury policy and Aged Debt Write Off policy;
- reviewing the Internal Controls Manual and levels of delegated authority annually; and
- holding regular meetings with the external financial auditor and the Group Head of Risk, Control and Assurance and the internal audit co-source provider without members of Executive management present.

Internal risk controls and risk management

The Board, supported by the Committee, attaches considerable importance to the effectiveness of the company's system of internal control and reviews it on a regular basis. This includes ensuring reasonable steps are taken to safeguard the company's assets, and to prevent and detect fraud and other irregularities. As part of this oversight, the internal control system also supports the following activities.

- Reviewing the effectiveness of the company's risk management framework and its integration into Board and Committee reporting.
- Reviewing the company's risk appetite statement and making recommendations to the Board, where appropriate.
- Monitoring fraud reporting and protected disclosures, including reviewing the effectiveness of the company's processes and procedures, and reporting on these to the Board.
- Reviewing the company's risk register as part of the annual reporting process and identifying priority areas of focus for the internal audit programme for the financial year.
- Undertaking deep dive reviews at Committee meetings on principal risk areas.

The company has an established internal control framework that is continually reviewed and updated, taking into account the nature of its operations. During 2025/26, the Board undertook a detailed review of the company's principal risks, with the objective of enhancing and strengthening the risk management framework. This was accompanied by an external review by the internal audit co-source provider to bring industry-wide guidance and benchmarking of the updated process. The Board continues to review and monitor the effective embedding of this framework across the business.

In accordance with its responsibility under the Code to monitor the integrity of the company's financial statements, the Committee considered the significant areas of judgement applied in the preparation of the financial statements for the year ended 31 March 2026. These areas are set out in note 1 to the financial statements ('Principal accounting judgements, estimates, and assumptions'). A detailed review of the current assessment of these can be found on page 179.

Internal audit

The company benefits from independent reviews of performance by an internal Risk, Control and Assurance function operated by South Staffordshire Limited. This service is dedicated to ensuring internal control activities remain a priority within the group and company.

The company has published an assurance framework, which is reviewed annually by the Committee. As part of this process, the Committee considers feedback through the annual consultation process with customers and regulators.

The internal audit service provides valuable support in maintaining effective systems of internal control, delivering assurance over the quality and reliability of information, in accordance with the categorisation within the assurance framework, and helps ensure appropriate corporate governance.

A risk-based internal audit plan is presented to the Committee each year and is subject to review, challenge, and approval. The internal audit plan is designed to address regulatory and financial reporting assurance requirements, risk management and control evaluation, while also providing independent insight to support continuous improvement in the company's operations. The Committee monitors progress against the plan through the regular reporting of audit findings, recommendations and management actions at each meeting.

At least once a year, the Committee meets with the Group Head of Risk, Control and Assurance without Executive management present. This in-camera session provides an opportunity for open and confidential discussions of matters that might not be fully explored through the formal meeting agenda, supporting effective independent oversight.

The internal audit arrangements in place are appropriate to the company's size, complexity, and risk profile. RSM LLP, which was appointed in 2024, continues to provide external expertise to support the Board by carrying out internal audit activities during the year. All internal audit work is pre-approved and overseen by the Committee, ensuring independence, relevance, and effective assurance.

Independent external technical auditor

The Board, supported by the Committee, reviews the performance of the independent external technical auditor each year, considering its effectiveness, independence and fees.

In assessing the external auditor, the Committee evaluates the calibre of the audit firm, the audit scope and audit plan, which are agreed with the Committee in advance, and the quality, timeliness and transparency of audit communications, including the reporting of any significant matters arising from the audit. The external technical auditor is responsible for auditing the company's financially incentivised performance commitments and other areas of the company's activities.

At least once a year, the Committee meets with the external technical auditor without Executive management present. This in-camera session provides an opportunity for open and confidential discussions of matters that might not be fully explored through the formal meeting agenda, supporting effective independent oversight.

Jacobs UK Limited is the company's external technical auditor. Jacobs was appointed in March 2022 and has subsequently been awarded a further two-year contract, extending the appointment to March 2028, to provide continuity of technical assurance support pending the future tendering of the role. In the interim period, the Committee is satisfied that Jacobs remains sufficiently independent to provide robust and effective challenges in the delivery of the technical audit.

Independent external financial auditor

The Board, supported by the Committee, reviews the performance of the independent external financial auditor each year considering its effectiveness, independence and fees, together with the level of non-audit services and related non-audit fees.

In assessing the external auditor, the Committee evaluates the calibre of the audit firm, the audit scope, and audit plan, which are agreed with the Committee in advance following discussion with the Chair, and the quality, timeliness and transparency of audit communications, including the reporting of any significant matters arising from the audit.

The Committee acknowledges that the regulatory audit fee is a non-audit service provided by Ernst & Young LLP. The Committee has concluded that this work is most appropriately undertaken by the company's statutory auditor and that this presents the best value for money for the company and does not compromise the auditor's independence or objectivity in relation to its audit responsibilities.

At least once a year, the Committee meets with the external statutory auditor without Executive management present. This in-camera session provides an opportunity for open and confidential discussions on matters that might not be fully explored through the formal meeting agenda, supporting effective independent oversight.

The responsibilities of the independent external auditor in relation to financial reporting are set out in the auditor's report on the financial statements for each financial year.

Ernst & Young LLP is the company's external financial auditor and was appointed following a tender process for the 2022/23 audit as their first year. The year under review therefore represents the fourth year of the current external auditor's appointment and the third year of the current audit partner's tenure.

Environmental, Social and Governance (ESG) Committee

Membership and attendance

Director	Role	Meetings attended
Ian Barker	Member and Chair	3/3
Sara Vaughan	Member	3/3
Jim O'Sullivan	Member	3/3
Misha Nahorny	Member	0/0

The Committee comprises a majority of Independent Non-executive Directors and is chaired by Professor Ian Barker.

Changes during the year

Lord Smith chaired the Committee until 30 April 2025. He was succeeded by Professor Ian Barker, who was appointed Chair with effect from 1 May 2025.

Catherine May stepped down from the Committee on 30 April 2025, with Jim O'Sullivan appointed as a member from the same date.

Peter Antolik stepped down from the Committee on 31 December 2025. Misha Nahorny was appointed as a member on 23 February 2026, replacing him as the Arjun Infrastructure Partners representative.

Following these changes, the Board considers that the Committee continues to operate with an appropriate balance of skills, experience and independence.

Roles and responsibilities

The Committee plays a critical role supporting the Board in overseeing the company's approach to environmental, social and governance matters, including its sustainability strategy, ethical practices and long-term value creation. It is responsible for monitoring and advising on key ESG risks and opportunities, ensuring alignment with regulatory expectations, stakeholder interests and the company's corporate values.

Terms of Reference

The Committee operates under formal Terms of Reference approved by the Board. These were reviewed in June 2025 and again in March 2026, aligning its review cycle with the company's annual governance timetable. During the year, the Committee has exercised its duties in accordance with its Terms of Reference. The Committee's main duties include the following.

- Ensuring the ESG strategy reflects the company's ambition, direction of travel and day-to-day operations.
- Overseeing the regular review and updating of ESG-related policies to ensure compliance with applicable legislation and guidance.
- Holding Executive Directors and senior management accountable for effective implementation of the ESG strategy.
- Monitoring the company's performance against previously agreed objectives and key performance indicators.
- Reviewing and improving any projects in response to the ESG strategy.
- Approving all ESG-related reporting, including disclosures in the company's annual performance report and any associated codes of practice and policies.
- Recommending to the Board any proposals or actions the Committee deems appropriate within its remit, particularly where improvements or corrective measures are necessary.

Activities during the year

The Committee oversaw the development and delivery of the company's ESG strategy, ensuring alignment with regulatory requirements, Group objectives and stakeholder expectations. The Committee recognised the distinct nature of the regulated water business and the need, in certain areas, for ESG arrangements that go beyond the Group baseline.

Environmental

The Committee reviewed environmental priorities, including:

- carbon reduction;
- water efficiency;
- waste management;
- biodiversity;
- environmental water quality; and
- catchment management.

Performance against the company's water resources management plans was considered and confirmed to be aligned with funded and regulated commitments, subject to external and internal monitoring. Opportunities for the company to lead by example on water efficiency were also considered.

The Committee received a detailed overview of the company's catchment management activities, including work undertaken with farmers and landowners to reduce fertiliser run-off, improve surface and groundwater quality, and retain water within catchments. Grants and partnership approaches were discussed, and the Committee noted that plans continue to evolve to address emerging challenges and maximise environmental benefit.

The Committee noted progress towards zero waste to landfill and supported further work to strengthen waste reduction at source. Biodiversity commitments, including regulated biodiversity net gain requirements and land stewardship initiatives, were reviewed, with emphasis on the relevance of freshwater ecosystems.

Net zero and climate change

The Committee received updates on the Group's Net Zero Plan, which aligns with recognised frameworks, including the Science-Based Targets initiative (SBTi) and the Task Force on Climate-related Financial Disclosures (TCFD). A comprehensive carbon audit has been completed for the water business, and standardised carbon reporting tools have been implemented across the Group. The Committee noted that the principal carbon impacts lie within Scope 3 emissions and welcomed the continued focus on supply chain engagement.

Social matters

The Committee reviewed initiatives supporting customers, communities and the workforce. Education outreach programmes continued to engage students, apprenticeship schemes were relaunched, and health and safety performance remained strong.

The Committee undertook a deep dive review of the Assure Essential Saver tariff trial, which incentivises reduced household water consumption to help customers manage their bills and reduce demand. The session considered lessons learned to date and identified next steps and potential future proposals to progress the trial.

The company's vulnerability strategy was also reviewed. While it continues to meet regulatory expectations, the Committee discussed opportunities to further integrate vulnerability considerations into core service delivery and customer support arrangements.

Ofwat takes the view that more consumer-focused decision making, and improved accountability, will help to restore public trust in water companies. The Committee heard that the company has made good progress with its implementation of measures to meet Ofwat's new consumer involvement rule. It endorsed the structured approach taken by the company, including measures to ensure and report on compliance.

Governance engagement and assurance

The Committee considered the implications of the Independent Water Commission review on reforming the water sector ('the Cunliffe review'). The Committee discussed the emerging findings, their potential impact on the company, and any preparatory actions to support future reforms.

The Committee reviewed environmental management arrangements and supported the undertaking of an ISO 14001 gap analysis as a diagnostic tool to assess the effectiveness of existing systems.

Conclusion

The Committee remains focused on supporting the Board in its oversight of ESG matters and ensuring that these are appropriately integrated into decision-making and long-term strategy, strengthening assurance, and supporting the long-term sustainability of the company, while ensuring continued compliance with regulatory and governance expectations.

Nomination Committee

Membership and attendance

Director	Role	Meetings attended
Sara Vaughan	Member and Chair	4/4
Alice Cummings	Member	4/4
Ian Barker	Member	4/4
Charley Maher	Member	4/4
Misha Nahorny	Member	2/2

The Committee comprises a majority of Independent Non-executive Directors and is chaired by Sara Vaughan.

Charley Maher serves as a member of the Committee in a shareholder representative capacity and was appointed with effect from 18 June 2024. This reflects the company's ownership structure and differs from the approach set out in the Code, which provides that Nomination Committees should comprise Independent Non-executive Directors.

The Board considers this arrangement appropriate within the company's governance framework. The Committee maintains a majority of Independent Non-executive Directors led by an independent Chair, and all members are expected to act in the best interests of the company and to exercise objective and independent judgement in the discharge of their duties.

Changes during the year

Lord Smith chaired the Committee until 30 April 2025, when Sara Vaughan was appointed as Chair with effect from 1 May 2025.

Catherine May stepped down from the Committee on 30 April 2025. Professor Ian Barker was appointed as a member with effect from 1 May 2025.

Keith Harris stepped down from the Committee on 31 December 2025. Misha Nahorny was appointed as a member on 23 February 2026 as the Arjun Infrastructure Partners representative. The Board is satisfied that the Committee remained quorate throughout this period.

These changes reflect Board composition during the year. The Board considers that the Committee continues to operate with an appropriate balance of skills, experience and independence.

Roles and responsibilities

The Committee supports the Board in ensuring that the company has appropriate leadership and governance arrangements in place to deliver long-term strategic success. It oversees Board and Executive team appointments, succession planning, and the composition of the Board, including the balance of skills and experience and independence.

Terms of Reference

The Committee operates under formal Terms of Reference approved by the Board. These were reviewed in June 2025 and again in March 2026, aligning its review cycle with the company's annual governance timetable. During the year, the Committee has exercised its duties in accordance with its Terms of Reference. The Committee's main duties are as follows.

- Overseeing the appointment and selection of Board members and members of the Executive team.
- Supporting robust succession planning to ensure continuity and stability in leadership.
- Evaluating the balance of skills, experience, knowledge, and diversity on the Board and senior management to ensure it remains aligned with the company's strategic needs.
- Promoting diversity and inclusion in line with the company's values and the expectations of the Code.
- Ensuring appointments are made on merit, based on objective criteria and free from bias or undue influence.
- Making sure any appointment to the Board carefully considers the balance of the Board's composition and existing skills.
- Making sure all Board members have the necessary skills, experience, information and knowledge to fulfil their duties.

Activities during the year

The Committee focused on Board composition, succession planning, leadership appointments and governance preparedness.

Board and Committee composition

A substantial proportion of the Committee's time was devoted to Board and Committee appointments, reflecting changes in Board composition during the year. The Committee reviewed proposed appointments having regard to the balance of skills, experience, independence and knowledge required to support the company's strategy.

The Committee oversaw changes to Board and Committee composition during the year, ensuring appointments were appropriately assessed and aligned with the Board's governance requirements, and that the arrangements continued to support independent decision-making by the regulated Board. The Committee also reviewed Board structure, leadership arrangements and succession planning to ensure the Board continues to operate effectively and with an appropriate balance of skills and independence.

Executive appointments and succession

The Committee played an active role in Executive succession planning during the year, including supporting the recruitment and appointment of members of the Executive team. This included consideration of appointments to key leadership roles such as Finance Director, Customer Service Director, Operations Director and Transformation Director, consistent with its responsibilities for senior management capability and continuity.

Board skills, training and culture

During the year, the Committee also reviewed the balance of skills and experience across the Board and identified the need for greater consistency in Director training and development. It was agreed that all Directors should complete the Group's business compliance training, covering key areas such as modern slavery, environmental awareness and data protection.

Regulatory governance – Fit and Proper Person Test

The Committee considered the implications of Ofwat's proposed Fit and Proper Person Test (FPPT). In advance of the formal introduction of the framework, the Committee agreed to adopt its principles on a preparatory basis. This included applying the FPPT criteria in relation to existing Directors to assess governance readiness and ensure that appropriate processes and supporting evidence were in place. In addition, appointments made during the year were subject to FPPT-style assessment as part of the Committee's oversight process. The Committee considers that this approach supports effective governance and it continues to work to ensure that the process is fully embedded within the company's governance arrangements.

Remuneration Committee

Membership and attendance

Director	Role	Meetings attended
Alice Cummings	Member and Chair	3/3
Sara Vaughan	Member	3/3
Jim O'Sullivan	Member	3/3
Charley Maher	Member	3/3
Misha Nahorny	Member	1/1

The Committee comprises a majority of Independent Non-Executive Directors and is chaired by Alice Cummings.

Charley Maher serves as a member of the Committee in a shareholder representative capacity. This reflects the company's ownership structure and differs from the approach set out in the Code, which provides that Remuneration Committees should comprise independent Non-Executive Directors.

The Committee considers this arrangement appropriate within the company's governance framework. The Committee maintains a majority of Independent Non-executive Directors, led by an independent Chair, and all members are expected to act in the best interests of the company and to exercise objective and independent judgement in the discharge of their duties.

Changes during the year

Catherine May chaired the Committee until 30 April 2025, when Alice Cummings was appointed as Chair with effect from 1 May 2025.

Jim O'Sullivan was appointed as a member with effect from 1 April 2025.

Keith Harris stepped down from the Committee on 31 December 2025. Misha Nahorny was appointed as a member with effect from 23 February 2026 as the Arjun Infrastructure Partners representative. The Board is satisfied that the Committee remained quorate throughout this period.

These changes reflect Board composition during the year. The Board considers that the Committee continues to operate with an appropriate balance of skills, experience and independence.

Roles and responsibilities

The Committee supports the Board in establishing and overseeing the company's remuneration framework. Its objective is to ensure that remuneration arrangements are proportionate, transparent and aligned with performance, strategic priorities and the long-term interests of customers and stakeholders. The Committee also seeks to ensure that remuneration practices are fair, responsible and compliant with applicable legal and regulatory requirements, and support the attraction, retention and motivation of capable and experienced leadership.

Terms of Reference

The Committee operates under formal Terms of Reference approved by the Board. These were reviewed in June 2025 and again in March 2026, aligning its review cycle with the company's annual governance timetable. During the year, the Committee has exercised its duties in accordance with its Terms of Reference. The Committee's main duties include the following.

- Setting and overseeing the remuneration policy for the Managing Director and wider Executive team, ensuring total remuneration packages (including base pay, incentives, and malus/clawback provisions) support long-term sustainable success and reflect the company's purpose, values and strategic objectives, and consider relevant legal and regulatory requirements.
- Determining performance-related pay, including Annual Performance Bonus and Deferred Bonus awards, based on delivery against objectives of the balanced scorecard.
- Setting forward-looking performance targets that are stretching, aligned with Ofwat's guidance, and support ambition for industry-leading performance in the financial year.
- Ensuring incentive design reflects performance in the round, taking account of wider outcomes for customers, the environment, and public trust.
- Reviewing wider workforce pay and policies to ensure remuneration remains aligned with internal culture and pay practices across the business.
- Exercising discretion where appropriate to adjust, moderate or withhold awards, particularly where outcomes do not reflect actual performance or stakeholder impact.

Activities during the year

Executive remuneration

The Committee exercised oversight of remuneration arrangements for the Managing Director and Executive team, including base pay, variable pay outcomes and overall reward positioning. In doing so, the Committee considered the extent to which pay outcomes appropriately reflected delivery against strategic objectives, regulatory expectations and the company's performance across financial, operational, customer, environmental and people measures. The Committee satisfied itself that remuneration outcomes for the year were proportionate, aligned with performance, and consistent with both the remuneration policy and the wider pay approach across the business.

Annual Performance Bonus and Deferred Bonus arrangements

The Committee reviewed and approved the performance balanced scorecards and objectives for the Managing Director and Executive team, ensuring that targets were appropriately stretching, and aligned with the company's strategy and regulatory obligations, and balanced across financial, customer, environmental, operational and people priorities. In particular, the Committee tested whether the scorecards appropriately reflected those outcomes most relevant to customers and regulators, and provided a robust basis for assessing performance in the round.

In determining variable pay outcomes, the Committee exercised judgement and discretion, taking account not only of balanced scorecard results but also the broader performance context, including service delivery, regulatory compliance, customer outcomes and reputational considerations. The Committee challenged management where appropriate and satisfied itself that any proposed outcomes were a fair reflection of underlying performance and supported the long-term interests of customers and other stakeholders. Where relevant, the Committee moderated outcomes to ensure remuneration did not reward outcomes that were inconsistent with performance expectations or public trust.

Non-executive Director remuneration

The Committee had oversight of the benchmarking of Non-executive Director fees against appropriate external benchmarking. Any Directors with a conflict of interest were recused from discussions, and recommendations were submitted to the Board for approval in line with the company's governance arrangements.

Gender pay gap reporting

The Committee reviewed the company's gender pay gap report, including the underlying analysis and proposed narrative. The Committee considered the drivers of the results and the actions under way to support fairness, inclusion and equality across the workforce.

Regulatory and legislative developments

The Committee considered the implications of Ofwat's performance-related executive pay prohibition rule, published in June 2025 (the prohibition rule) following the enactment of the Water (Special Measures) Act, which became law on 24 February 2025. The prohibition rule applies to Executive Directors and introduces a binary adjustment mechanism, under which performance-related pay outcomes in a given year may be reduced to zero where specified performance thresholds are not met. The Committee carefully considered the application of the prohibition rule and its interaction with the company's remuneration arrangements.

In considering the prohibition rule, the Committee had regard to Ofwat's expectations that executive remuneration in regulated companies should be proportionate, transparent and clearly aligned with the delivery of customer, environmental and financial outcomes. The Committee also recognises the need for remuneration outcomes to support the building and maintenance of trust in the sector, including confidence among customers, regulators and other stakeholders. At the same time, the Committee also considers it essential that the remuneration framework remains sufficiently competitive and well-designed to enable the company to attract, retain and motivate capable and experienced Executive leadership within a highly regulated, capital-intensive and technically complex sector.

The company's remuneration framework and associated policies have therefore been designed to balance regulatory compliance and proportionality with the need to reward genuine performance and maintain strong leadership capability, supporting the long-term interests of customers and stakeholders and the sustainability of the business. Given the heightened focus on performance-related pay across the sector, the Committee proactively engaged with Ofwat during the year. Further detail on performance-related pay arrangements and outcomes is set out in the remuneration report.

The Committee also noted the wider context of regulatory reform, including the Independent Water Commission, which published its final report in July 2025 following the most significant review of the sector's regulatory framework since privatisation.

The Committee received briefings on relevant employment and pensions legislation, including the Employment Rights Act and the Pensions Reform Act. The Committee considered the potential implications for the company's remuneration structures and policies and will continue to keep these matters under review.

External engagement and regulatory dialogue

The Chair and members of the Committee engaged with regulators and sector bodies on matters relating to executive remuneration. This included participation in sector forums and discussions with Ofwat on evolving remuneration expectations. These engagements informed the Committee's ongoing assessment of whether the company's remuneration framework remains aligned with regulatory guidance and sector best practice.

Conclusion

The Committee considers that it has discharged its responsibilities effectively during the year, providing robust oversight of Executive remuneration and ensuring that pay outcomes remain aligned with performance, regulatory expectations and the long-term interests of customers and stakeholders.

Looking ahead, the Committee recognises that Executive remuneration within the sector remains subject to heightened scrutiny. The Committee will therefore continue to keep the remuneration framework under close review, with a particular focus on proportionality, transparency and the delivery of sustained performance improvement.

This corporate governance report was approved at a meeting of Directors held on 3 July 2026 and duly signed on its behalf.

Steve Johnson
Chair

3 July 2026

Remuneration report

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2026. The report summarises the company's key objectives, remuneration policy, and the alignment between Directors' pay and the company's performance. It also details the level of Directors' emoluments for the year.

The company remains committed to the sustainable delivery of clean, affordable water for all our customers, while actively working to protect and enhance the environment. It also places the highest importance on keeping its people, its customers and everyone it meets safe and well, every day. The Board expects the Executive Directors to lead by example and foster a culture where everyone's health, safety and wellbeing are prioritised.

The Board is committed to ensuring that executive remuneration is closely aligned with the company's strategic objectives. Pay structures are designed to reflect performance against clear operational and financial measures, as well as individual performance objectives. The Committee considers that linking Executive pay to stretching performance and business outcomes, particularly those that deliver tangible benefits for customers and the environment, is essential to driving long-term value and accountability. The following sections set out how these principles have been applied during the year.

Regulatory compliance

This year has seen the introduction of the performance related executive pay prohibition rule (the prohibition rule), published by Ofwat in June 2025. The prohibition rule is the result of the Water (Special Measures) Act 2025, and applies to the company's Executive Directors. It requires a binary adjustment to the performance-related pay outcomes in the year, which can remove all performance-related pay because of one area of poor performance.

Remuneration policy

Purpose and scope

This remuneration policy applies to the Managing Director and members of the Executive team, and is designed to attract, retain, and motivate high-calibre senior management with the capability to deliver long-term sustainable success. It provides a balanced remuneration package where variable elements are explicitly linked to performance against targets aligned to a balanced scorecard.

The performance-related elements of remuneration are assessed annually and reflect both financial and non-financial performance, including measures independently audited and assured. Where serious failures occur – such as poor environmental performance, regulatory breaches, or customer harm – performance-related pay may be reduced, withheld, or clawed back, in line with Ofwat's prohibition rule and the Water (Special Measures) Act 2025.

The company recognises that Executive incentives must be aligned with the expectations set out in the Water (Special Measures) Act 2025, 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.

Objectives

The remuneration policy is designed to support the long-term success of the company, while maintaining public trust and meeting regulatory expectations. The policy aims to:

- attract, retain, and motivate experienced and capable Executive leaders who can deliver sustained performance across all areas of the business;
- align Executive rewards with the company's purpose, values, and strategic priorities, including service delivery, environmental protection, and community impact;
- provide a fair, balanced, and transparent approach to setting remuneration, with clear links to performance and accountability; and
- ensure full compliance with applicable legal, regulatory and governance standards, the Ofwat principles, the Code, and the Water (Special Measures) Act 2025.

As noted above, the policy applies to the Managing Director and members of the Executive team. It embeds a strong connection between remuneration and the achievement of outcomes that matter most to customers and the environment, reinforcing the company's commitment to ethical leadership, long-term value, and public confidence.

Terms of the policy

The Remuneration Committee oversees the implementation of the remuneration policy and ensures that all decisions align with the company's long-term strategy, values, and regulatory obligations. Key terms of the policy include the following.

Policy term	Description
Balanced scorecard targets	The Committee sets annual performance targets using a balanced scorecard, covering financial performance, growth and business strategy, customer, ESG, health and safety and people metrics. Targets are reviewed annually and throughout each five-year business planning period to ensure they remain appropriately stretching, reflecting upper quartile performance expectations, regulatory commitment and continuous improvement beyond prior year performance, and aligned with strategic objectives.
Variable pay assessment and governance	The Committee determines any awards under the Annual Performance Bonus Scheme and Deferred Bonus Scheme following year-end. Decisions are made once independently audited financial results and externally assured service performance data are received. The Managing Director and Executive team are not present during discussions about their own remuneration.

Policy term	Description
Discretion and performance in the round	The Committee retains full discretion to adjust, moderate or withhold variable pay outcomes, both upwards and downwards, based on a holistic assessment of performance. This includes consideration of service delivery, financial resilience, customer outcomes, and wider reputational or regulatory matters. Where there is evidence of serious underperformance, such as major health and safety incidents, environmental breaches, or failure to meet key customer commitments, the Committee may reduce or cancel performance-related pay in full, even where formulaic targets have been met. This approach is consistent with the prohibition rule and associated guidance. All discretionary decisions are fully documented and transparently disclosed in the annual report and financial statements.
Links to customer and environmental outcomes	The structure of the performance-related element is designed to ensure that a proportion of any award is directly attributable to performance against customer, environmental, and community outcomes. No outperformance payments are made unless the company has achieved a net reward position under its service delivery commitments.
Malus and clawback provisions	Malus and clawback provisions apply in full to the Managing Director and Executive team's variable pay. These may be activated in cases of misconduct, reputational harm, or other circumstances that retrospectively call into question the validity of a previous award.
Workforce and internal pay context	The Committee also considers broader pay and employment practices across the business when reviewing the Managing Director and Executive team's remuneration. This ensures alignment with the company's overall reward philosophy and promotes internal equity and cultural consistency.
Transparency and accountability	Any discretion exercised by the Committee and any material changes to performance targets or outcomes will be clearly explained in the annual report and financial statements to maintain transparency and trust.

Executive remuneration

The Committee applies total remuneration package benchmarking as a core principle, ensuring Executive pay is assessed on the full value of pay and benefits rather than individual elements in isolation, supporting fairness, competitiveness and internal alignment. Within this framework, the company aims to adopt a standard pay policy of at least lower to median quartiles, with a view to progress to median with experience, to attract and retain the strongest candidates. The remuneration of the Executives may include the following components.

Base salary (fixed pay)

Base salary forms the core fixed element of the Managing Director and Executive team's remuneration. It reflects the size, complexity and responsibilities of the role, and is intended to attract and retain high-calibre leadership capable of delivering strong outcomes for customers, communities and the environment. Base salary is reviewed annually, typically with effect from 1 April. While there is a contractual entitlement to a review, this does not guarantee an increase. Any changes to salary are determined by the Committee, which considers a range of factors, including:

- inflation and regulatory business plan permitted allowances;
- the scope and scale of the role;
- individual performance and leadership impact;
- external total remuneration package for similar roles in the sector and wider industry;
- internal pay relativity and workforce pay trends;
- the current economic climate; and
- overall company performance and affordability.

The Committee considers the salary increases and remuneration arrangements for the wider employee population when approving the salary increases and remuneration arrangements for the Managing Director. Salary levels for the broader Executive team are reviewed independently of the wider workforce, although movements are considered in the context of overall employee pay. In some cases, adjustments may be made outside of general increases, particularly where:

- there has been a material change in role or responsibilities;
- the salary is significantly out of line with market norms;
- retention or progression requires alignment with peer benchmarks; or
- external conditions such as inflation or regulatory shifts justify it.

The Committee's aim is to ensure that salary levels remain appropriate, proportionate, and fully aligned with the company's long-term goals and public expectations.

Recognising the huge ambition within the company's long-term plans, the Committee is acutely aware of the need to retain, attract and motivate an experienced and highly effective Executive team that can deliver the changes and improvements required. The company is by no means a simple business, with the Managing Director having critical responsibilities to deliver safe and reliable water to approximately 1.9 million customers, as well as to manage and motivate a growing workforce of around 430 employees. This is done within a complex regulatory environment, requiring the careful management of a wide range of stakeholders, and amidst the increasingly demanding backdrop of:

- climate change;
- population growth;
- customer affordability challenges;
- an ageing network of assets; and
- a heightened ambition to minimise the impact our operations have on the environment.

Following the standard annual pay review exercise, the Committee agreed to apply an increase of 2% to the base pay of the Managing Director with effect from 1 July 2025.

The salaries for the rest of the company are usually increased effective 1 April each year. For 2025/26, a salary uplift of 3% was applied across the business with effect from 1 April 2025. This was in accordance with a deal agreed with the recognised Trade Unions.

Annual Performance Bonus Scheme (variable pay)

The Annual Performance Bonus Scheme is a discretionary annual bonus scheme designed to reward performance against clearly defined and stretching targets, many of which require delivery at or above regulatory or upper quartile benchmarks supporting the company's strategic objectives and deliver measurable benefits for customers, communities, and the environment.

To be eligible for an Annual Performance Bonus, the Managing Director and Executive team must be actively employed at the time of payment and must not have given or received notice to terminate their employment. The Managing Director and members of the Executive team may be entitled to any accrued deferred bonus if they cease to be employed and are designated as a 'Good Leaver' (see below).

Annual performance targets are determined by the Board in respect of each financial year, based on recommendations from the Committee. These targets are drawn from a balanced scorecard framework, comprising core areas that incorporate:

- financial performance;
- business and growth strategy;
- customer;
- ESG;
- health and safety; and
- people.

The weighting of these components is structured to ensure that a substantial proportion of the overall weighting is directly attributable to customer and environmental measures, including those embedded within strategic and growth objectives in line with Ofwat's expectations, ensuring that outcomes for customers and the environment are the drivers of variable pay. The outcome of performance against these measures is independently reviewed and considered in full by the Committee following completion of the externally audited year-end results. Final decisions on Annual Performance Bonus payments are taken at the Committee meeting.

The Committee retains full discretion to adjust or withhold payments in response to external events, regulatory findings, or broader reputational concerns. In line with the prohibition rule, appropriate adjustments will be made to any Annual Performance Bonus payment made where statutory breaches or material failings have occurred.

Deferred Bonus Scheme (variable pay)

The Deferred Bonus Scheme is a Group-wide deferred bonus arrangement that links Executive reward to long-term financial performance through a deferral, retention, and performance-adjustment framework. The deferred Matching Award is assessed solely against the Group's overall financial performance over a multi-year period. The Scheme operates alongside the Annual Bonus and applies to the Managing Director and Executive team members employed by South Staffordshire Water PLC.

Structure and assessment

Following the close of each financial year (1 April to 31 March), Annual Bonus outcomes are determined based on performance against the company's balanced scorecard. For each Annual Bonus earned, a Matching Award of equivalent value is granted and deferred for a period of two years. The Matching Award is assessed over a three-year measurement period, beginning at the start of the financial year in which the Annual Bonus was earned and running concurrently with the bonus year and the subsequent two-year deferral period.

Good Leaver provisions

If the Managing Director or an Executive team member leaves the company before the Matching Award becomes payable, awards will normally lapse unless the individual is classified as a 'Good Leaver'. Good Leaver circumstances typically include death, ill health, disability, redundancy, retirement, or other circumstances at the discretion of the Committee. In such cases, the Committee may determine that awards vest in full or on a pro-rated basis, with the timing of payment subject to Committee discretion. All awards remain subject to the Scheme's malus and clawback provisions.

Benefits (fixed pay)

The provision of benefits forms part of a competitive total remuneration package designed to attract and retain a high-calibre leadership team capable of delivering long-term success for the company and its stakeholders. Benefits are provided in line with market practice and tailored to the individual's role and circumstances. Benefits can include:

- a car allowance (a car would be provided should the Managing Director or Executive team member opt for this benefit) – taxable;
- private medical insurance – taxable;
- life assurance;
- contribution towards legal/other adviser fees (if applicable); and
- annual leave entitlement above the statutory minimum.

Relocation support (fixed pay)

Additional benefits, such as relocation support or travel allowances, may be offered where relevant to the role or individual needs. The Committee reviews the scope and value of benefits annually to ensure they remain appropriate, fair, and aligned with market benchmarks, while maintaining internal consistency and control. Benefits are not pensionable and are not performance-related, but they contribute to the overall competitiveness of the remuneration package and support the wellbeing and stability of senior management. Taxable benefits are not subject to a specific cap but represent only a small element of total remuneration. The costs associated with benefits provision are closely monitored and regularly reviewed and controlled.

Retention or recruitment incentives (fixed pay)

In some circumstances, the Committee may approve one-off payments or incentive arrangements to support the recruitment or retention of senior management where this is necessary to secure or retain individuals with the skills, experience and leadership capability required for the company's long-term success. Such incentives may include:

- recruitment bonuses, to compensate for the forfeiture of variable pay or benefits from a previous employer; or
- retention payments, where continuity of leadership is critical to the delivery of key strategic or operational objectives.

All such arrangements are discretionary, non-pensionable, and subject to appropriate conditions and governance. Where used, the Committee will ensure:

- any payment is proportionate and aligned with market practice;
- the rationale for the incentive is clearly documented and linked to the company's interests;
- any performance conditions or clawback provisions are clearly defined and enforceable; and
- transparency is maintained through appropriate disclosure in the relevant annual report and financial statements.

The use of recruitment or retention incentives are always aligned with Ofwat's expectations for transparency, proportionality, and responsible pay practices in the sector.

Pension (fixed pay)

The company provides pension contributions as part of the Managing Director and Executive team's remuneration package, in accordance with contractual terms. Contributions are typically made to a defined contribution scheme or alternatively paid as a cash allowance of equivalent value where a personal pension arrangement is in place (this is only applicable to the Managing Director role).

Pension contributions for the Managing Director and the other members of the Executive team are defined in their individual contracts. The Managing Director receives a contribution of 10% of base salary, while other Executive team members receive matched contributions generally ranging between 6% and 10% (depending on individual choice).

Pension is the only post-employment benefit provided to the Executive team. No additional retirement or exit-related benefits apply. The Committee reviews pension contribution levels periodically to ensure they remain fair, consistent with wider workforce arrangements, and aligned with market practice.

Malus and clawback provision

The company is committed to maintaining the highest standards of integrity, transparency, and responsible leadership. To support this, malus and clawback provisions apply to the Managing Director and Executive team's performance-related pay, including any awards made under the Annual Performance Bonus Scheme and the Deferred Bonus Scheme. These provisions are designed to protect customer and environmental outcomes and ensure that Executive reward remains aligned with long-term performance and public trust.

Malus

Malus allows the company to reduce or withhold any unpaid or unvested Annual Performance Bonus or Deferred Bonus awards if serious concerns arise during the applicable performance period. This may include:

- fraud or gross misconduct;
- gross negligence or negligent failure to discharge duties and responsibilities expected of the role;
- serious breaches of company policy or ethics; or
- conduct that damages the company's reputation or undermines trust.

Clawback

Clawback allows the company to recover amounts already paid under the Annual Performance Bonus Scheme or Deferred Bonus Scheme if, after payment, it is determined that the Managing Director and/or the Executive team:

- caused a financial mis-statement;
- was responsible for a material regulatory breach;
- was recognisable for gross negligence or a negligent failure to discharge duties and responsibilities expected of the role; or
- engaged in misconduct that led to significant harm to the company, its customers, or the environment.

Clawback may be enforced for a minimum of three years from the date of payment, this is also in line with the prohibition rule.

For the Managing Director specifically, their employment contract explicitly authorises the company to recover such amounts from any sums due, including salary, bonus, holiday pay, or other entitlements. The company also reserves the right to recover environmental performance-related payments if, after departure, the Managing Director is found to have been responsible for an environmental breach during their tenure.

The Committee keeps its malus and clawback rules under review to make sure that they are in line with Ofwat's expectations, regulatory requirements and market practice.

Employment contracts and loss of office

The Managing Director and Executive team are employed under an agreement designed to support recruitment and retention, while ensuring terms are fair, proportionate, and aligned with the company's performance culture. The standard notice period for termination, by either the company or the Managing Director, is six months. For the Executive team, the standard notice period of termination by either the company or Executive team member is between three and six months. The contractual term reflects a balance between providing stability and ensuring flexibility for the business.

Any payment on loss of office will be determined in line with contractual obligations and the Committee's discretion, taking into account the circumstances of departure and performance over the period of employment. In line with Ofwat's expectations on Executive remuneration and the Code, no compensation for loss of office will be paid where an Executive's departure arises from gross misconduct, serious failure of governance, or material breach of regulatory or company obligations. No compensation will also be payable where an Executive resigns voluntarily other than for a contractually defined good reason.

Any termination payments will reflect performance, accountability, and the circumstances of departure and will not reward failure, misconduct, or poor outcomes for customers, the environment, or the company. This approach supports transparency, regulatory compliance, and the maintenance of public trust.

Consideration of pay and employment conditions across the business

The Committee considers the pay and employment conditions of colleagues across the business when setting the remuneration policy for the Managing Director and Executive team, to ensure that these are aligned where appropriate. We regularly monitor pay trends across all levels of the business and salary increases for the Managing Director and Executive team will normally be in line with, or lower than, those of the wider workforce in percentage terms.

The Annual Performance Bonus Scheme is an annual bonus scheme with awards made with effect from 1 April each year. Metrics are agreed by the Committee annually to measure performance in key areas during the year. Awards will not pay out unless the Committee is satisfied that the underlying financial and non-financial performance has been satisfactory over the performance period, considering any relevant factors. The Committee has authority to exercise its discretion to adjust the level of payout to any extent considered appropriate. Any amounts that are due are paid in cash to participants in July of each year.

The payments made to the Managing Director are disclosed in the table on page 149.

The Board has disclosed the Managing Director pay ratio, which shows how the Managing Director's single total figure for remuneration compares with the equivalent figures for South Staffordshire Water employees, and takes account of the full-time equivalent basis for the company's employees. The Managing Director pay ratio is likely to be volatile, primarily as a result of the higher proportion of incentive-based pay earned by the Managing Director, compared with other employees.

The figures show the relevant ratios, excluding deferred bonuses (not due to be paid out until 2028). The company is committed to paying the National Living Wage to employees. Based on a 37-hour a week contract at £12.71 an hour (2025: £12.21) rate for outside London, this would give an annual salary of £24,454 (2025: £22,751). Most employees are paid at or higher than the National Living wage. In comparison with the Managing Director, the highest paid directly employed Board member, this gives a ratio of 12:1 against basic salary and 17:1 against total remuneration, excluding long-incentive awards and 'Other', both of which sit within the 17:1 ratio.

Elena Karpathakis joined the company on 24 March 2025 as Managing Director and was appointed to the Board on 30 April 2025. All pay and benefits have been set in line with the current remuneration policy as disclosed in this report.

Fees policy

The fees policy for Non-executive Directors is set by the Board on the recommendation of the Committee. Fees are reviewed annually and are appropriately benchmarked. Additional fees may be paid in relation to extra responsibilities undertaken, such as for chairing certain Board Committees, or undertaking the role of Senior Independent Non-executive Director. The company repays any reasonable expense that a Non-executive Director incurs in carrying out their duties as a director, such as travel expenses.

Details of the Non-executive Directors' current fee levels are set out on page 149.

Employment/service agreements

The Managing Director's agreement provides for six months' notice from either party. The company retains discretion to make payment in lieu of notice. Non-executive Directors are appointed under a contract for services, typically serving an initial term of three years. This term may be extended for up to two additional periods of three years each, subject to Board approval and the provisions outlined in the company's Articles of Association. The service contracts of Non-executive Directors may be terminated without compensation for the reasons specified in the service contract.

Managing Director's Annual Performance Bonus and Directors' remuneration

Details of the Managing Director's Annual Performance Bonus and Directors' remuneration are set out in the following tables.

Managing Director's Annual Performance Bonus

The table below demonstrates the strong weighting towards customer, environmental and service outcomes across both direct and strategic measures.

Scorecard	Target	Outcome	Maximum bonus (%)	Bonus (%)	Bonus value (£'000)
Financial performance	■ Achieve pre-financing cash flow budget (cash generated before interest, tax, cyber and distributions). ■ Hit five-year totex target (achieving 4% below final determination allowance). ■ Achieve collections targets, underpinning budgets.	Target partially achieved	40%	16%	23
Business strategy and growth	■ Deliver an upper quartile performance (from lower end of 2nd) across the common water outcome delivery incentives (ODIs). ■ Delivery of the AMP8 business plan, including PCDs, which delivers for customers, communities and shareholders. ■ Develop a customer strategy, including an approach for contact centre to manage accurate and timely customer billing activity. ■ Develop a financial strategy for the business.	Target partially achieved	25%	11%	16
Customer	■ Evidence continuous improvement across billing and operations. Elevate C-MeX from 4th to 3rd quartile. ■ Reduce underlying customer complaints year-on-year business as usual (exclusive of the impact of increased bills and universal metering implementation). ■ Deliver community-focused initiatives which have a demonstrable positive impact on the receiving audience and the company's reputation. ■ Design and implement a universal metering programme in line with AMP8 commitments.	Target outperformed	15%	11%	16

Scorecard	Target	Outcome	Maximum bonus (%)	Bonus (%)	Bonus value (£'000)
People	▪ Maintaining high retention ≥ 85%. ▪ Low sickness rates < 3.5%. ▪ Engagement ≥ 70%.	On target	5%	3%	4
ESG	▪ Deliver clean water without major incidents (E). ▪ Having a net zero plan in place, which includes clear carbon reduction commitments (E). ▪ Building effective relationships with environmental regulators and stakeholders, and compliance (S). ▪ Demonstrating effective project controls and financial and Board reporting. Compliance Certificates (when launched) to show >95% compliance levels across the business (G).	On target	10%	6%	9
Health and safety	▪ Measured by achieving the proactive investigation target for the year. ▪ Delivering an impactful, regular and varied schedule of health, safety and wellbeing leadership tours. ▪ Strong levels of internal reporting and escalation, lessons learned examples and recognition for the right safety behaviours. ▪ A safety record which demonstrates the company is keeping its people safe, through monitoring of the All Accident Frequency Rate, RIDDOR frequency rate and HiPo rate.	On target	5%	3%	4
Total			**100%**	**50%**	**72**

Directors' remuneration (audited)

Directors	Basic pay (£'000)		Other benefits (£'000)		Other (£'000)		Fees (£'000)		Pension (£'000)		Total fixed pay (£'000)		Bonus (£'000)		Total variable pay (£'000)		Total remuneration (£'000)	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Steve Johnson[1]																		
Sara Vaughan[2]							100	19			100	19					100	19
Elena Karpathakis[3]	295	0	132						29	0	456	0	94	0	94	0	550	0
Charley Maher[4]	28	27	1	1					3	3	32	31	26	19	26	19	57	50
Alice Cummings							53	45			53	45					53	45
Professor Ian Barker							50	43			50	43					50	43
Jim O'Sullivan							45	0			45	0					45	0
Misha Nahorny[5]																		
Lord Smith of Finsbury[7]							6	75			6	75					6	75
Andy Willicott[6]	0	300	0	14	0	287			0	30	0	631					0	631
Catherine May[7]							4	65			4	65					4	65
Keith Harris[7]																		
Peter Antolik[7]																		
Total	**323**	**327**	**133**	**15**	**0**	**287**	**258**	**247**	**32**	**33**	**746**	**909**	**120**	**19**	**120**	**19**	**865**	**928**

Notes:

1. Steve Johnson was appointed as an Independent Non-executive Director from 9 March 2026 and Independent Non-executive Chair from 26 March 2026 and fees will commence on 1 April 2026.
2. Sara Vaughan was appointed as an Independent Non-executive Director in February 2025, as Independent Non-executive Chair from 1 May 2025, and as Independent Non-executive Deputy Chair from 26 March 2026.
3. Elena Karpathakis received a 15% discretionary bonus in addition to the scorecard outturn for the successful establishment of the Executive Committee and the results for 2025/26. Other benefits include signing on bonus, car allowance and private medical.
4. Charley Maher was fully remunerated by the intermediate parent company, South Staffordshire Limited. The amounts shown in the table are in relation to the qualifying services to the company. Further details can be found in the annual performance report, published alongside this document.
5. Misha Nahorny received no remuneration attributable to South Staffordshire Water PLC or the intermediate parent company, South Staffordshire Limited.
6. Andy Willicott left the company on 6 December 2024. The details of his remuneration received for the financial year ending 31 March 2025 are detailed in our prior year accounts.
7. During the year, the following departures from the Board occurred.
   - The Rt Hon Lord Chris Smith of Finsbury, Independent Non-Executive Chair – stepped down on 30 April 2025.
   - Catherine May, Senior Independent Non-executive Director – stepped down on 30 April 2025.
   - Keith Harris, Non-Executive Director and Arjun Infrastructure Partners Representative – stepped down on 31 December 2025.
   - Peter Antolik, Non-Executive Director and Arjun Infrastructure Partners Representative – stepped down on 31 December 2025.

This remuneration report was approved at a meeting of Directors held on 3 July 2026 and duly signed on its behalf.

Alice Cummings
Chair, Remuneration Committee

3 July 2026

Directors' report

The Directors are pleased to present their annual report and financial statements for the year ended 31 March 2026.

The Directors confirm they consider the annual report and financial statements to be fairly presented, balanced and understandable. It provides investors, customers and other stakeholders with the necessary information to assess South Staffordshire Water's performance for the year ended 31 March 2026, its business model and its strategy.

Board of Directors

The Directors who held office during the reporting year and subsequently are set out below.

Director	Director type	Date appointed to Board	Date stepped down
The Rt Hon Lord Smith of Finsbury	Independent Non-executive Director (Chair)	25/10/2018	30/04/2025
Catherine May	Independent Non-executive Director	25/10/2018	30/04/2025
Sara Vaughan	Independent Non-executive Director (Deputy Chair)	10/02/2025	-
Steve Johnson	Independent Non-executive Director (Chair)	09/03/2026	-
Elena Karpathakis	Managing Director, South Staffordshire Water PLC	30/04/2025	-
Charley Maher	Group Chief Executive, South Staffordshire Limited	29/09/2023	-
Professor Ian Barker	Senior Independent Non-executive Director	12/04/2022	-
Alice Cummings	Independent Non-executive Director	14/05/2020	-
Jim O'Sullivan	Independent Non-executive Director	01/04/2025	-
Keith Harris	Non-executive Director (Arjun Infrastructure Partners Representative)	30/04/2015	31/12/2025
Peter Antolik	Non-executive Director (Arjun Infrastructure Partners Representative)	25/10/2018	31/12/2025
Misha Nahorny	Non-executive Director (Arjun Infrastructure Partners Representative)	23/02/2026	-

Note: Keith Harris was appointed as an Independent Non-executive Director from 2015 to 2018, and from 2018 as a Non-executive Director representing Arjun Infrastructure Partners.

Details of Board changes during and after the year are set out in the corporate governance report on page 115.

Details of Board meeting attendance during the year are set out in the corporate governance report on page 117.

Conflicts of interest are managed in accordance with the company's Articles of Association and applicable governance policies. Further details are set out in the corporate governance report on page 122.

Corporate governance

The corporate governance report is set out on page 113. The Group structure is shown in the chart on page 121.

Financial results

The company's financial results are shown in the financial statements on page 163 onwards and are summarised in the strategic report on page 22.

The Board assessed the final performance of AMP7 and in the financial year paid a second interim dividend of £1.8 million relating to 2024/25 performance. As we started AMP8 strongly, delivering against a number of our regulatory targets, the business paid an interim dividend of £4.2 million during the year in relation to first six months of performance for 2025/6. In addition, the Board approved a second interim dividend totalling £6.7 million (2025: £4.2 million) after the year end, in relation to the second six months of performance for 2025/26. This represents a 4.0% base dividend yield of regulated equity (2025: 2.1%).

A breakdown of the dividend payments for the year along with a comparison with the prior period is contained in the financial performance chapter on page 22.

Fostering effective relationships

The Board has an important role to play in helping the company to foster effective relationships with stakeholders. It does this in a number of ways, including identifying who these stakeholders are and why they are important to the business. The Board also makes sure the company's decision-making processes consider the interests of stakeholders and utilise the most effective mechanisms for engagement.

During the year, the Board continued to be actively involved in the governance of a number of key decisions affecting the company over the short, medium and long term. This includes, among other things:

- approving the vulnerability strategy;
- approving the smart metering framework, which underpins the company's universal metering programme;
- progressing the Grafham transfer and the Fens reservoir with Anglian Water and sector regulators;
- discussing whether to implement a temporary use ban in response to the prolonged dry weather and drought in the Cambridge and South staffs regions;
- the procurement strategy for the company's approach to hedging energy costs;
- approving the company's budget;
- approving the delivery plan for the company's PCDs for the five years to 2030; and
- approving the company's PR19 blind year reconciliations.

The Board has also continued to be actively involved in the company's customer engagement and insight programme.

For more information on how the Board's engagement has driven decision-making across the business, see the section 172(1) statement on page 53. Other information on customer and stakeholder engagement can be found on page 44.

Corporate social responsibility

The company regards the implementation of responsible social and ethical standards and the health, safety, wellbeing and fair treatment of all its people as fundamental to it. Compliance with relevant environmental laws is also integral.

The company places considerable value on the engagement of its people and has continued to keep them informed about matters affecting them as employees and on the various factors affecting its performance. This is achieved through formal and informal meetings, and internal communication channels. The company considers its corporate social responsibility within the context of ESG compliance. The company has a Board ESG Committee and reports each year against key ESG metrics.

During the year, the company contributed to the development and implementation of the Group ESG strategy, which is branded as 'our planet; our people, customers and clients; and our partners'. This included considering how to make ESG more meaningful to its people. The company's aim is to help everyone across the business understand how the activities they carry out every day fit into ESG and to demonstrate the role that every person plays in delivering the Group's wider strategy. See pages 61 to 65 for more information.

Equal opportunities

The company is committed to equality, diversity and inclusion and believes that all people should have equal chances and opportunities. In line with the wider Group, the company is an equal opportunity employer and is committed to complying with all applicable employment and equality legislation.

The company does not tolerate unlawful discrimination, harassment or victimisation. In particular, it is committed to ensuring that no employee or applicant for employment is treated less favourably on the grounds of a protected characteristic, including:

- age;
- sex;
- gender reassignment;
- sexual orientation;
- disability;
- marital or civil partnership status;
- pregnancy or maternity;
- race, religion or belief; or
- ethnic or national origin.

These commitments apply to all aspects of employment, including recruitment, selection, promotion, reward, training and the termination of employment.

The company is committed to creating and maintaining a diverse and inclusive work place where all colleagues are treated with dignity and respect. It recognises that an inclusive working environment supports employee engagement, encourages a wider range of perspectives and helps deliver effective services for customers and communities.

Policies and practical arrangements

The company's approach to diversity, equality and inclusion is intended to support compliance with employment law and to promote fair, consistent and objective decision-making. In practice, the company aims to:

- prevent and address unlawful discrimination, harassment and victimisation;
- promote equality of opportunity and fair treatment for all employees;
- foster positive working relationships and inclusive behaviours;
- support participation and engagement across the workforce;
- ensure recruitment and employment practices are fair, objective and based on merit; and
- maintain clear and accessible arrangements for raising concerns.

Recruitment and selection processes are designed to be transparent and based on objective criteria. The company takes steps to review job design, advertising and recruitment methods to minimise the risk of bias and to promote equality of opportunity, while ensuring appointments are made on merit.

Disability and work place adjustments

The company recognises its duty to support employees with disabilities and to make reasonable adjustments where required. Where an employee has a disability, the company will consider appropriate and proportionate adjustments to remove or reduce work place disadvantages and to support the employee to perform their role effectively. Such adjustments are considered on an individual basis and may include changes to working arrangements, job duties, equipment or the working environment.

Employees are encouraged to discuss any disability-related adjustment needs with their line manager or Human Resources so that appropriate support can be considered in a timely and confidential manner. The company also recognises the value of neurodiversity within the workforce and seeks to provide an inclusive working environment where neurodivergent employees are supported, including through reasonable work place adjustments where appropriate.

Governance, culture and reporting

Responsibility for implementing diversity, equality and inclusion arrangements rests with leaders and managers, supported by Human Resources. All employees are expected to act in accordance with company policies and to contribute to a respectful and inclusive work place.

The company takes concerns relating to discrimination or harassment seriously. Clear procedures are in place to enable concerns to be raised confidentially and addressed promptly and fairly, in line with company policies and employment law. As part of the wider Group, the company contributes to workforce data collection and reporting, including gender pay gap reporting. This information helps inform ongoing focus on representation, progression and fair employment practices across the business.

The company keeps its diversity, equality and inclusion arrangements under review to ensure continued compliance with employment legislation and to support a fair, inclusive and respectful working environment. See page 38 for further information on the Group's approach to people and culture.

Energy use and carbon emissions

The UK water sector has committed to achieving net zero carbon emissions by 2030. This goal forms part of Water UK's Net Zero 2030 Routemap, which sets out a vision for what a net zero future might look like. At the heart of the routemap is a ten-point plan for cutting operational carbon emissions to zero, which reinforces the need to:

- protect customers;
- facilitate the creation of green jobs and skills;
- prioritise net zero innovation; and
- enable more nature-based solutions.

The disclosures below have been made on a voluntary basis under the Streamlined Energy and Carbon Reporting (SECR) framework. These disclosures, including certain related disclosures within the non-financial and sustainability information statement in the strategic report (see page 66), are made in line with the SECR framework. The company is disappointed to have missed its carbon emissions target for the year. This is largely due to an increase in the use of chemicals, related to the higher levels of water supplied to customers throughout the spring and summer.

Methodology

The figures in the table below have been prepared broadly in compliance with the principles of the Greenhouse Gas Protocol (GHGP) as developed by the World Resources Institute and the World Business Council for Sustainable Development.

They have been collated and summarised using the UK Carbon Accounting Workbook (CAW), which is used as a standard process for carbon accounting within the sector and audited by an external Ofwat appointed water auditor. Reporting boundaries are defined by financial control.

The company has also used the greenhouse gas reporting conversion factors published by the Department for Energy Security and Net Zero (DESNZ).

Scope 1 energy use and emissions

Scope 1 energy use and emissions are directly associated with the company's operations. They include the use of natural gas and fuel oils used in its on-site generator plant and fuel for transportation on direct company business, such as transport to and between sites. The company's Scope 1 energy use and carbon emissions for the year are set out below.

Energy use and emissions – Scope 1	2025/26		2024/25	
	KWh equivalent	Tonnes CO_2	KWh equivalent	Tonnes CO_2
Natural gas	106,606,507	19,505	91,324,357	16,703
Gasoil (Class A2 – red diesel)	n/a	n/a	n/a	n/a
White diesel (operations/generators)	39,728	11	19,842	5
Petrol (operations)	13,802	4	9,208	2
Kerosene (heating)	179,503	47	140,400	36
Hydrogenated vegetable oil (HVO)	0	0	0	0
Gas Oil	3,904	1	0	0
Diesel BS EN 590 (transport, including Aqua Direct)	7,836,438	2,034	7,007,785	1,781
Unleaded petrol (transport, including Aqua Direct)	66,148	15	28,846	7
Process and fugitive emissions	-	2,451	-	1,732
Total	**114,746,030**	**24,068**	**98,530,438**	**20,266**

Scope 2 energy use and emissions

Scope 2 energy emissions are those associated with the company's direct consumption of grid electricity for pumping and water treatment in addition to relatively small amounts used to operate its buildings. The company reports its emissions resulting from grid electricity consumption using location-based emissions factors (UK grid emissions factors), which does not consider the procurement of low and zero carbon electrical energy tariffs. For consistency with previous annual reports, it has also included the market-based reporting in the table below.

Electricity – Scope 2	2025/26		2024/25	
	KWh	Tonnes CO_2e	KWh	Tonnes CO_2e
Location-based emissions	102,669,804	18,174	98,012,108	20,295
Market-based emissions	102,669,804	7	98,012,108	5

Total emissions

Scope 1 and 2 emissions are those directly associated with the company's business operations. They are summarised below, using both location-based and market-based factors for electricity (taking into consideration its certified clean renewable energy sources).

Total emissions – Scope 1 and 2	Location-based electricity factor		Market-based electricity factor	
	2025/26	2024/25	2025/26	2024/25
Emissions (tonnes CO_2e)	42,241	40,561	24,074	20,271
Emissions (kg CO_2e per Ml of treated water)	250	245	143	124

Note: Ml = megalitre (one megalitre equals one million litres).

Demonstrating a commitment to energy efficiency

The company has continued to play a leading role in supporting the sector's commitment to achieving net zero carbon emissions by 2030. During the AMP7 planning period, it installed an innovative ceramic membrane-based filtration system at the largest water treatment works in the South Staffs region. The reporting year is the first year that this technology has been fully operational – enhancing water quality, reducing carbon emissions and strengthening the resilience of customers' water supplies.

The new filtration plant has enabled the company to switch off the existing UV treatment process at the site – a key source of the energy savings delivered during the year. It fully deactivated the UV plant in November 2025 and real-time power monitoring has confirmed a clear reduction in energy use. Over the 2026/27 reporting year, the company expects the energy savings to be fully realised. Initial analysis of the UV power consumption before the plant was deactivated compared with consumption since November shows energy savings of around 2.8 GWh. This represents a significant reduction in energy consumption during the second half of the year. When assessed using a location-based carbon reporting methodology, this translates into a meaningful carbon reduction of 690-tonnes of CO_2e.

In addition, as part of the company's ongoing programme to improve energy efficiency, during the year, it completed LED upgrades at several sites in the South Staffs region. By replacing traditional lighting with modern LED systems it has reduced the combined power demand from 6,750 watts to 3,300 watts – a saving of 3,450 watts, or 3.5 kW. Using typical operating patterns of eight hours a day, five days a week, the company estimates this upgrade has delivered around 27.6 kWh of energy saved each day. This equates to 7,176 kWh of energy saved over the year, resulting in an emissions saving of 1.76 tonnes of CO_2e. These results highlight the clear financial benefits of LED technology. The company thinks expanding this approach across our other sites offers further potential for energy reduction and carbon savings in future years.

During the year, the company also reviewed the ventilation systems at its head office in Walsall. The building was originally designed with multiple air handling units (AHUs), including separate systems for the original laboratory spaces. When these areas were later converted into open-plan office space, the AHUs continued to run as originally configured, leading to unnecessary inefficiencies. To address this, it installed inverter drives to provide a more responsive and efficient means of controlling air flow throughout the building. The company expects these upgrades will deliver energy savings of 14,256 kWh a year, equating to an emissions saving of 3.5 tonnes of CO_2e.

These improvements demonstrate how targeted upgrades to existing systems can deliver meaningful reductions in energy use and support our wider sustainability goals.

Political donations

No political donations were made during the financial year (2025: nil).

Directors' and Officers' insurance

South Staffordshire Limited maintains Directors' and Officers' liability insurance for its subsidiaries in respect of legal action that might be brought against their Directors and Officers. In accordance with the company's Articles of Association, and to the extent permitted by law, the company indemnifies each of its Directors and Officers against certain liabilities that may be incurred by them in connection with their roles. These indemnities were in force throughout the year and remain in force.

Financial instruments

The company's financial risk management objectives and policies, and the exposure of the company to price risk, credit risk, liquidity risk and cash flow risk are set out on page 24 of the strategic report. See also note 1(p) of the financial statements, which includes a section on financial risks.

Post-balance sheet events

On the 7 April 2026 the company increased its revolving credit facility from £75,000,000 to £100,000,000.

On 9 June 2026, South Staffordshire PLC, the parent company of South Staffordshire Water PLC (including the South Staffs Water and Cambridge Water regions), was renamed South Staffordshire Limited. This change in legal name does not affect the underlying ownership or control of the Group.

On 30 June 2026, a second interim dividend of £6,670,000 was approved for the year ended 31 March 2026 after the end of the reporting year. This takes the total dividend payment for the reporting year to £10,851,000.

Risk management

See page 80 of the strategic report for the company's practices in respect of risk management.

Going concern

See page 171 for the company's statement on going concern and the basis for the going concern assumption.

Independent Auditor

In accordance with the provisions of section 418 of the Companies Act 2006, the Directors confirm that, as far as they are aware, there is no relevant audit information of which the company's auditor is unaware. The Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the company's auditor is aware of that information. Ernst & Young LLP will be reappointed at the Annual General Meeting for 2026/27.

This Directors' report was approved at a meeting of Directors held on 3 July 2026 and duly signed on its behalf.

Elena Karpathakis
Managing Director

3 July 2026

Directors' responsibilities statement

The following statement, which should be read in conjunction with the auditor's statement of responsibilities, is made with a view to distinguishing for investors the respective responsibilities of the Directors and of the auditor in relation to the financial statement.

The Directors are required by company law and under Condition I of the licence by the Secretary of State for Environment, Food and Rural Affairs, as a water undertaker under the Water Industry Act 1991, to prepare an annual report and financial statements for each financial year, which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

Under company law, the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards) and applicable law, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary; and
- keep proper accounting records, which comply with Condition I.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors can confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position, and profit and loss of the company;
- the strategic review 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 it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This Directors' responsibilities statement was approved at a meeting of Directors held on 3 July 2026 and duly signed on its behalf.

Elena Karpathakis
Managing Director

3 July 2026

Financial statements

Profit and loss account

For the 12 months ended 31 March 2026

	Note	31 Mar 26 £'000	31 Mar 25 £'000
Turnover	2	195,372	153,400
Operating costs	3	(152,793)	(133,859)
Other operating income	6	8,085	10,664
Operating profit (before exceptional items)		**50,664**	**30,205**
Exceptional items	7	(1,230)	(525)
Operating profit (after exceptional items)		**49,434**	**29,680**
Finance income (receivable)	8	2,079	2,674
Finance cost (payable)	8	(28,329)	(25,480)
Profit before taxation		23,184	6,874
Tax on profit	9	(6,200)	(1,678)
Profit for financial year attributable to the equity shareholders of the Company		16,984	5,196

The results above are derived from continuing operations. The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income

For the 12 months ended 31 March 2026

	31 Mar 26	31 Mar 25
	£'000	£'000
Profit after taxation	16,984	5,196
Movement in hedging reserve (gross of deferred tax)	(316)	(572)
Deferred tax impact of movement in hedging reserve	79	143
Total comprehensive gain	**16,747**	**4,767**

Balance sheet

As at 31 March 2026

	Note	31 Mar 26 £'000	31 Mar 25 £'000
Fixed Assets			
Intangible assets	11	27,318	28,666
Tangible assets	12	734,687	691,689
		762,005	**720,355**
Current Assets			
Stocks	15	4,576	4,346
Debtors - amounts recoverable within one year	16	76,463	51,019
Debtors - amounts recoverable in more than one year	16	1,953	2,734
Investments	17	2	2
Cash and cash equivalents	25	23,494	15,506
		106,488	73,607
Trade and other creditors - amounts falling due within one year	18	(109,242)	(67,898)
Net current (liabilities) /assets		**(2,754)**	**5,709**
Total assets less current liabilities		**759,251**	**726,064**
Borrowings - amounts falling due after more than one year	19	(424,740)	(411,712)
Other creditors - amounts falling due after more than one year	19	(9,256)	(10,075)
Accruals and deferred income - falling due after more than one year	14	(199,227)	(195,098)
Provisions for liabilities - falling due after more than one year	21	(68,730)	(62,609)
Net Assets		**57,298**	**46,570**
Capital and reserves			
Called up share capital	23	2,123	2,123
Share premium account		495	495
Capital redemption reserve		4,450	4,450
Revaluation reserve		28,790	29,314
Profit and loss account		24,716	13,227
Hedging reserve		(3,276)	(3,039)
Shareholders' Funds		**57,298**	**46,570**

The accompanying notes are an integral part of these financial statements.

The financial statements of South Staffordshire Water PLC (company number 02662742) were approved by the Board of Directors and authorised for issue on 3 July 2026.

Elena Karpathakis
Managing Director

3 July 2026

Statement of changes in equity

For the 12 months ended 31 March 2026

	Note	Called up Share Capital	Share Premium Account	Capital Redemption Reserve	Revaluation Reserve	Profit and Loss Account	Hedging Reserve	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2024		2,123	495	4,450	29,739	12,606	(2,610)	46,803
Profit for financial period		-	-	-	-	5,196	-	5,196
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)		-	-	-	-	-	(740)	(740)
Deferred tax impact of change in value of hedging instruments		-	-	-	-	-	185	185
Amounts recycled to profit and loss (gross of deferred tax)		-	-	-	-	-	168	168
Deferred tax impact of amounts recycled to profit and loss		-	-	-	-	-	(42)	(42)
Other comprehensive income		-	-	-	-	-	(429)	(429)
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**5,196**	**(429)**	**4,767**
Amounts transferred to profit and loss		-	-	-	(425)	425	-	-
Dividends	10	-	-	-	-	(5,000)	-	(5,000)
Balance at 31 March 2025		**2,123**	**495**	**4,450**	**29,314**	**13,227**	**(3,039)**	**46,570**

Statement of changes in equity – for the 12 months ended 31 March 2026 (continued)

	Note	Called up Share Capital	Share Premium Account	Capital Redemption Reserve	Revaluation Reserve	Profit and Loss Account	Hedging Reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2025		2,123	495	4,450	29,314	13,227	(3,039)	46,570
Profit for financial period		-	-	-	-	16,984	-	16,984
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)		-	-	-	-	-	(483)	(483)
Deferred tax impact of change in value of hedging instruments		-	-	-	-	-	121	121
Amounts recycled to profit and loss (gross of deferred tax)		-	-	-	-	-	167	167
Deferred tax impact of amounts recycled to profit and loss		-	-	-	-	-	(42)	(42)
Other comprehensive loss		-	-	-	-	-	(237)	(237)
Total comprehensive income		**-**	**-**	**-**	**-**	**16,984**	**(237)**	**16,747**
Amounts transferred to profit and loss		**-**	**-**	**-**	(524)	524	**-**	**-**
Dividends	10	-	-	-	-	(6,019)	-	(6,019)
Balance at 31 March 2026		**2,123**	**495**	**4,450**	**28,790**	**24,716**	**(3,276)**	**57,298**

Notes:

Called up share capital: the equity reserve represents the equity component of the company. **Share premium account:** the share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. **Capital redemption reserve:** on 1 July 2000, the company redeemed 1,200,000 redeemable preference shares of £1 each at par. On 15 July 2002, the company repurchased 3,250,000 (nominal value £1 each) of its shares from South Staffordshire Water Holdings Limited. **Revaluation reserve:** the deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 gave rise to a revaluation reserve of £36 million, net of deferred tax, which is being transferred to the profit and loss reserve as it becomes realised, over the estimated economic life of the related assets of 80 years. **Profit and loss account**: the profit and loss reserve represents cumulative profits, net of dividends paid and other adjustments. **Hedging reserve:** the company has entered into derivative financial instruments to hedge exposure to floating interest rates. Further information on the hedging policy is set out on page 178.

Cash flow statement

For the 12 months ended 31 March 2026

	Note	31 Mar 26 £'000	£'000	31 Mar 25 £'000	£'000
Cash inflow from operating activities			**84,970**		**58,747**
Corporation tax paid			-		-
Net cash inflow from operating activities	**(a)**		**84,970**		**58,747**
Cash flows from investing activities					
Purchase of intangible fixed assets		(126)		(11,099)	
Purchase of tangible fixed assets		(66,274)		(43,888)	
Proceeds from sale of tangible fixed assets		411		648	
Interest received		1,815		3,085	
Contributions and grants received		9,367		7,560	
Net cash outflow from investing activities			**(54,807)**		**(43,694)**
Cash flows from financing activities					
Interest paid		(16,156)		(15,302)	
Equity dividends paid		(6,019)		(5,000)	
Loan arrangement fees		-		(400)	
Net cash (outflow) from financing activities			(22,175)		(20,702)
Increase/(decrease) in cash	**(b)**		**7,988**		**(5,649)**
Cash and cash equivalents at the beginning of the period			**15,506**		**21,155**
Cash and cash equivalents at the end of the period			**23,494**		**15,506**

Purchase of intangible and tangible fixed assets relates to the cash paid out in the year in relation to fixed asset additions. The difference in what was paid, £66,400,000, and additions reported in the fixed asset notes 12 of £79,889,000 is due to the in year movement of creditors relating to capital purchases of £13,489,000.

Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities				
	31 Mar 26		**31 Mar 25**	
	£'000	**£'000**	**£'000**	**£'000**
Total operating profit (after exceptional items)		**49,434**		**29,680**
Depreciation	34,991		30,174	
Amortisation	1,292		1,245	
Amortisation of capital contributions	(4,683)		(3,474)	
Loss/(profit) on disposal of tangible fixed assets	867		(386)	
		32,467		27,559
(Increase) in stocks	(230)		(262)	
(Increase)/decrease in debtors	(25,145)		5,002	
Increase/(decrease) in creditors	28,444		(3,232)	
Cash inflow from operating activities		3,069		1,508
Corporation tax paid		-		-
Net cash inflow from operating activities		**84,970**		**58,747**

(b) Reconciliation of movement in net debt		
	31 Mar 26	**31 Mar 25**
	£'000	**£'000**
Increase/(decrease) in cash	7,988	(5,649)
Loan arrangement fees	-	400
Loan fees amortisation (non-cash)	(127)	(157)
Private placement issue cost amortisation (non-cash)	(7)	(7)
Movement on index-linked debt (non-cash)	(12,893)	(9,402)
Movement in derivatives (non-cash)	(483)	(741)
(Increase) in net debt in period	(5,522)	(15,556)
Net debt brought forward	(395,722)	(380,166)
Net debt carried forward	**(401,244)**	**(395,722)**

Notes to the cash flow statement (continued)

	Balance at 31 March 2025	Cash Flow	Non-Cash Movements	Balance at 31 March 2026
	£'000	£'000	£'000	£'000
Cash and cash equivalents	15,506	7,988	-	23,494
	15,506	7,988	-	23,494
Irredeemable debenture stock	(1,652)	66	(66)	(1,652)
Bank loans (net of issue costs)	(29,659)	3,194	(3,320)	(29,785)
Private placement loans (net of issue costs)	(79,926)	2,954	(2,961)	(79,933)
Index-linked debt (net of issue costs and including premium)	(300,475)	9,942	(22,835)	(313,368)
Derivatives	484	(482)	(2)	-
Net debt	**(395,722)**	**23,662**	**(29,184)**	**(401,244)**

Interest paid on the above borrowings have been shown in interest paid within the cash flow.

It is noted that the covenant net debt value as opposed to the book net debt value is used by stakeholders, including investors, lenders and rating agencies, to monitor key financial metrics such as the net debt/RCV. The table above shows book net debt and as shown below is the movement from book net debt to covenants.

	31 Mar 26	31 Mar 25
	£'000	£'000
Book net debt (as reported above)	(401,244)	(395,722)
Derivatives	0	(483)
Exclude book premium on issue of index linked debt	10,896	11,295
Exclude unamortised issue costs	(1,652)	(1,834)
Exclude accrued interest	1,020	1,390
Net debt reported for borrowing covenants	**(390,981)**	**(385,354)**
Regulatory Capital Value	640,963	580,625
Covenant Net Debt/Regulatory Capital Value	61.0%	66.4%

Notes to the financial statements

1. Statement of accounting policies

South Staffordshire Water PLC is a company limited by shares and is principally engaged in regulated water supply activities, together with complementary specialist services. The principal accounting policies adopted in the preparation of these financial statements are set out below and have been applied consistently in the current and prior year.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), and in compliance with the Companies Act 2006.

The FRC issued amendments to FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland following the 2024 Periodic Review. The most significant amendments relate to revenue recognition (Section 23) and leases (Section 20) and are effective for accounting periods beginning on or after 1 January 2026.

Management has undertaken a high-level assessment of the potential impact of these amendments on the Company's financial statements. The detailed analysis remains ongoing but based on work to date and having regard to the nature of the company's regulated revenue streams and limited lease arrangements, management has not identified material impacts on the company's financial position, performance or cash flows arising from the amendments. Management will continue to assess the impact of the amended standard ahead of the first reporting period on 31 March 2027.

The company qualifies as a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available in respect of related party transactions, financial instruments and the remuneration of key management personnel.

The financial statements have been prepared on a going concern basis, as described below, under the historical cost convention, as modified by the revaluation of land and buildings. The company's registered office is Green Lane, Walsall, West Midlands, WS2 7PD.

Although South Staffordshire Water is not publicly listed, its Board recognises that because of public interest in how the company performs and the regulated environment in which it operates, it should act as if it were. The nature of the company's operations and its principal activities are set out in the strategic report.

Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis. This view is based on a review of the company's budget for the year ending 31 March 2027 and financial forecasts to 31 July 2027. The going concern period is therefore to 31 July 2027.

In addition, the Directors are required to certify to Ofwat under Condition P of the company's licence that sufficient financial resources are available for at least the next 12 months from the date of submission of the ring-fencing certificate, a statement within the (APR).

The company's business activities, its business model and strategy, together with the factors likely to affect its future development are set out in the strategic report. The company's financial position, its liquidity position and available borrowing facilities are set out in the balance sheet on page 165 and in note 19 to the financial statements, which includes:

- its objectives for managing its financial risks;
- details of its financial instruments and hedging activities; and
- its exposure to interest, credit and liquidity risk.

The company has a large number of household customers, none of whom make up a significant proportion of turnover.

Amounts due from non-household retailers are secured by appropriate collateral agreements. The going concern assertion is also based on the following.

- The final determination for the five years to 2030, which provides a high degree of confidence over the company's revenue over the whole going concern period.
- The company's ability to index the 2026/27 customer bills to annual CPIH inflation.
- The company's budget and plan, which set out a detailed forecast of costs, including a fixed price agreement for power prices covering a six-month period to 30 September 2026.
- The degree of confidence about the approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.
- The company monitors and carefully manages its liquidity. Cash flow forecasts are regularly updated and sensitivities run for different scenarios, including but not limited to more recent changes in energy prices and potential impact on inflation.
- The company is confident it has sufficient access to capital markets. In March 2026, an increase of a further £25 million to the pre-existing revolving credit facility of £75 million was agreed; providing a total revolving credit facility of £100 million; this additional funding remains undrawn as of the date of the approval of the financial statements.

The company has performed a base case cash forecast, taking into account the factors discussed above, and a range of stressed case scenarios which includes downsides for:

- possibility that customers struggle to pay their bills, resulting in a deterioration in cash collections;
- potential costs associated with the criminal cyber-attack that was identified in July 2022;
- energy and chemical price shock following the recent global conflicts; and,
- the consequential impact leading to additional inflationary pressures on all other costs and interest rates.

A key assumption in the forecast and severe but plausible downside scenario is the quantum and timing of legal and regulatory costs arising from the criminal cyber-attack and the mitigations thereof which the company can influence.

In notes to the financial statements, the Directors set out that the quantum and value of civil claims the company may receive, and the costs of liabilities that may be incurred addressing those claims. This involves significant judgement and uncertainty, and is therefore subject to change as the matters progress and the factual position becomes clearer.

In what the Directors consider to be a severe but plausible set of downside scenarios, the company has sufficient financial headroom for the going concern period, after allowing for mitigating actions such as deferring dividends, and complies with all covenants.

Therefore, the Directors consider the company has sufficient financial resources to meet its obligations over the going concern period and conclude that preparing the accounts on a going concern basis remains appropriate.

Accounting policies

The preparation of financial statements in conformity with FRS 102 required the use of certain accounting estimates. It also required management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 180.

a) Turnover

Turnover includes water revenue and commissions.

Turnover represents the fair value of consideration receivable, excluding value added tax, and trade discounts, in the ordinary course of business for goods and services provided. The company recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. Where the company considers that revenue should not be recognised, as collectability is not probable, revenue recognition is delayed until such a time as collectability is deemed probable. In estimating the amount of revenue to recognise, the company has assessed that collectability is not probable where the customer has not paid their bills over multiple years. During the year, the company's estimate of the amounts billed to customers where collectability is not probable has reduced revenue by £5.3 million (2025: £3.7 million).

Water revenue is recognised when the service is provided and includes an estimate of the amount of mains water unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information.

Non-appointed turnover from non-appointed activities is as defined by the company's licence. They include the following.

- Aqua Direct spring water business.
- Commission income earned on amounts billed on behalf of other water companies for the sewerage services they provide to the company's customers. Commission is recognised when the bill is sent to the customer.

The company recognises non-appointed revenue generally at the time of delivery or for the period the income relates to.

b) Other operating income

Other operating income includes:

- rental income in the profit and loss account over the term of the lease;
- profit or loss from the disposal of assets; and
- capital contributions and infrastructure contributions amortised to the profit and loss account.

Grants and contributions which are given in compensation for expenses incurred with no future related costs are recognised in other operating income in the period that they become receivable.

c) Finance income and costs

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

d) Intangible fixed assets and amortisation

Intangible assets acquired are capitalised at cost. Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives as follows.

Asset type	Category	Life
Software	Intangible Assets	3-10 years

Amortisation charged on intangible assets is taken to the income statement through operating costs.

Development expenditure is capitalised as an intangible asset and written off over its expected useful economic life where the following criteria are met.

- It is technically feasible to create and make the asset available for use or sale;
- There are adequate resources available to complete the development and to use or sell the asset;
- There is the intention and ability to use or sell the asset;
- It is probable that the asset created will generate future economic benefits; and
- The development costs can be measured reliably.

e) Tangible fixed assets and depreciation

Tangible fixed assets are held at cost less accumulated depreciation. Expenditure which results in enhancements to the operating capability of the infrastructure networks is capitalised.

Tangible fixed assets comprise:

- infrastructure assets (water mains, impounding and pumped raw water storage reservoirs and dams);
- operational structures (pumping stations, treatment stations, boreholes and service reservoirs);
- other assets; and
- assets under the course of construction or commissioning.

Infrastructure assets

Infrastructure assets comprise a network of systems, including two regional network assets that, as a whole, are intended to be maintained in perpetuity at a specified level of serviceability by the continuing replacement and refurbishment of their components. Expenditure on infrastructure assets, such as mains renewals relating to increases in capacity or enhancements of the networks is treated as additions, which are capitalised at cost.

The deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 gave rise to a revaluation reserve of £36 million, net of deferred tax, which is being transferred to the profit and loss reserve over the estimated remaining economic life of 80 years. When portions of the related assets are disposed of or derecognised amounts will be transferred to the profit and loss reserve.

Operational structures and other fixed assets

Operational structures and other fixed assets are stated at cost less accumulated depreciation and provisions for impairment. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value, over the estimated useful lives of the assets, with the exception of land, which is not depreciated. Assets in the course of construction are not depreciated until commissioned. The estimated useful lives of the assets are as follows.

Asset type	Category	Life
Boreholes	Specialised Operational Assets	100 years
Pumping stations, booster stations and treatment plant	Specialised Operational Assets	50–80 years
Mains, mains diversions	Infrastructure Assets	80-100 years
Impounding reservoirs and land	Infrastructure Assets	50–80 years
Boundary boxes	Other Tangible Assets	40 years
Fixed plant	Non-specialised Operational Assets	20–30 years
Meters	Other Tangible Assets	15 years
Mobile plant	Other Tangible Assets	5–7 years
Office equipment	Other Tangible Assets	5–7 years
Motor vehicles	Other Tangible Assets	3–7 years
Electric vehicles	Other Tangible Assets	3–7 years

Impairment of non-current assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where there are indicators of impairment, the company performs impairment tests which involve comparing the carrying amount of the assets to their recoverable amount. Recoverable amount is the higher of fair value less costs to sell (FVLCS) and value in use (VIU). If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. FVLCS is defined as the amount obtainable from the sale of an asset (or CGU) in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

f) Capital grants and contributions

Capital contributions received in respect of non-current assets, including certain charges made as a result of new connections to the water and sewerage networks, are treated as deferred income and released to other operating income over the useful economic life of those non-current assets. The release of this deferred income is recognised as other operating income under the heading 'Grants and contributions'.

Grants and contributions which are given in compensation for expenses incurred with no future related costs are recognised in operating costs in the period that they become receivable. This income is recognised as other operating income under the heading 'Infrastructure renewals contributions'.

g) Leased assets

Assets financed by leasing agreements, which transfer substantially all of the risks and rewards of ownership to the company are included within fixed assets, and the net obligation to pay future rentals is included in creditors. Rentals are apportioned between finance charges and a reduction of the outstanding liability for future rentals to produce a constant charge to the profit and loss account based upon the capital outstanding.

Assets rented by operating leasing agreements are expensed to the profit and loss account.

h) Infrastructure renewals expenditure (IRE)

Infrastructure renewals expenditure (IRE), being the annual expenditure required to maintain the operating capability of the network, is not capitalised within tangible fixed assets, but is expensed within operating costs for the year.

The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise.

i) SaaS agreements

The company identifies SaaS and other cloud computing arrangements and assesses whether the arrangements transfer control of the underlying software to the company. Where it does not, the contract is accounted for as a service contract over the contract term.

Where the company does not control the underlying SaaS software, the accounting policy for implementation costs is as follows.

- If the costs incurred give rise to a separately identifiable asset from which the Group has the power to obtain economic benefits, the costs are capitalised as a separate software intangible and amortised straight-line over their useful life.
- If the costs relate to enhancement expenditure impacting other existing software which is controlled by the company (for example, costs incurred to integrate or make improvements to existing software as part of the implementation process, resulting in additional functionality), the costs are capitalised as subsequent expenditure on the existing company controlled system.
- Where the costs do not result in a separate identifiable intangible asset or the enhancement of existing controlled systems, the costs are expensed as the related implementation services are received. Such costs are included in the 'Other operating costs' line in the profit and loss account.

j) Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event, and it is probable that there will be an outflow of economic benefits to settle this obligation, and a reliable estimate of this amount can be made. Where the effect of the time value of money is material, the current amount of a provision is the present value of the future expenditures expected to be required to settle obligations.

k) Contingent liabilities

The company is subject to litigation from time to time as a result of its activities. The company establishes provisions in connection with litigation where it has a present legal or constructive obligation as a result of past events, and where it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where the company has a possible obligation arising from a past event, or a present obligation which does not meet the recognition criteria for a provision, this represents a contingent liability. Contingent liabilities are not recognised in the financial statements but are disclosed.

l) Stocks

Stocks and work in progress are valued at the lower of cost or net realisable value. Cost is determined on the 'first-in, first-out' (FIFO) method. Cost includes materials and an appropriate element of overheads. Provision is made for obsolete, slow-moving or defective items where appropriate.

m) Pensions

For the defined contribution schemes, the amount charged to the profit and loss account is the contributions payable in the year. Both sections of the defined benefit scheme (South Staffordshire and Cambridge) are closed to new entrants and have ceased future accruals.

In accordance with the agreed policy in the company and the Group, as the scheme is a multi-employer scheme with deferred members of the scheme also being employees of other Group companies, the company is not able to identify its share of the scheme's assets and liabilities on a reasonable and consistent basis.

Therefore, in accordance with the stated policy the amount charged to the company's profit and loss account is equivalent to the deficit contributions payable in the year by the company with the profit and loss items, actuarial gains and losses and assets and liabilities relating to the scheme being accounted for in the accounts of South Staffordshire Limited (formerly known as South Staffordshire Plc), an intermediate holding company.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investment. Cash deposits and other short-term investments with an original maturity in excess of three months are classified as 'other short-term investments'.

o) Taxation

Current tax is based on taxable profits or losses for the year based on legislation enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that arises when income or expenses from subsidiaries, associates and joint ventures have been recognised in the financial statements and will be assessed to tax in a future period, except where the entity is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future;
- where there are differences between the amounts that can be deducted for tax for assets (other than goodwill) and/or between amounts that will be assessed for tax in respect of liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, deferred tax liabilities/(assets) are recognised. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

p) Financial instruments

The company has chosen to account for its financial instruments in accordance with Sections 11 and 12 of FRS 102.

Financial assets

Financial assets comprise cash and cash equivalents, trade debtors, accrued income, loans receivable and derivative financial instruments.

Cash and cash equivalents, trade debtors and loans receivable are initially measured at the transaction price, adjusted for transaction costs and subsequently measured at amortised cost. Cash and cash equivalents comprise cash at bank and in hand and short-term deposits.

Derivative financial assets comprise interest rate swaps designated as hedging instruments in effective hedge relationships. See (q) below for further information.

Financial liabilities

Financial liabilities comprise trade and other creditors, borrowings and derivative financial instruments.

The company's trade and other creditors and borrowings are initially measured at transaction price adjusted for transaction costs and subsequently measured at amortised cost. For the company’s index-linked borrowings, the initial effective interest rate (EIR) is calculated based on expected cash flows at initial recognition. Thereafter, the company increases the borrowings to reflect the finance expense and reduces it for payments made. The company accrues the finance expense based on the prevailing interest and inflation rates with the finance cost comprising both the expense relating to coupon payments and the RPI accretion of the notional amount. In doing so, it takes into account actual cumulative inflation up until the reporting date. Any premium/discount and costs of issue are amortised over the life of the instrument, with the amortisation being included in the effective interest rate of the instrument that is included in finance charges in the profit and loss account.

Derivative financial liabilities comprise interest rate swaps designated as hedging instruments in effective hedge relationships. See (q) below for further information.

The company’s policy is to pay suppliers in line with the terms of payment agreed with each of them when contracting for their products or services. The company also follows the Prompt Payment Code.

q) Hedge accounting

From time to time the company has entered into derivative financial instruments to hedge exposure to floating interest rates. As and when derivative financial instruments are recorded on the balance sheet at fair value on inception and at each balance sheet date. Movements in fair value of derivative financial instruments are recorded in the profit and loss account except where the company has adopted hedge accounting.

At the inception of the hedge relationships, the company documents the relationships between the hedging instruments and the hedged items, along with the company’s risk management strategy and objectives in relation to each hedge. At the inception of the hedges, and on an ongoing basis, the company documents whether the hedging instruments are highly effective in offsetting changes in cash flows of hedged items.

During the year the company held a single derivative which had been designated as a hedging instrument in an effective cash flow hedge, this derivative matured at the end of December 2025 and no further derivatives have been entered into at this time.

The effective proportion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognised in SOCI and accumulated in the cash flow hedge reserve in equity, net of deferred tax. The gain or loss relating to the ineffective proportion is recognised immediately in the profit and loss account. Hedge accounting is discontinued when:

- the company de-designates the hedging relationships;
- the hedging instruments expire, are terminated or are sold; or
- they no longer qualify for hedge accounting.

Amounts recognised in the hedging reserve are recycled to the profit and loss account in the periods when the hedged items are recognised in the profit and loss account. When forecast transactions are no longer expected to occur, the cumulative gains or losses are recognised immediately in the profit and loss account.

r) Dividends

Dividends are recognised if they have been paid or if they have been approved by the company's Board and investors before the period end.

s) Exceptional items

In the opinion of the Directors, the company separately presents certain items on the face of the profit and loss account as exceptional. Exceptional items are material items of income or expense that, because of their size or incidence, are presented separately to allow an understanding of the company's financial performance and comparison to the prior year. They are not expected to be incurred on a recurring basis.

Principal accounting judgements, estimates and assumptions

In the application of the accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions in respect of the carrying amounts of assets and liabilities recognised in the financial statements.

These are based on historical experience, future forecasts and other factors that are considered to be relevant. It is recognised that historical experience and forecasts change over time and these judgements, estimates and assumptions are therefore reviewed and amended where necessary on a regular basis. However, it is also recognised that the actual outcomes may still differ to the judgements, estimates and assumptions made.

Provided below are details of the principal accounting judgements, estimates and assumptions the Directors have made when applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The more significant judgements were as follows.

Tangible fixed assets – determining costs which are capital in nature

- **Operating expenditure (opex) v capital expenditure (capex).** Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgements to be made. The judgements are made based on objective criteria that the company has developed to facilitate the consistent application of its accounting policies. Routine expenditure to maintain the service potential of the infrastructure assets is recognised in the income statement as it arises.
- **Recognition of provisions.** At 31 March 2025 the Company had recognised specific provisions relating to potential regulatory penalties and other payments associated with the 2022 data breach. In the current year, an additional charge of £1,200,000 has been recognised (connected to the previously disclosed contingent liability) and that amount has since been settled in cash (see notes 21 and 22.) In relation to the civil claims, there is significant judgment and uncertainty involved in relation to the quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.
- **Fens reservoir.** Fens reservoir is a proposed new reservoir being delivered in partnership with Anglian Water to serve the Cambridge Water and Anglian Water operating areas. The costs incurred to date primarily comprise of environmental works and design plans. Whilst the final structure arrangement is yet to be determined, the costs incurred will entitle the company to economic benefits through access to the completed reservoir. Having considered the recognition criteria, management has therefore concluded the costs meet the criteria for recognition as an intangible asset and as such, the cost has been capitalised as assets under construction within intangible assets.
- **Mains renewal.** During the year, expenditure incurred under the mains renewal programme was assessed in accordance with FRS 102 to determine whether it represented infrastructure renewals expenditure or capital additions. Where replacement mains involved the installation of enhanced materials that deliver improvements in asset performance, reliability and useful economic life, the expenditure was treated as an enhancement and capitalised as part of infrastructure assets, as it gives rise to incremental future economic benefits. In applying this approach, the carrying value of replaced assets was derecognised using an average net book value per metre, reflecting the aggregated nature of the historic infrastructure asset and the limited granularity of underlying records.

Key accounting estimates

- **Bad and doubtful debt provision.** The recoverability of trade debtors, and therefore the amount of bad and doubtful debt provision held against trade debtors in the balance sheet at each year end, requires judgement. This judgement requires consideration of the historical and forecast debt collection rates in respect of different categories of customers and trade debt, usually calculated as a percentage of the total amount billed in each year. This information is used to estimate the level of debt outstanding at the end of the year, which is expected to be irrecoverable after following the processes of collection that the company adopts. This estimate represents the appointed regulated year end bad and doubtful debt provision, which was £46,789,000 as at 31 March 2026 (2025: £40,063,000). For each 1% decrease in the whole life cycle collection rates the bad and doubtful debt provision will increase by approximately £1,507,000.
- **Accrued income.** Metered customers are billed for a fixed charge and a variable volume charge. An estimate of water consumption by metered customers since the date of the last water bill and an estimate of the corresponding income that remains unbilled at the end of the year (accrued income) is required to be made each year. This estimate uses a historical water consumption rate for each customer from the company's billing system and applies this consumption rate to the unbilled period and the related tariff to estimate unbilled income for that period. The accrued income for metered customers as at 31 March 2026 was £20,790,000 (2025: £16,357,000). A 1% movement in consumption equates to a £164,000 movement.
- **Amortised cost of index-linked borrowings.** In order to record the company's index-linked borrowings at amortised cost the actual or estimated forward looking inflation rate (RPI) per annum is assessed. The net book value of index-linked borrowings as at 31 March 2026 was £313,368,000 (2025: £300,475,000). Further detail can be found on page 178.

- **Tangible fixed assets – assessment of useful economic lives.** There is a requirement to estimate the useful economic lives of the company's tangible fixed assets in order to depreciate the cost or deemed cost of these assets and make an appropriate charge to the profit and loss account over that period for each asset. This estimate is based on a combination of engineering data, experience of similar assets and on the company's forecast replacement or rehabilitation cycle and its investment plan. Industry practice is also considered as part of the overall estimate of asset lives. The total net book value of tangible fixed assets as at 31 March 2026 was £734,687,000 (2025: £691,689,000). The average useful economic life for tangible fixed assets is 45 years and if this was to move by 5 years, the impact would be a change in the depreciation of approximately £1,633,000.

Key accounting assessments

- **The FRC issued amendments to FRS 102.**- The Financial Reporting Standard applicable in the UK and Republic of Ireland following the 2024 Periodic Review. The most significant amendments relate to revenue recognition (Section 23) and leases (Section 20) and are effective for accounting periods beginning on or after 1 January 2026. Management has undertaken a high-level assessment of the potential impact of these amendments on the Company's financial statements. The detailed analysis remains ongoing but based on work to date and having regard to the nature of the Company's regulated revenue streams and limited lease arrangements, management has not identified material impacts on the Company's financial position, performance or cash flows arising from the amendments. Management will continue to assess the impact of the amended standard ahead of the first reporting period on 31 March 2027.
- **Climate change.** The company continues to develop its assessment of the impact that climate change may have on the amounts recognised in the financial statements. The natural environment in which the company operates is continually changing, and the expected impact on the company from climate change is set out within the strategic report on page 125. We have considered the impact of the climate change related risks to which the company is exposed in the preparation of these financial statements. The risks are long term in nature, and while they will provide a need for investment in the future, the company concludes 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.

2. Analysis of turnover

The Directors consider that the company operates substantially in the UK in one class of business. Based on the information regularly reviewed by the Directors the company has a single operating segment.

An analysis of turnover from UK operations is provided below.

	31 Mar 26	31 Mar 25
	£'000	£'000
Appointed turnover		
Household - measured	75,058	55,301
Household - unmeasured	70,393	58,702
Non-household - measured	35,803	27,301
Non-household - unmeasured	1,460	1,147
Third party services	3,224	2,814
	185,938	145,265
Non-appointed turnover		
Aqua Direct spring water business	4,858	3,932
Other Non Appointed	350	849
Commissions	4,226	3,354
	9,434	8,135
	195,372	**153,400**

Appointed turnover is that earned under South Staffordshire Water's licence to supply water. Non-appointed turnover relates to activities that do not require a water supply licence.

Commissions are earned on the collection of amounts billed for other water companies for sewerage services they provide to customers and also earned under its agreement to sell insurance policies on behalf of HomeServe.

3. Operating costs

	31 Mar 26	31 Mar 25
	£'000	£'000
Operating costs were as follows:		
Raw materials and consumables	10,915	9,931
Staff costs (see note 4)	24,674	23,078
Own work capitalised	(10,449)	(8,934)
Amortisation : intangible assets	1,292	1,245
Depreciation : non-infrastructure assets	30,304	25,680
Depreciation : infrastructure assets	4,687	4,494
Infrastructure renewals expenditure	7,614	10,660
Power	21,352	16,508
Hired and contracted services	33,705	28,669
Rates	4,449	4,292
Abstraction charges	4,866	4,381
Commissions	3,458	2,587
Provision for doubtful debts	1,425	805
Other operating costs	14,501	10,463
	152,793	**133,859**

Commissions are paid for the collection of amounts billed for other water companies for sewerage services they provide to customers and earned under its agreement to sell insurance policies.

Auditor remuneration is analysed as follows.

	31 Mar 26	31 Mar 25
	£'000	£'000
Audit of the Company's annual accounts	834	772
Audit related assurance services	60	60
	894	**832**

The year ended 31 March 2026 includes £129,000 of additional costs from prior year. (2025: £100,000).

The audit related assurance related services are in connection with the Company's regulatory reporting requirements for Ofwat, including the audit of the Company's regulatory accounts.

4. Staff costs

	31 Mar 26 £'000	31 Mar 25 £'000
Wages and salaries	20,682	19,239
Social security costs	2,554	2,022
Pension costs (see note 24)	1,438	1,817
	24,674	**23,078**

	31 Mar 26 Number	31 Mar 25 Number
Monthly average number of direct employees	368	369
Monthly average number of administration and support functions employees	57	62
Monthly average number of employees	**425**	**431**

The monthly average number of employees by activity includes Directors on a service contract. Please note, the employee numbers disclosure for the prior period has been revised as it was previously presented on a full time equivalents basis. All employee numbers disclosed above are now based on the average number of persons employed under contracts of service.

5. Directors' remuneration

	31 Mar 26 £'000	31 Mar 25 £'000
Emoluments	779	854
Pensions	29	30
	808	**884**

The highest paid directly employed Director received emoluments of £521,000 (2025: £601,000) and received a contribution of £29,000 (2025: £30,000) paid by the company in respect of defined contribution pension schemes during the year. The awards under the deferred bonus scheme are accrued at £nil (2025: £nil).

During the year and the prior year, specific Directors received no emoluments as Directors of the company or received no remuneration for their services. These Directors were remunerated by the intermediate parent company, South Staffordshire Limited (formerly known as South Staffordshire Plc). Qualifying services in relation to the Company totalled £57,000 (2025: £50,000) but were not recharged and therefore are not included in the table above.

No Directors (2025: nil) who held office at the end of the year were accruing benefits due in the year under a defined benefit pension scheme and two Directors (2025: two) were contributing members under a money purchase scheme.

The remuneration report on page 138 gives further detail around the remuneration of the Directors and Executive team.

6. Other operating income

	Note	31 Mar 26 £'000	31 Mar 25 £'000
(Loss)/profit on disposal of fixed assets		(867)	386
Rental income		130	131
Grants and contributions	14	4,683	3,474
Infrastructure renewals contributions		4,139	6,673
		8,085	**10,664**

Grants and contribution amounts received from developers for diversion activity is recognised when the service to divert the infrastructure has been completed and is amortised over its useful economic life.

Infrastructure renewals contributions are for mains diversionary works and are received from developers for diversion activity. They are recognised when the works have been completed.

Overall, the company made a loss on disposal of £867,000. This comprises from:

- the sale of one property that was no longer required for operational use, receiving proceeds of £260,000, with a net book value of £122,000, excluding fees. Fees incurred in disposals totalled £4,000;
- disposals of vehicles totalling £128,000; and
- loss on disposal of mains infrastructure assets for the carrying value of replaced assets that was derecognised using an average net book value per metre, reflecting the historic infrastructure asset of £1,129,000.

7. Exceptional items

	31 Mar 26 £'000	31 Mar 25 £'000
Legal fees	30	525
Provisions	1,200	-
Exceptionals	**1,230**	**525**

In July 2022, South Staffordshire Limited (formerly known as South Staffordshire Plc), the parent company of South Staffordshire Water PLC (including the South Staffs Water and Cambridge Water operating areas), experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of South Staffordshire Water's employees and customers.

The company classified the legal costs incurred during the year associated with this incident as exceptional in accordance with the company's accounting policy.

In the annual report and accounts for the year ended 31 March 2025, a contingent liability relating to a potential penalty was referenced. This liability has now crystallised and in October 2025 £1,200,000 has been settled and classified as exceptional.

8. Finance income and costs

	31 Mar 26	31 Mar 25
	£'000	£'000
Interest payable and similar charges:		
Index-linked debt (cash)	9,951	9,546
Index-linked debt (non-cash)	12,883	9,393
Bank loan and other interest	2,306	3,354
Private placement interest	2,954	2,954
Debenture interest	68	65
Other finance charges:		
Amounts recycled from hedging reserve	167	168
	28,329	25,480
Interest receivable and similar income:		
Bank loan and other interest	(2,079)	(2,674)
	(2,079)	(2,674)

9. Tax on profits

	31 Mar 26	31 Mar 25
	£'000	£'000
Current tax:		
UK corporation tax at 25% (2025: 25%)	-	-
Adjustments in respect of prior periods	-	922
Total current tax charge/(credit)	-	922
Deferred tax:		
Origination and reversal of timing differences	6,549	1,781
Adjustments in respect of prior periods	(349)	(1,025)
Total deferred tax charge	6,200	756
Total tax charge	**6,200**	**1,678**

Tax included in statement of comprehensive income

Deferred tax:		
Movement in hedging reserve	(79)	(143)
Total tax (credit)	(79)	(143)

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are reconciled below.

	31 Mar 26 £'000	31 Mar 25 £'000
Profit on ordinary activities before tax	23,184	6,874
Profit on ordinary activities multiplied by standard UK corporation tax rate of 25% (2025: 25%)	5,796	1,718
Expenses not deductible for tax purposes (net)	302	63
Fixed asset differences	728	-
Transfer pricing adjustments	(277)	-
Adjustments in respect of prior years	(349)	(103)
Total tax charge	**6,200**	**1,678**

10. Dividends paid

	31 Mar 26 £'000	31 Mar 25 £'000
Equity Interests		
Ordinary Dividends paid of 283.49p (2025: 235.49p) per share	6,019	5,000

In 2026, the dividend comprised:

- £5,227,000 from the appointed business (2025: £4,125,000); and
- £792,000 from the non-appointed business (2025: £875,000).

Further details of the dividend paid in the year are provided on page 25 of the strategic report.

11. Intangible fixed assets

	Software	Other Intangible Assets under the course of Construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2025	15,555	22,523	38,078
Additions	-	126	126
Transfer between classes	-	(58)	(58)
Disposals	(156)	-	(156)
At 31 March 2026	**15,399**	**22,591**	**37,990**
Amortisation			
At 1 April 2025	9,412	-	9,412
Charge for the year	1,292	-	1,292
Disposals	(32)	-	(32)
At 31 March 2026	**10,672**	**-**	**10,672**
Net Book Value			
At 31 March 2026			
Owned	4,727	22,591	27,318
At 31 March 2026	**4,727**	**22,591**	**27,318**
Net Book Value			
At 31 March 2025			
Owned	6,143	22,523	28,666
At 31 March 2025	**6,143**	**22,523**	**28,666**

Other intangible assets under the course of construction relates to the Fens reservoir. The Fens reservoir is a proposed new reservoir being delivered in partnership with Anglian Water to serve the Cambridge Water and Anglian Water operating areas. The costs incurred to date primarily comprise of environmental works and design plans. Whilst the final structure arrangement is yet to be determined, the costs incurred will entitle the company to economic benefits through access to the completed reservoir. Having considered the recognition criteria, management has therefore concluded the costs meet the criteria for recognition as an intangible asset and as such, the cost has been capitalised as assets under construction within intangible assets.

12. Tangible fixed assets

	Specialised Operational Assets	Non Specialised Operational Assets	Infrastructure Assets	Other Tangible Assets	Assets under the course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2025	387,237	24,958	551,210	281,948	17,943	1,263,296
Additions	-	-	-	-	79,763	79,763
Capitalisation of completed assets	4,338	48	17,916	31,271	(53,573)	-
Transfer between classes	-	-	(1)	-	58	57
Disposals	-	(334)	(1,781)	(971)	-	(3,086)
At 31 March 2026	**391,575**	**24,672**	**567,344**	**312,248**	**44,191**	**1,340,030**
Depreciation						
At 1 April 2025	161,050	9,948	210,183	190,426	-	571,607
Charge for the year	14,082	401	4,687	15,821	-	34,991
Disposals	6	(217)	(98)	(946)	-	(1,255)
At 31 March 2026	**175,138**	**10,132**	**214,772**	**205,301**	**-**	**605,343**
Net Book Value						
Owned	216,158	14,540	352,572	106,947	44,191	734,408
Leased	279	-	-	-	-	279
At 31 March 2026	**216,437**	**14,540**	**352,572**	**106,947**	**44,191**	**734,687**
Net Book Value						
Owned	225,902	15,010	341,027	91,522	17,943	691,404
Leased	285	-	-	-	-	285
At 31 March 2025	**226,187**	**15,010**	**341,027**	**91,522**	**17,943**	**691,689**

Tangible fixed assets include freehold land of £2,562,000 (2025: £2,562,000), which is not subject to depreciation, which is included in other tangible assets. Finance lease liabilities had been fully paid in previous years and therefore there are no finance lease liabilities or cash flows in the year.

Tangible fixed assets in the course of construction or commissioning included in the above table had a cost of £44,191,000 at 31 March 2026 (2025: £17,943,000).

13. Commitments

Capital commitments outstanding at 31 March 2026 were £22,742,000 (2025: £7,178,000). Payments due not later than one year were £22,740,000 (2025: £4,326,000). The majority of this relates to the major upgrade of our water treatment works.

14. Capital contributions – accruals and deferred income

	Infrastructure Assets	Other Assets	Total
	£'000	**£'000**	**£'000**
At 1 April 2025	154,989	40,109	195,098
Capital contributions received	5,560	3,807	9,367
Disposals	(555)	-	(555)
Amortised in year	(2,030)	(2,653)	(4,683)
Balance at 31 March 2026	**157,964**	**41,263**	**199,227**

Capital contributions are expected to be amortised over the life of the asset.

15. Stocks

	31 Mar 26	31 Mar 25
	£'000	**£'000**
Raw materials and consumables	4,576	4,346

Stock is stated at lower of cost and net realisable value. There is no material difference between the balance sheet value of stocks and their replacement costs.

16. Debtors

	31 Mar 26	31 Mar 25
	£'000	**£'000**
Amounts recoverable within one year:		
Trade debtors	26,575	23,968
Other debtors	3,398	3,617
Amounts due from other group undertakings	5,098	43
Amounts due from parent undertakings	11,728	611
Prepayments	609	594
Accrued income	29,055	22,186
	76,463	**51,019**
Amounts recoverable in more than one year:		
Other amounts due from parent undertakings	1,953	2,251
Derivative financial debtors	-	483
	1,953	**2,734**
	78,416	**53,753**

Amounts due from parent undertakings of £11,728,000 (2025: £611,000) represent trade balances and historic intra-group agreements on demand. Please see note 27. Amounts due from other Group undertakings, Group subsidiaries are balances receivable on demand.

Other amounts due from parent undertakings amount of £1,953,000 (2025: £2,251,000) are trade balances and historic intra-group agreements receivable in more than one year.

Trade debtors are stated net of provisions.

Detail of provision against bad debt are shown in note 26.

Derivative financial debtors represent the market value (obtained from a third party) of floating to fixed rate interest rate swaps designated as cash flow hedges. Detail of derivative financial debtors are shown in note 26 on page 194. The effective portion of the gain or loss on the hedging instrument is recognised in the statement of other comprehensive income and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The floating to fixed rate interest rate swaps designated as cash flow hedge ended as at the 31 December 2025.

17. Investments

	31 Mar 26 £'000	31 Mar 25 £'000
Investments	2	2

The balance represents the cost of investment of £1,596 related to 798 'A' ordinary shares and 8% of unsecured loan stock of WRc PLC, a research-based group providing consultancy in the water, waste and environmental sectors, incorporated in England and Wales.

18. Creditors – amount falling due within one year

	31 Mar 26 £'000	31 Mar 25 £'000
Payments on account	36,719	27,585
Trade creditors	9,453	3,581
Other creditors	21,757	5,306
Accruals	29,262	20,762
Retentions	296	149
Deposits and refunds	1,654	1,564
Amounts owed to other group undertakings	9,155	8,259
Other taxation and social security	946	692
Total creditors amounts falling due within one year	**109,242**	**67,898**

Amounts owed to other Group undertakings, which are fellow Group subsidiaries, of £9,155,000 (2025: £8,259,000) are trade balances payable on demand.

19. Creditors – amount falling due after more than one year

	31 Mar 26	31 Mar 25
	£'000	£'000
Irredeemable debenture stock (unsecured) (note 20)	1,633	1,633
Perpetual debenture stock (unsecured)	19	19
Bank loans (unsecured and net of issue costs):		
payable between one and two years	29,786	-
payable between two and five years	-	29,659
Private placement loans (unsecured and net of issue costs):		
payable between two and five years	19,995	-
Payable more than five years	59,939	79,926
Retail Price Index-linked debt (unsecured)	313,368	300,475
Borrowings	424,740	411,712
Payments on account	2,825	2,825
Other creditors	6,431	7,250
Creditors	9,256	10,075
Total creditors amounts falling due after more than one year	**433,996**	**421,787**

The gross bank loans (unsecured) of £30,000,000 (2025: £30,000,000) included in amounts falling due after more than one year is used for covenant reporting purposes but, in accordance with FRS 102, is stated above net of unamortised issue costs. These comprise of one revolving credit facility.

Private placement loans of £80,000,000 (2025: £80,000,000) included in amounts falling due within two and five years £20,000,000 (2025: £nil) and after more than five years, net of fees £60,000,000 (2025: 80,000,000).

The book value index-linked debt of £313,368,000 (2025: £300,475,000) is stated above at amortised cost in accordance with FRS 102. The indexed principal of £302,823,000 (2025: £289,209,000) is used for borrowing covenant reporting purposes. These are repayable in greater than five years. Details of the terms of our index-linked debt is shown in note 26 on page 194.

Debentures are listed instruments on the London Stock Exchange (LSE). The £35 million Retail Price Index-Linked debt is listed items of debt on the London Stock Exchange (LSE).

20. Irredeemable debenture stock

	31 Mar 26	31 Mar 25
	£'000	£'000
3.5%	476	476
4.0%	627	627
5.0%	500	500
	1,603	1,603
Net premium on irredeemable debenture stock	30	30
	1,633	**1,633**

Debentures are listed instruments on the London Stock Exchange (LSE).

21. Provisions for liabilities – falling due after more than one year

	Deferred Taxation £'000	Other Provisions £'000	Total £'000
At 1 April 2025	60,309	2,300	62,609
Charged to profit and loss account	6,200	1,200	7,400
Credit to other comprehensive income	(79)	-	(79)
Utilisation of provision	-	(1,200)	(1,200)
At 31 March 2026	66,430	2,300	68,730

Analysis of deferred tax	**31 Mar 26 £'000**	**31 Mar 25 £'000**
Accelerated Capital Allowances	88,583	83,754
Deferred tax arising in relation to retirement benefit obligations	-	(59)
Tax losses available	(20,802)	(22,146)
Timing differences in respect of hedging reserves	(1,092)	(1,013)
Timing differences in respect of finance charges	(195)	(202)
Other timing differences	(64)	(25)
Provision for deferred tax	**66,430**	**60,309**

Deferred taxation

Deferred tax assets and liabilities have been offset.

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to taxes levied by the same taxation authority.

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water PLC. The gains will come into charge if the assets are sold and not replaced by suitable qualifying assets. As the properties are essential assets of the water supply business, it is regarded as unlikely that the gains will come into charge. The potential deferred tax amounts to £2,733,000 (2025: £2,733,000).

Other provisions

In July 2022, South Staffordshire Limited (formerly known as South Staffordshire Plc), the parent company of South Staffordshire Water PLC (including the South Staffs Water and Cambridge Water regions), experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of South Staffordshire Water's employees and customers.

Regulatory investigations into the cyber-attack are now concluded. The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, involves significant judgment and uncertainty. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer. As at 31 March 2026, the provision is based on the company's assessment and external legal advice.

In addition, 'other provisions' also includes a separate ongoing regulatory investigation, the assessment of which is therefore subject to change until the factual position becomes clearer.

22. Contingent liability

In the annual report and accounts for the year ended 31 March 2025, a contingent liability relating to a potential penalty was referenced. This liability has now crystallised and in October 2025 £1.2 million has been settled.

As at the 31 March 2026 there are no contingent liabilities.

23. Share capital

	31 Mar 26 £'000	**31 Mar 25 £'000**
Authorised:		
8,800,000 Ordinary shares of £1 each	8,800	8,800
Allotted, called-up and fully-paid:		
2,123,210 Ordinary shares of £1 each	2,123	2,123

There is a single class of ordinary shares.

24. Pension retirement benefits

The Group operates a number of funded pension schemes, of which some employees of the company are members. There is no contractual agreement for charging the net defined benefit cost of these schemes between the companies that participate in the schemes. As a result, the net pension cost of the scheme is recognised in the financial statements of the sponsoring employer, South Staffordshire Limited (formerly known as South Staffordshire Plc). It participates in the Water Companies Pension Scheme, by way of separate sections (the South Staffordshire section and the Cambridge section), which provides benefits based on pensionable pay.

The schemes were closed to all future benefit accrual with effect from 1 April 2015 and as such only funding deficit contributions are now being paid into the schemes by the company. During the year ended 31 March 2026, the funding into the schemes was made directly through the company. The total amount of cash contributions for the year ended 31 March 2026 being £547,000 (2025: £1,210,000) to cover the deficit of the scheme in line with the planned recovery and was paid directly into the scheme.

The assets and liabilities of the South Staffordshire section of the scheme are accounted for in the accounts of the intermediate parent undertaking, South Staffordshire Limited (formerly known as South Staffordshire Plc). The assets and liabilities for the Cambridge section of the scheme are accounted for within Cambridge Water PLC.

In addition, the company participates in a defined contribution Money Purchase Pension Scheme. The assets of all schemes are held separate from those of the company and are invested by fund managers.

The contributions to the defined contribution scheme are charged against profits as incurred with the amount for the year ended 31 March 2026 being £1,022,000 (2025: £877,000), £416,000 has been recognised during the year for the valuation for Water Companies Pension Scheme defined benefit pension schemes (2025: £940,000).

Additional disclosures regarding the defined benefit pension scheme are required by FRS 102. The latest valuation of South Staffordshire section of the scheme as at 31 March 2026, prepared for the purposes of the consolidated financial statements of the parent company South Staffordshire Limited (formerly known as South Staffordshire Plc) under FRS 102 rather than on the actuarial basis used for funding purposes, shows a surplus before deferred tax of £383,000 (2025: surplus of £580,000). The market value of the assets in this section of the scheme and the present value of the liabilities in the scheme that were accounted for in the intermediate parent company at the balance sheet date were as follows.

	31 Mar 26 Valuation £'000	31 Mar 25 Valuation £'000
Buy-in policy	107,213	109,555
Liquidity funds	-	9
Net current assets/(liabilities)	351	766
Cash	139	(78)
Market value of assets	107,703	110,252
Present value of scheme liabilities	(107,320)	(109,672)
Surplus in the scheme before deferred tax	383	580
Related deferred tax liability	(96)	(145)
Surplus after deferred tax	**287**	**435**

25. Cash and cash equivalents

	31 Mar 26 £'000	31 Mar 25 £'000
Cash at bank and in hand	23,494	15,506
Cash and cash equivalents	**23,494**	**15,506**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the company's immediate cash requirements and earn interest at the respective short-term deposit rates.

Cash at bank and in hand includes cash collateral balances totalling £480,000 at year-end (2025: £292,210), which is restricted.

26. Financial assets and financial liabilities

The company's financial assets and liabilities include cash, loans receivable, borrowings, derivative financial assets and liabilities, trade creditors, trade debtors and accrued income. Borrowings as at 31 March 2026 represent bank term loans, private placement loan notes, finance lease obligations, index-linked debt and irredeemable debenture stock.

The main purpose of these financial instruments is to finance the company's operations. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be carried out. The company's policy in respect of cash, loans receivable and borrowings is to maintain flexibility with both long- and short-term debt while not exposing it to significant risk of market movements (see below). The company is not exposed to any material foreign exchange risk.

Bank loans bear interest that is linked to SONIA plus a bank margin, which is applied to the drawn down element of each loan, a portion of which the Company previously hedged with interest rate swaps. These swaps matured in December 2025, and no new hedging arrangements have yet been entered into.

Borrowings represent:

	31 Mar 26 **£'000**	**31 Mar 25** **£'000**
Fixed rate financial liabilities	81,585	111,237
Variable rate financial liabilities	29,786	-
Retail Price Index-Linked debt	313,368	300,475

The £35 million Retail Price Index-Linked debt is listed items of debt on the London Stock Exchange (LSE).

a) Interest risk profile – borrowings

The interest rate profile of the borrowings (stated at book value) of the company as at 31 March 2026 was as follows.

	Fixed rate financial liabilities £'000	**Floating rate financial liabilities £'000**	**Retail Price Index-Linked debt £'000**
31 March 2026	81,585	29,786	313,368
31 March 2025	111,237	-	300,475

For all financial assets and liabilities, the book values and fair values are not materially different, except for the RPI-linked loan and the RPI-linked bond shown in the table below.

	31 Mar 26 **£'000**	**31 Mar 25** **£'000**
Retail Price Index-Linked Loan		
Un-indexed Loan Value	111,400	111,400
Indexed/Covenant Loan Value	236,168	225,295
Book Value	246,034	235,522
Retail Price Index-Linked Bond		
Un-indexed Bond Value	35,000	35,000
Indexed/Covenant Bond Value	66,655	63,914
Book Value	67,334	64,953

b) Fixed rate borrowings

	Weighted average interest rate	Weighted average period for which rate is fixed
	%	Years
31 March 2026	3.7	9.4
31 March 2025	2.7	8.3

c) Floating rate borrowings

	Weighted average interest rate	Weighted average period for which rate is fixed
	%	Years
31 March 2026	6.2	1.6
31 March 2025	0.0	0.0

d) Financial risks

The company's activities result in it being subject to a limited number of financial risks, principally credit risk as the company has financial assets receivable from third parties. Management of financial risks focuses on reducing the likely impact of these risks to a level that is considered acceptable. The company has formal principles for overall risk management, as well as specific policies to manage individual risks.

Interest rate risk

Interest rate risk arises from borrowings issued at floating rates, including those linked to SONIA and the RPI that expose the company's earnings and cash flows to changes in SONIA and RPI. Risks of increases in SONIA are managed by limiting the value and proportion of the company's borrowings that are linked to this variable and by entering into floating to fixed rate swap contracts. Risks associated with increases in RPI are effectively hedged against the revenues and the RCV of the regulated water business, both of which are also linked to RPI.

Credit risk

As is market practice, the company grants customers credit on amounts due for the services it supplies, leading to limited risk over the recovery of the amounts receivable from these customers.

This risk is managed by ensuring that loans are only made to entities with sufficient financial resources to both service and repay the loans.

Liquidity risk

Liquidity risk represents the risk of the company having insufficient liquid resources to meet its obligations as they fall due. The company manages this risk by regularly monitoring actual and forecast cash flows and ensuring that the payment of its obligations are at least matched with cash inflows and availability of adequate banking facilities, including sufficient headroom. Information about the repayment dates are shown below.

The company is confident it has sufficient access to capital markets and relationships with banks and other lenders to refinance borrowing facilities when necessary.

Interest rate swaps

The Group has entered into interest rate swaps under which it has been agreed to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of changing interest rates on future cash flow exposures arising from issued variable rate debt. The interest rate swaps have been accounted for as cash flow hedges with movements in the fair value of these swaps being recognised in the hedging reserve. Details of interest rate swaps are summarised below:

	Interest rate fixed		Nominal principal amount		Fair value	
	31 Mar 26 %	31 Mar 25 %	31 Mar 26 £'000	31 Mar 25 £'000	31 Mar 26 £'000	31 Mar 25 £'000
Period to maturity						
In one year or less or on demand	-	-	-	30,000	-	(483)

Negative figures represent debtors and positive figures represent creditors

This hedge arrangement was in place up until 31 December 2025 and now has ceased.

Value	Category	Lender	RCF /Term	Fixed / Floating	Nominal Interest Rate	Start date	Maturity date
£1.7m	Debenture stock	Various	Term	Fixed	4.00%		
£30.0m	Revolving Cash Facility (RCF)	Lloyds / NatWest	RCF	Floating	1.05% + SONIA	Nov-24	Nov-27
£20.0m	Private placement loan (A)	Pricoa	Term	Fixed	2.57%	Sep-21	Sep-36
£40.0m	Private placement loan (B)	Pricoa	Term	Fixed	2.75%	Jun-22	Jun-37
£20.0m	Private placement loan (C)	Pricoa	Term	Fixed	6.70%	Dec-23	Dec-30
£111.4m	RPI Index Linked Bond	Artesian Finance	Term	Index Linked	3.76%	Sep-05	Sep-45
£35.0m	RPI Index Linked Bond	Citibank	Term	Index Linked	1.84%	Jun-08	Jun-51

Debtors recoverable in more than one year

Debtors recoverable in more than one year amount to £1,953,000 (2025: £2,734,000). Of this, £1,953,000 (2025: £ 2,251,000) relates to historic intra-group agreements put in place to offset the cash flow and profit and loss effects of certain hedging arrangements. The remaining balance in the prior year of £483,000 related to interest rate swap agreements which ended on the 31 December 2025.

Trade debtors

Provisions are made within the trade debtor values, based on judgement by senior management for amounts considered to be unrecoverable due either to their nature or age. The total amount charged to the profit and loss account in the year to 31 March 2026 in respect of such provisions was £1,425,000 (2025: £805,000). During the year, the company's estimate of the amounts billed to customers where collectability is not probable has reduced revenue by £5,275,000 (2025: £3,700,000 million). Total trade debtors as at 31 March 2026 were £26,575,000 (2025: £23,968,000). The total amount of the provision included in the above, as at 31 March 2026, was £46,789,000 (2025: £40,068,000).

In accordance with the market conditions prescribed by MOSL, the wholesale market operator, we hold collateral where required and in line with market rules from retailers that purchase water from the company. This collateral is held in the form of:

- parent company guarantees;
- bank guarantees
- letter of credits;
- credit insurance; and
- cash collateral balances totalling £480,000 at year end (2025: £292,210) which is restricted.

The Directors consider that debtors that are neither past due nor impaired are of a high quality and were considered, at the balance sheet date to be fully recoverable at their net book value.

27. Related party transactions

Amounts due from Selena Bidco Limited of £2,579,000 (2025: £2,491,000) relate to historic intra-group agreements put in place to offset the cash flow and profit and loss effects of certain hedging arrangements.

During the year, the company provided wholesale water services to the retailer Pennon Water Services Limited (PWSL), and its subsidiary SSWB, a joint venture with South Staffordshire Limited (formerly known as South Staffordshire Plc), with a turnover of £21,127,000 (2025; £16,532,000). In relation to these transactions £nil was outstanding at the year-end (2025: £nil). The receivable is secured, due in 15 days from invoice date. Also at 31 March 2026 an amount of £1,000 was payable to PWSL for cash collected during the year that has not been paid over (2025: £3,000).

28. Ultimate controlling party

The immediate parent company is SSW Finance Ltd, which is registered in England and Wales.

The intermediate parent company is South Staffordshire Limited (formerly known as South Staffordshire Plc), which is registered in England and Wales and is the smallest group preparing consolidated accounts that include South Staffordshire Water. During the year, the ultimate parent company in the United Kingdom was Hydriades IV Limited, registered in England and Wales, which was the largest UK group preparing consolidated accounts that include South Staffordshire Water PLC at 31 March 2026. The consolidated accounts for Hydriades IV Limited can be obtained from the company's registered office, Green Lane, Walsall, West Midlands, WS2 7PD.

The ultimate controlling party is AIP Holdings Limited, a company registered in England and Wales, which controls and manages and is the General Partner of a UK registered investment entity that acquired a majority equity interest of a holding company of the Group.

29. Operating lease commitments

At the 31 March 2026 the company was committed to making the following minimum payments under operating leases for buildings. Payments due not later than one year were £63,000 (2025: £67,000).

30. Post-balance sheet events

On the 7 April 2026 the company increased its revolving credit facility from £75,000,000 to £100,000,000.

On 9 June 2026, South Staffordshire PLC, the parent company of South Staffordshire Water PLC (including the South Staffs Water and Cambridge Water regions), was renamed South Staffordshire Limited. This change in legal name does not affect the underlying ownership or control of the Group.

On 30 June 2026, a second interim dividend of £6,670,000 was approved for the year ended 31 March 2026 after the end of the reporting year. This takes the total dividend payment for the reporting year to £10,851,000.

Independent Auditor's report

See following pages.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH STAFFORDSHIRE WATER PLC

Opinion

We have audited the financial statements of South Staffordshire Water PLC for the year ended 31 March 2026 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Notes to the Cash Flow Statement, and the related notes 1 to 30 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 listed public interest entities, 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:

- ► We confirmed our understanding of the directors' going concern assessment process and challenged management to ensure key factors were considered in their assessment. We challenged the period of management's going concern assessment to 31 July 2027.
- ► We obtained the directors' going concern assessment, including cash flow forecasts, liquidity requirements and forecast covenant calculations and tested these for arithmetical accuracy. The Board's assessment considered base and sensitised cases, including a severe but plausible downside scenario. The directors also performed reverse stress testing to evaluate the sufficiency of cash and available facilities and the ability to remain compliant with covenants over the going concern assessment period.
- ► We considered the appropriateness of methods used to calculate the cash flow forecast models and forecast covenant calculations and determined, through inspection of the methodology and testing of the calculations, whether the methods used were appropriate to make an assessment for the company. Where applicable, we corroborated data used in the scenarios to appropriate third-party support.

- The company has an agreed business plan with Ofwat for the five-year price review period from 1 April 2025 to 31 March 2030 ('PR24'), setting out the basis of allowed tariff changes. We assessed whether the revenue assumptions are in line with the tariffs for the relevant period and consider volume and consumption patterns.

- We have challenged key assumptions used by the directors in the various scenarios including revenue growth, collection rate, operating cost inflation including chemical and energy costs, capital and infrastructure renewal expenditures and future cash outflows related to claims associated with the cyber-attack by comparing to information obtained from the work performed as part of our audit as well as any external sources we obtained independently.

- We discussed and challenged assumptions on the potential costs associated with the cyber-attack, including the quantum and timing thereof, and the associated legal processes available to the company through direct discussions with and review of legal advice the company received from their external legal counsel.

- We have validated the maturity dates and covenant requirements of the company's facilities assumed in the models to the facility agreements.

- We recalculated and tested inputs into the covenant forecast calculations back to the base case, downside and reverse stress test scenarios to identify whether there would be any forecast covenant breaches over the going concern review period.

- We evaluated the assumptions used in the directors' downside scenarios which included severe but plausible outflows for increases in operating costs beyond budget and deterioration in collections during the going concern period. This assessment included consideration of any mitigating actions within the control of the company which include the ability to reduce or withhold dividend payments and follow a legal process that would take a significant amount of time and extend payment of civil claims well beyond the going concern period.

- We considered whether there are significant events after the end of the going concern review period which impact the entity's ability to continue as a going concern.

- We read the company's going concern disclosures included in the Annual Report in order to evaluate whether the disclosures were appropriate and in conformity with the applicable reporting standards.

Our key observations:

In March 2026, the company agreed with the lenders to extend the maturity of the £75m revolving credit facility to November 2028. In April 2026, this facility was also increased to £100m, of which £70m remains undrawn as at the date of the approval of these financial statements.

A key assumption in the directors' forecasts, including a severe but plausible downside scenario, is the quantum and timing of legal costs arising from the cyber-attack in 2022. The directors have included the estimated worst case outcomes which were based on legal advice. The directors concluded that the potential costs can be met through the undrawn revolving credit facility and mitigating actions (such as reducing or deferring any dividend distribution) which the company can influence.

The directors have also sensitised for downside scenarios with respect to risks of deterioration in collection and higher operating costs (particularly energy and chemical costs) within the going concern period. In the directors' severe but plausible downside scenario, no incremental debt facilities were required and the company is able to operate within its available cash and facility, without breaching covenants. In addition, the directors have also performed a reverse stress test focused on the risk of further deterioration in collection rates and concluded that this scenario is implausible.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, that may cast significant doubt on the company's ability to continue as a going concern for the period to 31 July 2027.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Manual journals to revenue and measurement of accrued income in relation to measured household revenue. • Valuation of bad and doubtful debt provisions for trade debtors and accrued income. • Capitalisation of costs relating to mains renewal programme.
Materiality	• Overall materiality of £2.60m which represents 3% of adjusted EBITDA.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact South Staffordshire Water Plc. The company has determined that the most significant future impacts from climate change on its operations will be on supply of water resources. These are explained on pages 66 to 79 in the Non-financial and sustainability information statement and on pages 85, 86, 92 and 93 in the principal risks and uncertainties. They have also explained their climate commitments on pages 75. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit, we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

The company has explained in the key accounting assessments section of the statement of accounting policies how they have reflected the impact of climate change in their financial statements. There are no significant judgements or estimates relating to climate change in the notes to the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 66 to 79. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Manual journals to revenue and measurement of accrued income in relation to measured household revenue Revenue for the year was £195.4m (2025: £153.4m). The household accrued income was £20.8m (2025: £16.4m) at the balance sheet date. *Refer to the Audit Committee Report (page 126); Accounting policies (page 173) and Note 2 & 16 of the Financial Statements (pages 181 and 189)* There is a risk that management may override controls to intentionally overstate revenue transactions, and consequently operating profit, through: a) Inappropriate manual journal entries to revenue in general; and b) Inappropriate calculations or assumptions used in the accrual for measured household income. Accrual for unbilled measured household income requires an estimation of the amount of unbilled charges at the balance sheet date.	We identified, documented and confirmed our understanding of the Company's revenue recognition policies including the process for the supply of measured services, meter reading and related billing and performed a walkthrough to assess the design and operating effectiveness of key controls over the revenue process but did not rely on these key controls. We used data analytics to understand the journal entries posted as part of the revenue, trade receivables and accrued income to cash collection process to identify transactions that were outside of our expectation, specifically looking at manual journals to revenue. We also introduced unpredictability into our manual journal testing. For the journals selected we corroborated these to source documentation to check whether the entries and revenue recognised were valid. We evaluated the accuracy of management's accrued	We did not identify evidence of management override through inappropriate journal entries recorded to revenue, including unbilled accrued measured income in the period. We did not identify any audit differences in our testing.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
This calculation is inherently judgemental, and directly impacts reported revenue and operating profit and is susceptible to error and/or management bias. Management may also post erroneous or fraudulent journal entries to revenue as part of the measured household income accrual process or record other journals to revenue in general in order to manipulate the results of the business. The risk has remained consistent in the current year and in the prior year.	measured household income estimates by comparing the accrued income balance to bills raised post year end. We tested the integrity and completeness of source data from which management estimated water consumption by verifying a sample of data to types of meter, previous meter readings, billing periods, tariff values and property locations to underlying customer bills and previous meter reads. We challenged the appropriateness of key judgements and manual adjustments to the accrued income calculation made by management for the impact of weather patterns on customer consumption, leakage assumptions and meters not read over 12 months. We validated these to supporting information including internal and external data as well as considering the existence of contradictory evidence sources.	
Valuation of bad and doubtful debt provisions for trade debtors and accrued income. The bad and doubtful debt provision at the balance sheet date was £46.4m (2025: £39.4m). The bad and doubtful debt expense for the year was £1.4m (2025: £0.8m). *Refer to the Audit Committee Report (page 126); Accounting policies (pages 173 and 180); and Note 3 & 16 of the Financial Statements (pages 182 and 189)* The Company records a bad and doubtful debt provision to trade debtors and accrued income using a combination of system generated information on historic debt recovery rates and management's judgement of the likely future recovery rates.	We identified, documented and confirmed our understanding of the Company's bad and doubtful debt policies and performed a walkthrough to assess the design and operating effectiveness of key controls over the process but did not rely on key controls. We evaluated the historical accuracy of management's cash collection rates to actual cash collections by agreeing a sample of cash receipts from cash collection rate data and comparing it to the bills raised during the year. We recalculated the estimated bad and doubtful debt provision	We did not identify evidence of management override through inappropriate bad and doubtful debt provisions on trade debtors and accrued income at the balance sheet date and the related bad debt expense. The bad debt provision was £0.3m outside of our expected range, for which we reported a judgemental audit difference to increase the bad debt provision by the same amount and which remained uncorrected by management.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
There is a risk that management may override controls to intentionally understate the bad debt provision and related expense, and consequently overstate operating profit. The assumptions and data, used by management in calculating the bad and doubtful debt provisions, may not be appropriate and the provision against trade debtors and accrued income may be understated, and consequently operating profit, overstated. The risk has remained consistent in the current year.	to test the arithmetical accuracy of management's calculation. We developed our own independent view of cash collection rates by considering the debt collection cycle pattern over multiple years. Historical collection rates were applied against the billings during the year and accrued income balances to calculate our own expected range for the bad and doubtful debt provision which we compared to management's estimate.	
Capitalisation of costs relating to mains renewal programme The additions to the tangible fixed assets for the current year include £11.0m (2025: £nil) of capitalised mains renewal costs and the disposals of infrastructure costs with a net book value of £1.7m. Capital contributions amounting to £0.6m related to the assets disposed in the current year has been recognised in profit and loss (2025: £nil). *Refer to the Audit Committee Report (page 126); Accounting policies (pages 174); and Note 12 of the Financial Statements (page 188)* The company has a substantial mains renewal programme in accordance with the business plan agreed with Ofwat and therefore incurs significant annual expenditure in relation to the renewal of the water mains network. There is judgement involved in evaluating the increase in future economic benefits from the use of enhanced materials in the mains renewal programme in the current asset management period. There is also an estimation involved in allocating carrying values to the assets replaced. Therefore, there is	We evaluated management's assessment how the materials used in the mains renewal programme are enhancements and performed independent research to corroborate management's assertion that the replacement pipes provide significantly longer useful economic lives and improved reliability compared to legacy materials. We discussed with Project Managers and Engineering teams to understand the technical rationale for the works undertaken and confirm the improved asset performance, reduced failure rates and long-term economic benefits from the programme. We conducted site visits to observe renewal activities in practice and to verify the use of upgraded materials. We benchmarked management's approach against industry practice and sector data. We tested a sample of capitalised costs, agreeing these to underlying	We did not identify any material error in the amounts capitalised or the related amounts derecognised. Costs capitalised in respect of the mains renewal programme have been treated in accordance with the requirements of FRS 102 Section 17 Property, Plant and Equipment.

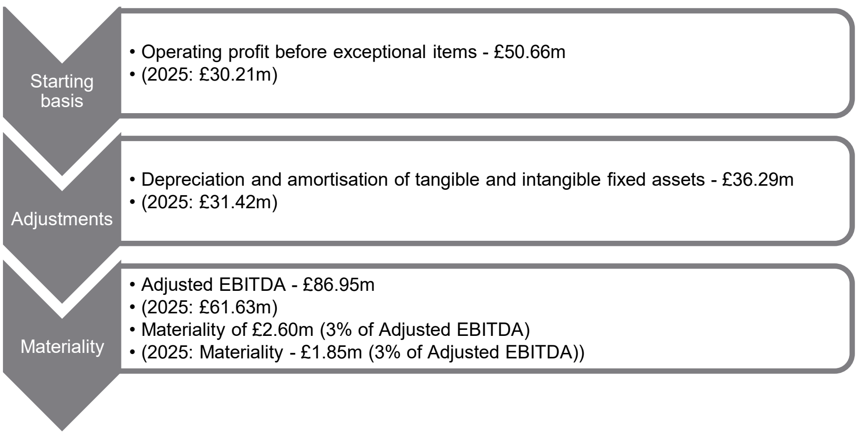
Risk	Our response to the risk	Key observations communicated to the Audit Committee
a risk of material error in management's judgment in capitalising certain costs on the balance sheet and in the estimation of amounts derecognised. This is a new significant risk identified in the current year due to more material costs being incurred for the mains renewal programme in the current asset management period and management's judgement that these are enhancements that deliver improvements in asset performance, reliability and longer useful economic life.	documentation, verifying the nature of the work performed and whether the expenditure related to asset replacement and enhancement activities rather than routine maintenance. We tested management's derecognition methodology by agreeing key inputs to supports, including average net book value per metre and network length assumptions, and assessed the reasonableness, consistency and sensitivity of the estimation approach applied.	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £2.60 million (2025: £1.85 million), which is 3% (2025: 3%) of adjusted Earnings before interest, tax, depreciation and amortisation of tangible and intangible fixed assets ("EBITDA"). We believe that adjusted EBITDA is the most relevant performance measure to the stakeholders as exceptional items were non-recurring, sufficiently material and not related to the ongoing trading of the company. Below, we have shown the comparative materiality calculations for both years.



Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality is at 50% (2025: 50%) of our planning materiality, namely £1.30m (2025: £0.90m). We have set performance materiality at this percentage due to the number of audit differences identified in prior year.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13m (2025: £0.09m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 with 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' reports 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.

Opinions on other matters in accordance with the terms of our engagement letter with the company

In our opinion, based on the work undertaken in the course of the audit, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the basis of preparation.

Corporate governance statement

ISAs (UK) require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 159, 171 and 172;

- Directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 171 and 172;

- Directors' statement on whether they have a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on page 171 and 172;

- Directors' statement on fair, balanced and understandable set out on page 160;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 160;

- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 80 to 95; and;

- The section describing the work of the Audit and Risk Committee set out on page 124.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 160, 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 company 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 those that relate to the reporting framework (FRS 102, Companies Act 2006, the UK Corporate Governance Code), regulatory landscape (Ofwat, Drinking Water Inspectorate, the Environmental Agency) and relevant UK tax compliance regulations. In addition, the company has to comply with the General Data Protection Regulations, health and safety regulations, employment and environmental laws and regulations.
- We understood how South Staffordshire Water PLC comply with those frameworks by making enquiries of Board members and management, those responsible for legal and compliance procedures, the General Counsel and Company Secretary, Strategy and Regulation Director and internal audit. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and attendance at meetings of the Audit and Risk Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management including the Managing Director, Finance Director, Internal Audit, General Counsel and Company Secretary, Strategy and Regulation Director and Audit and Risk Committee Chair. We also considered management remuneration and covenant compliance requirements which may create an incentive or pressure for management to manipulate results.
- We considered the possibility of fraud through management override, and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error. For more details, please refer to our Key Audit Matters section above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management, those charged with governance and legal counsel, reviewing key policies, inspecting legal correspondence and correspondence with regulators, reading key management meeting minutes and reviewing the volume and nature of complaints by the whistleblowing hotline during the year. We involved our internal specialists where appropriate. We also completed procedures to conclude on the compliance of significant disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.

- We attended key meetings with management and legal counsel in order to identify and communicate any instances of non-compliance with laws and regulations.
- We assessed management's accounting conclusions and disclosures with respect to the cyber-attack to confirm these are appropriate and are consistent with the legal advice received.
- The company operates in the water sector which is highly regulated. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the company on to audit the financial statements for the year ended 31 March 2026 and will be reappointed for the year ending 31 March 2027.
- The period of total uninterrupted engagement including previous renewals and reappointments is 3 year and 9 months, covering the years ended 31 March 2023 to 31 March 2026.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the audit report to the audit committee.

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.

Signed by:
Christine Chua
AB810B71480A406...

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

03 July 2026

Cambridge Water

South Staffs Water

To help create a world where essential services and infrastructure deliver for customers, clients and our planet

south-staffordshire.com