Cambridge Water

South Staffs Water

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

Annual performance report

For the year ended 31 March 2026

South Staffordshire Water PLC

Contents

This document sets out South Staffordshire Water PLC's annual performance report for the year ended 31 March 2026. It describes how we have met our regulatory requirements and demonstrates how well we are delivering services for customers, communities and the environment. It also includes our regulatory accounts for the 2025/26 financial year.

Registered Office:

Green Lane, Walsall, West Midlands, WS2 7PD

Registered in England and Wales, number 02662742


South Staffs Water

About South Staffordshire Water

South Staffordshire Group

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

Ofwat

Environment Agency

dwi

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

24,805

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

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

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

73,000

The number of customers receiving targeted financial support

60 seconds

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

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.

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

Introduction from the Chair and Managing Director

This annual performance report for the year ended 31 March 2026 sets out the progress South Staffordshire Water has made during the reporting year, alongside the areas where we need to do more for customers and other stakeholders.

The report covers the first year of our AMP8 investment plan. Over the five years to 2030, we are investing £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.

However, we have also faced wider challenges during the year as a result of ongoing geopolitical instability and broader economic pressures. These have continued to contribute to cost-of-living impacts, making bill affordability a greater concern for some customers. In addition, we experienced a period of prolonged dry weather in our Cambridge region and drought in our South Staffs region after an exceptionally hot and dry spring and summer, followed by a wet and at times cold winter. This has affected some of our performance targets, including for mains bursts. We recognise the hard work of colleagues across the business in maintaining the provision of clean, safe drinking water for the vast majority of our customers, particularly during the summer months.

"…we have also worked with the rest of the Board to reinforce our commitment to good governance"

The reporting year has also taken place within the context of the Independent Water Commission's work to reshape the regulatory framework for the water sector in England and Wales and to rebuild public trust and confidence. We welcomed the clarity provided by the UK Government's response to the Commission's recommendations in its White Paper published in January 2026 and will continue to engage as reforms develop. We will also continue to work with Government and other stakeholders to help ensure the emerging framework supports the delivery of value for customers, society and the environment, reflecting our role as the provider of an essential public service.

In terms of our performance, it has been a busy year and there have been challenges at times. We have focused much of our attention on delivering key investment schemes, such as our universal metering and mains replacement programmes, which are the two largest single elements of our AMP8 plans. We have progressed well with both during the year, exceeding our targets by installing 24,805 household meters and replacing 43 km of ageing water mains. This gives us a strong foundation as we scale up delivery over the remaining four years of AMP8.

We have continued to work with key stakeholders in our Cambridge region, including our neighbour Anglian Water, on a time-limited transfer of water from Grafham reservoir and the Fens reservoir strategic resource option. These programmes will help us to meet the region's water supply needs in a sustainable way over the medium to long term, while supporting planned growth in the east of England. Both programmes are progressing broadly in line with the timelines set out in our AMP8 business plan.

We recognise how important it is for us always to deliver the reliable services our customers expect and pay for. We also recognise that some of our performance in this area during AMP7 was disappointing – particularly in relation to our C-MeX customer experience measure. We have taken a number of significant steps to improve during the year, including making our contact centre more responsive and developing a new customer service strategy to support a smoother customer journey and better customer experience.

We have started to see some improvements, for example, in relation to the new BR-MeX measure for non-household retail customers – but we know there is still more to do. We consider Ofwat's new consumer involvement rule will help support this. 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. This included developing a new materiality framework, which will help us assess the impact of our decision-making on customers in a consistent way.

Alongside this, we have worked with the rest of the Board to reinforce our commitment to good governance. This has included implementing revised Articles of Association to reflect and embed our company purpose, and considering new requirements in relation to Executive remuneration and Directors' fitness and propriety. We will continue to ensure we, and by extension, South Staffordshire Water, deliver against our purpose and remain compliant with our statutory and regulatory obligations.

We also welcomed the launch of the consumer watchdog CCW's Water Voice accountability sessions during the year, which builds on our existing programme of customer insight and engagement. Our first session took place in March 2026 and helped us to understand more clearly the issues that matter most to customers. It resulted in an action plan, agreed with customers, on the improvements they expect us to deliver. We will continue to work with CCW and our consumer panel to develop this approach ahead of our second session in the autumn.

Looking ahead, we will continue to focus on meeting and exceeding our customers' expectations in the services we deliver every day. We will also continue to improve performance, especially in those areas where it has fallen short of our expectations and those of our customers during the year. At the same time, we will maintain our focus on meeting our regulatory obligations, including working with the Government and other stakeholders to help shape the new regulatory framework and the legislation that will support it. In doing so, we will continue to play our part in securing the water future for our customers, communities and the environment.

Steve Johnson MBE
Chair

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.

About the annual performance report

We publish an annual performance report (APR) alongside our annual report and financial statements each year. It provides information about the appointed business in terms of our performance, regulatory accounts and additional regulatory information, and price review and segmental reporting.

Our APR includes the following information.

- An analysis of our performance during the 12 months covered by the report, including information about how we have performed against our key regulatory targets.
- Our regulatory accounts.
- A disclosure on our ownership, funding and capital structure.
- Narrative about our outcomes, total expenditure (totex) and a reconciliation to price controls.
- Narrative about the accuracy of data and information.
- A statement about our compliance with the customer-facing conditions of our licence (Condition G).
- A statement confirming our compliance with the ring-fencing conditions of our licence (Condition 6FA).
- A risk and compliance statement confirming we have a full understanding of, and are meeting, all our relevant statutory, licence and regulatory obligations.
- A statement on our dividend policy and explanation of dividends paid.
- Our accounting separation methodology.

Our statutory accounts on their own are considered insufficient to assess the performance of a vertically integrated, price-controlled monopoly such as South Staffordshire Water. This is particularly relevant in a sector with long-life assets and where there is still an absence of a competitive market for different parts of the value chain.

These regulatory accounting statements use audited information and comply with Ofwat's regulatory accounting guidelines (RAGs). To avoid duplication, we have signposted some of the required disclosures in our annual report and financial statements. We present this APR to the Audit and Risk Committee and the Board for approval.

Assuring our APR

Our APR is a key document providing information to Ofwat on our performance for the reporting year. Rating agencies and other stakeholders also use it to assess our performance. As with all publications, it is vital that the information it contains is accurate.

As in previous years, the financial information (regulatory accounts, and price review and segmental reporting) has been audited by our external auditors, Ernst & Young LLP, as required by Ofwat. Ernst & Young LLP has also carried out agreed-upon procedures on the relevant cost allocation tables in the sections on price review and segmental reporting, and additional regulatory information.

There is also a section on our outcome delivery incentives (ODIs) and the indicators that carry a financial reward or penalty; our technical auditor Jacobs has audited this. A summary is set out on page 22. Jacobs has also audited the financial flows submission and our long-term viability statement (see the annual report and financial statements for the full statement).

Ownership, funding and capital structure disclosure

We are committed to being open and transparent about our ownership and funding arrangements. We are making this disclosure in accordance with Ofwat's information notice IN 26/02.

South Staffordshire Water PLC is a water only company that operates under an Instrument of Appointment (the 'licence') and its activities are regulated. We operate Cambridge Water and South Staffs Water under a single supply licence, supplying clean drinking water to nearly 1.9 million people and 42,000 businesses every day. We do not take away and treat waste water. We are regulated primarily by Ofwat, the Drinking Water Inspectorate and the Environment Agency.

Our duties are primarily laid down in the Water Industry Act 1991, as amended, and are reflected in our Articles of Association (the 'Articles') which operate alongside our licence and the Companies Act 2006. We updated our Articles in 2025, to reflect and embed our company purpose. Our licence can be accessed through Ofwat's website.

Ownership structure

The company is part of the South Staffordshire Limited (formerly known as South Staffordshire Plc) group of companies (the 'Group'). The company's immediate parent company is SSW Finance Limited. See page 121 of the annual report and financial statements for the Group structure.

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 and Arjun Infrastructure Partners VI Limited. Both entities are ultimately controlled by AIP Holdings Limited. The Group structure includes a number of intermediate UK holding companies above South Staffordshire Water and South Staffordshire Limited (formerly known as South Staffordshire Plc), 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.

Board and Executive team

The Board is independently responsible for promoting our long-term success, in accordance with section 172(1) of the Companies Act 2006. It develops, implements and delivers our strategy to provide high quality service and performance that meets the needs of customers, regulators, suppliers and our people. See pages 108 to 119 of the annual report and financial statements for Board members' skills and experience, pages 124 to 137 for details of the Board Committees (including membership), and pages 138 to 150 for the remuneration report.

The Executive team sets our strategic direction, is responsible for our day-to-day operations and oversees the implementation of policies and procedures that align with regulatory standards and environmental guidelines. It works to ensure our financial stability through effective budgeting and cost control. It engages with stakeholders, including customers and communities, government bodies and investors to foster a spirit of trust and collaboration. See pages 13 to 15 of the annual report and financial statements for Executive team members' skills and experience.

Regulatory ring fence

We recognise the importance of maintaining the regulatory ring fence as laid down in Condition P of our licence. This requires us to maintain a corporate and financial structure that separates our activities from those of the wider South Group. As controlling shareholders within the Group, Condition P undertakings have been provided by IAE2 Holdco 1 Limited and AIP Holdings Limited, in accordance with our licence. See page 122 of the annual report and financial statements and the ring-fencing certificate on pages 41 to 46 of this document for information about the requirements of the undertakings.

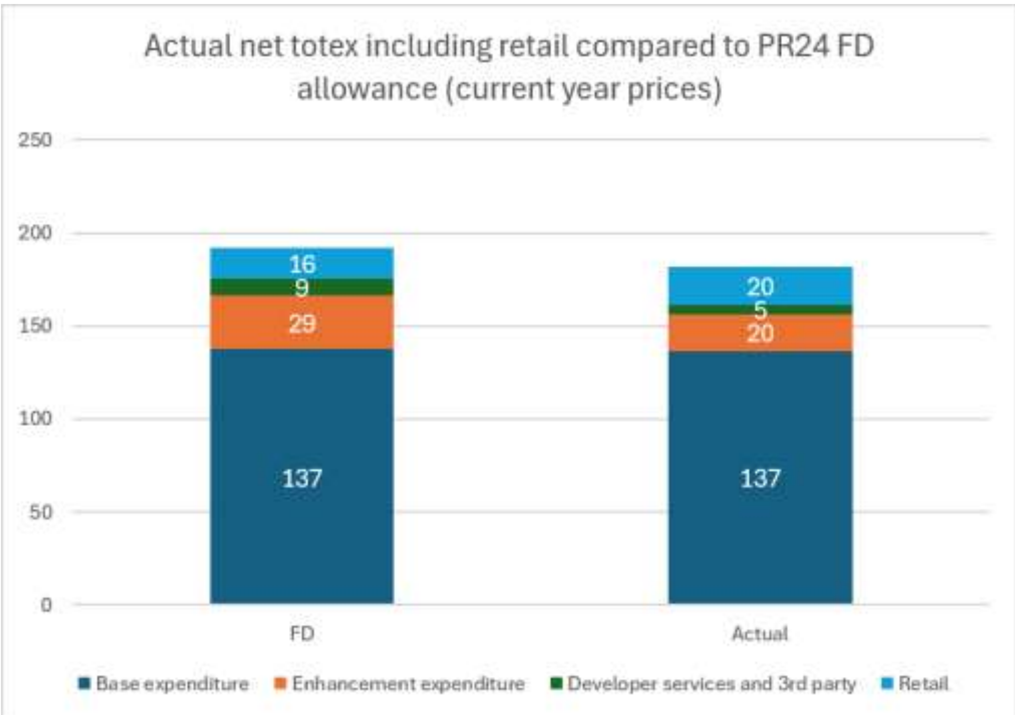
Ultimate Controller undertaking

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. See page 121 of the annual report and financial statements for more information.

Funding sources and expenditure categories

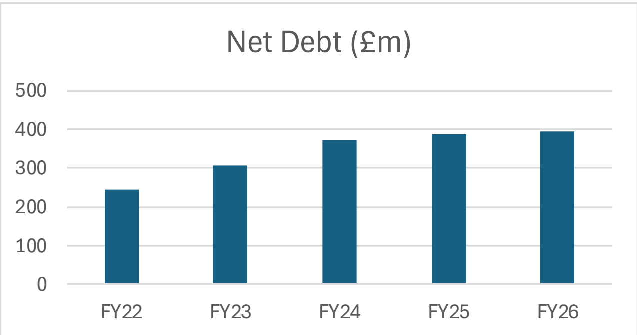
We fund our operations and investments through customers' bills, which cover our running costs and fund infrastructure investment; debt finance, which we use to fund capital investment; and equity investors, which seek a stable return through a dividend or by growing the value of the business. See our website for information on our water bills and how the money is spent. As the economic regulator, Ofwat sets the level of expenditure we can recover through customers' bills.

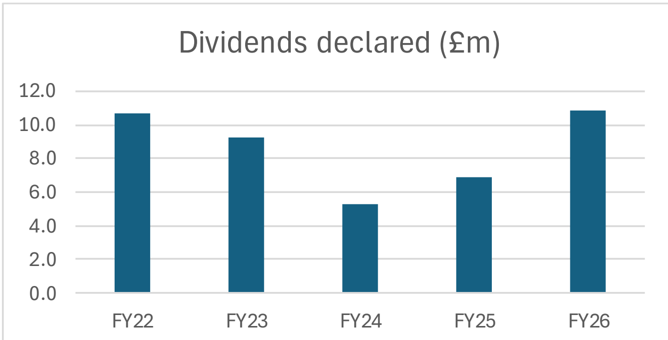
Total expenditure (totex) allowance

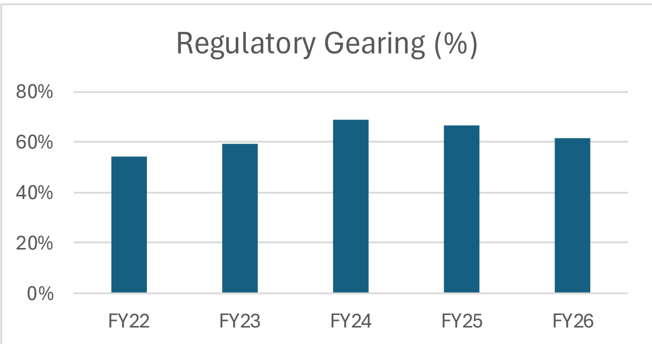


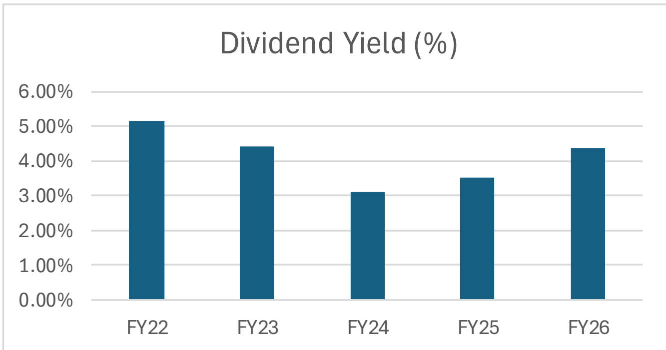
In the reporting year, net totex was £10.3 million lower than that allowed in our PR24 final determination. £9.2 million of the underspend was in relation to enhancement expenditure which is expected to be recovered over the rest of the price control period. Continued lower new development activity during the year saw net expenditure £4.0 million lower than allowed. Retail costs were £3.7 million overspent as we saw additional bad debt charges in relation to the continued cost of living challenge for our customers.

Financial and metrics charts









Regulatory capital value (RCV) reflects the allowed expenditure to be recovered from customers in future periods and represents a measure of our capital base when setting price limits. The RCV is inflated each year to maintain it at current prices.

Net debt represents all of our borrowings net of any cash held. A proportion of our debt is index-linked to inflation. When inflation was high during 2022 and 2023, our net debt also increased significantly.

Gearing measures the percentage of our RCV that is financed by debt. We saw gearing increase in 2024 following a significant rise in capital investment, some of which was not funded in our RCV until the current price control period.

Return on regulated equity (RoRE) is a post-tax measure of return on the notional regulated equity. It is commonly presented relative to the allowed return on equity and reflects performance against price control incentives See the commentary to table 4H for our performance for the year.

Dividend payments are made in accordance with our dividend policy (see page 47) and our licence. They take account of our performance across a wide range of factors, including service delivery for customers, efficient delivery of investment plans, the environment and financial resilience. The dividend yield shows dividends as a percentage of the actual year end regulated equity and include dividends approved after the end of the financial year it relates to.

Declared dividends and dividend yield

Our dividend reflects the principles in the dividend policy licence condition. The dividend was used by our holding company to pay interest on debt.

Capital structure and composition

Our capital structure comprises a mix of debt and equity. As at the 31 March 2026, the proportion of our structure related to debt (our gearing) was 61.2%. An analysis of our debt borrowings is set out in Table 1E on page 81. The profile of debt maturity is set out in table 4H on page 106. We have no debt maturing in the next 12 months.

Liquidity and going concern

See note 1 of the financial statements for information on our liquidity position and available borrowing facilities. This includes our objectives for managing our financial risks, details of our financial instruments and hedging activities, and our exposure to interest, credit and liquidity risk. Our financial statements are prepared on a going concern basis, based on a review of our budget for the year ending 31 March 2027 and financial forecasts to 31 July 2027. We have carried out an assessment of our long-term financial viability and 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.

See pages 96 and 104 and the audit opinion on page 200 of the annual report and financial statements for more information.

Credit ratings

We hold two credit ratings: with Moody's and Standard & Poor's (S&P). Our latest ratings are Baa2 (stable outlook) with Moody's and BBB+ (stable outlook) with S&P; both are well within investment grade. These ratings are monitored for regulatory purposes and are compliant with our licence such that we are not in distribution lock up.

Further useful information

Additional information	Where this information can be found
Financial performance summary/highlights	See pages 22 to 28 of the annual report and financial statements
Directors' report and going concern statement	See pages 151 to 160 of the annual report and financial statements
Annual ring-fencing certificate	See page 41
Dividend policy and disclosure	See page 47
Risk and compliance statement	See page 35
Credit ratings	See page 41
Long-term viability statement	See pages 96 to 103 of the annual report and financial statements
Audit opinion	See page 147 and page 200 of the annual report and financial statements
Statement on RoRE performance	See page 106
Statement on Executive pay and performance	See pages 147 to 150 of the annual report and financial statements

Board leadership, transparency and governance

We consider that having strong and effective Board leadership is essential in ensuring we deliver the things our customers have told us are important to them.

We are committed to Ofwat's Board leadership, transparency and governance principles, which are reflected in our own corporate governance code. We are also committed to making sure they are embedded in all our strategic thinking and decision-making. This includes making sure they are aligned with our purpose as defined by our Articles, which is to safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way. This means conducting our business and operations for the benefit of the communities we serve, while creating long-term value and delivering positive outcomes for customers, the environment and our people. It also means:

- putting customers 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 local environment; and
- running an efficient business in everyone's interests.

We think that by doing this, we are helping to secure the water future for our Cambridge and South Staffs regions, while at the same time making sure the interests of our customers and the environment are always our primary objective. This purpose is something that all our people live and breathe. It is reflected in a range of different metrics and programmes, including:

- our total expenditure (totex) performance being sector leading at PR24;
- our focus on health and safety,
- the work we are carrying out with Anglian Water to develop long-term sustainable water supplies for our Cambridge region. Of particular importance here is the new Fens reservoir strategic resource option.

It is also reflected in our plans to ensure the long-term resilience of our assets through the completion of our asset management maturity assessment (AMMA), which will help us to create a clear, evidence-based improvement plan that supports long-term sustainable asset management. This in turn will help to strengthen collaboration across teams and improve outcomes for our customers and communities, as well as provide a baseline of asset management maturity as we head into PR29 and for a proposed new asset resilience licence condition, which is expected to come into effect in 2027. In addition, our purpose is reflected in our AMP8 performance commitments, which focus on the areas that really matter to customers, and which fall into the following themes.

- **Customers receiving excellent service every day.** This covers our targets for customer experience (C-MeX, D-MeX and BR-MeX), contacts about water quality and water supply interruptions.
- **Environmental outcomes.** This covers pollution incidents, biodiversity, leakage, per capita consumption and greenhouse gas emissions.
- **Asset health.** This covers mains bursts and unplanned outages.

Underpinning our purpose and ambition are our values, which are common to all Group companies. These values are embedded in our work and in our people's objectives. This ensures they are fundamental to everything we do.

- **Impactful.** Together, we create a positive impact through our proactive, agile and adaptable approach. We pride ourselves on our ability to be bold, innovative and industry leading in all that we do. Through this, we have a lasting legacy for our people, clients, customers and the environment.
- **Community focused.** Our community matters; our people, clients, customers and our wider networks. Embracing the power of a strong and diverse community, we grow together through collaboration and being helpful, caring, and approachable. As one Group, we create partnerships and make a difference.
- **Trusted.** We are trustworthy. Our clients, customers and wider networks can rely on us. We deliver a responsive, dependable and consistent service which we recognise is critical for the sectors we serve. We are ethical, honest, straightforward and are always accountable.
- **Professional.** We are a team of professionals. As knowledgeable experts, we deliver quality, safe and efficient services. We operate with high standards in everything we do. We invest in and develop our people to be the best they can be.

We think that living our values will help us to always deliver the things that are important to our customers – and achieve our purpose of always providing an essential service of high-quality, clean drinking water in an affordable and sustainable way. Our values are also reflected in our company policies and in our expectation that the values of our supplier and contractor partners align with these. Below, we set out more information about how we have complied with Ofwat's principles of Board leadership, transparency and governance during the year.

Principle 1 – strategy, purpose and values

Ofwat principle	How we have complied
"The Board of the Appointee establishes the company's purpose, strategy, and values, and is satisfied that these and its culture reflect the needs of all those it serves."	The Board sets standards of conduct to promote our success, provide leadership and review our internal controls and governance structure. This includes using strategy days each year to shape our purpose, which is underpinned by the Group's vision and values. Ahead of AMP8, we published a long-term delivery strategy, which demonstrates our commitment to our customers and society now and in the future, as the provider of an essential public service. This is underpinned by our key priorities, which are to: - end water poverty; - protect and enhance the environment; - adapt to a changing climate; - meet the needs of a growing population; and - remain financeable over the long term. We keep these priorities under review, recognising that they will evolve over time as external and other circumstances and the expectations on us from Government and society change. These priorities are also reflected in our AMP8 plans. Our Articles also govern how South Staffordshire Water operates and is managed. They play an important role in ensuring the smooth running of our business. We have placed customers and the environment at the heart of our purpose, making them our primary objective. There is a regular dialogue between the Board and investors to ensure their objectives and priorities are carefully considered. This dialogue is achieved through Board meetings, with investors having representation on the Board, and through other communication channels. There is also regular dialogue between the Board and our people, with regular Executive updates providing the opportunity to learn more about where the Board is focusing its attention. The Board's work is communicated across the business through team meetings. This allows teams and departments to share ideas about our direction of travel going forward. In addition, the Board is responsible for implementing our company

Ofwat principle	How we have complied
	performance and direction statement each year. This describes the Board's key activities and any action it has taken during the year to ensure our work is always aligned with our strategy and purpose. See page 19 for more information.

Principle 2 – effective Board leadership

Ofwat principle	How we have complied
"The Appointee has an effective Board with full responsibility for all aspects of the Appointee's business for the long term."	As a regulated water company, we recognise the importance of having an effective Board that takes full responsibility for the strategic direction of our business. Independent Non-executive Directors are the largest group on the Board. The Board's role is to develop and implement our strategy, and to ensure we meet the needs of our customers, our people, our investors and other stakeholders. At the same time, its role is to make sure we carry out our commitments to protect and enhance the environment. As well as approving all our major financial and investment decisions, the Board monitors and evaluates our performance. It provides constructive challenge and promotes our culture and values as the provider of an essential public service. The Board's business is carried out by the following Committees. ▪ Audit and Risk Committee, which focuses on our processes to manage business and financial risk, and for compliance with the applicable legal, ethical and regulatory requirements, and on aspects of financial reporting. ▪ Environmental, Social and Governance (ESG) Committee, which advises and assists the Board in managing matters relating to our ESG policies, initiatives, performance and reporting. ▪ Nomination Committee, which focuses on our processes for appointing Board and Executive team members. ▪ Remuneration Committee, which focuses on setting the remuneration packages for Board and Executive team members. See the corporate governance report on page 113 of our annual report and financial statements for more information about these Committees and their activities during the year.

Principle 3 – transparency and governance

Ofwat principle	How we have complied
"The Board of the Appointee's leadership and approach to transparency and governance engenders trust in the appointee and ensures accountability for their actions."	To demonstrate our transparency and engender trust among customers and other key stakeholders, each year we publish the following information in our annual report and financial statements. ▪ Information on our shareholders (see page 120). ▪ The structure of the Group and South Staffordshire Water PLC (see page 121). ▪ An explanation of the dividends paid, and how these take account of our performance in delivering for customers and the environment (see page 25). ▪ An explanation of the principal risks to the future success of the business, and how these risks have been considered and assessed (see page 84). ▪ Board and Committee membership, including the number of meetings and attendance at each meeting (see page 113 onwards). An explanation of our Executive remuneration policy, including how the criteria for awarding short- and long-term performance elements are linked to delivery for customers, as well as compliance with the Water (Special Measures) Act 2025 measure on performance-related pay (see page 138).

Principle 4 – Board Committees

Ofwat principle	How we have complied
"The Board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customer and stakeholder needs."	The Board comprises a mix of Executive and Non-executive Directors, including a strong cohort of Independent Non-executive Directors, who form the largest single group on the Board. During the year, 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. 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.

Ofwat principle	How we have complied
	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. See page 113 of the annual report and financial statements for more detail on our governance framework.

Company direction and performance statement

This statement sets out how we are delivering for our customers and how they are central to everything we do. This includes our aspirations for the future and how we set our targets for delivery. We publish more detail on our strategic direction of travel in our annual report and financial statements.

We share the Group's vision to help create a world where essential services and infrastructure deliver for customers, clients and our planet. For us, this means making sure our customers always have access to high-quality drinking water, and that our people are empowered to provide an excellent and trusted service. As a business that has provided an essential public service in our Cambridge and South Staffs regions since 1853, we recognise the need to deliver the things that are important to our customers, now and in the future. To achieve this, we actively work in partnership with local communities and play our part to help them thrive. We also act as the guardians of our assets and work hard to protect the local environment. In addition, we are a responsible company that puts the safety of our customers and our people at all of our decision-making. This helps us to run an efficient business that is in everyone's interests.

Our purpose is to "safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way". It is encapsulated in our Articles, which govern how we operate and manage our business, conducting our operations for the benefit of the communities we serve. At the same time, it demonstrates our commitment to creating long-term value, ensuring we always deliver positive outcomes for the environment, customers and our people. Our overarching vision and purpose are underpinned by the Group's shared values, which are set out on page 2. These are reflected in our people's objectives and the work they do, underpinned by the Group's philosophy of 'lead, grow, repeat'. We think this serves to reinforce our values for our people in a consistent and meaningful way.

Our principal operational targets are broadly those we set out in our AMP8 business plan, as well as in Ofwat's final determination of that plan, which we received in December 2024. As part of this determination, Ofwat has set targets for us to deliver across a number of performance commitments that are common to all the smaller water only companies in the sector. These commitments focus on the things that matter to our customers, such as their experience of the service we deliver for them each day, or how we perform in reducing leakage levels or protecting the environment. We publish our progress on meeting these targets in an open and transparent way each year. In addition, in this APR and in our annual report and financial statements we make further disclosures around:

- gender, equality and diversity;
- corporate governance;
- Executive pay and remuneration;
- shareholder dividends; and
- our ownership structure.

Our performance targets feed into our financial and operating budget-setting process each year and ensure we maintain our ability to meet our customers' needs now and over the long term. We are required to outperform these stringent targets while also delivering sustainable returns for our shareholders and making sure that capital investment takes place – and that we are operating efficiently across our wholesale and household retail price controls. We also have some non-regulated aspects to our business, which are managed under a similar framework.

The Board uses its expertise and insight to challenge these targets and ensure we have plans in place to get back on track if there are any shortfalls. We also share the Group's balanced score card, which considers performance in the round across the following metrics. Each month, the Board considers our performance against these metrics and can compare how we are doing in relation to other Group companies.

- Financial performance.
- Health and safety.
- Customer.
- Environmental, social and governance (ESG) compliance.
- Growth and business strategy.
- Our people.

In terms of our performance, it has been a busy and challenging year at times. As the first year of AMP8, we have focused our attention on delivering our key investment schemes. This includes our universal metering programme, which we launched in August 2025. This is the largest single element of our AMP8 plan and we have committed to install 161,458 meters across our Cambridge and South Staffs regions over five years to 2030. It also includes our mains replacement programme, where we have committed to replace 250 km of ageing water mains across both regions – which is a step change in what we replaced during the five years to 2025 (AMP7). We have progressed well with these programmes, having exceeded our targets for both of them during the year.

In addition, we have continued to work with our neighbour Anglian Water and other key stakeholders in our Cambridge region on two major projects that are designed to ensure sustainable water supplies over the long term. The first of these is a time-limited bulk transfer of water from Anglian's Grafham reservoir, which will deliver 26 million litres of water a day into our Cambridge region. The second of these is the Fens reservoir strategic resource option, which will deliver around 44 million litres of water a day into our Cambridge region once it is brought into commission in the mid-to-late 2030s. We are progressing both programmes broadly in line with the timelines set out in our AMP8 business plan.

From a customer experience perspective, we recognise how important it is to improve our performance in this area. We have taken a number of significant steps during the year, including:

- making improvements to the responsiveness of our contact centre;
- reducing the number of guaranteed service standards failures;
- developing a new customer service strategy to deliver improvements across a number of areas; and
- increasing the number of broken meter replacements and meter verifications we complete each month, enabling us to bill non-household customers accurately for the water they use.

Everything we have delivered this year has been set within the context of two key external factors: a significant drought in our South Staffs region and a period of prolonged dry weather in our Cambridge region, and Government actions to reform the England and Wales water sector as a way of re-building public trust and confidence in the services water companies provide.

The prolonged dry weather and drought conditions we experienced during the year followed an exceptionally hot and dry spring and summer. Indeed, June was the driest month since 1976 and during that time we saw a large increase in water consumption. In our Cambridge region, demand in June reached an average of 98 megalitres of water a day (Ml/d), which represents an 8% increase in typical demand for that time of year. We saw a larger increase in our South Staffs region, with demand averaging 365 Ml/d, which represents a 15% increase on typical daily demand.

In response to the drought, as well as urging customers to consider their water use, we also focused our attention on finding and fixing leaks. In addition, in our South Staffs region, we changed how we use our Nethertown pumpback scheme, making use of it earlier in the season to help to protect water levels in our Blithfield reservoir. Taking this more risk adverse approach enabled us to reduce the impact on customer supplies later in the summer. The actions we took to protect supplies meant we did not introduce temporary use bans (TUBs) across either region.

From a sector-wide perspective, the year marks the first where we have been required to comply with the Water (Special Measures) Act 2025. The Act makes all water companies – and especially their Executives – directly accountable for environmental performance, customer outcomes and governance standards. Alongside this, the new Water Voice customer accountability sessions organised by CCW aim to increase accountability and transparency by giving customers a direct line of challenge to water company leaders. This is to ensure we listen, respond to and act on their concerns.

Our first session took place in March 2026. Facilitated by CCW and its external delivery partners, the two-hour session featured 12 customers from across our Cambridge and South Staffs regions. We found the session productive as it gave us additional insight into the things our customers say are important to them. This includes us taking action to better explain our investment plans and how they link to the bills our customers pay, and improving our communications so that they are more proactive. It also includes us improving our approach to resilience to ensure fewer customers are impacted in the event of a major incident. We will look to deliver improvements in line with these actions ahead of our next accountability session in the autumn.

Our activities during the year have also been influenced by the work of the Independent Water Commission, headed by Sir Jon Cunliffe. The Commission's published its interim report in June 2025, with the final report published the following month. In January 2026, the Government published its response, in the form of a White Paper which proposed a major overhaul of the water sector. We welcome the clarity that the White Paper brings. This includes around the publication of longer-term strategic guidance for the water system during the 2026/27 and clear 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 planning to introduce 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.

We have continued to provide a fair and equitable working environment where our people can thrive. This includes protecting their health and wellbeing and doing everything we can to minimise the risk of harm. Underpinning this are our people promises, which focus on:

- engagement and effective communication;
- recognition and reward;
- being inclusive and values-led; and
- the opportunities we provide for growth and development.

During the year, we carried out a number of activities to further embed our people promises across the business, including:

- launching a monthly vlog from Elena Karpathakis, our Managing Director, and continuing to hold six-monthly Executive roadshows at the key sites in our Cambridge and South Staffs regions;
- introducing a range of improved benefits, such as enhanced family leave policies;
- appointing mental health first aiders across the business; and
- providing internal career progression opportunities.

We also expanded our people networks – launching a Disability and Neurodiversity Network (DANN) and a Parents and Carers Network alongside the existing Women's and Unity+ Networks. These networks give our people the opportunity to connect, share information and build communities. They are all linked by a new initiative launched during the year – the 'Network Shelf'. This is a Group-wide employee-led book club, which aims to bring people together to encourage a culture of learning and open discussion. We will continue to build on the positive impacts of these networks and other people-related initiatives in the year ahead.

Performance against our targets

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 (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.

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.

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.

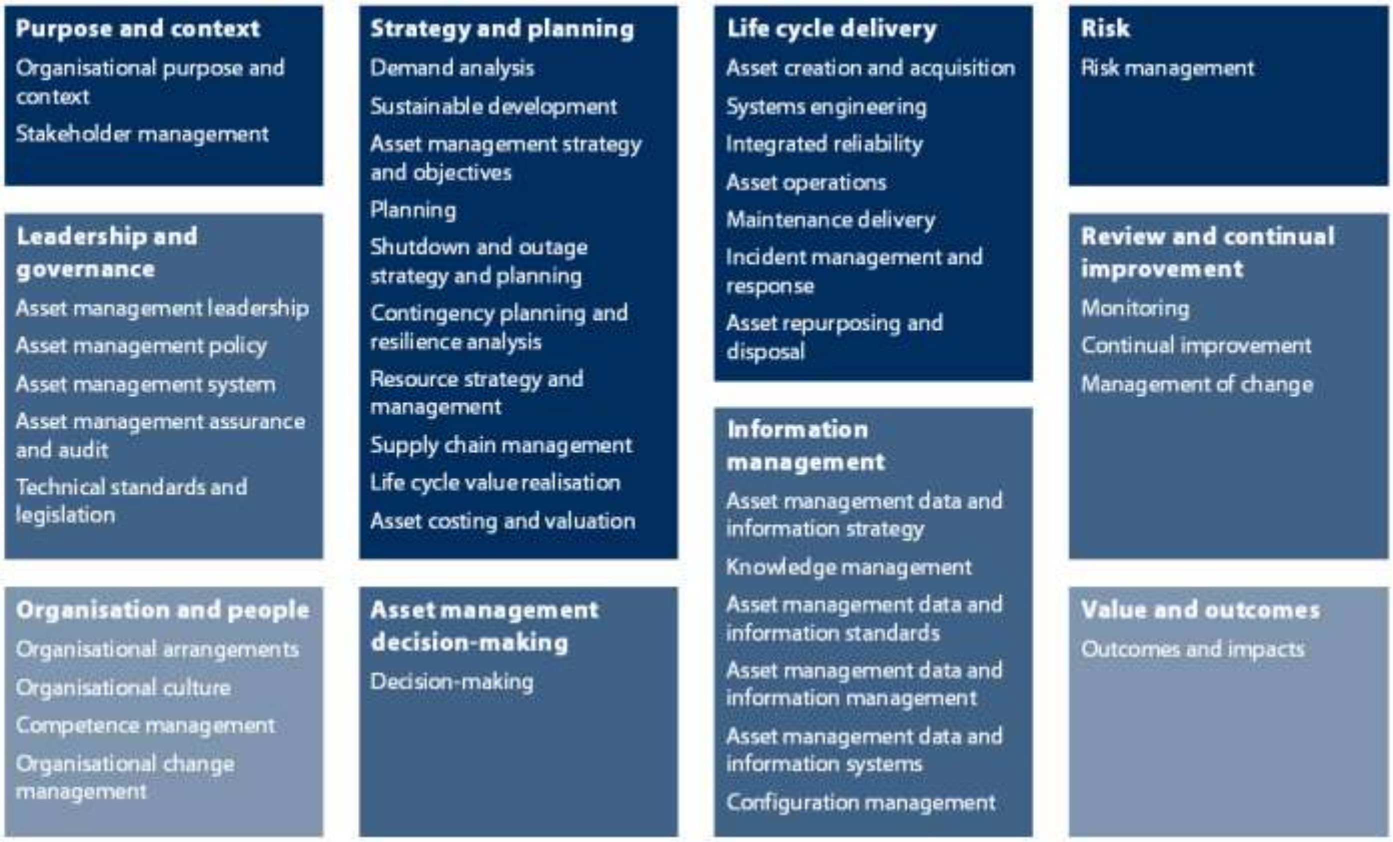
Site visits carried out so far have identified several causes of high water use. These included external leaks on customers' properties, inefficiencies with swimming pool processes, and internal wastage through 'leaky loos' or urinals. Customers have received a report from us, outlining the issues identified, 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.

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.

Monitoring the delivery of our long-term ambitions

Ours is a long-term business – planning for the future is part of our DNA. We welcomed Ofwat's approach at PR24 to set our AMP8 business plan in the context of a long-term delivery strategy.

And while we recognise the reform of the water sector is likely to mean comprehensive changes to the regulatory framework under which we operate, we welcome the Government's commitment to a less prescriptive approach, with more focus placed on planning horizons of 5, 10 and 25 years.

Our current long-term delivery strategy sits alongside, and is complementary to, a number of other key plans and strategies. This includes:

- the water resources management plans for our Cambridge and South Staffs regions;
- the Water Resources East (WRE) and Water Resources West (WRW) regional plans; and
- our AMP8 WINEP obligations.

It is also underpinned by our extensive programme of customer and stakeholder engagement and our future base expenditure forecasts.

Delivering our long-term ambitions

We used an holistic approach to develop our long-term delivery strategy, focusing on core and adaptive pathways. This enabled us to consider how we will deliver all the investments that meet our customers' expectations at the right time and in the most efficient and affordable way possible. Alongside this, we think monitoring the key activities that will indicate when we have reached a 'tipping point' or the need to adapt our plans allows us to objectively assess which of the potential futures are likely to be realised. This enables us to ensure we can invest in the right options at the right time.

Our long-term delivery strategy plans undoubtedly carry high levels of uncertainty. This means they will require continuous monitoring to ensure the key activities and trigger points for investment decisions associated with these are identified and tracked against a clear set of metrics. In this way, we can make timely and cost-effective decisions as we refresh, add to and adapt our long-term plans.

We have captured some of these activities in the following monitoring plan. As well as helping us to assess which of the potential futures in our long-term delivery strategy are being realised, it will also help us to understand when we have reached a trigger point that means we have to adapt our plans. This will ensure we make the right investment choices at the right time and in the best interests of customers and the environment. The monitoring plan includes examples of some of the actions we have taken during the year.

Key investment area	Our approach/key activities to achieve our ambition	Examples of 2025/26 performance/actions
Water resources management plans – supply/demand balance	Our Cambridge and South Staffs water resources management plans include key demand- and supply-side enhancement activities that underpin the core pathway of our long-term delivery strategy. This includes targets to reduce household and non-household water demand. They have been stress-tested to meet Ofwat's common reference scenarios.	▪ We are on track to bring back into supply several previously decommissioned boreholes to improve the supply/demand balance in our Cambridge region. ▪ 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. ▪ 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 includes proactive engagement with key stakeholders on a long-term funding solution to help us manage the bill impacts for our customers.
Environmental protection and enhancement – WINEP	Our AMP8 WINEP includes investigations to help accurately determine the scale of abstraction reductions required across our Cambridge and South Staffs regions. The programme also includes other actions to support nature recovery and enhancement, including in the chalk stream habitats in our Cambridge region.	▪ We published our first PIRP in March 2026, outlining our performance in 2025 and the action plans we will implement during 2026. This is a new requirement on us under the Water (Special Measures) Act 2025. During the period covered by the PIRP, we experienced seven Category 3 pollution incidents – all of these resulted from burst mains, where treated water then entered a water course. ▪ We have started the initial work on our chalk stream restoration programme, including initial designs, baseline surveys and ecological assessments. ▪ We are progressing with all our WINEP obligations and have carried out a range of activities during the year, including biodiversity net gain assessments, ecological surveys and eel surveys.

Key investment area	Our approach/key activities to achieve our ambition	Examples of 2025/26 performance/actions
Water quality	As well as quantifying the investment needed to maintain current regulatory standards for water quality, we have also identified an alternative water treatment pathway to ensure we always continue to supply wholesome drinking water to our customers – now and in the future.	▪ We have aligned our policy on per- and polyfluoroalkyl substances (PFAS) with the DWI's regulatory tiers. This policy covers 48 substances under the PFAS umbrella. Under our tier-based approach, we monitor tier 1 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. ▪ We have also carried our risk-based reviews and updates of our drinking water safety plans (DWSPs) to ensure alignment with current guidance. As part of this, we carried out a structured programme of work to address gas and carried out site audits and risk review meetings, among other things. ▪ The investment made in our Hampton Loade water treatment works during AMP7 has enabled us to optimise the clarifiers for organic particulate removal. This has helped with the elevated levels of THMs we usually see at the site during the summer months. At the same time, we made changes to our backwash and deep cleaning processes. These activities helped to maximise recovery and maintain elevated flows through the works during the summer drought.
Network resilience	We have developed a new resilience model for all the water supply zones across our Cambridge and South Staffs regions. This has enabled us to test and assess our core needs for network resilience in terms of available hours of water resources. We are currently forecasting limited enhancement expenditure in this area.	▪ We have continued to evolve how we work with our Copperleaf Asset Investment Planning system. This includes scoping and implementing a central operational asset risk register underpinned by the Six Capitals framework. As well as ensuring a current view of asset risk, this work will also give us a clear line of sight to investment proposals with Copperleaf, enabling us to capture regulatory compliance risk within the business as a priority. ▪ We have also carried out work to embed the AMMA framework co-created with Ofwat before the start of AMP8. We have been preparing our own assessment, which we are required to produce once every five years. This will help us to create a clear, evidence-based improvement plan and support a long-term, sustainable asset management approach. ▪ In addition, we have launched our largest-ever mains rehabilitation scheme across our Cambridge and South Staffs regions. Over the course of AMP8, we will replace 250 km of ageing water mains. Our initial focus is on the parts of the network that have a history of bursts.

Key investment area	Our approach/key activities to achieve our ambition	Examples of 2025/26 performance/actions
Lead	We have developed plans to ensure compliance with lead standards over the course of AMP8. In future planning periods, we will increase our rate of lead pipe replacements, in line with customers' preferences. This will ensure we prioritise meeting our ambition for lead at the right time.	■ In our AMP8 business plan, we committed to proactively replace lead pipework as part of our mains replacement programme and in response to elevated lead levels at customers' properties. We also committed to carrying out a programme of work to replace 'mains to tap' connections at the 373 primary schools and nurseries in our Cambridge and South Staffs regions that we believed had lead pipes. However, the investigations carried out during the year have yielded disappointing results, with us not finding lead pipes where we expected to. We are currently working with Ofwat and other stakeholders on next steps for this programme of work but recognise that it currently presents us with a risk of non-delivery.
Net zero	Our long-term net zero strategy is focused on a phased, modular approach that balances and optimises efficiency, affordability, technology evolution and innovation. This includes accelerating our plans for increasing low carbon and renewable energy and reducing our dependency on grid energy.	■ The new ceramic membrane filtration plant at Hampton Loade has enabled us to switch off the existing UV treatment process at the site. This has delivered a meaningful carbon reduction of 690 tonnes of CO_2e. 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.
Cyber security	We have based our approach to cyber security on continuous risk assessment, taking into account current and emerging threats and changes in Government guidance and regulations. Our ambition is to maintain a very low risk profile in this area, making sure we mitigate future risks and continue to protect our essential services.	■ We recognise the need to always ensure our people are aware of the need for robust cyber security systems and process. We have made significant investment in our information technology (IT) and operational technology (OT) to protect the business from the threat of cyber-attacks. This includes separating our IT and OT networks to prevent lateral contamination. We also carry out continuous threat detection monitoring of our networks by separate dedicated service operation centres (SOCs). ■ We have continued to carry out penetration testing across our IT and OT networks during the year and use mandatory cyber-security training accompanied by awareness campaigns to ensure our people always remain vigilant to the latest cyber threats.

Key investment area	Our approach/key activities to achieve our ambition	Examples of 2025/26 performance/actions
Security and Emergency Measures Directive (SEMD)	We have scrutinised investment in this area internally and externally with the DWI. This has enabled us to identify the activities in our core pathway and ensure we comply with the relevant SEMD regulations. We have projected relatively flat investment in this area going forward.	▪ We have made significant progress during the year to strengthen our security position and enhance our organisational resilience in line with SEMD requirements. We completed a number of key activities, including initiating a programme of enhanced CCTV coverage and alarm verification. We also deployed CCTV units to help reduce crime at our sites and strengthened our business resilience and emergency planning processes.

Risk and compliance statement

As a licensed water undertaker, we have a number of statutory and regulatory obligations. These are predominantly set down in the Water Industry Act 1991 and in our licence.

The purpose of this statement is to demonstrate that we fully comply with these obligations. Ofwat's guidance requires us to confirm that we have:

- a full understanding of, and are meeting, all our relevant statutory, licence and regulatory obligations;
- taken steps to understand and meet customers' expectations;
- satisfied ourselves that we have sufficient processes and internal systems of control to fully meet our obligations; and
- appropriate systems and processes in place to allow us to identify, manage, mitigate and review our risks.

We consider each of these below, along with a view of how we have satisfied ourselves that we can confirm the obligations have been met.

Meeting the relevant obligations

We confirm that we have a full understanding of, and are meeting, all our relevant statutory, licence and regulatory obligations.

Each year, we consider our obligations as a water undertaker and that we understand and comply with them. We do this in several ways, including by:

- assessing the impact of any licence changes or changes to the Water Industry Act 1991 made during the year and making sure we adopt any new obligations;
- reviewing and publishing relevant documents as required under the licence;
- using the appropriate assurance where required, either through internal or external technical audit; and
- requiring Board sign off for all significant obligations – for example, customer charges, the annual report and financial statements and the annual performance report.

Each quarter, we present a tracker to the Audit and Risk Committee setting out evidence of how we are meeting our licence and other obligations, identifying any gaps which need to be addressed.

At a meeting of Directors held on 3 July 2026, the Board confirmed that we:

- have adequate financial resources and facilities, management resources and systems of internal control (including those needed to manage risk) to enable us to carry out our regulated activities (including the investment programme necessary to fulfil our obligations under our licence);
- have maintained an investment grade credit rating from both Moody's and S&P;
- can confirm there are sufficient rights and assets available to enable a special administrator to run the business;
- have ensured that Executive Directors' remuneration packages are linked to our performance, taking account of both financial and service performance;

- have ensured that each Director has confirmed that, in accordance with the Companies' Act 2006, as far as they are aware, there is no relevant audit information of which our auditors are unaware. And also, that the Board has taken reasonable steps to make itself aware of any relevant audit information and to establish that our auditors are aware of that information; and
- comply with Condition F of our licence. And also, that the Board can confirm our compliance with the objectives and principles of RAG 5.07, namely that transactions with associate companies are at arm's length and that cross-subsidy is not occurring.

Based on the work carried out during the year, **we have not identified any exceptions and can confirm that we have a full understanding of and are meeting all our relevant statutory, licence and regulatory obligations**.

Meeting customers' expectations

We confirm that we have taken steps to understand and meet customers' expectations.

We have a number of outcomes that reflect what our customers have expressed as what matters to them. These outcomes have performance commitments attached that customers can expect us to achieve. We consider it important to be transparent with our customers and other stakeholders and we regularly share information about our performance with them. In addition, we make further disclosures around remuneration, governance, tax and our ownership structure, as we know these are important matters for customers. We also use insight from customers to help shape our day-to-day and long-term plans. In particular, the following projects were part of a wider customer engagement programme carried out during the year. This helped us to maintain our focus on customers' priorities and to understand how these are changing and why.

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.

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 the 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.

Processes and internal control systems

We confirm that we have satisfied ourselves that we have sufficient processes and internal control systems to fully meet our obligations.

We have several processes and controls in place to ensure we deliver our statutory, licence and regulatory obligations. The Board, supported by the Audit and Risk Committee, attaches considerable importance to our system of internal control and reviews its effectiveness. This includes making sure reasonable steps are taken to safeguard our assets, and to prevent and detect fraud and other irregularities.

The Audit and Risk Committee is closely involved in challenging our processes for identifying, evaluating and managing significant risks and there is an established internal control framework that is continually reviewed and updated. This process includes identifying, evaluating and managing the significant risks we face as described below. Alongside this, we also have robust and transparent processes in place, as set out in our latest assurance plan.

We benefit from independent reviews of performance by an Internal Risk, Control and Assurance function operated by our parent company. This service is dedicated to ensuring internal control activities remain a priority across the business. This includes consideration of the statutory and regulatory obligations to ensure compliance.

Based on this, we are satisfied that we have sufficient process and internal systems of control to fully meet our obligations.

Risk management

We confirm that we have appropriate systems and processes in place to allow us to identify, manage, mitigate and review our risks.

We recognise that risks exist in all businesses. Our approach to risk reflects our status as a regulated and licensed water undertaker providing an essential public service. We accept that not all risks can be mitigated entirely, but our aim is to ensure that management activities reduce the overall estimated impact of risks to a level that is acceptable and that does not impact on our long-term viability.

Risk management is embedded in our day-to-day business activities. To facilitate the risk management process, every six months the Executive team reviews the principal business risks as identified and documented by senior managers. They consider the risks on the whole business, as well as the proposed mitigating controls and procedures that are designed to reduce risks to an acceptable level. These risks are then presented to the Audit and Risk Committee for review, which challenges and comments on behalf of the Board, with any agreed actions passed on to the relevant senior manager, and any significant issues escalated to the Board. The objectives of this risk management process are to:

- ensure the Executive team can identify and prioritise all key business risks;
- implement appropriate procedures and controls to mitigate risks to an acceptable level; and
- enable senior managers to highlight, document, prioritise and execute any identified actions.

The key risks, as identified using the process described above, information about what each risk means for us, the actions we are taking to mitigate the impacts and any changes in risk are set out in the annual report and financial statements.

We stress test our financial projections against several plausible scenarios, considering these key risks and the impact they could have on customers and other stakeholders. This is set out in the long-term viability statement in the annual report and financial statements.

Overall, we are satisfied that we have appropriate systems and processes in place to allow us to identify, manage and review our risks.

This risk and compliance statement was approved at a meeting of the Directors held on 3 July 2026 and duly signed on their behalf.

Steve Johnson MBE
Chair

6 July 2026

Elena Karpathakis
Managing Director

Ring-fencing certificate

The company is required under Condition P of its licence to produce and submit a ring-fencing certificate (RFC), also known as a certificate of adequacy.

The RFC confirms that, in the opinion of the Board, the company will have available to it sufficient financial and management resources, systems of planning and internal control, and rights and resources, other than financial resources, to enable it to carry out the regulated activities for at least 12 months from the date the certificate is submitted to Ofwat.

The company must also confirm that all contracts between it and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to the company, to ensure it is able to carry out the regulated activities.

Ernst & Young LLP has performed assurance procedures on certain items of the certificate, and its report has been submitted to Ofwat along with the Independent Auditor's report as set out on page 147 onwards.

Main factors the Board has considered

The Board has considered a wide range of factors and evidence to satisfy the Directors that they can approve the RFC. The factors considered, and the sufficiency of evidence, are set out as follows.

Financial resources and facilities

Factor considered	Evidence
Financial position	The balance sheet as at 31 March 2026 shows net cash of £23.5 million for the company, which together with our £70 million undrawn facilities, after taking account of the extension to the RCF after the year end, provides sufficient headroom for at least the next 12 months.
Credit ratings and compliance	The latest credit ratings as at Baa2 (Moody's) and BBB+ (S&P), both with stable outlook, remain within investment grade. The actual and forecast borrowing covenants all maintain significant headroom to allow the company to operate.
Performance against our PR24 final determination	After timing adjustments, we have overspent our allowances by £1.4 million. In October 2025, we settled fines of £1.2 million. In addition, we paid £0.4 million of pensions deficit repair costs during the year.
Budgets and plans	The company's budget for 2026/27 and the associated investment programme has been reviewed, challenged and approved by the Board. Base plans used for the long-term viability statement cover the ten-year period from 2026 to 2036. This is set out in the annual report and financial statements, along with the stress tests applied, the results of those tests and the mitigations considered. The Audit and Risk Committee has approved the long-term viability statement on behalf of the Board; it considers the company will continue to operate for at least the next ten years.

Management resources

Factor considered	Evidence
Management skills, experience and qualifications	Many key managers have been with the company for a number of years and have gained a significant level of experience in their relevant areas. Key technical managers are suitably qualified and continually developed to keep their skills up to date.
Recruitment process and employee management	All job vacancies are gender-neutral and focus on skills, abilities and opportunities for development. The company works proactively with local schools – engaging young people about the world of water.
Succession planning	The company undertakes workforce planning, attraction and succession, with established structured workforce plans, recruitment, benchmarking and induction processes.
Training and development	All new starters are given a formal induction, including around health and safety. Where identified, formal training and development plans are agreed to ensure employees become fully competent in their roles. These plans are reviewed on a regular basis, against specific milestones.
Board culture and independence	The Board continues to comply with Ofwat's principles of Board leadership, transparency and governance. The largest group of Directors on the Board during the year was that of Independent Non-executive Directors, including the Independent Chair.

System of planning and internal control

Factor considered	Evidence
Risk management	The Audit and Risk Committee reviews the risk management process on behalf of the Board. Every six months the company presents the Committee with the key risks facing the business, the impact assessment and the controls in place to mitigate them. This is set out in the annual report and financial statements.

Internal/external audit

Factor considered	Evidence
Audit and Risk Committee	The Audit and Risk Committee reviews the risk management process on behalf of the Board. Every six months the company presents the Committee with the key risks facing the business, the impact assessment and the controls in place to mitigate them. This is set out in the annual report and financial statements.
Business continuity	Each department reviews and updates its business continuity plans every year. These plans consider how the company would operate in the event of a significant incident. They cover the ability to work remotely, disaster recovery and how the company will ensure a continued service to customers.

Factor considered	Evidence
Fraud prevention, unethical behaviour and whistleblowing	The Board, supported by the Audit and Risk Committee, attaches considerable importance to the company's system of internal control and reviews its effectiveness. This includes making sure reasonable steps are taken to safeguard the company's assets, and to prevent and detect fraud and other irregularities. The internal control system can provide only reasonable and not absolute assurance against material mis-statement or loss, as it is designed to manage rather than eliminate risk of failure to achieve business objectives. The company has an established internal control framework in place that is continually reviewed and updated, considering the nature of its operations.
Risk and compliance statement	The Board reviews and approves the risk and compliance statement, as set out on page 35. This includes a statement that the company has sufficient processes and internal systems of control to meet its statutory obligations.

Other rights and resources

Factor considered	Evidence
Corporate purpose and values	As part of Ofwat's Board leadership, transparency and governance principles, the Board is required to monitor and assess values and culture to satisfy itself that behaviour throughout the business aligns with the company's purpose. The company's Articles place customers and the environment at the heart of its purpose, making them its primary business objective. This means the company conducts its business and operations for the benefit of the communities it serves, while creating long-term value and delivering positive outcomes for its employees, its customers and the environment.
Technology, systems and security	South Staffordshire Water's intermediate parent company, South Staffordshire Limited (formerly known as South Staffordshire Plc), has a cyber strategy that drives investment and operational planning. In addition, there is oversight of critical systems and suppliers to ensure the South Staffordshire Limited (formerly known as South Staffordshire Plc) Group understands the data it holds is secure, and that regulations are adhered to, while threat intelligence is used to analyse cyber risks. The company also has a cyber risk management framework in place, which reviews risk across all parts of the business. Increased cyber awareness training has been rolled out across the company, overseen by the Audit and Risk Committee, which gives assurance to the Board. The company applies robust change control processes to ensure changes to live systems are rejected until the risk to confidentiality, availability and integrity of data is reduced to an acceptable level. It regularly monitors and updates its plans and upgrades its operating systems and databases as required.
Policies to encourage an integrated approach and systems thinking	The company has implemented a framework that demonstrates an integrated approach and systems thinking, which underpins all its operations.
Monitoring the delivery of the company's long-term ambitions	The company has developed a monitoring plan for its long-term delivery strategy. This is to ensure the activities and the associated triggers for key investment points are tracked against clear metrics.

Factor considered	Evidence
Asset maintenance and insurance factors	The company has a number of assets that are critical to the provision of clean, safe and high-quality drinking water. The reliability and resilience of these assets could cause risks around delivery capacity, with loss of supplies. The company has considered its long-term plans in the context of managing and maintaining its assets and supply capabilities. 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 to evaluate how well the company plans, manages and makes decisions about its assets. The aim is to highlight strengths, weaknesses and areas for improvement with measures that can be applied consistently across all water companies. This will help 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 the company's customers and communities. It will also provide a baseline of asset management maturity as the company heads 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 company has a comprehensive insurance policy that covers public liability, employee liability and business interruption. It reviews the policy each year to ensure appropriate cover is provided.

Contracting

Factor considered	Evidence
Status of key contracts	For most key contracts, regular dialogue takes place to identify any potential supply issues at an early stage. The company uses multiple suppliers for critical items and also holds additional stocks where there is a limited number of suppliers.
Contracts with associated companies comply with licence conditions	There are defined procedures in place to ensure contracts with associated companies are at arm's length, either through competitive tender or at cost. These are set out on page 69. The company ensures the Board has visibility of its trading arrangements with associated companies. Each year, it presents a paper to the Board that sets out the current arrangements in place and any risk of non-compliance. This paper also sets out the total value of transactions in the year compared with the previous year and shows them in the context of total category spend. During the year, an independent review was undertaken by Internal Audit, reviewing the company's transfer pricing arrangements and compliance with RAG 5. This covered the following areas. ▪ Governance and oversight. ▪ Policies and procedures. ▪ Transaction testing. ▪ Cost allocation methodology. ▪ Procurement. ▪ Monitoring and reporting. ▪ Training and awareness. ▪ Risk management.

Factor considered	Evidence
	The findings were presented to the Audit and Risk Committee showing that there was no evidence of non-compliance with RAG 5. Some improvements to governance and documentation were recommended which will be actioned over the coming year.
Details of transactions between the appointed company and associates.	These are set out on page 69 and show the service supplied, the value of transactions in the year and the terms by which the contract operates.
Loans, guarantees and transfers of assets by the appointed company	No new loans, guarantees or transfers were issued during the year.
Status of key contracts	For most key contracts, regular dialogue takes place to identify any potential supply issues at an early stage. The company uses multiple suppliers for critical items and also holds additional stocks where there is a limited number of suppliers.

Material issues or circumstances

The company continues to work with its neighbour Anglian Water and other key stakeholders in the Cambridge region on two major projects that are designed to ensure sustainable water supplies over the long term. The first of these is a time-limited bulk transfer of water from Anglian's Grafham reservoir, which will deliver 26 million litres of water a day into the Cambridge region. The second is the Fens reservoir strategic resource option, which will deliver around 44 million litres of water a day into the Cambridge region once it is brought into commission in the mid-to-late 2030s. The company is progressing both programmes broadly in line with the timelines set out in its AMP8 business plan. It is working collaboratively with Anglian Water and regulators to determine an appropriate funding model for the reservoir's construction costs.

Sufficiency of evidence – procedure followed

The Board must satisfy itself that the evidence set out above is sufficient to be able to reach the conclusion it can make the required declaration in the RFC. During the reporting year, the Board discussed a wide range of agenda items. Examples of these are set out on page 66. A number of these items cover the factors considered above and allow the Directors to gain an overall picture in respect of the sufficiency of resources.

For example, the Board has been fully engaged in the formulation of the company's budget and longer-term plans. As part of the process, several key meetings were held with Board members to allow early discussion and challenge. The process culminated in the approval of the final budget at a Board meeting on 31 March 2026. In addition, the Audit and Risk Committee is responsible for reviewing and monitoring the company's financial statements, internal controls and systems for mitigating the risk of financial and non-financial loss. This includes:

- assessing the integrity of the financial statements;
- considering changes to accounting policies;
- reviewing financial reporting procedures;
- risk management processes; and
- monitoring systems.

The Audit and Risk Committee reports back to the Board on the key work carried out.

Board declaration

The Directors declare that in their opinion:

a) the company will have available to it sufficient financial resources and facilities to enable it to carry out its regulated activities, for at least the 12-month period following the date on which this certificate is submitted;
b) the company will have available to it sufficient management resources and systems of planning and internal control to enable it to carry out its regulated activities, for at least the 12-month period following the date on which this certificate is submitted;
c) the company has available to it sufficient rights and resources other than financial resources, as required by paragraph 14 of its licence; and
d) all contracts entered into between the company and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to the appointee, to ensure that it can carry out its regulated activities.

This ring-fencing certificate was approved at a meeting of the Directors held on 3 July 2026 and duly signed by them.

Steve Johnson MBE
Chair, South Staffordshire Water PLC

Elena Karpathakis
Managing Director

Sara Vaughan
Deputy Chair, South Staffordshire Water PLC

Professor Ian Barker
Senior Independent Non-executive Director

Alice Cummings
Independent Non-executive Director

Jim O'Sullivan
Independent Non-executive Director

Misha Nahorny
Non-executive Director

Charley Maher
CEO, South Staffordshire Limited

6 July 2026

Dividends

In May 2023, Ofwat introduced a new dividend-focused licence condition on all water companies in the sector.

The new licence condition requires that any dividends declared or paid are made in accordance with the following key principles:

i. that dividends declared or paid will not impair the ability of the Appointee to finance the Appointed Business, taking account of current and future investment needs and financial resilience over the long term;
ii. that dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
iii. that dividends declared or paid reward efficiency and the effective management of risks to the Appointed business.

The Board has considered these principles by carrying out an 'in the round' assessment of performance considering all aspects of delivery against performance commitments, investment plans, environment, cost efficiency and other areas of operation. Each assessment area is set out below.

Board considerations

Performance commitments

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.

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.

Overall, the Board considers the company has delivered against many of its performance commitments.

Investment plan

Year one of AMP8 has required a significant ramp-up in capital delivery activity year-on-year alongside the introduction of new PCDs, which are directly linked to the investment programme delivery targets. We have delivered our year one PCD commitments for our metering and mains replacement programmes, as well as some of our year two investments as well. We have also completed the installation of UV treatment at our Maple Brook site two years ahead of our PCD target, providing use with additional treatment resilience.

Our PCD for lead is delivery based and will be measured at the end of AMP8, which means there is no timing incentive. However, we are not currently on track to meet this and our performance is currently classed as amber in our PCD report. Along with other water companies in the sector, we are engaging with Ofwat about this effectiveness of this PCD and would expect to see changes to this for year 2.

Overall, the Board considers the company's investment plans have been delivered in 2025/26 and we remain on track for the remainder of the period.

Cost efficiency

We have experienced higher operating costs during the year. These have been driven by the higher levels of water production over the summer, which have predominantly impacted energy and chemical costs. They have also been driven by increased repair spend on mains bursts during the winter. We expect the operating cost overspends will broadly balance with the timing of our capital programme, which results in an expected totex outturn in line with our 2025/26 allowance.

Environmental considerations

During the 2025 calendar year, we reported no serious pollution incidents. 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. So, 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.

As we outlined in 'Performance commitments' above, our CRI performance showed a significant improvement on the previous calendar year. However, in February, we experienced a single major metals failure at a customer tap in Oldbury in our South Staffs region, which significantly eroded our CRI headroom. We also saw elevated levels of customer contacts, driven by unusual seasonal discolouration and taste/odour issues, associated with the increased burst rate in early 2026. We have put a new cross-functional customer contact working group in place, with root cause analysis under way to target the highest impact interventions.

Following a chlorine calibration audit at the site in question, we have taken corrective action, including retraining production teams on the correct sampling calibration procedure, strengthening alarm escalation processes, and increasing verification checks. The site is now operating with enhanced controls, including fixed flow operation and daily checks carried out by our production people and independent bi-weekly handheld chlorine verification checks carried out by our Water Quality team.

We are continuing to invest in our people and assets through our Confidence in Compliance programme, with the aim of securing consistent and demonstrable water quality compliance. The programme aims to strengthen governance, clarify ownership and introduce a robust Competent Operator framework so that core operational tasks are carried out safely, consistently and to regulatory standards. This will ensure compliance is proactively managed, fully evidenced and embedded across our Production, Water Quality, Capital Delivery, Operations and OT teams under a single, clear framework. We are aiming to have the framework in place and all our teams assessed and signed off as competent by 2027. Most asset improvements will also be delivered by 2027, with some completion dates being towards the end of AMP8.

Our PR24 final determination settlement has awarded us our largest ever WINEP, with a huge focus on improving our local water courses. Throughout the year, we have continued to build on our ongoing engagement with local groups, developing a strong collaborative approach to delivering our environmental obligations.

We ended the year with 100% compliance on all abstraction licences across both regions. In the year to date, we have received two Category 3 (minor impact) discharge compliance fails – one from our discharge at our Seedy Mill water treatment works, and one for two days of daily flow breach at our Chilcote site. We are aware of the cause of both failures and are building in lessons learned. We have published our first PIRP and are reviewing our pollution policies and procedures and briefing the operational teams. We also signed off two of our year 1 WINEP obligations, while we remain on track to deliver our other obligations in line with their targets through the remainder of AMP8.

On health and safety, we continue to see year-on-year safety improvements, with continued role modelling at all levels. Accidents have reduced from 23 to 14, and we expect nil RIDDOR events after the year end closure.

Overall, the Board considers that the company has met its environmental obligations.

Customers

Over the course of the year, we have made clear and tangible progress in improving customer service outcomes. This has been underpinned by a stronger focus on responsiveness, accountability, and transparency. We have delivered notable improvements in contact centre performance, with reduced call waiting times, fewer abandoned calls, and the introduction of a case-ownership model for complaints. This has strengthened end-to-end accountability and improved customer confidence through clearer points of contact.

Our operational performance has also improved, with a reduction in failures against guaranteed service standards and more timely handling of account queries, complaints, and appointments. These improvements reflect tighter process control and increased focus on delivery discipline across frontline teams.

The development of a new customer service strategy has provided a clear framework for sustained improvement. This covers:

- billing;
- complaints handling;
- vulnerability and affordability support; and
- digital self-service.

This has been complemented by targeted investment in training, coaching, and systems capability.

For non-household customers, we have made progress in meter accuracy through higher levels of replacements and verifications, alongside improved satisfaction with wholesale service provision.

In addition, we have enhanced the quality and frequency of our customer communications, particularly during operational activities such as supply interruptions and network leaks. The introduction of clearer, customer-tested billing communications and the 'Your water, your future' annual bill leaflet has improved transparency, helping customers to better understand how their bills support investment and long-term network resilience.

Financial resilience

The Board has considered if paying a dividend will materially impact the company's resilience over the short and longer term or impair its ability to finance its future investment needs.

The dividend is subject to us maintaining credit metrics which are consistent with a Baa2 credit rating, both now and over time. During the recent annual reviews with Moody's and S&P, both agencies reiterated our investment grade ratings of BBB+ and Baa2, respectively, for the next 12-month period.

The dividend is also subject to us maintaining adequate liquidity to meet our cash requirements over the coming 12 months and having sufficient distributable reserves. The Board-approved budget demonstrates that these liquidity requirements are met, supported by forecast cash balances and the availability of committed facilities, including the extension of the revolving credit facility (RCF) to £100 million. In addition, we have recently completed our annual going concern assessment for the 15-month period to 31 July 2027, which confirms that under severe but plausible stressed scenarios, we have appropriate cash and facility headroom throughout that period.

The Board-approved budget for 2026/27 showed that all key financial metrics used by both the credit rating agencies and debt lenders will still meet the required target levels. We have stress tested the budget as part of the overall long-term viability statement in the annual report and financial statements.

We have also considered if there has been any atypical benefit from inflation during 2026. The asset base of the business is indexed by CPIH. If companies hold a significant level of fixed-rate debt, this would result in a beneficial increase in regulated equity and hence a higher dividend based on the same per cent dividend yield. Inflation, measured by CPIH, was 3.5% in March 2026 and, as such, any inflation benefit would be small. Around 73% of our debt is RPI index-linked and increases with inflation. Our modelling suggests that, overall, there was no material benefit from inflation on our gearing levels. Therefore, we have not benefited from the impact of inflation, and this has not impacted the level of dividend distribution.

The Board approved an updated dividend policy for AMP8 in September 2025. The table below sets out each specific area of the policy that the Board has considered when determining the level of dividend to be paid.

Policy consideration	Adjustment	2025/26	2024/25
Base dividend	The base dividend yield at PR24 was 4.00%. See below for more information on how this base yield was determined.	£10.1m	£4.2m
Gearing capacity and credit quality[1]	Moody's and S&P re-affirmed the credit ratings in quarter 4 of 2025/26 following the standard annual assessments. Current credit ratings are: Baa2 (Stable) with Moody's and BBB+ (Stable) with S&P. Gearing for 31 March 2026 of 61.0% is based on a covenant net debt of £391.0 million (March 2025: £385.4 million) and a nominal RCV of £641.0 million. We expect Ofwat to assess us as 'standard' in its annual financial resilience report, which will be published after the APR 2025/26 query process is closed in the autumn.	No adjustment required under the policy	No adjustment required under the policy
Liquidity: ≥ 12 months of committed liquidity[2]	On 7 April 2026, Lloyd's Bank confirmed an increase of our RCF, which provides facilities of £100 million through to November 2028. As at 31 March 2026, £30 million was drawn. Our closing cash position as at 31 March 2026 was £23.5 million. The 2026/27 Board-approved budget, including cash flow, was stress tested for a number of sensitivity scenarios, all of which demonstrated adequate liquidity. The year end going concern assessment, which stress tests a severe but plausible scenario also demonstrates that we will continue to be liquid for a period beyond 12 months. We are not in default on any of our banking facilities.	No adjustment required under the policy	No adjustment required under the policy
Regulatory compliance	On 21 October 2025, we settled fines of £1.2 million. This impact is reflected in the totex policy consideration below. The cyber-attack civil claim continues to be a risk to the business. We have set aside a provision for any claims, but an accurate and likely value is difficult to forecast given the nature of the claim. In 2022 and 2023, there were a number of instances where we breached our abstraction licences at two sites in our Cambridge region. We offered an environmental undertaking to the Environment Agency, making £200,000 available to support and enhance local water courses. The Environment Agency declined this, so we have entered a guilty plea for the offences. A new court date has been set for October, where we intended to defend the level of harm caused. However, we have since had confirmation, via our legal support, that the EA now concur with our expert witness on harm levels.	No adjustment required under the policy	No adjustment required under the policy

Policy consideration	Adjustment	2025/26	2024/25
	In our Cambridge region we have had a small number of breaches in our disinfection policy – water remained wholesome and potable, but we were operating at a higher level of risk that we would deem appropriate. We have worked with the DWI and have proposed an undertaking that will support with enhanced training and competency in our teams to stop this from happening in the future.		
Statutory accounting and Companies Act corporate governance considerations[3]	The interim accounts to 30 September 2025 (which was the relevant accounts for the interim dividend decision) gave a total reserves position of £12.3 million. An interim dividend of £4.181 million was approved and paid in November 2025. The closing distributable reserves for 31 March 2026 are £16.3 million.	No adjustment required under the policy	No adjustment required under the policy
Totex outperformance[4]	After timing adjustments, totex was £1.4 million higher than our allowance. This was in relation to disallowable costs relating to fines and pensions deficit payments. Both are not subject to cost sharing, ensuring that customers don't pay for them. Our performance in comparison with other water companies in the sector will be considered as part of the final dividend assessment later this year in accordance with the calculations for the performance adjustment mechanism.	(£1.4m)	£4.4m
Environmental performance[5]	During the 2025 calendar year, we reported no serious pollution incidents. However, we experienced seven Category 3 pollution incidents. CRI for 2025 outturned in deadband. Our performance in comparison with other water companies in the sector will be considered as part of the final dividend assessment later this year in accordance with the calculations for the performance adjustment mechanism.	No adjustment required under the policy	No adjustment required under the policy
Investment delivery	We have met our year 1 PCD targets for the three metering programmes and the mains replacement programme. We have delivered some of our year 2 investments early and have installed UV treatment at our Maple Brook site two years ahead of our PCD target. Lead pipe replacement (an end-of-AMP PCD with an in-year expected progress target) remains an industry-wide challenge due to limitations in identifying qualifying services. Ofwat is reviewing the lead PCDs, including their potential removal or definition change.	No adjustment required under the policy	No adjustment required under the policy

Policy consideration	Adjustment	2025/26	2024/25
Drinking water quality	We saw a positive year-on-year move in CRI performance, and a reduction in DWI reportable events for 2025. Following a sustained period of improving performance in customer contacts for water quality, this year we saw a deterioration. This is largely due to the increased flow rates needed to meet increased customer consumption during the prolonged dry weather, a challenge we believe a number of companies have seen. Our performance in comparison with other water companies in the sector will be considered as part of the final dividend assessment later this year in accordance with the calculations for the performance adjustment mechanism.	No adjustment required under the policy	No adjustment required under the policy
Customer outcomes	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 (UKSCI) target. We will not have the final UKCSI data until July 2026 and therefore we will not know our actual outturn until later in the year. We also expect to be place 9th in the sector for D-MeX, the measure for developer services customer experience. The estimated impact of our performance is reflected in the ODI position policy consideration below. The prolonged soil moisture deficit across both our regions led to an increase in breakout rate, as the ground movement leads to pipe failure. We experienced a significantly higher than target level of backlogs for repairs in the final quarter of the financial year. Despite this we have delivered against both our South Staffs and Cambridge leakage targets for year one of AMP8. We experienced the impact of the hot weather during the summer of 2025 driving an uplift in consumption. Despite this we have delivered against our PCC targets for both regions. Our performance in comparison with other water companies in the sector will be considered as part of the final dividend assessment later this year in accordance with the calculations for the performance adjustment mechanism.	No adjustment required under the policy	No adjustment required under the policy

Policy consideration	Adjustment	2025/26	2024/25
Financial resilience	We have completed covenant testing on the Board-approved budget for 2026/27, with no breaches noted. The approved-Board budget key metrics have been modelled and return FFO/net debt of 12.1% (S&P threshold: 11.0%) and gearing of 68.3% (Moody's threshold of 68.0%) and at AICR of 2.8 times (Moody's threshold: 1.8 times). We have also stress tested our plans for the ten years to 2036 which demonstrate that at the 10% chance of downside impact, we maintain our investment grade credit rating. A consideration of an adjustment as part of calculating the performance adjustment mechanism will be considered based on Ofwat's financial resilience report.	No adjustment required under the policy	No adjustment required under the policy
Penalties/rewards: net ODI position (post-tax)[6]	Our reported ODI outturn for the year is a net reward of £2.4 million. However, we are expecting to incur penalties on both C-MeX (£0.7 million) and BR-MeX (£0.5 million) which gives an estimated overall reward of £1.2 million. Our performance in comparison with other water companies in the sector will be considered as part of the final dividend assessment later this year in accordance with the calculations for the performance adjustment mechanism.	£1.2m	(£2.2m)
Any other reputational factors[7]	There have been no significant health and safety incidents, new pension obligations or other employee obligations during the year.	No adjustment required under the policy	No adjustment required under the policy
Non-appointed dividend	We have activities that are not part of supplying water services to customers. Our policy is to distribute the free cashflow for the year unless it is required to support our debt covenants or maintain our credit rating.	£0.8m	£0.9m
Total dividend allowable per dividend policy[8]		**£10.7m**	**£7.3m**
Actual dividend paid		**£10.8m**	**£6.8m**

Notes:

1. Under all significant debt, including the index-linked Artesian loan and bond, there are various conditions that need to be met before a dividend can be paid.
2. Available working capital, liquidity and undrawn committed facilities to meet forward-looking business plan requirements for the next 12 to 18 months.
3. Statutory accounting distributable reserves.
4. Adjusted to reflect acceleration of delay because of timing difference. Excludes pension deficit repair costs.
5. Includes our long-term impact on the environment; responding to climate change; security of water supply; delivery of water resources management plans; compliance with licences and permits; biodiversity programmes; and sludge use.
6. Projected rewards from performance commitments, understanding rewards earned and timing of cash collected.
7. Includes customer service standards in period; any significant health and safety incidents; pension obligations; and employee considerations.
8. On 30 June 2026, a second interim dividend of £6.67 million 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 £10.85 million.

Choice of base dividend yield

The choice of base yield for appointed activities has been determined based on the dividend yield included in our PR24 business plan and subsequent representations, which amounts to 4% of regulated equity on an actual company basis (that is, not using notional gearing of 55%). This is in the context of the allowed cost of equity at PR24 final determination of 5.1%.

One of the key considerations on the appropriate base dividend yield is in relation to ensuring the business is attractive to existing and potential new equity providers. Investors need a proportion of predictable cash yield to support their investment decisions and not just rely on asset value growth, with uncertainties as to how reliable this will be. So, to ensure equity is financeable, it is considered that a base divided yield of 4% is needed to deliver a stable and predictable cash flow.

Board statements

Each year, the Board makes a number of statements about the company's performance and its compliance with regulatory and other obligations. Among other things, these statements focus on the company's long-term viability and on the responsibility for regulatory information.

Long-term viability statement

The Directors' full assessment of financial viability can be found in the long-term viability statement in the South Staffordshire Water PLC annual report and financial statements. The Directors have assessed the company's viability over a ten-year period to 2036, considering its current position and principal risks. Based on that assessment, the Directors have a reasonable expectation that the company will be able to continue to operate and meet its liabilities as they fall due over the period to 31 March 2036.

Statement of Directors' responsibilities for regulatory information

Further to the requirements of company law, the Directors are required to prepare accounting statements that comply with Condition F of the company's licence as a water undertaker under the Water Industry Act 1991 and the RAGs issued by Ofwat. The Directors are required to:

- confirm that, in their opinion, the company has sufficient financial resources and facilities, management resource, and methods of planning and internal controls for the next 12 months;
- confirm that, in their opinion, the company has sufficient rights and assets, which would enable a special administrator to manage the affairs, business and property of the company;
- confirm that, in their opinion, the company has contracts with any associated company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the company's obligations as a water undertaker;
- report to Ofwat changes in the company's activities, which may be material in relation to the company's ability to finance its regulated activities;
- undertake transactions entered into by the appointed business, with or for the benefit of, associated companies or other business activities of the appointed business, at arm's length; and
- keep proper accounting records, which comply with Condition F of the company's licence.

These responsibilities are additional to those already set out in the statutory financial statements.

Statement on licence Condition G

In February 2024, Ofwat introduced a new licence condition on the water companies in England and Wales to transform the care they deliver for customers – particularly those who need extra help with their water and wastewater services. Under the new licence condition, the company is required to deliver the following outcomes for customers.

- Customers are well informed.
- When something goes wrong, affected customers have confidence the company will put it right.
- The full diversity of customers' needs is identified, understood and met by companies in the services and extra help they provide.

The company must also meet the following principles for customer care.

Principle 1 – proactive outbound communications

Condition G principle	How the company has complied
"The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents."	The company has strengthened its proactive communication approach, ensuring customers receive clear and timely information – especially before, during and after incidents. In line with its vulnerability strategy, which was launched in June 2025, the company has continued to improve the accessibility of its communications. This includes tailoring updates to diverse customer needs and delivering information across multiple channels, including text messages, email, website alerts, local radio and through in-person community engagement. Through a wide-ranging community programme, the company has attended more than 170 events across 77 organisations, including kidney dialysis centres, hospitals, food banks, housing associations, community groups, and charities. As a result, the company has supported more than 1,100 customers through direct sign-ups to social tariffs, the Priority Services Register (PSR), the Charitable Trust or other means of support. This includes payment breaks, flexible payment plans, assisted supply pipe repair schemes and the Water Direct scheme where payments are made directly from customers' benefits. The company has embedded the learnings from the major bursts it experienced in its South Staffs region in November 2024 (and which was reported in last year's annual report and financial statements). This includes greater co-ordination with local and national elected officials. The aim is to ensure affected customers receive earlier, targeted support and more locally relevant information. In addition, it has developed targeted awareness campaigns – for example, to raise awareness of the need to use water wisely. It has also expanded its vulnerability outreach work, encompassing PSR data cleansing, to broaden customers' understanding of the services and support available.

Principle 2 – easy inbound communications

Condition G principle	How the company has complied
"The Appointee makes it easy for its customers to contact it and provides easy to access contact information."	The company has strengthened accessibility through improved contact centre performance, expanded digital self-service tools, and clearer escalation pathways. This ensures customers can make contact easily through their preferred channel and resolve their queries efficiently. In addition, it has implemented measures to enhance the accessibility of customer bills, improving both their clarity and the effectiveness of signposting to multiple contact channels. This includes phone, web chat, email, social media, text messages and in-person engagement through its community partners. This ensures customers can choose the most suitable route for their individual needs. It has also implemented the Recite Me Assistive Toolbar to help reduce instances of digital exclusion. This makes the website more inclusive by enabling users to customise content to their specific circumstances. Alongside this, simplified online journeys ensure content is clear and easy to understand. Additional assistance is provided through the company's telephony services for those who are less confident about accessing digital platforms. The vulnerability strategy commits the company to making services as inclusive and

Condition G principle	How the company has complied
	accessible as possible. At the same time, it recognises that customers' contact preferences vary widely and that some may face barriers because of disability, age, digital exclusion or socio-economic circumstances. Through its stakeholder network, the company ensures contact information reaches customers through trusted local organisations, especially those serving vulnerable groups.

Principle 3 – support when things go wrong

Condition G principle	How the company has complied
"The Appointee provides appropriate support for its customers when things go wrong and helps to put things right."	The company's incident response framework is informed by its vulnerability strategy. This stresses the importance of understanding each customer's ability to cope in the event of a major incident and ensuring support is always tailored to circumstance – while also recognising that vulnerability can be temporary or fluctuating. The company's model is built on a principle of tailoring services to the needs of customers and avoiding a one-size-fits-all provision. It prioritises contacting customers in a priority order to understand their individual circumstances and needs. This means it operates a tiered service model for the delivery of alternative water supplies, with Priority 1 (P1) medically dependent customers receiving the highest levels of support – including proactive contact and the offer of bottled water deliveries. In addition, the company makes direct contact with dialysis patients to discuss their circumstances and requirements – including helping to arrange alternative care pathways, where required, such as transfer to another dialysis centre as bottled water is not generally suitable for their treatment needs. The company is developing all associated processes in line with Guaranteed Standards Scheme (GSS) regulations. This includes the requirements for timely notification and delivery of alternative water supplies. Priority 2 (P2) and Priority 3 (P3) customers are provided with written information explaining that, in the event of a major incident, the company will contact them by text message to confirm whether they need alternative water supplies. P2 customers are those who may require extra help as a result of physical impairment, a mobility issue or cognitive impairment. P3 customers are those of pensionable age, those who need extra time to answer the door or those who have children under the age of five. The need for delivered supplies will depend on the expected duration of an incident and whether they would be able to travel to a water distribution point. This tiered approach ensures customers with the highest medical dependency receive immediate and proactive support, while other vulnerable customers are engaged and assessed appropriately based on their individual circumstances and capabilities. The company has strengthened its approach to complaint handling and escalation by embedding a 'right first time' philosophy across all its interactions. This includes the introduction of an in-the-moment escalation framework to enable frontline colleagues to quickly identify when a customer issue requires additional support. The complaints model is supported by a case ownership approach ensuring customers have a single point of contact managing their query end-to-end. Alongside this are clear resolution timeframes and proactive updates where issues cannot be resolved at first contact. This reduces customer effort and builds confidence that concerns will be addressed effectively. The company complements this with a robust insight framework. This uses real-time customer feedback, including post-contact surveys and 'voice of the customer' analytics. This enables the company to identify emerging issues. These insights are translated into targeted improvement plans, focusing on high-volume and high-impact journeys such as billing queries. This helps the company to address root causes and improve first contact resolution.

Principle 4 – learning and sharing to improve

Condition G principle	How the company has complied
"The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers."	Continuous improvement is a central pillar of the company's vulnerability strategy. This means using a structured approach for identifying learnings, embedding improvements and measuring performance up to 2030. The company has already completed CCW assessments for complaints and debt. Those findings have informed new operating rhythms for learning from things that go wrong – from improving internal processes to increasing collaboration with partners. Action plans have been submitted in response to feedback from the CCW Water Voice accountability session. Feedback has also been shared with Ofwat as part of its billing journeys research into customers' contact with the company to discuss their charges. The company has more than 30 improvement actions under way. This includes proactive communications and offers of support for customers facing bill increases, improved proactive signposting to financial support for newly eligible customers, analysis of high-volume customer journeys and implementing structured call guides to help its contact centre agents to consistently capture key information and improve query resolution accuracy. The company's vulnerability strategy highlights that understanding circumstances is dynamic and that it requires systems that adapt over time. The company also draws on best practice from other regulated sectors, such as holistic energy-water support models, to strengthen the quality of service delivered.

Principle 5 – understand and support vulnerable customers

Condition G principle	How the company has complied
"The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents."	The company's customer service strategy, which it has been developing during the year includes a deep-dive assessment of customer demographics across its Cambridge and South Staffs regions. This acknowledges high levels of inequality, an ageing population, increased disability rates and rising levels of ill health. All of these inform the design of support services. The strategy emphasises that vulnerability is not fixed: customers move in and out of vulnerable circumstances, and the company must continually adapt its support to meet changing needs. It applies Ofwat's definition of vulnerability and has committed to making sure services remain accessible, appropriate and affordable. This includes expanding the PSR, increasing targeted outreach, improving accessibility, and providing face-to-face support through community partners. Customers can be added to the PSR through a range of channels. These include through the company's contact centre, face-to-face interactions, social media enquiries, application forms and proactive engagement within local communities. The Community Engagement team also works closely with colleagues engaged on the universal metering programme to ensure any PSR needs identified during metering visits are captured consistently. When customers inform the company of their circumstances through any recognised route, their needs are assessed in line with the PSR criteria. This ensures they receive appropriate support, communication and service adjustments. This includes enhanced notifications, alternative water supply arrangements and tailored customer handling where necessary. During incidents, the company works with local resilience forums and CAT 1 partners to identify additional customers who may be at risk. For example, if a customer informs the company that they are unable to collect water from a designated distribution point

Condition G principle	How the company has complied
	because of financial constraints, it will work with them to identify alternative arrangements. This may include seeking support from neighbours or family members, where appropriate.

Principle 6 – supporting customers struggling to pay and in debt

Condition G principle	How the company has complied
"As part of meeting principle 5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt."	The company's vulnerability strategy sets out a robust affordability framework aligned to CCW and Ofwat guidance. This includes flexible 'pay your own way' arrangements and multiple financial support schemes that reflect varying needs. The company has continued to see the impact of sustained cost-of-living pressures alongside a sharp increase in bills in the first year of AMP8 to fund its largest-ever investment programme. Bill increases are forecast to be lower in the remaining four years of AMP8 – for example, in 2026/27, customers will see a below-inflation increase of around 2%. The company's direct customer research, plus analysis of available socio-economic datasets show that affordability is a challenge – particularly in the South Staffs region, which is above the national average on the Index of Multiple Deprivation. The company's analysis shows that the proportion of its customers in water poverty (that is, spending between 3% and 5% of their disposable income on their water bills) is increasing. In addition, those in absolute poverty, which significantly impacts their ability to afford their water charges, is expected to increase markedly by 2030. As a result, it has an extensive support programme in place for customers who are struggling to pay their water bills and helped 73,000 customers during the year, including through: ▪ its Assure tariff, which offers discounts of 60%, 40% and 20% over three years; ▪ its Assure Assist tariff, which supports customers who have no income and who are moving to Universal Credit, with a 100% discount for eight weeks; and ▪ WaterSure, a national capped tariff for metered customers who receive income-related welfare benefits and who have to use high volumes of water for medical or other reasons. In addition, the company has supported 399 customers through its £200,000 annual shareholder funded Charitable Trust hardship fund. Looking ahead, during 2026/27 the company will launch a new affordability support programme. The aim is to strengthen the financial assistance offered by tackling the root causes of water poverty and broader financial hardship through a comprehensive advice service. This will ensure direct financial assistance with water bills goes hand-in-hand with wider support such as income maximisation and benefits advice, as well as water efficiency measures and energy efficiency programmes such as the Warm Homes Local Grant schemes.

The Directors have reviewed the company's compliance with licence Condition G.

Statement on the accuracy and completeness of data and information

Each year, the company publishes a wide range of information for stakeholders (regulators, customers and other bodies) about how it runs its business and the service standards it achieves. It is important that this information can be trusted to be accurate and complete, so the company carries out a range of assurance processes to give customers, regulators and other stakeholders confidence that the information is robust.

The company is required by Ofwat to provide a statement, signed by, or on behalf of the Board, stating that the data and information the company has provided to Ofwat in the year and/or which it has published in its role as water undertaker was accurate and complete, and setting out any exceptions to this which should be clearly explained.

Main factors the Board has considered

How the Board has engaged and challenged on the assurance approaches that have been taken.

Each year, the company presents its assurance plan to the Board for review, challenge and approval. The plan sets out in detail the process the company has been through to understand the regulatory reporting risks and the things it proposes to put in place to ensure those risks are controlled. This review results in several 'targeted areas'. The intention is to ensure that areas of higher risk or significant change are given appropriate focus during assurance activity. The Board agreed the following targeted areas for the year.

- AMP8 expenditure delivery plan.
- PCD reporting.
- Delivery plan progress report.
- AMP8 performance commitments.
- Annual customer and developer charges.
- Annual performance reporting.

The company consulted stakeholders on its draft assurance plan for 2026/27 in November 2025 and incorporated feedback into the final assurance plan published in April 2026.

How the Board has taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed.

Jacobs carried out a detailed and extensive review for the year. The company engaged closely with this review and built on its successes from the previous year to significantly reduce its assurance risk. This was demonstrated in the high-quality scores the company received against most of its performance commitments and other data items. In its feedback to the company on the 2024/25 annual performance report, Jacobs recognised the hard work of the company's people during technical audits. The company was commended for the improvements it has made to methodologies and internal governance, and with no residual data issues. The company also received feedback from Ofwat on the quality of its financial data, confirming no specific queries were raised in respect to the 2024/25 annual performance report.

How the Board has satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

As outlined above, the Board reviewed the risk assessment process set out in the company's assurance plan to determine the minimum level of assurance for a piece of information or data. Different data may have different risks associated with its compilation, and different consequences depending on the purpose of the data.

Category	Low assurance risk	Medium assurance risk	High assurance risk	Critical assurance risk
Planning	Methodology statement required for all data			
Audit	Second person review	Independent internal assurance	Third party assurance	Third party assurance
Sign off	Manager sign off	Second manager sign off	Director sign off	Board sign off

How the Board utilised individual Directors and Committees in carrying out its activities in this area.

The Board utilises the Audit and Risk Committee to carry out the activities outlined above. This is set out in the Committee's Terms of Reference in the annual report and financial statements. Specific areas of review during the year included a review of the annual performance report data tables and intercompany transactions. In addition, individual Board members reviewed specific areas during the year, including:

- the approach to the company's long-term viability statement outputs, including the choice of stress test scenarios and the use of Monte Carlo analysis; and
- the assumptions used when setting customer charges for 2026/27, including consumption projections and new housing development connections

Overall, the Board is satisfied that the data and information which the company has provided to Ofwat in the year, and/or which it has published in its role as a water undertaker, was accurate and complete.

These Board statements were approved at a meeting of the Directors held on 3 July 2026 and duly signed on their behalf.

Elena Karpathakis
Managing Director

6 July 2026

Accounting policies

We have a number of accounting policies in place to enable us to carry out our regulatory and other obligations effectively.

Accounting policy for price control segments

The regulatory accounts have been prepared in accordance with RAG 2 ('Guideline for the classification of costs across price controls') and they follow our accounting separation methodology. Data for accounting separation is taken predominately from our financial system, through downloads into spreadsheets. The financial information is captured at a location and activity level. Account codes are used to classify the expenditure to the correct cost lines within the relevant tables in section 2 and section 4 of this document. Costs and assets are then attributed directly to business units in line with the RAGs.

For general and support expenditure, several cost drivers have been identified for allocation of costs into the relevant business units. These include:

- headcount;
- number of vehicles;
- floor space; and
- asset values.

Revenue recognition

The regulatory accounts apply the same policy for revenue recognition as the statutory accounts, apart from the de-recognition of income adjustments relating to amounts deemed as uncollectable under FRS 102. Following this accounting treatment, an additional £5.3 million is recognised in operating costs in the regulatory accounts compared with the statutory accounts, which results in no difference in operating profit or profit before tax.

For metered consumption not yet billed, an accrual is estimated. Where a property is unoccupied and fully furnished, charges are still applicable. Charges are also applicable where a property is renovated. Charges may be waived in special circumstances – for example, because of hospitalisation, probate or incarceration.

Where a property is believed to be occupied, but the occupier details are not known, the income is not recognised until the occupant details are obtained. We use internal mailing campaigns, third party credit rating agency information and void inspector visits to ascertain the identity of any occupier. We do not bill unmetered void properties speculatively to 'the occupier'.

Void inspectors visit properties to confirm that a property is unoccupied. For void metered properties, where consumption has been measured and the identity of the customer is not known, these will follow the voids with consumption process to identify the occupier before the charges are raised.

The first bill for a new connection is based on an actual meter reading. Where a customer has been connected during the year but has not had a meter reading, an estimate of the income is accrued based on the average household consumption.

Charges on income include charging orders and attachment of earnings. Cash received is applied against the outstanding debt, with income being recognised from the billing date.

Income recognised during the year is based on the value of bills raised. For metered consumption not yet billed, an accrual is estimated based on historical average daily consumption for each customer. The measured income accrual at March 2026 was £20.8 million compared with £16.4 million in the previous year. Following comparison to the income actually billed for these customers in the year, there are no significant differences to report.

Capitalisation policy

Capital expenditure results in the acquisition of an asset for continuing use within the business, with a view to earning income or making profits from its use, either directly or indirectly. Operating expenditure is incurred either for the purpose of the day-to-day running of the business or to maintain the existing capacity of fixed assets. Costs are allocated between operating and capital expenditure in accordance with our accounting policies and applicable accounting standards. The de minimis level for capitalisation is £1,000 for minor assets and £5,000 for buildings.

Bad debt policy

Before passing a customer's account for write-off, we pursue all debts through every available recovery method. This usually includes extensive attempts using our in-house inbound contact or through third-party debt collection agencies. Only where it is impossible, impractical or inefficient to collect debt, we will make a recommendation for write-off. We summarise the range of circumstances when it will be necessary to write off irrecoverable debts below.

Absconded

- Where returned mail is received on accounts, no forwarding details are available and a final account is created, and where all recovery options have been exhausted. This includes for customers who may have moved out of the Cambridge Water or South Staffs Water operating areas and are no longer traceable.
- Where a debt has been passed to a 'trace and collect agency' and that agency is unable to trace the customer and therefore is unable to collect the outstanding debt.
- Where the total debt is less than £50, it is uneconomic to pass for trace and collection and therefore the outstanding debt is unable to be collected.
- Where a customer has debt greater than six years old and no billing activity or correspondence has been received in this period (statute barred).

Bankruptcy

- A household customer where official and final notification has been received from the courts, or a check has been made with the online insolvency service.

Deceased

- Where the balance outstanding is less than £25, the amount is written off immediately.
- Where the balance outstanding is greater than £25, the estate is approached. Where confirmation has been received in writing that the estate has insufficient funds, the balance is written off.
- In circumstances where a joint tenancy liability exists, the remaining party is pursued for the whole amount of the arrears.
- Where attempts to contact the executors (or next of kin) have failed to produce a response, balances under £100 are written off after a period of six months.

Liquidation

- A commercial customer where final notification has been received from an Official Receiver, Insolvency Practitioner or Liquidator that the company has been liquidated.
- Debts where a company has ceased to trade, leaving no assets.

Uneconomic to collect

- Final debt more than four years old will be written off where evidence exists that it has become non-collectable. A minimum of three attempts to contact a customer by phone and/or letter in the prior 12 months has proved to be ineffective and there has been no payment or contact in the preceding 12 months.
- The debtor's age, health or other social factors make it inappropriate to pursue the debt.
- Sums of less than £50 will be written off as they are deemed to be uneconomic to collect.

Accounting disclosures

We make the following accounting disclosures each year in accordance with our regulatory and other obligations.

Board agendas for the year ended 31 March 2026

During the year, there were six scheduled Board meetings and seven additional unscheduled meetings. Key among the agenda items discussed at Board were the following.

- Vulnerability strategy.
- Customer charges.
- Universal metering programme, including approval of smart metering framework.
- Commitment to go beyond the leakage performance commitment.
- Water resources management plan annual reviews for the Cambridge and South Staffs regions.
- Fens reservoir strategic resource option.
- Revised Articles, reflecting and embedding our company purpose.
- Remuneration policy.
- Operational and capital expenditure budgets and forecasts,
- PCD delivery plan.
- PR19 blind year reconciliation.
- Dividend policy.
- Security procurement framework.

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. See page 41 of this document for more information.

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.

Relationship between Directors' remuneration and standards of performance

We have an obligation under Section 35A of the Water Industry Act 1991 to make a statement in relation to remuneration that is linked to standards of performance. See the remuneration report on page 138 of the annual report and financial statements for full details of the relationship between Directors' remuneration and standards of performance.

In addition, consistent with Ofwat's expectations on transparency of directors' remuneration, the company has considered the full remuneration received by the Group CEO despite no remuneration being directly paid by, or recharged to, South Staffordshire Water during the year.

The Board recognises that the Group CEO's role is Group-wide, but also includes responsibilities connected with the regulated company. These include Board responsibilities, regulatory engagement and oversight of objectives relating to financial performance, customer outcomes, governance, health and safety, people, ESG and specific initiatives affecting the regulated business.

On that basis, the company has disclosed the Group CEO's total remuneration. The parent company is responsible for considering any elements attributable to South Staffordshire Water and wider Group responsibilities. This approach is intended to provide a clear and coherent explanation of the activities for which remuneration was received and whether any element relates to the regulated company.

	Total fixed pay (£'000)		Total variable pay (£'000)		Total remuneration (£'000)	
	2026	2025	2026	2025	2026	2025
Group CEO total	443	433	359	264	802	697
Group CEO water-only	32	31	26	19	57	50

The Group Chair was appointed to the Board as an Independent Non-executive Director from 9 March 2026 and Independent Non-executive Chair from 26 March 2026. No fees were cross-charged to the business in the financial year, and fees will commence on 1 April 2026.

Disclosure of information to auditors

The Directors confirm that as far as they are aware, there is no relevant audit information of which the company's auditor is unaware and that the Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approach to taxation

See page 26 of the annual report and financial statements for full details of our approach to taxation.

Condition P

In the opinion of the Directors, the company is in compliance with paragraph 14 of Condition P (formerly paragraph 3.1 of Condition K) of its Instrument of Appointment as at 31 March 2026.

Appointed company and associated company transactions

We have a duty to trade at arm's length and ensure there is no cross-subsidy with respect to transactions with associated companies or between price control units.

Our licence conditions require that all such transactions must be disclosed. In line with RAG 3.16, no single transaction exceeding £100,000 has been aggregated.

Transaction	Our response
Loans by or to the appointed company	As at 31 March 2026, there are no loans by or to the appointed company.
Dividends paid to associated companies	As a wholly owned subsidiary, South Staffordshire Water paid dividends in the year to our immediate parent, SSW Finance Ltd. On 27 June 2025, a second interim dividend of £1.84 million was approved for the year ended 31 March 2025 after the year end. On 27 November 2025, the Board approved interim dividend payments of £4.18 million for the financial year 2025/26. On the 30 June 2026, a second interim dividend of £6.67 million was approved for the year ended 31 March 2026 after the end of the reporting year. This takes the total dividend approved for performance related to the year ended 31 March 2026 to £10.85 million.
Guarantees or other forms of security by the appointed company	We confirm there are no guarantees or other forms of security with any associated companies.
Transfers of any asset or liability by or two the appointed company	During the year, we transferred no assets or liabilities to an associated company and did not receive any from an associate.
Transfers of any corporation tax Group losses by or to the appointed company	South Staffordshire Water has surrendered losses of £nil (2025: £nil) to another Group company. The company's policy is not to surrender losses generated within this company unless there is no practical alternative. Where a non-regulated entity was to claim group relief from the regulated entity, compensation would be payable at the prevailing corporation tax rate. This approach ensures that value derived from tax losses within the regulated business is retained for the benefit of the regulated entity and its customers.
Other transactions	We can confirm that there has been no omission to exercise a right as a result of which the value of our net assets is decreased and that there has been no waiver of any consideration, remuneration or other payment by us.

<table>
<tr><th>Transaction</th><th>Our response</th></tr>
<tr><td>Supply of services by or to the appointed company</td><td>All supplies of services by associated companies comply with the objectives and principles of RAG 5.07. Transactions with associated companies are at arm’s length, either through competitive tender or at cost, and cross-subsidy is not occurring.</td></tr>
<tr><td>Competitive tenders</td><td>Whenever a tender process is carried out and could potentially involve an associated business, we apply the following procedures.
The Procurement team must be involved from an early stage to ensure a proper tender is carried out. Where required, this must comply with Utilities Contracts Regulations 2016 and the ‘Find a Tender’ process.
The tender process must be fully documented. This is to ensure it is auditable and that the details can be reported in the annual performance report.
Appropriate approval of the award of a contract must be given, usually through a meeting of the Executive team or the Board. Any Director of the water company who is also a Director of an associated company tendering can participate in the procurement process and vote on decisions, unless the Board decides otherwise.
Once the award of a contract to an associated business is approved, all transactions must be in line with the contract. Any variations to the contract must be approved separately.
All transactions under a contract with an associated company must be signed off by the appropriate manager to confirm it is in line with the contract terms.
On all key supplier relationships where we use the parties in the appointed business, we require that there is at least one other framework supplier to ensure ongoing competitive procurement.</td></tr>
<tr><td>‘At cost’ transactions</td><td>If work is carried out by an associated company at cost, we take the following guidelines into account.
All ‘at cost’ contracts are approved by the Executive team or the Board every 12 months. The approval should outline why the contract should continue at cost (for example, performance of the associate during the year or strategic reasons).
All transactions under the ‘at cost’ contract must be signed off by the appropriate project manager.
The cost allocation of the associated company must be fully auditable to show that it is ‘at cost’.</td></tr>
<tr><td>Benchmarking</td><td>For certain small value transactions, we benchmark prices to ensure we are paying a fair price. We use benchmarking for the following services.
Billing software.
Lightning protection.
Water coolers.
The outcome of the benchmarking showed that we were paying comparable prices to other companies during the year.</td></tr>
<tr><td>Transactions between price controls</td><td>We are required to report our costs split between three separate price controls: water resources; network plus; and residential retail. These are set out in tables 2B and 2C. We have followed the RAGs to ensure costs are correctly allocated between price controls. For more information, please see our accounting methodology statement. Our approach has been externally reviewed by Ernst & Young LLP.</td></tr>
</table>

Services supplied to the Appointee by associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Onsite	126.115	Mainlaying and repair of water mains	27.969	Competitive tendering
		Mains Rehabilitation	7.337	Competitive tendering
		Minor Civils	1.884	Competitive tendering
		Metering	5.675	Competitive tendering
		Reservoir Refurbishment	0.026	Competitive tendering
		Seedy Mill Cctv	0.006	Cost
		Miscellaneous works	0.006	Competitive tendering
Integrated Water Services Limited	35.501	Mechanical and Electrical Services	0.560	Cost
		Capital Works	4.695	Competitive tendering
		Capital Works	0.556	Cost
SSI Services UK Limited	3.443	Motor vehicle repair and maintenance	0.587	Cost
Hydrosave (UK) Limited	23.559	Leakage detection	0.661	Competitive tendering
Echo Managed Services Limited	30.496	Customer Services	9.981	Cost
		Billing Software	0.675	Benchmarking
		Utility Drawings	0.045	Cost
		Web development	0.064	Cost
South Staffordshire Plc		Management services	0.050	Cost
		Legal Services	0.347	Cost
		IT Networks, Operations, Development and Telephony	2.972	Cost
		Finance, Treasury, Internal Audit and Accounts Payable	1.227	Cost
		Communications and media support	0.132	Cost
		HR	0.608	Cost
		Insurance	1.515	Cost
Office Water Coolers	6.252	Water Coolers	0.003	Benchmarking
Omega Red	25.931	Lightning Protection	0.038	Benchmarking
South Staffs Water Non appointed	9.469	Emergency water Supply tankers	0.031	Cost
		Total services supplied to the appointee by associated companies	**67.649**	

Services supplied by the Appointee to associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Echo Managed Services Limited	30.496	Sewerage collections support	1.807	Cost
		Site Services	0.198	Cost
		Recharges for the use of appointed assets	0.072	Cost
Hydrosave (UK) Limited	23.559	Operational training	0.002	Cost
Integrated Water Services Limited	35.501	Operational training	0.001	Cost
Onsite	126.115	Operational training	0.008	Cost
		Total services supplied by the appointee to associated companies	**2.087**	

Services supplied by the Appointee to the non-appointed business

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
South Staffs Water Non appointed	9.469	Recharges for the use of appointed assets	0.002	Cost
		Management fees	0.139	Cost
		Total services supplied by the appointee to non-appointee	**0.141**	

Section 1 – regulatory accounts primary statements

Table 1A: Income statement

For the 12 months ended 31 March 2026

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Revenue	195.372	5.309	9.469	(4.160)	191.212
Operating costs	(154.023)	(4.387)	(7.735)	3.348	(150.675)
Other operating income	8.085	(8.952)	0.257	(9.209)	(1.124)
Operating profit	49.434	(8.030)	1.991	(10.021)	39.413
Other income	-	8.953	0.097	8.856	8.856
Interest income	2.079	-	-	-	2.079
Interest expense	(28.162)	-	-	-	(28.162)
Other interest expense	(0.167)	-	-	-	(0.167)
Profit before tax and fair value movements	23.184	0.923	2.088	(1.165)	22.019
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	23.184	0.923	2.088	(1.165)	22.019
UK Corporation tax	-	-	-	-	-
Deferred tax	(6.200)	-	-	-	(6.200)
Profit for the year	16.984	0.923	2.088	(1.165)	15.819
Dividends	(6.019)	-	(0.792)	0.792	(5.227)
Tax analysis					
Current year	-	-	-	-	-
Adjustments in respect of prior years	-	-	-	-	-
UK Corporation tax	-	-	-	-	-

Activities outside the appointed business include:

- the Aqua Direct spring water business;
- commission from sewerage charges collection;
- property searches;
- sailing and fisheries; and
- energy generation.

Non-appointed operational costs include the cost of providing these services, including a share of depreciation to the non-appointed business for the use of assets owned by the wholesale business.

In line with the RAGs, we have completed the following adjustments between the statutory financial statements and regulatory reporting.

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Profit for the year £m
Revenue not recognised under FRS102 as deemed uncollectable	5.275	-	-	-	5.275
Revenue not recognised under FRS102 as deemed uncollectable	-	(5.275)	-	-	(5.275)
Intra group turnover and costs elimination	0.033	(0.033)	-	-	-
Rental income	-	-	(0.130)	0.130	-
Amortisation of capital contributions	-	-	(4.683)	4.683	-
Infrastructure renewals contributions	-	-	(4.139)	4.139	-
Remove innovation funding in year	-	0.922	-	-	0.922
Remove innovation tax in year	-	-	-	-	-
Net adjustments	5.308	(4.387)	(8.952)	8.952	0.921

Analysis of interest charges

	2026 £m
Interest charged on external borrowings	15.249
Bond indexation	13.235
Bond costs	0.078
Bond discount on issue	(0.399)
Total interest charge per table 1A line 7	28.163
Amounts recycled through hedging reserve	(0.167)
Total interest charge per table 1A line 8	(0.167)

Reconciliation of appointed current taxation to standard tax rate

This reconciliation of the appointed current tax charge results from applying the standard tax rate to the profit before tax as shown in table 1A.

	2026 £m
Appointed Profit on ordinary activities	**22.019**
Appointed profit before tax at standard UK corporation tax rate of 25%	5.505
Expenses not deductible for tax purposes	0.519
Transfer pricing adjustments	(0.277)
Capital allowances less than depreciation	(4.424)
Pension contributions	(0.033)
Other timing differences	(0.039)
Adjustments in respect of prior years	-
B/F losses utilised to offset tax adjusted profit	(1.250)
Appointed current tax charge	**-**

Appointed total current tax charge allowed in price limits	0.710
Differences in profit before tax	2.609
Taxable interest income for which no tax allowance given in price limit	-
Expenses not deductible for tax purposes	0.386
Transfer pricing adjustment	(0.277)
Capital allowances in advance of depreciation	(2.105)
Pension contributions	(0.033)
Other timing differences	(0.039)
B/F losses utilised to offset tax adjusted profit	(1.250)
Current year	**-**
Adjustments in respect of prior years	-
Appointed current tax charge	**-**

The appointed tax charge for the year was £nil. The company has utilised losses brought forward to offset the taxable profit for the year.

The allowed current tax charge set out in the table above is taken from the PR24 final determination financial model. This builds up taxation for wholesale and retail price controls separately. The wholesale tax allowance for the year is £nil and the retail tax charge is £0.710 million.

Table 1B: Statement of comprehensive income

For the 12 months ended 31 March 2026

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Profit for the year	16.984	0.923	2.088	(1.165)	15.819
Actuarial gains/(losses) on post-employment plans	-	-	-	-	-
Other comprehensive income	(0.237)	-	-	-	(0.237)
Total comprehensive income for the year	16.747	0.923	2.088	(1.165)	15.582

Other comprehensive income relates to the movement in the hedging reserve net of deferred tax.

Table 1C: Statement of financial position

As at 31 March 2026

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Non-current assets					
Fixed assets	734.687	-	0.797	(0.797)	733.890
Intangible assets	27.318	-	-	-	27.318
Investments - loans to group companies	-	-	-	-	-
Investments - other	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-
Total	762.005	-	0.797	(0.797)	761.208
Current assets					
Inventories	4.576	-	0.030	(0.030)	4.546
Trade & other receivables	78.418	16.532	29.171	(12.639)	65.779
Financial instruments	-	-	-	-	-
Cash & cash equivalents	23.494	-	1.480	(1.480)	22.014
Total	106.488	16.532	30.681	(14.149)	92.339
Current liabilities					
Trade & other payables	(90.622)	(13.318)	(22.004)	8.686	(81.935)
Capex creditor	(18.620)	-	-	-	(18.620)
Borrowings	-	-	-	-	-
Financial instruments	-	-	-	-	-
Current tax liabilities	-	(0.726)	-	(0.726)	(0.726)
Provisions	-	-	-	-	-
Total	(109.242)	(14.044)	(22.004)	7.960	(101.282)
Net Current assets/(liabilities)	(2.754)	2.488	8.677	(6.189)	(8.943)
Non-current liabilities					
Trade & other payables	(9.256)	-	-	-	(9.256)
Borrowings	(424.740)	-	-	-	(424.740)
Financial instruments	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Provisions	(2.300)	-	-	-	(2.300)
Deferred income	(199.227)	-	(0.006)	0.006	(199.221)
Deferred income - adopted assets	-	-	-	-	-
Preference share capital	-	-	-	-	-
Deferred tax	(66.430)	-	-	-	(66.430)
Total	(701.953)	-	(0.006)	0.006	(701.947)
Net assets	57.298	2.488	9.468	(6.980)	50.318
Equity					
Called up share capital	2.123	-	-	-	2.123
Retained earnings & other reserves	55.175	2.488	9.468	(6.980)	48.195
Total Equity	57.298	2.488	9.468	(6.980)	50.318

Table 1C: Statement of financial position (continued)

	Trade & other receivables £m	Financial instruments £m	Trade & other payables £m	Current tax liabilities £m	Retained earnings & other reserves £m
Inter company alignments	16.532	-	(16.532)	-	-
Financial Instruments	-	-	-	-	-
Remove innovation funding accrual year to date	-	-	3.214	-	(3.214)
Remove innovation funding year to date tax effect	-	-	-	(0.726)	0.726
Net adjustments	16.532	-	(13.318)	(0.726)	(2.488)

See table 1A for a list of activities outside of the appointed business. The statement of financial position reflects the balance sheet as at 31 March 2026. Both statutory financial statements and regulatory reporting are based on FRS 102, with the following adjustments to reflect the RAGs.

Table 1D: Statement of cash flows

For the 12 months ended 31 March 2026

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Operating activities					
Operating profit	49.434	(8.030)	1.991	(10.021)	39.413
Other income	-	8.953	0.097	8.856	8.856
Depreciation	36.283	-	0.119	(0.119)	36.164
Amortisation – developer services and diversions income	(4.683)	-	-	-	(4.683)
Changes in working capital	3.069	(0.921)	0.318	(1.239)	1.830
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	0.867	-	(0.257)	0.257	1.124
Cash generated from operations	84.970	0.001	2.268	(2.267)	82.703
Net interest paid	(14.341)	-	-	-	(14.341)
Tax paid	-	-	(0.522)	0.522	0.522
Net cash generated from operating activities	70.629	0.001	1.746	(1.745)	68.884
Investing activities					
Capital expenditure	(66.400)	-	(0.039)	0.039	(66.361)
Developer services and diversion income	9.367	-	-	-	9.367
Disposal of fixed assets	0.411	-	0.337	(0.337)	0.074
Other	-	-	-	-	-
Net cash used in investing activities	(56.622)	-	0.298	(0.298)	(56.920)
Net cash generated before financing activities	14.007	0.001	2.044	(2.043)	11.964
Cashflows from financing activities					
Equity dividends paid	(6.019)	-	(0.792)	0.792	(5.227)
Net loans received	-	-	-	-	-
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	(6.019)	-	(0.792)	0.792	(5.227)
Increase (decrease) in net cash	7.988	0.001	1.252	(1.251)	6.737

Capital expenditure relates to the cash paid out in the year in relation to fixed asset additions. The difference in what was paid for in the appointed business (£66.362 million) and additions reported in the fixed assets in notes 2d and 2o (£79.856 million) is due to an increase in-year of creditors relating to capital purchases of £13.494 million.

Table 1D: Statement of cash flows (continued)

	Operating profit £m	Other income £m	Changes in working capital £m
Rental income	(0.130)	0.130	-
Amortisation of capital contributions	(4.683)	4.683	-
Infrastructure renewals contributions	(4.139)	4.139	-
Remove Innovation Funding in year	0.922	-	(0.922)
Net adjustments	(8.030)	8.952	(0.922)

A breakdown of net interest shown in table 1D is set out below.

	2026 £m
Interest paid	16.156
Bank interest received	(1.815)
Net interest per table 1D	14.341

Table 1E: Net debt analysis

As at 31 March 2026

	Interest rate risk profile				
	Fixed rate	Floating rate	Index linked		Total
			RPI	CPI/CPIH	
	£m	£m	£m	£m	£m
Borrowings (excluding preference shares)	81.652	30.000	303.846	-	415.498
Preference share capital					-
Total borrowings	81.652	30.000	303.846	-	415.498
Cash					(22.013)
Short term deposits					-
Net Debt					**393.485**
Gearing					61.39%
Adjusted Gearing					61.23%
Full year equivalent nominal interest cost	3.020	1.882	22.913	-	27.815
Full year equivalent cash interest payment	3.020	1.882	10.125	-	15.027
Indicative interest rates					
Indicative weighted average nominal interest rate	3.70%	6.27%	7.54%	0.00%	6.69%
Indicative weighted average cash interest rate	3.70%	6.27%	3.33%	0.00%	3.62%
Weighted average years to maturity	9.681	1.610	23.983	-	19.557

Net debt comprises the book value of debt, excluding accrued interest as defined by the RAGs. In addition to the coupons payable, interest costs include the impact of hedging.

The adjusted gearing of 61.23% is based on our covenant net debt of £392.465 million, which differs to the book net debt by £1.020 million. Covenant debt is the key metric used by the Board, investors, lenders and rating agencies in assessing gearing.

We set out a full reconciliation between book net debt and covenant net debt below.

	31-Mar-26 £m	Gearing %
Book net debt - statutory accounts	(401.245)	62.60%
Derivatives	0.000	0.00%
Non-appointed cash	(1.480)	0.23%
Exclude unamortised issue costs	(1.652)	0.26%
Exclude book premium on issue of index linked debt	10.892	(1.70%)
Book net debt (as reported above)	(393.485)	61.39%
Exclude accrued interest	1.020	(0.16%)
Net debt reported for borrowing covenants	(392.465)	61.23%

Table 1F: Financial flows

For the 12 months ended 31 March 2026

	Units	DP	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	244.439	244.439	196.342			
Return on regulatory equity								
Return on regulatory equity - real	%	2	5.74%	4.61%	5.74%	14.028	11.267	11.267
Financing								
Impact of movement from notional gearing	%	2	0.00%	1.13%	0.59%	0.000	2.760	1.162
Variance in corporation tax	%	2	0.00%	0.00%	0.00%	0.000	(0.000)	(0.000)
Group relief	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Cost of debt	%	2	0.00%	0.50%	0.76%	0.000	1.221	1.488
Hedging instruments	%	2	0.00%	0.17%	0.22%	0.000	0.427	0.427
Return on regulatory equity including Financing adjustments	%	2	5.74%	6.41%	7.31%	14.028	15.674	14.344
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-0.48%	-0.60%	0.000	(1.183)	(1.183)
ODI out / (under) performance	%	2	0.00%	0.97%	1.21%	0.000	2.378	2.378
C-MeX out / (under) performance	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
D-MeX out / (under) performance	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
BR-MeX out / (under) performance	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Retail out / (under) performance	%	2	0.00%	-1.34%	-1.67%	0.000	(3.273)	(3.273)
PCD - time incentives	%	2	0.00%	0.10%	0.13%	0.000	0.253	0.253
Return adjustment mechanisms	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Other exceptional items	%	2	0.00%	-0.07%	-0.08%	0.000	(0.164)	(0.164)
Operational performance total	%	2	0.00%	-0.81%	-1.01%	0.000	(1.988)	(1.988)
RoRE (return on regulatory equity) - real	%	2	5.74%	5.60%	6.29%	14.028	13.686	12.356
RCV indexation	%	2	3.45%	3.45%	3.45%	8.433	8.433	6.774
Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	9.19%	9.05%	9.74%	22.461	22.119	19.130
Dividends								
Gross Dividend	%	2	4.04%	1.89%	2.35%	9.885	4.623	4.623
Interest Receivable on Intercompany loans	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Retained Value	%	2	5.14%	7.16%	7.39%	12.576	17.496	14.507

Commentary to the financial flows

The financial flows tables above are based on book debt rather than covenant debt to be consistent with Ofwat's guidance.

As per RAG 4.14, totex performance has been adjusted for timing differences and the company cost sharing ratio with customers.

The actual shareholder return based on actual regulatory equity is 9.74%, 0.55% above the notional return of 9.19% in our PR24 final determination.

The main drivers are as follows.

- Higher returns from lower gearing (+0.59%) using the average book debt of 63.9% compared with the notional gearing of 55.0%.
- Higher returns from a higher actual cost of debt (+0.76%). The main driver for this is the difference between the real interest rate assumed by Ofwat and the actual real interest rate on our borrowings.
- Underperformance on totex after timing differences (-0.60%). On 21 October 2025, we settled fines of £1.2 million. In addition, we paid £0.4 million of pensions deficit repair costs during the year. Both items have been excluded from cost sharing to ensure that customers do not pay for them.
- Retail costs (-1.67%), predominantly in relation to higher bad debt charges during the year.
- ODIs (+1.21%) which includes outperformance on both leakage and PCC in both regions along with unplanned outages, partly offset by underperformance on water quality contacts and mains repairs
- The variance in corporation tax has been set to zero. We had a zero-tax allowance for 2025/26 and as advised by Ofwat, no tax outperformance is expected.
- As required by RAG4.14, we have included our actual D-MeX performance for 2024/25 as reported in the ODI determination for 2024/25 under exceptional items rebased to 2022/23 prices. Our C-MeX performance for 2024/25 was zero.
- Based on book debt, the actual dividend yield is 2.35%, which is 1.69% below our PR24 final determination of 4.04%. See our dividend disclosure on page 47 for more information.

Section 2 – price review and segmental reporting

Table 2A: Segmental income statement

For the 12 months ended 31 March 2026

	Residential retail £m	Business retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Revenue - price control	19.554	-	19.672	150.094	189.320
Revenue - non-price control (principal services)	-	-	-	0.112	0.112
Revenue - non-price control (third-party services)	-	-	0.076	1.704	1.780
Operating expenditure - excluding PU recharge impact	(19.167)	-	(15.047)	(80.300)	(114.514)
PU opex recharge	(0.274)			0.274	0.000
Operating expenditure - including PU recharge impact	(19.441)	-	(15.047)	(80.026)	(114.514)
Depreciation - tangible fixed assets	(0.228)	-	(0.643)	(33.998)	(34.869)
Amortisation - intangible fixed assets	(0.481)	-	-	(0.811)	(1.292)
Other operating income	-	-	-	(1.124)	(1.124)
Operating profit	(0.596)	-	4.058	35.951	39.413

Table 2B: Totex analysis – wholesale

For the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Total £m
Gross operating expenditure			
Operating expenditure - Total wholesale	15.047	80.026	95.073
Developer services & diversions income (opex)			
Developer services income (opex)	-	-	-
Diversions income (opex)	-	4.139	4.139
Net operating expenditure			
Operating expenditure - Total wholesale (net)	15.047	75.887	90.934
Gross capital expenditure			
Capital expenditure - Total wholesale	5.079	69.970	75.049
Developer services & diversions income (capex)			
Developer services income (capex)	-	4.635	4.635
Diversions income (capex)	-	-	-
Net capital expenditure			
Capital expenditure - Total wholesale (net)	5.079	65.335	70.414
Net total expenditure			
Net totex	20.126	141.222	161.348
Cash expenditure			
Pension deficit recovery payments	-	-	-
Equity issuance costs	-	-	-
Other cash items	-	-	-
Totex including cash items	20.126	141.222	161.348

Table 2C: Cost analysis – retail

For the 12 months ended 31 March 2026

	Residential £m	Business £m	Total £m
Operating expenditure			
Customer services	7.598	-	7.598
Debt management	1.420	-	1.420
Doubtful debts	6.691	-	6.691
Meter reading	1.515	-	1.515
Other operating expenditure	1.826	-	1.826
Local authority and Cumulo rates	0.117	-	0.117
Total operating expenditure excluding third party services	19.167	-	19.167
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	-	-	-
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.228	-	0.228
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.481	-	0.481
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	-	-	-
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-	-	-
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.332	-	0.332
Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.058	-	0.058
Net recharges costs	0.274	-	0.274
Total retail costs excluding third party and pension deficit repair costs	20.150	-	20.150
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair costs	20.150	-	20.150
Debt written off			
Debt written off	0.139	-	0.139
Capital expenditure			
Capital expenditure	0.088	-	0.088
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end	20.150		
Cumulative allowed expenditure to reporting year end	16.495		
Total allowed expenditure 2020-25	87.402		

Total retail operating costs were £20.2 million compared to an allowance of £16.5 million. This was predominantly driven by additional bad debt charges due to the continued cost of living challenge for our customers.

Table 2D: Historic costs analysis of tangible fixed assets

As at 31 March 2026

	Residential Retail £m	Business Retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April	6.179	-	38.714	1,215.383	1,260.276
Disposals	-	-	-	(2.363)	(2.363)
Additions	0.030	-	5.079	74.621	79.730
Adjustments	0.009	-	-	0.048	0.057
Assets adopted at nil cost	-	-	-	-	-
At 31 March	6.218	-	43.793	1,287.689	1,337.700
Depreciation					
At 1 April	(5.280)	-	(6.899)	(557.364)	(569.543)
Disposals	-	-	-	0.602	0.602
Adjustments	-	-	-	-	-
Charge for year	(0.228)	-	(0.643)	(33.998)	(34.869)
At 31 March	(5.508)	-	(7.542)	(590.760)	(603.810)
Net book amount at 31 March	0.710	-	36.250	696.930	733.890
Net book amount at 1 April	0.899	-	31.814	658.020	690.733

Table 2E: Analysis of grants and contributions

For the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Developer services income - water network+ (price control)			
Infrastructure charge receipts – water network+ (price control)	-	0.887	0.887
Income offset – water	-	1.216	1.216
Environmental incentives for more water efficient developments - water	-	(0.078)	(0.078)
Environmental component for more water efficient developments - water	-	0.011	0.011
Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	-	(0.396)	(0.396)
Other Developer services income - water network+ (price control)	-	0.252	0.252
Total Developer services income - water network+ (price control)	-	(0.144)	(0.144)
Developer services income - water network+ (non-price control)			
Connection charges - water	-	3.379	3.379
Requisitioned mains	-	1.400	1.400
Other developer services income - water network+ (non-price control)	-	-	-
Total Developer services income - water network+ (non-price control)	-	4.779	4.779

Our Hampton Loade water treatment works is a jointly-used asset. Any capital expenditure is funded two-thirds by South Staffs Water and one-third by Severn Trent Water. In previous years, we reported the total cost within table 4J and the associated contributions in table 2E.

RAG 4.14 now requires us to only report our share of the investment within table 4J. As a result, any contribution from Severn Trent is no longer shown in table 2E above.

Table 2F: Residential retail

For the 12 months ended 31 March 2026

	Revenue	Number of customers	Average residential revenues
	£m	000s	£
Residential revenue			
Wholesale revenue	131.173	-	-
Retail revenue	19.554	-	-
Total residential revenue	150.727	-	-
Retail revenue			
Revenue Recovered ("RR")	19.554	-	-
Revenue sacrifice	-	-	-
Actual revenue (net)	19.554	-	-
Customer information			
Actual customers ("AC")	-	682.521	-
Reforecast customers	-	681.738	-
Adjustment			
Allowed revenue ("R")	18.019	-	-
Net adjustment	(1.535)	-	-
Other residential information			
Average household retail revenue per customer	-	-	28.650

Household retail revenues are £1.5 million higher than assumed in our PR24 final determination as a result of higher consumption from metered customers over the prolonged hot, dry summer.

Table 2G: Non-household water – revenues by tariff type

This table is not applicable as we exited the non-household retail market in April 2017. Our wholesale revenue relating to non-household was £38.594 million for the year, including rechargeable works.

Table 2H: Cash collection performance rates – residential retail

	% revenue collected				
Billing year	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
All customers					
Collection rates for bills raised in 2025-26 - all customers	83.9%	91.7%	93.4%	94.7%	95.3%
Collection rates for bills raised in 2026-27 - all customers		83.9%	91.7%	93.4%	94.7%
Collection rates for bills raised in 2027-28 - all customers			83.9%	91.7%	93.4%
Collection rates for bills raised in 2028-29 - all customers				83.9%	83.9%
Collection rates for bills raised in 2029-30 - all customers					83.9%
Measured customers					
Collection rates for bills raised in 2025-26 - all customers	77.4%	91.5%	93.4%	95.0%	95.2%
Collection rates for bills raised in 2026-27 - all customers		77.4%	91.5%	93.4%	95.0%
Collection rates for bills raised in 2027-28 - all customers			77.4%	91.5%	93.4%
Collection rates for bills raised in 2028-29 - all customers				77.4%	91.5%
Collection rates for bills raised in 2029-30 - all customers					77.4%
Non measured customers					
Collection rates for bills raised in 2025-26 - all customers	89.4%	91.9%	93.4%	94.3%	95.4%
Collection rates for bills raised in 2026-27 - all customers		89.4%	91.9%	93.4%	94.3%
Collection rates for bills raised in 2027-28 - all customers			89.4%	91.9%	93.4%
Collection rates for bills raised in 2028-29 - all customers				89.4%	91.9%
Collection rates for bills raised in 2029-30 - all customers					89.4%

Table 2I: Revenue analysis

For the 12 months ended 31 March 2026

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge - water						
Unmeasured	63.529	1.460	64.989	8.188	56.800	64.988
Measured	67.644	35.803	103.447	11.484	91.963	103.447
Third party revenue	-	1.331	1.331	-	1.331	1.331
Total wholesale water revenue	131.173	38.594	169.767	19.672	150.094	169.766
Retail revenue						
Unmeasured	9.418	-	9.418			
Measured	10.136	-	10.136			
Other third party revenue	-	-	-			
Retail Total	19.554	-	19.554			

Table 2K: Infrastructure charges reconciliation

For the 12 months ended 31 March 2026

	Water £m
Comparison of revenue and costs	
Variance brought forward	3.055
Revenue	0.887
Costs	(0.353)
Variance carried forward	3.589
Analysis of variance movement in year	
Revenue impact of charge element which corrects previous years variance	(0.102)
Difference in billable developer activity against forecast in year	(4.561)
Difference in infrastructure reinforcement activity against forecast in year	5.197
Variance movement in year	0.534

Revenue in 2025/26 was £4.5 million lower than expected as housing development and network demand from newly connected properties continued to experience delays as seen in the previous two years.

Network reinforcement costs were £5.2 million lower than planned. The flagship schemes planned for 2025/26 were development at Bourn Airfield, Hopwas and Sutton Coldfield. As a result of the much slower housing growth in recent years, only a small amount of expenditure was incurred on design costs. We now expect to deliver these schemes from year 3 of this AMP, although it is directly linked to the demand requirements driven by new NAV developments which have had a slower built-out rate than previously expected.

Table 2L: Analysis of land sales

For the 12 months ended 31 March 2026

There were no land sales during the year.

Table 2M: Revenue reconciliation – wholesale

For the 12 months ended 31 March 2026

	Water resources £m	Water network+ £m	Total £m
Revenue recognised			
Wholesale revenue governed by price control	19.672	150.094	169.766
Developer services income (price control)	-	(0.144)	(0.144)
Diversions income (price control)	-	4.139	4.139
Total revenue governed by wholesale price control	19.672	154.089	173.761
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	19.384	149.221	168.605
Allowed developer services income before adjustments (or modified by CMA)	-	1.185	1.185
Allowed diversions income before adjustments (or modified by CMA)	-	5.701	5.701
Revenue adjustment	-	-	-
Other adjustments	-	-	-
Revenue cap	19.384	156.108	175.491
Calculation of the revenue imbalance			
Revenue imbalance	(0.288)	2.019	1.731
AMP8 revenue adjustments			
Uninvoiced revenue due from retailers	-	-	-
Competitively Appointed Provider charges	-	-	-

Total wholesale revenues were £1.7 million lower than the revenue cap. We recovered £1.6 million more from customers as a result of higher metered consumption over the prolonged hot, dry summer. This was offset by lower rechargeable works (£0.5 million).

Fluoridation income (shown within developer services income) was £1.5 million lower than allowed as works for the Department of Health and Social Care (DHSC) were delayed. This is expected to be recovered in 2026/27.

Diversions income was £1.6 million lower than allowed, driven by lower activity by HS2 following the decision to cancel phase 2 of the route from Birmingham to Manchester and Leeds.

Table 2N: Household affordability support, debt and GSS payments information

	Revenue £000	Number of customers number	Average amount per customer £
Section A - social tariffs			
Number of residential customers on social tariffs			
Residential water only social tariffs customers		77,158	
Residential wastewater only social tariffs customers		-	
Residential dual service social tariffs customers		-	
Number of residential customers not on social tariffs			
Residential water only no social tariffs customers		605,363	
Residential wastewater only no social tariffs customers		-	
Residential dual service no social tariffs customers		-	
Social tariff discount			
Average discount received by each water only social tariffs customer			67.24
Average discount received by each wastewater only social tariffs customer			-
Average discount received by each dual service social tariffs customer			-
Social tariff cross-subsidy - residential customers			
Total funding from customers to support water only social tariffs	5,187.810		
Total funding from customers to support wastewater only social tariffs	-		
Total funding from customers to support dual service social tariffs	-		
Average funding from customers to support each water only social tariffs customer			7.60
Average funding from customers to support each wastewater only social tariffs customer			-
Average funding from customers to support each dual service social tariffs customer			-
Funding from shareholders to support social tariffs			
Total funding from shareholders to support water only social tariffs	-		
Total funding from shareholders to support wastewater only social tariffs	-		
Total funding from shareholders to support dual service social tariffs	-		
Average funding from shareholders to support each water only social tariffs customer			-
Average funding from shareholders to support each wastewater only social tariffs customer			-
Average funding from shareholders to support each dual service social tariffs customer			-
Social tariff support - willingness to pay			
Maximum amount customers are willing to pay to support social tariffs.			8.00
Shareholder contribution			
Total funding from shareholders to support household debt matching schemes	-		
Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		-	
Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	-		
Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		-	
Total funding from shareholders to support all affordability schemes			-
Section B - WaterSure tariffs			
WaterSure tariffs			
Number of unique customers on WaterSure		2,277	
Total reduction in bills for all WaterSure customers who paid the average household bill	781.877		
Average reduction in bills for all WaterSure customers who paid the average household bill			343.38

Table 2O: Historic cost analysis of intangible assets

	Residential Retail £m	Business Retail £m	Water Resources £m	Water Network+ £m	Total £m

Cost					
At 1 April	4.116	-	22.522	11.440	38.078
Disposals	(0.157)	-	-	-	(0.157)
Additions	-	-	0.126	-	0.126
Adjustments	-	-	(0.058)	0.001	(0.057)
Assets adopted at nil cost	-	-	-	-	-
At 31 March	3.959	-	22.590	11.441	37.990
Amortisation					
At 1 April	(2.533)	-	-	(6.879)	(9.412)
Disposals	0.032	-	-	-	0.032
Adjustments	-	-	-	-	-
Charge for year	(0.481)	-	-	(0.811)	(1.292)
At 31 March	(2.982)	-	-	(7.690)	(10.672)
Net book amount at 31 March	0.977	-	22.590	3.751	27.318
Net book amount at 1 April	1.583	-	22.522	4.561	28.666

The net book value includes £nil is respect of assets in the course of construction.

Table 2P: Third party services revenue for the 12 months ended 31 March 2026

	Water Resources £m	Water Network+ £m	Total £m
Third-party services - price control			
Non potable water (which are not bulk supplies) revenue	-	-	-
Rechargeable revenue - Fluoridation	-	1.001	1.001
Rechargeable revenue - Fire hydrant install & repair	-	0.056	0.056
Rechargeable revenue - third party damage	-	0.134	0.134
Rechargeable revenue - build over	-	-	-
Other rechargeable revenue	-	0.140	0.140
Total third-party revenue (price control)	-	1.331	1.331
Third-party services - non-price control			
Bulk supplies revenue	0.076	0.614	0.690
Reservoir operating agreements revenue	-	-	-
Other excluded charge revenue	-	1.090	1.090
Total third-party revenue (non-price control)	0.076	1.704	1.780
Third-party services			
Total third-party services revenue	0.076	3.035	3.111

Table 2R: Analysis of diversions income by price control for the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Diversion income - water resources (price control)			
s185 diversions income - water resources	-	-	-
NRSWA diversions income - water resources	-	-	-
Non-s185 diversions income - water resources	-	-	-
Total diversions income - water resources	-	-	-
Diversion income - water network+ (price control)			
s185 diversions income - water network+	1.775	-	1.775
NRSWA diversions income - water network+	1.838	-	1.838
Non-s185 diversions income - water network+	0.526	-	0.526
Total diversions income - water network+	4.139	-	4.139

Section 3 – performance summary

Table 3A: Outcome performance

	Performance Level - actual	PCL met?	Out or under performance payment £m	Total 2025-30 out or under performance payment £m
Common PCs - Water (Financial)				
Biodiversity	0.00	Yes	-	-
Business demand South Staffs region	-7.5%	Yes	0.111	0.111
Business demand Cambridge region	-24.9%	Yes	-	-
Compliance risk index (CRI)	1.13	No	-	-
Customer contacts about water quality	0.91	No	(0.260)	(0.260)
Discharge permit compliance	96.55	No	-	-
Greenhouse gas emissions (water)	-2.37%	No	(0.349)	(0.349)
Leakage South Staffs region	18.2%	Yes	1.063	1.063
Leakage Cambridge region	23.7%	Yes	0.739	0.739
Repairs to burst mains	145.9	No	(0.918)	(0.918)
Per capita consumption South Staffs region	-4.1%	Yes	0.094	0.094
Per capita consumption Cambridge region	11.0%	Yes	1.474	1.474
Serious pollution incidents	0	Yes	-	-
Unplanned outage	1.96%	Yes	0.404	0.404
Water supply interruptions	12:04 AM	Yes	0.020	0.020
Total performance commitments achieved		67%		

We discuss outcomes, ODIs, performance commitments and financial incentives in more detail on pages 22 to 29. See our supplementary appendix for further information on leakage, PCC and other metrics.

Table 3B: Measures of experience performance commitments

Business customer and retailer measure of experience (BR-MeX)	**Unit**	**Value**
Annual customer satisfaction score for the Business customer contact survey (B-Mex)	Number	67.19
Annual retailer satisfaction score for the Retailer experience survey (R-Mex)	Number	74.81
Annual MPF Score	Number	66.76
Annual BR-MeX score	**Number**	**68.99**
Customer measure of experience (C-MeX)		
Annual customer satisfaction score for the customer service survey	Number	59.45
Annual customer satisfaction score for the customer experience survey	Number	70.18
Annual C-MeX score	**Number**	**63.02**
Total household complaints	Number	4,455
Total connected household properties	Number	724,503
Total household complaints per 10,000 connections	Number	61.49
Developer measure of experience (D-MeX)		
Developer satisfaction (small developers) qualitative component annual results	Number	71.05
Developer satisfaction (large developers) qualitative component annual results	Number	75.00
Quantitative component annual results	Number	98.55
D-MeX score	**Number**	**81.52**

For the underlying calculations and supplementary data on our performance commitments please refer to tables 3C to 3G at the following links.

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Section 4 – additional regulatory information

Table 4A: Bulk supply information

For the 12 months ended 31 March 2026

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Non qualifying bulks pre 2015	678.246	0.595	0.689
Total bulk supply exports	678.246	0.595	0.689
Bulk supply imports			
Non qualifying bulks pre 2015	43.685	0.077	
Total bulk supply imports	43.685	0.077	

Table 4B: Analysis of debt

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4C: Actual expenditure against cost allowances by cost sharing rate

	12 months ended 31 March		Price control period to date	
	Water resources	Water network plus	Water resources	Water network plus
	£m	£m	£m	£m
Standard base				
Final determination allowed totex	10.701	122.542	10.701	122.542
Actual totex	11.597	117.954	11.597	117.954
Disallowable costs	0.275	1.059	0.275	1.059
Total actual totex	11.322	116.894	11.322	116.894
Variance	0.621	(5.648)	0.621	(5.648)
Variance due to timing of expenditure	0.621	(5.648)	0.621	(5.648)
Variance due to efficiency	-	-	-	-
Company cost sharing rate - outperformance	50.0%	50.0%	50.0%	50.0%
Company cost sharing rate - underperformance	50.0%	50.0%	50.0%	50.0%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	-	-	-	-
Business rates				
Final determination allowed totex	0.166	4.234	0.166	4.234
Actual totex	0.189	3.945	0.189	3.945
Variance	0.023	(0.289)	0.023	(0.289)
Company cost sharing rate	10.0%	10.0%	10.0%	10.0%
Company share of outperformance	-	(0.029)	-	(0.029)
Company share of underperformance	0.002	-	0.002	-
Abstraction charges and discharge consents				
Final determination allowed totex	4.849	0.327	4.849	0.327
Actual totex	4.970	0.103	4.970	0.103
Variance	0.121	(0.224)	0.121	(0.224)
Company cost sharing rate	25.0%	25.0%	25.0%	25.0%
Company share of outperformance	-	(0.056)	-	(0.056)
Company share of underperformance	0.030	-	0.030	-
Standard enhancement				
Final determination allowed totex	5.147	23.176	5.147	23.176
Actual totex	2.969	16.351	2.969	16.351
Disallowable costs	-	-	-	-
Total actual totex	2.969	16.351	2.969	16.351
Variance	(2.178)	(6.824)	(2.178)	(6.824)
Variance due to timing of expenditure	(2.178)	(6.824)	(2.178)	(6.824)
Variance due to efficiency	-	-	-	-
Company cost sharing rate - outperformance	40.0%	40.0%	40.0%	40.0%
Company cost sharing rate - underperformance	40.0%	40.0%	40.0%	40.0%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	-	-	-	-
25:25 enhancement				
Final determination allowed totex	-	-	-	-
Actual totex	-	-	-	-
Disallowable costs	-	-	-	-
Total actual totex	-	-	-	-
Variance	-	-	-	-
Variance due to timing of expenditure	-	-	-	-

Variance due to efficiency	-	-	-	-
Company cost sharing rate - outperformance	25.0%	25.0%	25.0%	25.0%
Company cost sharing rate - underperformance	25.0%	25.0%	25.0%	25.0%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	-	-	-	-
40:10 enhancement				
Final determination allowed totex	0.519	-	0.519	-
Actual totex	0.274	-	0.274	-
Disallowable costs	-	-	-	-
Total actual totex	0.274	-	0.274	-
Variance	(0.245)	-	(0.245)	-
Variance due to timing of expenditure	(0.245)	-	(0.245)	-
Variance due to efficiency	-	-	-	-
Company cost sharing rate - outperformance	10.0%	10.0%	10.0%	10.0%
Company cost sharing rate - underperformance	40.0%	40.0%	40.0%	40.0%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	-	-	-	-
SRO - use it or lose it				
Final determination allowed totex	-	-	-	-
Actual totex	0.055	-	0.055	-
Disallowable costs	-	-	-	-
Total actual totex	0.055	-	0.055	-
Variance	0.055	-	0.055	-
Variance due to timing of expenditure	-	-	-	-
Variance due to efficiency	0.055	-	0.055	-
Company cost sharing rate - outperformance	0.0%	0.0%	0.0%	0.0%
Company cost sharing rate - underperformance	100.0%	100.0%	100.0%	100.0%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	0.055	-	0.055	-
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	0.054	18.893	0.054	18.893
Actual totex - not subject to cost sharing	0.347	12.702	0.347	12.702
Variance	0.293	(6.191)	0.293	(6.191)
Variance due to timing	0.018	(7.250)	0.018	(7.250)
Variance for company	0.275	1.059	0.275	1.059
Total company variance	**0.363**	**0.975**	**0.363**	**0.975**

As confirmed by Ofwat, the table above shows gross expenditure only and excludes any contributions received from developers or other third parties.

In the reporting year, gross totex subject was £20.5 million lower than that allowed in our PR24 final determination. £9.2 million of the underspend was in relation to enhancement expenditure which is expected to be recovered over the rest of the price control period. Totex not subject to cost sharing was £5.9 million underspent as we saw continued lower new development activity during the year. As we are only in the first year of the price control period, we have assumed that housebuilding activity will pick up and recover this underspend by 2030.

After timing adjustments, we have overspent our allowances by £1.3 million. In October 2025, we settled fines of £1.2 million. In addition, we paid £0.4 million of pensions deficit repair costs during the year. Both items have been excluded from cost sharing to ensure that customers do not pay for them.

Table 4D: Totex analysis – water resources/ network plus

For the 12 months ended 31 March 2026

	Water resources	Raw water distribution and storage	Water treatment	Treated water distribution	Total
	£m	£m	£m	£m	£m
Operating expenditure					
Base operating expenditure	15.047	3.346	14.781	61.588	94.762
Enhancement operating expenditure	-	-	-	0.311	0.311
Total operating expenditure	**15.047**	**3.346**	**14.781**	**61.899**	**95.073**
Capital expenditure					
Base capital expenditure	1.781	0.009	17.537	36.384	55.710
Enhancement capital expenditure	3.298	-	3.137	12.904	19.339
Total gross capital expenditure	**5.079**	**0.009**	**20.674**	**49.287**	**75.049**
Gross totex - water	20.126	3.355	35.455	111.186	170.122

Table 4H: Financial metrics

For the 12 months ended 31 March 2026

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	393.485	
Regulatory equity	£m	247.478	
Regulatory gearing	%	61.39%	
Post tax return on regulatory equity	%	9.98%	
RORE (return on regulatory equity)	%	5.60%	5.60%
Dividend yield	%	2.11%	
Retail profit margin - Household	%	-0.39%	
Retail profit margin - Non household	%	0.00%	
Credit rating - Fitch	Text	n/a	
Credit rating - Moody's	Text	Baa2 (stable)	
Credit rating - Standard and Poor's	Text	BBB+ (Stable)	
Return on RCV	%	7.86%	
Dividend cover	dec	3.026	
Funds from operations (FFO)	£m	67.055	
Interest cover (cash)	dec	5.15	
Adjusted interest cover (cash)	dec	3.38	
FFO/Net debt	dec	0.1704	
Effective tax rate	%	0.00%	
Retained cash flow (RCF)	£m	61.828	
RCF/Net debt	dec	0.157	
Borrowings			
Proportion of borrowings which are fixed rate	%	19.65%	
Proportion of borrowings which are floating rate	%	7.22%	
Proportion of borrowings which are index linked	%	73.13%	
Proportion of borrowings due within 1 year or less	%	0.00%	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	7.01%	
Proportion of borrowings due in more than 2 years but no more than 5 years	%	4.71%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	72.04%	
Proportion of borrowings due in more than 20 years	%	16.24%	

RoRE for the reporting year under actual returns and notional equity was 5.60%. This is 0.14% lower than that allowed in our PR19 final determination of 5.74%. The key drivers of this underperformance are as follows.

- Higher returns from lower gearing (+1.13%) using the average book debt of 63.8% compared with the notional gearing of 55.0%
- Higher returns from a higher actual cost of debt (+0.50%). The main driver for this is the difference between the real interest rate assumed by Ofwat and the actual real interest rate on our borrowings.
- Underperformance on totex (-0.48%). On 21 October 2025, we settled the fines of £1.2 million. In addition, we paid £0.4 million of pensions deficit repair costs during the year. Both items have been excluded from cost sharing to ensure that customers do not pay for them.
- Retail costs (-1.34%), predominantly in relation to higher bad debt charges.
- ODIs (+0.97%) which includes outperformance on both leakage and PCC in both regions along with unplanned outages, partly offset by underperformance on water quality contacts and mains repairs.

As required by RAG 4.14, the calculation of the interest cover and adjusted interest cover ratios are set out below.

		Interest cover ratio (cash) £m	Adjusted interest cover ratio (cash) £m
Funds from operations		67.055	67.055
Net interest per table 1D	14.341		
Add back bank interest received	1.815		
Interest paid		16.156	16.156
Funds from operations before deducting interest paid		**83.210**	**83.210**
Less RCV run-off			-28.616
Funds from operations before deducting interest paid less RCV run-off			**54.595**
Interest cover ratio		**5.15**	**3.38**

Table 4I: Financial derivatives

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
Interest rate swap (sterling)									
Floating to fixed rate	-	-	-	-	-	-	-	2.14%	4.71%
Floating from fixed rate	-	-	-	-	-	-	-	0.00%	0.00%
Floating to index linked	-	-	-	-	-	-	-	0.00%	0.00%
Floating from index linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed from index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Index-linked to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Foreign Exchange									
Cross currency swap USD	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap EUR	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap YEN	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate									
Currency interest rate swaps USD	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps EUR	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps YEN	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts									
Forward currency contracts USD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts EUR	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts YEN	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts CAD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts AUD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts HKD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Other financial derivatives									
Other financial derivatives	-	-	-	-	-	-	-	0.00%	0.00%
Total financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**0.00%**

The interest rate swap of £30.0 million, which hedged the interest rate payments on £30.0 million of bank loans ended in December 2025, hence there is no nominal value reported at 31 March 2026. The fixed payable element of the interest rate swap is 2.14% and the receivable floating rate element is three-month LIBOR, shown above as the average for the 9 months to December 2025 of 4.71%. The receivable floating rate element of the swap exactly offsets the payable floating rate element (three-month LIBOR interest payment) of the related £30.0 million bank loan. The effect of this is that the interest payable on the loan, when combined with the cash flows on the swap, is fixed to 2.10% a year plus the agreed fixed bank margin percentage per annum.

Table 4J: Base expenditure – water resources/ network plus

For the 12 months ended 31 March 2026

	Water resources	Water network+			Total
		Raw water distribution and storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m
Operating expenditure - operational					
Power	4.381	1.827	0.727	14.604	21.539
Income treated as negative expenditure	-	-	-	-	-
Bulk Supply/Bulk discharge	0.010	0.004	0.014	0.049	0.077
Renewals expensed in year (infra)	-	-	-	2.999	2.999
Renewals expensed in year (non-infra)	-	-	-	-	-
Local authority and Cumulo rates	0.189	0.202	0.334	3.409	4.134
Canal & River Trust abstraction charges/ discharge consents	0.015	-	0.006	0.005	0.026
Environment Agency / NRW abstraction charges/ discharge consents	4.899	0.001	0.025	0.024	4.949
Other abstraction charges/ discharge consents	0.056	0.001	0.021	0.020	0.098
Costs associated with Traffic Management Act	-	-	-	0.085	0.085
Costs associated with lane rental schemes	-	-	-	0.582	0.582
Statutory water softening	-	-	-	-	-
Routine repair and maintenance	0.214	0.080	0.407	14.606	15.307
Chemical costs - water	-	-	7.569	-	7.569
Finance, Regulation and Procurement costs - water	0.544	0.350	0.637	1.736	3.267
Insurance - water	0.032	0.016	0.443	1.418	1.909
Fines and penalties - water	0.239	0.239	0.239	0.239	0.956
Investigation costs - water	-	-	-	-	-
GSS payments - water	-	-	-	0.010	0.010
Non-GSS compensation payments - water	-	-	-	-	-
HR	0.078	0.017	0.070	0.452	0.617
Training	0.005	0.003	0.032	0.119	0.159
CEO, Corporate affairs and Governance	0.288	0.113	0.266	1.367	2.034
IT&T (business support)	0.335	0.071	0.302	2.041	2.749
Property management (business support)	0.042	0.011	0.042	0.259	0.354
Other support function and overheads opex - water	3.648	0.395	2.543	12.247	18.833
Developer services & Diversions opex					
Network reinforcement opex	-	-	-	-	-
Site-specific developer services opex	-	-	-	-	-
Diversions opex	-	-	-	4.578	4.578
Third-party opex - water					
Third-party opex - water	0.072	0.016	1.104	0.739	1.931
Total base operating expenditure	15.047	3.346	14.781	61.588	94.762
Capital expenditure	-	-	-	-	-
Maintaining the long term capability of the assets - infra	-	-	-	11.039	11.039
Maintaining the long term capability of the assets - non-infra	1.781	0.009	17.369	19.953	39.112
Total base capital expenditure	1.781	0.009	17.369	30.992	50.152
Developer services & Diversions					
Network reinforcement capex	-	-	-	0.353	0.353
Site-specific developer services capex - water	-	-	-	5.038	5.038
Diversions capex - water	-	-	-	-	-

	-	-	-	-	-
Third-party capex - water					
Third-party capex - water	-	-	0.167	-	0.167
Total base capital expenditure	1.781	0.009	17.537	36.384	55.710
	-	-	-	-	-
Total base expenditure	16.828	3.355	32.318	97.972	150.473

Table 4L: Enhancement expenditure – water resources/network plus

For the year ended 31 March 2026

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4N: Site specific developer services expenditure – water resources/network plus

For the year ended 31 March 2026

	Water network+		
	Capex	**Opex**	**Totex**
Water network+	**£m**	**£m**	**£m**
New connections costs - water	3.292	-	3.292
Requisition mains costs - water	2.296	-	2.296
Asset payments costs - water	(0.549)	-	(0.549)
Other site-specific activities costs - water	-	-	-
Total site-specific developer services costs - water	5.038	-	5.038

Table 4O: Diversions Expenditure – Network+

For the 12 months ended 31 March 2026

Water network+	Capex £m	Opex £m	Total £m
s185 diversions costs - water	-	1.965	1.965
NRSWA diversions costs - water	-	2.035	2.035
Non-s185 diversions costs - water	-	0.579	0.579
Total diversions costs - water	-	4.578	4.578

Table 4Q: Developer services – new connections, properties and mains

	Sites that require new mains nr	Sites that do not require new mains nr	Total sites nr
Connections volumes			
New connections (residential – excluding NAVs)	1629	575	2204
New connections (business – excluding NAVs)	-	128	128
Total new connections served by incumbent	1629	703	2332
New connections – SLPs	1221	91	1312
Properties volumes - incumbents			
New properties (residential - excluding NAVs)	1629	657	2286
New properties (business - excluding NAVs)	-	128	128
Total new properties served by incumbent	1629	785	2414
New properties – SLP connections	1221	91	1312
Properties volumes - NAVs			
New residential properties served by NAVs	698	-	698
New business properties served by NAVs	-	-	0
Total new properties served by NAVs	698	0	698
Properties volumes - Total			
Total new properties	2327	785	3112
New sites			
Number of development sites	72	283	355

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Table 4R: Connected properties, customers and populations

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers - average during the year				
Residential water only customers	314.335	368.186	682.521	37.318
Residential wastewater only customers	0.000	0.000	0.000	0.000
Residential water and wastewater customers	0.000	0.000	0.000	0.000
Total residential customers	314.335	368.186	682.521	37.318
Business water only customers	3.238	33.828	37.066	3.404
Business wastewater only customers	0.000	0.000	0.000	0.000
Business water & wastewater customers	0.000	0.000	0.000	0.000
Total business customers	3.238	33.828	37.066	3.404
Total customers	317.573	402.014	719.587	40.722

	Unmeasured 000s	Measured 000s	Total 000s
Property numbers - average during the year			
Residential properties billed	314.335	368.186	682.521
Residential void properties			37.318
Total connected residential properties			719.839
Business properties billed	3.238	33.828	37.066
Business void properties			3.404
Total connected business properties			40.470
Total connected properties			760.309

Table 4V: Mark-to-market of financial derivatives analysed based on payment dates

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4W: Defined benefit pension scheme – additional information

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4Z: Household bill reduction schemes, debt GSS payments and Priority Service Register data

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

This table also sets out a breakdown of non-GSS compensation payments. These are made when the level of service we provide to our customers is below our own high standards and above the minimum thresholds set by the GSS legislation.

Table 4AA: Third-party services water expenditure

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4AC: Base expenditure analysis – water assets

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Section 5 – additional regulatory information (water resources)

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Section 6 – additional regulatory information (network plus)

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Section 9 – additional regulatory information (innovation competition)

Table 9A: Innovation competition

	Current year £m
Allowed	
Allocated innovation revenue collection by PR24	0.849
Revenue collected for the purposes of the innovation competition	
Actual Innovation Fund income drawn down from customers	0.849
Total amount awarded to fund innovation projects the company is leading on	2.754
Funding allocated for the current year as part of the Inflation Top-up Mechanism	-
Total amount transferred to MOSL as part of the Innovation Fund	0.442
Non-price control revenue (e.g. royalties, assets sold that were purchased using innovation funding)	-
Administration	
Administration charge for Innovation Fund delivery partner(s)	0.046

	Units	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution)
Recovering energy from water	£m	1.440	-	1.006	-	(1.006)	1.440
Space Eye	£m	1.314	-	0.992	-	(0.992)	1.314

Section 11 – additional regulatory information (greenhouse gas emissions)

Table 11A: Operational greenhouse gas emissions

For the 12 months ended 31 March 2026

	Water tCO2e	Wastewater tCO2e	Total tCO2e
Scope one emissions			
Burning of fossil fuels (location-based)	19,566.580	-	19,566.580
Process and fugitive emissions	2,451.317	-	2,451.317
Vehicle transport	798.832	-	798.832
Emissions from land	-	-	-
Total scope one emissions (location-based)	22,816.728	-	22,816.728
Scope one emissions; GHG type CO2	20,315.308	-	20,315.308
Scope one emissions; GHG type CH4	1,486.163	-	1,486.163
Scope one emissions; GHG type N2O	1,015.257	-	1,015.257
Scope one emissions; GHG other types	-	-	-
Scope two emissions	-	-	-
Purchased electricity (location-based)	18,172.555	-	18,172.555
Purchased electricity (market-based)	5.136	-	5.136
Purchased heat	-	-	-
Electric vehicles	1.678	-	1.678
Removal of electricity to charge electric vehicles at site	-	-	-
Total scope two emissions (location-based)	18,174.233	-	18,174.233
Total scope two emissions (market-based)	6.814	-	6.814
Scope two emissions; GHG type CO2	17,957.580	-	17,957.580
Scope two emissions; GHG type CH4	92.411	-	92.411
Scope two emissions; GHG type N2O	125.269	-	125.269
Scope two emissions: GHG other types	-	-	-
Scope three emissions			
Business travel	54.583	-	54.583
Outsourced activities	-	-	-
Purchased electricity; extraction, production, transmission and distribution (location-based)	7,023.088	-	7,023.088
Purchased heat; extraction, production, transmission and distribution	-	-	-
Purchased fuels; extraction, production, transmission and distribution	3,424.165	-	3,424.165
Chemicals	6,049.444	-	6,049.444
Disposal of waste	-	-	-
Total scope three emissions (location-based)	16,551.280	-	16,551.280
Scope three emissions; GHG type CO2	1,937.237	-	1,937.237
Scope three emissions; GHG type CH4	8.305	-	8.305
Scope three emissions; GHG type N2O	11.511	-	11.511
Scope three emissions: GHG other types			
Gross operational emissions (Scopes 1,2 and 3)			
Gross operational emissions (location-based)	57,542.241	-	57,542.241
Gross operational emissions (market-based)	39,374.822	-	39,374.822
Emissions reductions			
Exported renewables	-	-	-
Exported biomethane	-	-	-

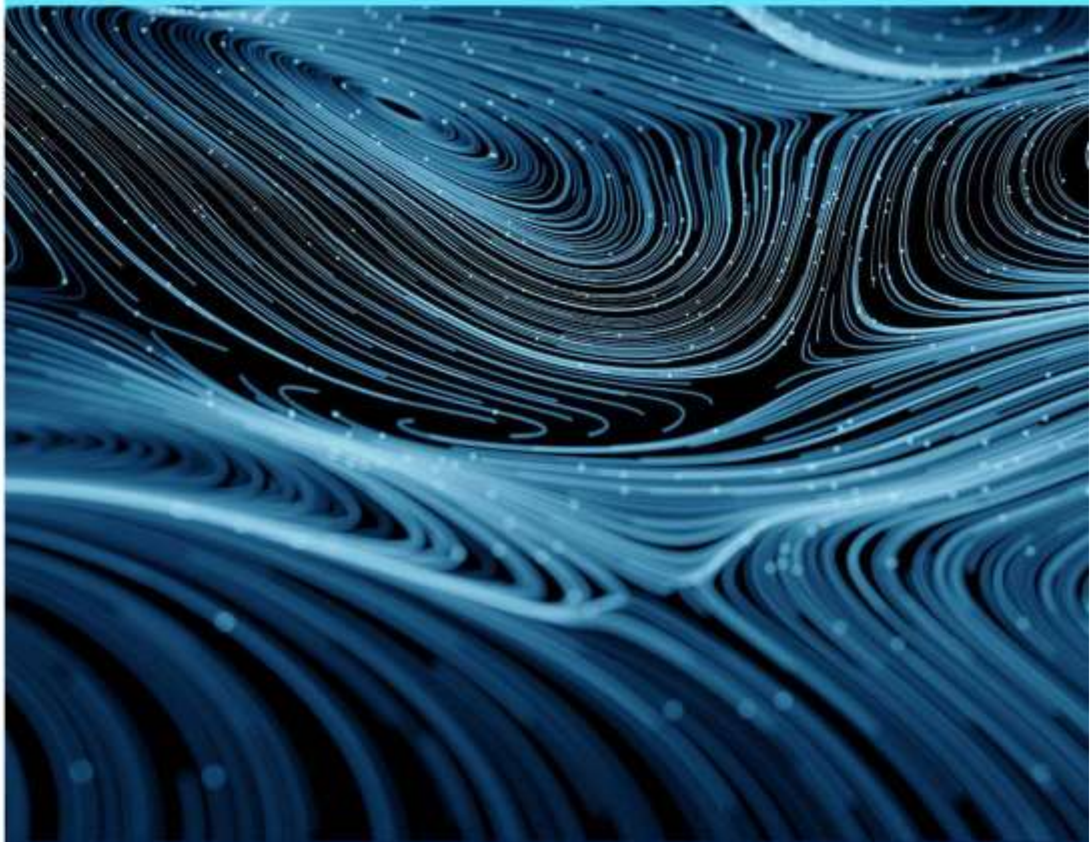
Insets	-	-	-
Other emissions reductions	-	-	-
Total emissions reductions	-	-	-
Emissions reductions	-	-	-
Green tariff electricity	-	-	-
Net annual emissions			
Net annual emissions (location-based)	57,542.241	-	57,542.241
	Water	Wastewater	
GHG intensity ratios			
Emissions per Ml of treated water	374.297	-	-
Emissions per Ml of sewage treated	-	-	-

	Embedded emissions		
	Water	Wastewater	Total
	tCO2e	tCO2e	tCO2e
Capital projects			
Capital projects (cradle-to-gate)	5,117.070	-	5,117.070
Capital projects (cradle-to-build)	-	-	-
Purchased goods and services			
Purchased goods and services	6,481.026	-	6,481.026

External assurance and independent audit

External assurance of financial outcome delivery incentives

See following pages.



APR26 Annual Performance Report

Independent Assurance Report

Revision: 4.0
South Staffordshire Water
Technical Assurance

3 July 2026

Jacobs
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APR26 Annual Performance Report

Client name:	South Staffordshire Water	**Project no:**	B2443000/B2443001
Project name:	Technical Assurance	**Project manager:**	Trudy Bartlett
Revision:	4.0		
Date:	3 July 2026		

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	19/06/2026	Draft	TB, SC, VK	AIJH	YZ	YZ
2.0	22/06/2026	Updated draft	VK	GT	AIJH	TB
3.0	24/06/2026	Updated draft	VK, SC, GS	GT	AIJH	TB
4.0	03/07/2026	Final	VK	GT	RH	TB

Jacobs U.K. Limited

2nd Floor, Cottons Centre
Cottons Lane
London SE1 2QG
United Kingdom

www.jacobs.com

This assurance was completed in accordance with the ISAE 3000 (Revised) standard including following ethical and quality requirements.

Attention: South Staffordshire Water

Introduction

South Staffordshire Water (SST) has compiled its Annual Performance Report (APR) for the period 01 April 2025 to 31 March 2026 (APR26), which is the first year of AMP8. SST requested Jacobs to independently audit and assure the following 9 Performance Commitments (PCs), covering the supply regions of South Staffordshire and Cambridge Water (CAM), being reported for its Annual Performance Report 2026 (APR26) submission:

- Water supply interruptions
- Compliance Risk Index (CRI)
- Customer contacts about water quality
- Operational greenhouse gas emissions (water)
- Leakage
- Per capita consumption
- Business demand
- Repairs to burst mains
- Unplanned outage

SST excluded other PCs from our scope of work, including biodiversity which is not reported until year 4, and the 'measures of experience' PCs, which are based on surveys conducted and reported by third party contractors to Ofwat.

Scope of Work and Approach

This assurance report provides the conclusions from the work specified in our Statement of Work, 'Statement of Work - APR26 Year-end Assurance- Phase 1 v1', issued on 10th March 2026 and 'Statement of Work - APR26 Year-end Assurance- Phase 2 v1' issued on 22nd May 2026.

Our assurance was undertaken using a risk-based sampling approach through a series of audits conducted over Microsoft Teams, with the exception of Leakage, PCC and Business Demand which took place in person. We provided initial findings verbally during the audit and followed up with written feedback reports. We provided early notification to the SST team via email of any material actions.

We have completed assurance for the reporting processes and data for the APR lines listed in Table 1:

Table 1 Technical assurance scope

Audit name	Lines in scope
Early process Carbon Audit	Discussion of how you can align to Jacobs' chosen carbon standard and how we demonstrate this in the audit efficiently.
Early process Unplanned Outage Audit	Early review of outage data (significant events) and categorisation. PC - 3A - D5 Line 6
Water Quality Customer Contacts	Performance commitment process and reported value Table 3C lines 7-9
Properties & population	Connected properties, customers and population - 4R - Lines 1-32
Mains lengths, profiles, CPs	Total length of raw water abstraction mains and other conveyors - 5A - Line 22 Total length of raw water transport mains and other conveyors - 6A - Line 5

Audit name	Lines in scope
	Water network+ - Mains, communication pipes and other data - 6C - Lines 1-21
Distribution input **Water balance – leakage** **Water balance – PCC** **Water balance – Business Demand**	Feeds into water balance - Process & Data Leakage (SST) Leakage (CAM) PCC (SST) PCC (CAM) Business demand (SST) Business demand (CAM) RAG compliance Table 3D Table 6B - Lines 4-7, 25-39 Table 6E
Carbon emissions & energy consumption	5A- Line 24 - Energy consumption - water resources (MWh) 6A- Line 7 - Energy consumption – raw water transport (MWh) 6A- Line 35 - Energy consumption - water treatment (MWh) 6B Line 23 - Energy consumption – treated water distribution (MWh) Operational greenhouse gas emissions - Table 11A lines 1-43 Embedded greenhouse gas emissions- Table 11A lines 44-46 Embedded carbon SWOT analysis Performance commitment process and reported value Table 3E lines 23-79
Production asset data	Water resources asset and volumes data - 5A - Lines 1-21 Raw water transport, raw water storage and water treatment data - 6A - Lines 1-5, 13-27 Treated water distribution - assets and operations - 6B - Lines 1-3, 8-22
Mains repairs	Performance commitment process and reported value Table 3F lines 1-3
Supply interruptions	Performance commitment process and reported value Table 3C lines 10-13
Average pumping head	SST region data: Average pumping head – raw water abstraction - 5A - Lines 23, 31-32 Average pumping head – raw water transport - 6A - Lines 6, 40-41 Average pumping head – water treatment - 6A - Lines 34, 42-43 Average pumping head – Treated water distribution - 6B - Lines 24, 40-41
Average pumping head	CAM region data: Average pumping head – raw water abstraction - 5A - Lines 23, 31-32 Average pumping head – raw water transport - 6A - Lines 6, 40-41 Average pumping head – water treatment - 6A - Lines 34, 42-43 Average pumping head – Treated water distribution - 6B - Lines 24, 40-41
Average pumping head	Combining regional APH data into final combined company data tables (offline review post completion of above regional audits)
Unplanned outage inc. PWPC	Performance commitment process and reported value Table 3F line 5

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Audit name	Lines in scope
	Table 6A line 28
CRI	Performance commitment process and reported value Table 3G lines 4-8

The assurance comprised the following elements:

- Performance and context: Is the reported data and commentary reasonable and consistent with the other information seen at audit? We applied six audit tests to complete this element.
- Process compliance: Has the process defined in the methodology document been followed? We applied ten audit tests to complete this element.
- Data checks: Have the data checks identified any issues? We applied four audit tests to complete this element. We recorded the data checks carried out.

We reviewed the documented procedures, processes, systems, data and analysis to gather and report performance information in line with Ofwat's prescribed definitions.

We met with process and data owners to obtain evidence that the documented procedures and methodologies were being followed. We reviewed data on a sample basis, tracing it back to source data to verify the information. We also reviewed governance arrangements for checking, verification and approval of information by the accountable managers and directors.

If a material concern was identified it was reported to the team and senior management responsible for the data. A Reporting Risk Score was allocated to each audit test according to the following definitions:

Score	Meaning
A	Low reporting risk – criteria are fully met (no weaknesses in the methodology - no actions)
B	Low to medium reporting risk – criteria are not fully met (weaknesses exist but they are not material - must have action)
C	Medium to high reporting risk – criteria are only partially met (material weakness or several minor weaknesses with material effect).
D	High reporting risk – criteria are not met (two or more material weaknesses in the methodology).
NA	Not audited as it was outside our scope
Guidance on risk and materiality:	
The score reflects the level of reporting risk for the process and is based on the overall opinion of the auditors. In general, a weakness is material if it has the potential to impact the quality of the reported number if there is potential to give a misleading impression of overall performance.	

The overall score for the audit is the largest risk score from the audit tests. For example, if a C is assigned to one of the tests but A for the others, the overall audit score is C.

Our deliverables are:

- Verbal feedback to the audit teams on conclusion of the audit, summarising any actions and recommendations.
- Formal feedback in a standard template with scores relating to the reporting risk, a summary of findings, commentary against each audit test, a record of data checks and any issues or actions to be addressed.
- Draft and final assurance letters / summary report for inclusion in SST's APR publication.
- Attendance at SST's board meeting to present findings.

Assurance Standards Applied

We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

For Greenhouse Gas audits we have conducted our limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements.

Summary of Key Findings

We have assessed the information within our scope for limited assurance against the audit tests. The audit process for limited assurance is less in extent than for a reasonable assurance engagement.

We can confirm that the PCs in our scope of audit and assurance provide a fair and reasonable account of SST's performance and reporting against the PC targets for year 1 of AMP8.

Overall, it was observed that there are good methodologies and procedures in place and in the majority of cases there were clear data trails to confirm the reported numbers. Most of the data issues we found were easily resolved during or shortly after the audit, and the teams have an appropriate intention to resolve the remaining issues for next year's APR.

At the time of issue of this final report, there is one material issue from the GHG emissions audit which remains unresolved. This relates to the misclassification of virgin activated carbon. Virgin activated carbon (Virgin AC) has been included within Scope 3 capital projects embedded emissions and within Table 5.2 'Water and Wastewater treatment' however Virgin GAC should be reported as a Chemical, in line with PC guidance, within Table 5.1 and 5.1b. A material action has been raised for the team to state in the commentary that Virgin AC has been included in Scope 3 and seek guidance from Ofwat if restatement is needed for PCs.

Other material issues that were identified have now been resolved.

We have also identified some non-material issues on the completeness of some methodology documentation and governance procedures.

More detail on our findings from each audit is provided in the table below.

Table 3. Summary findings by Audit Group/PC

Risk Score	Audit Group / PCs
B	**Water Quality Customer Contacts** The process has not changed from previous years. The only change to the methodology document is the addition of the AMP8 targets. The team confirmed that they were penalised for their performance throughout Q4 of 2025. The APR tables have yet to be populated and senior sign off completed. Commentary has also not been provided yet. The team confirmed that this would be actioned post-audit and evidence of this will be provided. Data checks revealed no allocation or calculation issues. One material action was identified during the initial audit. This related to the data archiving which restricted our data checks. In addition to completing the outstanding data checks, the data archiving and storage needed to be clarified, and a route needed to be identified for accessing this historical data. This material concern was closed post-audit

Risk Score	Audit Group / PCs
	as archived case data was shared and checked with no issues found. An additional non-material action was then added to capture the need to add data archiving rules and access details to the methodology document. Three more non-material actions have been identified relating to: The methodology version control and evidence of checking by another team member. APR table completion and sign-off Commentary completion and sign-off
A	**Properties** The data has been added to the input tables in the right format, the correct units, and to the right number of decimal places. Data was compared and analysed for movement across the APR24, APR25, and APR25 periods. The trends appear reasonable and explanations were given where relevant. The methodology has been updated since APR25 to accommodate the new universal metering programme which brings a significant step change in the number of meters being installed. No issues identified.
B	**Mains lengths** No material issues identified during the audit but a small number of non-material issues including: • Standardising the queries used in ArcPro so they use the "lower" function and produce a consistent approach to selecting the data. • Correcting the categorisation of mains at Barr Beacon 2 reservoir and reviewing the other raw water transport mains to ensure there are no similar issues. • Ensuring the correct line references are included in the spreadsheet for the table 6C numbers based on RAG 4.14. • Reviewing and, if appropriate, correcting the mains with an install date of 1800. The methodology should also be updated to ensure checks are made each year for any mains with the default install date of 1800. **Communication Pipes** No material issues identified during the audit but a small number of non-material issues including: • Updating the methodology to reflect the inclusion of a small number of lead relay jobs that were previously not selected and not included in the final reporting numbers. • Reviewing the processes in place for capturing data in the field to drive improvement in how jobs are recorded, which will help ensure that jobs are recorded correctly in the source system and help to reduce the level of effort required at the end of the year.
B (Energy consumption - 6B.23,	**Carbon emissions & energy consumption** • The audit found that the reporting processes are broadly robust and consistently applied, with clear evidence of internal review and alignment with the documented methodology. However, a number of improvement areas were identified, primarily

Risk Score	Audit Group / PCs
5A.24, 6A.7 and 6A.35) C (Greenhouse gas (GHG) emissions reporting - 11A.1-43) A (Capital goods and purchased goods and services - 11A.44-46) C (Operational GHG emissions - 3E.27 - 83) B (% reduction in GHG emissions - 3A.6)	relating to documentation completeness, transparency of assumptions, and consistency of methodologies across datasets. • Key findings included some material issues, notably: Incorrect application of emission factors and unit conversions (e.g. gas oil reporting and outdated factors); incomplete reporting in key tables (e.g. Table 3A and sections of Table 3E); discrepancies between datasets requiring correction during the audit. All but one material actions were closed out or reclassified as 'non-material' during or after the audit, once further evidence was shared by the South Staffs team. • One material action remains, involving the misclassification of virgin activated carbon. Virgin activated carbon (Virgin AC), which has been included within Scope 3 capital projects embedded emissions and within Table 5.2 'Water and Wastewater treatment' however Virgin GAC should be reported as a Chemical, in line with PC guidance, within Table 5.1 and 5.1b. The team should state where Virgin AC has been included in the commentary and seek guidance from Ofwat if restatement is needed for PCs. • In addition, multiple non-material issues were identified, largely relating to: gaps in the Process Document (e.g. missing assumptions, data sources, and estimation methodologies); Limited documentation of data sources, calculation factors, and estimation approaches; Opportunities to strengthen governance records, including clearer recording of second-line checks and sampling approaches; Minor data quality and traceability issues (e.g. estimated data, inaccessible source evidence, and unclear supplier data formats). Additionally, some technical aspects, including historic assumptions, conversions and specific methodologies, were not as well understood and there were examples of the team being dependent on following historic reporting processes. Some non-material actions were closed out after the audit, as detailed within the Issues and Actions table. • Overall, while the audit did not identify systemic weaknesses affecting the integrity of reported data, the combination of material adjustments and documentation gaps resulted in a moderate assurance rating. Addressing the identified actions will improve transparency, auditability, and reduce the risk of future reporting errors. • We have conducted our limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements.
A	**Population update** We consider the team has correctly identified a material impact of the current, WRMP based, methodology used to calculate the household population for regulatory reporting in the South Staffs region in previous years. as it does not appear to be accurately reflecting the impact of net migration into the region. We also consider the team has used an appropriate methodology to calculate the population for 2025/26, to back-cast to 2021/22, and that there is evidence there has been no material impact on prior years. For 2025/26 there is no change to the methodology used in the Cambridge region. The team has used available sources of population and occupancy data, including both ONS and studies by third parties (KELP and CACI). We make the following observations: • The team has correctly interpolated values for 2022/23 and 2024/45 from years where data is available. • We concur that, based on the available data, restatement of 2017/18 to 2020/21 does not appear necessary, but recommended that the team identify if additional data could support the trend in net migration post-COVID and how this is likely to have impacted the South Staffs Region. This information was provided post-audit.

Risk Score	Audit Group / PCs
	• The only assumption that has been changed is the company's average household occupancy rate. This is used to derive the total household population, which is then the denominator for the PCC calculation. • The changes to occupancy rates only impact the estimates of total household population each year, which are only used as the denominator in the PCC calculation. For the avoidance of doubt, there is no impact on reported leakage, other performance commitments or any other components of the water balance. • All elements of the PCC Compliance Checklist remained unchanged from the previous methodology. • We have checked the team's calculation of occupancy rate and population from the data provided by CACI, focusing on 2025/26. This audit was undertaken in advance of the water balance audit, so whilst we reviewed indicative impacts on PCC we reviewed the final changes once the water balance had been finalised, as set out in our leakage, PCC and business demand feedback. **External drivers:** The team presented details of the national trend in net migration, which appears to align with the increasing occupancy rates from 2021/22. Following the recommendations made in the audit the team provided additional evidence of the regional nature of the changes in migrant flows (per 10k population). **Alignment of property data:** The team was able to demonstrate a close alignment of property data, with that sent to CACI, a small discrepancy of 310 properties (0.02%) was found which is likely due to a mis-match of property details and not considered material. The team was also able to demonstrate that for 2025/26 CACI were able to assign occupancy rates to 99.2% of the properties, with the remaining 4,900 assigned the company average rate of 2.61. When adjusted for voids this generates an occupancy rate of 2.75 for 2025/26. We therefore consider the new approach calculates a more robust population for the South Staffs region than using the WRMP projection, using detailed pre-property data, which is also supported by regional population trends. This calculation passed all our audit tests and validations, so we therefore consider this new methodology should be scored 'A'. **Cambridge region:** For 2025/26 the team has continued to use the WRMP projections. Although the team reviewed potential changes in the methodology to align with the new methodology for the South Staffs region the changes did not appear to align with other sources. The team will continue to review the Cambridge methodology in advance of 2026/27 reporting. We have made two recommendations resulting from this population update that relate to potential impacts on the PCC calculation and the WRMP estimates: • As the water balance was not finalised at the date of our audit our assurance has focused on population and occupancy rates changes. We recommend a review of the impact on PCC, including AMP8 targets

Risk Score	Audit Group / PCs
	• The analysis indicates a divergence from WRMP estimates. The team should ensure population estimates in WRMP24 annual reviews and WRMP26 align with the company's latest views.
B	**Population tables** APR Lines 4R.28-32 We have checked that the reported company total populations in Table 4R.28-32 is consistent with the revised calculation: • For the South Staffs region, the team has used the new population estimate. • For the Cambridge region the team has continued to use the WRMP projection. • The split between measured and unmeasured continues to be based on the percentage of measured vs. unmeasured properties in each region. Due to the late changes to the methodology, at the time of the audit the methodology document for these lines had not been updated, we therefore scored the APR reporting lines as 'B'.
A	**Distribution Input** The auditees have a detailed understanding of the derivation of distribution input (DI) in both regions, and over recent years have refined an approach that has six levels of data validation and assurance to ensure the reported pre-MLE distribution input values are as robust as possible. Critical risks are recognised and appropriate checks exist to mitigate these risks. The pre-MLE values provide a key input to the water balance, which generates the post-MLE values. For APR26 the team has aligned the methodologies across both regions. We note that the definition of Distribution Input is that it excludes any bulk exports, including NAVs. The team explained that the adjustment for NAVs is undertaken before the values are used in the water balance, so the pre-MLE values quoted above include the volume supplied to NAVs. We make the following observations: • All distribution input meters are validated on a rolling 3-year maintenance programme which meets the requirements of the reporting guidance. • The data validation and assurance of reported values are done at least weekly with appropriate challenge of suspected data issues or outages. This includes regular review with the Head of Production to ensure appropriate governance. • Regular monthly reviews of both distribution input and the overall water balance ensure any issues or errors with distribution input are identified, investigated and resolved quickly. • The manual methodology was retained in the Cambridge region for 2025-26, this demonstrated 99.9% agreement with the aligned methodology.
B	**Leakage, PCC & Business Demand** Although there have been a number of changes to align the calculation of components for both regions, the water balance process to complete this table has been largely consistent for several years, with no material changes for AMP8. The team has a good understanding of the source data and the calculations required to complete the water balance and populate the APR tables, recognise where the greatest risks are and have appropriate

	checks to mitigate these risks. We have recommended some non-material actions to improve the robustness of the process. These actions broadly relate to: • Improving infrastructure (DMA availability and Trunk Main flow balances in CAM • Improving robustness of Unmeasured household consumption / night use monitor • Continuing to investigate the water balance gap in SST • Setting out more detail on some of the calculation processes (NAVs, High rateable value non-households not metered and non-household supply pipe leakage estimates) • Providing evidence of internal signoff Despite some year-on-year increases the three PCLs have been met across both regions. The details for each PCL are summarised below: • Leakage in the South Staffs region has decreased by 2.4 Ml/d, however 2025-26 has been challenging year for leakage in the Cambridge region, particularly the long hot/dry summer with a high and sustained soil moisture deficit which has seen leakage increase by 1.5 Ml/d. • Per capita consumption (PCC) has increased in both regions, with a 2.3 l/head/day increase in the South Staffs region and a 0.6 l/head/day increase in the Cambridge region. • Business Demand increased by 4.1 Ml/d in the South Staffs region and a decreased of 0.7 Ml/d in the Cambridge region. We make the following observations: • The team has a good understanding of the performance commitments and have prepared robust water balances. • Clear and comprehensive methodology statements and supporting evidence were shown during the audits. • As also reported by other companies, 2025-26 was a challenging year for leakage, particularly the long hot/dry summer with a high and sustained soil moisture deficit, which led to an increase in the breakout of leaks. • There has been a deterioration in data quality for the small area monitors (SAMs), which are used to calculate both household night use and unmeasured household consumption. This was caused by logger failures; the team has made optimal use of the available data and is ensuring that the loggers are replaced for 2026/27 reporting. • The Maximum Likelihood Estimation (MLE) imbalance, which we consider to be a key metric for the quality of the water balance, is 1.5% of distribution input for the South Staffs region and 2.3% of distribution input for the Cambridge. Whilst we consider both water balances to be robust, the Cambridge imbalance is coded amber in the leakage compliance checklist as it is greater than 2% of distribution input. We note that for both regions, the sum of components is greater than distribution input, suggesting that one or more of the water balance components are being over-estimated in both regions. • Distribution Input will be covered by separate feedback, but we note that the team has aligned the process across both regions for 2025-26. We also note the team has a robust meter verification process in place. • The team is proposing to revise the population calculation for South Staffs; this will also be covered by separate feedback, but subject to the additional evidence suggested during the audit, we consider this update to be appropriate. Per capita

Risk Score	Audit Group / PCs
	consumption (PCC) is subject to agreement on the population estimate, so it is not stated above as an audited value. • We note that for 2025-26, void consumption is reported as unbilled consumption, either legal (for household voids) or illegal (for non-household voids). We support this categorisation. When reporting company totals, we recommend that these are calculated using the full data at the region level before rounding to the stated decimal places
B	**Production asset data** The auditee was knowledgeable about the methodology used to produce the reported values, and the processes followed are robust, well-documented, and in line with reporting requirements. The reported values are reasonable, and the auditee was able to clearly explain any changes compared to previous years. We found no errors during the data checks we conducted, and we identified no material issues. Two non-material issues were raised; • To confirm reported values following the finalisation of APH numbers which act as inputs to production asset data, which was addressed post-audit. • On replicability of the data collation processes as discussed in previous years' audits.
A	**Mains repairs** Overall, the auditees demonstrated clear traceability between reported totals and supporting evidence, including work records and associated photographs. With regard to the data, we only identified minor issues and have made some recommendations, which relate to: • Maintaining a completed version of the compliance checklist in the methodology document (showing all elements, RAG status and confidence grades). • Correcting the filters/slicers in the dashboard to use the correct date field and avoid any potential confusion in the future by other users.
A	**Supply interruptions** The auditees demonstrated a strong and consistent understanding of the supply interruption assessment process and associated regulatory requirements. Robust review procedures are in place, with detailed checks systematically performed for all interruptions of greater than equal to 3 hours, supporting the completeness and accuracy of reported events. The methodology applied for in-year calculations was clearly evidenced. Data was presented in a clear, structured, and transparent manner. This was supported by comprehensive commentary, including both quantitative analysis and relevant qualitative insights, particularly for high-impact events. We identified no material or non-material issues.
B	**Average pumping head- SST** No material issues were identified during the audit, however we identified a small number of non-material issues including:

Risk Score	Audit Group / PCs
	- Making clear in the methodology document the process involved with transfers from South Staffs to third parties as well as the relevant calculations. - Providing supporting information in the methodology on the estimation of minimum head values for completeness. We also provided some recommendations for future improvement, including: - Providing separate spreadsheets for different types of calculations as currently these are carried out in one large file which can cause instability. - Reviewing the pumping head for the Hampton Loade site and the use of static and head loss values and including the friction losses in the calculation in the future. - Providing information around the availability of pumps (Available days/Total no of operational days) in the main spreadsheet. - Linking pressure values from different sensors to the Pie system and providing supporting information around heads derived from expert opinion. - Clarifying in the spreadsheet, the reason for distribution flows being higher than abstraction values in certain situations and this being due to the impact of storage.
B	**Average pumping head – CAM** No material issues were identified during the audit however, we identified one non-material issue: • In some instances where there were sensor errors, previous years' data has been used. Even though the chances of variations between current and previous data is minimal, some of the transducers were last verified in 2020. There is an action to provide the report with previous years' data to compare against the current values. We have also made two recommendations for future improvement which relate to: • Automating the spreadsheet where possible (e.g. linking directly to raw data sources or incorporating automated data processing steps), as it currently relies on manual transfer of input data which carries a risk of human error. • Where feasible, exploring automation options or developing reusable templates that users can easily adopt as currently the process depends heavily on the experience and judgment of one individual.
B (Unplanned Outage) A (PWPC)	**Unplanned outage inc. PWPC** No material issues were identified during the audit, however we identified one non-material issue relating to: • An inconsistency in the date records for Fleam Dyke 36 PS (Cambridge region). An action was assigned to update the affected date entries and recorded telemetry data accordingly. We have also made three recommendations for future improvement which relate to: • The current lack of Centralised and Timestamped Records for Proactive Maintenance and ensuring all maintenance activities are pre-planned and recorded in advance as well as captured with date and timestamp. • The current lack of capacity testing to demonstrate that systems can meet required operational demands, which results in a lack of confidence over performance and resilience. It is recommended to develop and implement a clear, documented capacity testing plan.

Risk Score	Audit Group / PCs
	• Completing a root cause investigation (pump vs groundwater levels) at Abington Park to restore and sustain normal PWPC.
B	**CRI** The auditee was knowledgeable about the methodology used to produce the reported values, and the processes followed are robust, well-documented, and in line with reporting requirements. The reported values are reasonable, and the auditee was able to clearly explain any changes compared to previous years, as well as any differences between internal evaluation of CRI scores and DWI provisional scores. The reported performance for APR26 that we reviewed during this audit was calculated based on provisional DWI CRI scores issued in May 2026 and may be subject to change. The reported performance will only be finalised in July 2026 following the publication of DWI's final CRI figures. We found no errors during the data checks we conducted, and we identified no material issues. Two non-material issues were raised, to populate the APR tables with the reported numbers, and to include details of internal assurance checks in the methodology document.

Other assurance requirements

Specific external assurance requirements

Ofwat's Information Note "Expectations for large water company annual performance reporting 2025-26" (IN 26/02) has specific external assurance requirements for eight PCs. Four of these were in our scope of audit. These are set out in the table below, together with our assurance statements.

PC name	Assurance requirement	Assurance statement
Leakage, PCC and Business Demand	**Leakage** "The company shall have a written methodology or procedure in place for reporting total leakage. The company shall review its methodology or procedure annually and update it as required. The company shall also report leakage as a three-year average in Ml/d to one decimal place, corresponding to the percentage reduction reported. The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments."	**Leakage** A detailed methodology statement was provided, this is updated annually with senior management sign-off. The South Staffs region compliance checklist has all green components. However, there is one amber element. The Cambridge region has one amber component and three amber elements. We do not consider the amber component/ elements will materially impact the reported value in either region. Leakage is calculated for each region as the 2025-26 value and then used to calculate the 3-year average and percent reduction from baseline. No methodology changes have been made that result in changes to reported leakage that do not reflect real changes in performance.
	PCC "The company will also report per capita consumption as a three-year average in litres per person per day to one decimal place, corresponding to the percentage reduction reported. The PCC performance commitment should be broken down into its constituent elements for	**PCC** PCC is calculated for each region as the 2025-26 value and then used to calculate the 3-year average and percent reduction from baseline.

PC name	Assurance requirement	Assurance statement
	assessment of compliance for reporting purposes. The compliance checklist identifies the elements in average per capita consumption to be considered. The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments."	The company has updated the approach to calculating population within the South Staffs region, to take account of migration over recent years. This has had a material impact on 3-year average PCC, but we concur with the company that there is no impact on baseline PCC. The compliance checklist has all green components. However, Cambridge region has one amber element. We do not consider this amber element will materially impact the reported value PCC has been calculated using the same water balance as leakage and PCC.
	Business Demand The company will also report business demand as a three-year average in mega litres per day (Ml/d) to one decimal place, corresponding to the percentage reduction reported. The business demand performance commitment shall be broken down into its constituent elements for assessment of compliance for reporting purposes. The compliance checklist identifies the elements in average business demand to be considered. This shall be consistent with the relevant elements in the water delivered components of the water balance for the leakage performance commitment. "The company shall demonstrate that it has explored options to collaborate with retailers and third parties. Water customers can only be expected to fund activities that are consistent with the proper carrying out of the functions of a water company. While an integrated solution via partnerships may deliver greater benefits, where initiatives overlap with third -party obligations, we expect retailers and other third parties to cover their fair share of costs, according to their own responsibilities, and to work in partnership with the water company.	**Business Demand** Business Demand is calculated for each region as the 2025-26 value and then used to calculate the 3-year average and percent reduction from baseline. The compliance checklist has all green components. Business Demand has been calculated using the same water balance as leakage and PCC. The company has demonstrated it has worked with two Retailers and one third party to support business customers to reduce demand. At the time of our audit the company has two signed Annex 2 and was awaiting signature of the third. These were completed using data

PC name	Assurance requirement	Assurance statement
	Subject to the overriding requirement above, examples of water efficiency and demand reduction initiatives for customers could include water efficiency audits/ site visits; supply of self-installation water efficient devices; advising on holistic solutions to help conserve water resources; providing technical advice and equipment for leakage detection and repair; awareness campaigns; and other more innovative approaches alongside typical water efficiency initiatives that may be appropriate in the circumstances.	previously provide to the Environment Agency.
	The company shall populate and return the pro forma in Annex 2 in respect of each retailer or other third party it has engaged with, on an annual basis, to provide evidence of collaboration. In each case, the relevant retailer or other third party shall confirm whether the company's description is an accurate reflection of the engagement and may provide further commentary on the collaboration efforts.	
	Business contact details for the third party should be provided.	
	Any differences with reports made to the Environment Agency or Natural Resources Wales in the Annual Review of Water Resources Management Plans shall be quantified and clearly explained.	
	The company shall provide commentary in its Annual Performance Report annual submission if there are any differences in its 2019-20 baseline three-year average business demand expressed in Ml/d in comparison with its business plan. Reasons for any differences shall be clearly explained and their volumetric impacts on the baseline quantified.	No changes to the 2019-20 baseline have been made.
	The company shall explain any variances between its data and the data recorded in the Central Market Operating System (CMOS).	When developing the water balance, a number of adjustments were made to CMOS data, for example to exclude erroneous meter readings. These were reviewed during audit and will be fully explained in the company's commentary.
	The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments. "	No methodology changes have been made that result in changes to reported leakage that do not reflect real changes in performance.

PC name	Assurance requirement	Assurance statement
Operational GHG Water & Operational GHG Wastewater	"When reporting its performance, the company is required to provide independent third-party assurance that it has reported all the data necessary to meet the requirements of this performance commitment. This includes confirmation that all data relating to the company's operational GHG emissions aligns with an internationally recognised standard (e.g. ISO 14064). For the avoidance of doubt the scope of assurance excludes data sourced from the carbon accounting workbook. The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments. Consequently, it is expected the company must use the excel workbook linked to the CAWv17 (04-01 to 03) (published in May 2023), consistently such that data and linked variables are consistently inputted. These cannot change throughout the duration of PR24. The company shall maintain a methodology statement, which shall be used as a decision support tool for this performance commitment. It should record any changes in approach compared to previous years and will be reviewed as part of the company's assurance process. In its reporting, the company is expected to clearly explain any differences between actual and forecast annual GHG emissions. Where actual GHG emissions are less than forecast due to the non-delivery of investment, we may intervene to protect the interests of customers."	South Staffs Water is considered compliant with the WGHG performance commitment where it has implemented Ofwat's prescribed methodology for operational greenhouse gas reporting and demonstrated a clear reduction trajectory against its Performance Commitment Levels. The company has ensured that emissions data are calculated within the required regulatory boundary and reported using the mandated CAWv20 framework, incorporating v17 features for performance commitment reporting to maintain consistency and comparability. In line with reporting expectations, South Staffs Water has embedded an assurance process, with all WGHG data subject to independent third-party verification in accordance with a recognised standard such as ISAE 3410, consistent with Jacobs' assurance methodology. The company has set a 2030 reduction target of 4.30% and a 2025/26 target of 0.63%, measured against a 2024–25 baseline. During audit testing (3E.80), performance calculations were reviewed; however, the baseline emissions line (3E.77) had not initially been completed. This was corrected during the audit, with the baseline of 61,797 tCO_2e added and performance subsequently calculated as -2.37%, indicating that the company

PC name	Assurance requirement	Assurance statement
		is not currently on track to meet its end-of-year target. While the core reporting and assurance framework is in place, a number of non-material actions remain to fully demonstrate compliance with the WGHG performance commitment. These include improving data input and alignment with required methodologies, such as ensuring that all emission factors used across energy lines align with the latest DESNZ 2025 published values and factors for gross calorific values are applied instead of net calorific values. In addition, one material action remains outstanding involving reporting virgin activated carbon within Tables 5.1 and 5.1b (PC Reporting Chemicals) rather than Table 5.2 and within Scope 3 capital projects embedded emissions, South Staffs should make it clear in the Commentary for this reporting year where GAC has been reported (as Scope 3 capital projects), although incorrect, and seek confirmation from Ofwat if they will need to restate PR24 for PCs purposes. Addressing these actions will strengthen data accuracy, transparency, and auditability, and is necessary for South Staffs Water to demonstrate full compliance with WGHG assurance and performance commitment requirements.

Compliance checklists

The table below indicates which performance Commitments require a compliance checklist, if these have been completed and if there is a plan in place to progress any non 'Green' RAG components.

PC	Has the checklist been completed?	Is there a plan to progress any components that are not RAG Green?
Leakage	Yes	There are credible plans to progress Amber elements to Green.
PCC	Yes	There are credible plans to progress Amber elements to Green.
Business Demand	Yes	All components are green
Water Supply Interruptions	Yes	All components are green
Unplanned Outage	Yes	A credible plan exists to move any non-green components to green status.
Repairs to burst mains	Yes	Feedback provided by the auditees showing Checklist RAG all green. Action for this to be included in the commentary.

ODI payments

We have carried out a review of the process and calculations made by the company for reporting on its ODI performance payments including spot checks for reported data. Based on a risk-based sample we reviewed, we did not identify any issues with the reported values. It should be noted that SSW is using a different format for reporting its ODI performance due to some limitations of the Ofwat ODI calculator including for example regional splits, however we have advised that the company should provide detail around its calculation process in its accompanying commentary.

Conclusion

Based on our scope of work, the limited assurance undertaken and post-audit follow ups, other than where indicated in our findings above, we did not identify other material issues or misstatements within the remit of limited assurance.

We consider that:

- *Levels of compliance with SST's internal requirements and definitions of PCs in the 2024 FD have remained high across all functions.*
- *SST's methodologies and commentary follow a consistent format.*
- *Audited performance data in the scope of our audits has been input correctly into Ofwat's ODI payments model.*
- *Ofwat's APR data tables have been correctly populated with the information that was in the scope of our audits.*

We confirm that the PCs that were in our scope of audit and assurance and resulting performance provides a fair and reasonable account of SST's performance against the PC targets for year 1 of AMP8.

Greg Tate

Lead Assurer

Appendix A. Lead Assurer CV

Greg Tate

Senior Associate Director | Programmes & Advisory

Personal Details

Length of service in the profession: 29 years
Year joined Jacobs: 2014
Jacobs office location: Cottons Centre, London

Summary Biography

Greg is an experienced asset manager with 29 years' experience in the water industry as well as project roles with Heathrow Airport, Highways England and the Environment Agency. Greg is the Lead Assurer for several UK Water Companies, assessing their enhancement submissions & Annual Performance Reports. He supported Bristol Water and South West Water with their PR24 submission and has previously managed the asset investment programme at South East Water, been responsible for the PR09 and PR14 capital programme submissions as well as playing a key role in their PR19 plan. He has supported Heathrow Airport with development of their asset class strategies and management plans as well as being the Asset Management Lead for the TEAM2100 project, managing investment in the EA's flood defences on the Thames Estuary.

Key Skills/Areas of Expertise

- Regulatory Business Planning
- Regulatory Assurance
- Programme Optimisation
- Asset Investment Strategy
- ISO55001

Education and Qualifications

- Certificate in Asset Management (IAM)
- BEng (Hons) Chemical Engineering, University of Nottingham

Memberships and Affiliations

- Member of IAM
- AMIChemE

Languages

English (mother tongue)

Employment History

2014 – present	Jacobs Ltd, Senior Associate Director, UK
2008 - 2014	South East Water, Asset Planning Manager, UK
2003 - 2008	South East Water, Water Supply Specialist, UK
1995 - 2003	Thames Water Utilities Ltd, Process Engineer, Waste Water Process Coordinator, UK

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Independent Auditor's report

See following pages.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water plc ("the Company")

Opinion

We have audited the tables within South Staffordshire Water plc's Annual Performance Report for the year ended 31 March 2026 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of developer services income for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by tariff type (table 2G), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), household affordability support (table 2N), the historical cost analysis of intangible assets (table 2O), Third party services revenue (table 2P), Analysis of diversions income (table 2R) and the related notes.

We have not audited table 2H Cash Collection performance, Outcome performance tables (3A to 3J) and the additional regulatory information in tables 4A to 4AD, 5A, 6A to 6F, 7A to 7L, 8A to 8D, 9A and 11A to 11B.

In our opinion, Company's Regulatory Accounting Statements have been properly prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10 RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.16), set out on pages 63 to 65.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water plc ("the Company") (continued)

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounting Statements, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our 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.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.16) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 74 to 97 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting 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.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water plc ("the Company") (continued)

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in 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 there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. 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.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 56, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.16).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, 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.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting 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 the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water plc ("the Company") (continued)

- 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 Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, 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 WSRA, for our audit work, for this report or for the opinions we have formed.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water plc ("the Company") (continued)

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2026 on which we reported on 3 July 2026, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Signed by:
Ernst & Young LLP
AB810B71480A406...

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
06 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