



Annual Report and Financial Statements

For the year ended 31 March 2024

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

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Key highlights of the year



OnSite, Integrated Water Service (IWS) M&E and Cambridge Water jointly recognised in the Utility Week Awards, winning Best Environmental, Social and Governance (ESG) Initiative of the Year for an innovative ground source heating solution.



SSI Compliance Division opened a new office in Bristol, bringing together colleagues from Omega Red and IWS Water Hygiene for the first time, to offer clients an integrated and comprehensive service.



Cambridge Water's 'Can for the Cam' campaign resulted in customers using 940,000 litres of water less per day, from July to September 2023 – this was 'Highly Commended' in the Behaviour Change Campaign category at the UK Green Business Awards.



The first USA license partnership for Hydrosave's valve release technology Hydro-V® was formed with M.E.Simpson.



Representing the best in electrical engineering and building services

IWS M&E strengthened the business through new accreditations and memberships including the Pump Centre, the Electrical Contractors' Association (ECA) and the British Constructional Steelwork Association.



Northern Ireland Water (NIW) becomes the third UK water company to choose Aptumo, with a large water and sewerage company becoming the fourth.



South Staff Water's Wednesbury community hub celebrated its fifth anniversary, helping thousands of visitors since opening in 2018.

ASSET SAFETY AND COMPLIANCE (ASC1)



IWS Water Hygiene was appointed to the Asset Safety and Compliance Framework in association with the Welsh Procurement Alliance, as well as the Compliance Consultancy Services framework in association with the National Housing Maintenance Forum (NHMF).



South Staffordshire Plc

The Group

The South Staffordshire Plc Group is a highly respected integrated services group of businesses. It operates a regulated water business that serves more than 1.7m customers across the Cambridge and South Staffs regions and has a range of complementary non regulated businesses that serve the water and adjacent sectors within its SSI Services and Echo divisions.

Regulated Water

Our regulated water business, serving the Cambridge and South Staffs regions, supplies more than 1.7 million homes with clean, fresh water.



Water, Waste and Infrastructure

Offers specialist engineering, asset management and inspection services to regulated industries, local authorities and a range of industrial customers with critical infrastructure.



Compliance

Lightning and height safety protection systems, electrical earthing solutions, Legionella control and water treatment services that help our clients achieve compliance to relevant standards and regulation.



Service and Software

Echo Managed Services and its subsidiary Aptumo support water companies globally to deliver effective customer service and drive retail operation efficiency through end-to-end customer service and water billing software offerings.



Commercial Water Production and Distribution

Providing pure spring water to commercial businesses and organisations as well as outdoor events and sites.



Utility Network Design & Installation

The UK's largest independent multi utility infrastructure provider, serving residential housebuilders and commercial developers.





Steve Johnson

Chair's introduction

I am pleased to report a year of improved performance for the Group, with revenue growth, strong client retention rates, external recognition for our work, and continued diversification into new sectors and services. However, our overall results and returns to shareholders were not in line with our aspirations, and we recognise we have work to do in the coming year to drive further improvement.

During the year, Phil Newland shared his intention to step down as Group CEO and, following a robust recruitment process, the Board was delighted to appoint Charley Maher as the new CEO. Charley took up her position in September 2023, leading the Group through the remainder of the period covered by this annual report. Early progress has been encouraging and the Board is actively engaged with Charley and the leadership team as they realign the Group to drive future performance.

Throughout the year, there was close scrutiny of water company performance throughout England and Wales by regulators and politicians, and a number of negative stories published in the press. The Group's regulated water company delivered a strong performance in both South Staffs and Cambridge regions against this backdrop in several key areas important to customers including supply interruptions, financial support for customers, leakage and environmental protection. However, there is more work to do to improve customer service performance, deliver consistent water quality, and reduce water usage in both regions. These remain areas of focus for the company's 2025 to 2030 business plan. The Board and shareholders were actively involved in the plan's development this year and helped to drive its thinking and ambition.

For the Group's infrastructure, engineering, and customer service businesses, it was a mixed year for performance due to a range of market conditions in the core water, rail, housing and commercial sectors in which we largely operate. Highlights included two new contracts for Echo Managed Services' billing software, Aptumo; a range of new framework wins for our infrastructure and engineering businesses and external recognition for Group business Onsite, named Contractor of the Year in the Water Industry Awards 2023. However, slow market conditions and cost pressures, meant that not all the Group's non-regulated businesses were able to meet their aspirations for the year.

Looking forward, a renewed focus on a clear strategy for the Group and each business, together with strong governance and embedding an inclusive and values-led culture, will support us in our future growth ambitions in both current and new markets. As the water sector prepares for AMP 8, South Staffs and Cambridge Water will remain focused on delivering essential services to customers while maintaining a steadfast commitment to environmental preservation and enhancement. The business will look to maintain the affordability of water and extend support to all customers who need additional assistance.

I would like to close by thanking all our employees for their hard work throughout the year, and our customers for their continued support. We look forward to further success ahead.

Steve Johnson MBE



Charley Maher

Welcome from the CEO

This is my first Annual Report as South Staffordshire Plc's Chief Executive and I am pleased to be able to share some of the progress the Group has made within the year, as well as acknowledge the challenges faced along the way. It has been a busy year, characterised by both change and, at times, difficult economic and market conditions. However, what has been clear throughout is a real passion from our people to deliver across our businesses, together with the tenacity to overcome obstacles, deliver change and work together. This, and the fact that our brands are strong and respected in the sectors in which we operate, have provided solid foundations to build on throughout the year, and into the future.

Throughout the year, we have continued to build on the Group's strengths, as well as introducing change where improvements have been necessary to deliver the right future outcomes for our people, customers, the environment and our investors.

The Group's financial performance showed an improvement on the prior year with higher turnover and operating profits. Our Regulated Water Business improved recovery of its recently elevated power and chemical costs through allowed water bill increases. We recorded solid performances from SSI Compliance, Office Watercoolers and Echo. The first full year of our ownership of the Infrastructure Gateway Limited, Utility Network & Design business, contributed meaningfully to our growth but was below our expectations due to the slowdown in new housing developments due to higher mortgage rates and the political uncertainties through the year.

Within the SSI Water Waste and Infrastructure division our Advanced Engineering Solutions business delivered its best ever year's performance and Hydrosave also had a strong year. Two of the other engineering services businesses suffered lower profitability because of contractual delivery failings. Consequently, steps have been taken to improve contract governance and oversight with a new approval framework and more frequent subsidiary company Board and Audit & Risk Committee meetings.

Other highlights within our overall performance including our high client retention rates, external recognition for our innovative work, and diversification into new sectors and services to mitigate market conditions in our core sectors.

Alongside our focus on service delivery for clients and their end customers, this year we have delivered a number of value-add initiatives, strengthening our culture and employee experience, continuing to invest in our IT architecture and system security, as well as committing to enhancements to support our ESG agenda, strong health and safety delivery across the Group.

One of the key priorities within the year was to define a clear vision, mission and set of values for the Group to create a single, common purpose to unify us as we push forward with our ambitions for our people, customers and the environment. A roadshow of regional workshops enabled us to involve many of our people in this process, to create a meaningful direction for the future, underpinned by how we will operate to get there. In March, our leadership teams came together as we launched the new vision, mission and values and how we will embed these in a way that is relatable to our people and the work they do.

We also kicked off our People Transformation Programme, focused initially on removing inefficiencies and improving our employee experience from recruitment through to retirement. We laid the foundations to launch a series of new people networks across our Group, to revamp our employee engagement and to improve our flexible working policies. Talent attraction and retention has been a key focus, alongside improving our engagement and diversity position.

We continued to develop our cyber security capabilities through the implementation of a Zero Trust architecture and are developing plans to help digitally transform our business to meet our future challenges, enhance our customer experience and leverage new technologies such as AI to help identify early signs of leaks and other preventative maintenance opportunities.

The Group is passionate about making a positive contribution to the environment, our clients, our people and the communities in which we live and work. Given the nature of the Group and its businesses, understanding and improving our ESG performance has been a vital part of our work this year. We've created a strong oversight approach to ensure we achieve our ambitions and that these are ever improving. A new ESG management group is now in place to set clear goals, actions and provide more rapid approvals. This is supported by an ESG working group comprised of senior business leaders and support leads to ensure a rapid implementation of new approaches and initiatives – maintaining focus on our purpose.

Health and Safety is an essential aspect of the work we undertake and it's a key priority for our group of businesses. Whilst we continued to see a decrease in our minor 'all accident rates', we have noted a plateau in our high potential events towards the second half of the year. We routinely monitor this critical metric because it links so closely to our management of critical hazards. As a result, we had early sight of this trend and were able to respond with a refreshed strategy for the coming years called 'Staying Safe Together'.

As I look to the future, the opportunities ahead for the Group are exciting. We must continue to focus on strong governance and effective cost management, whilst also driving growth in both existing and new markets. Our People Transformation Programme will ensure an inclusive workplace for all, a focus on effective communication, opportunities for growth and development and reward and recognition. We will continue to place our focus on our ESG responsibilities and our commitment to be net zero by 2050, and ensuring our people stay safe together at work.

Through this, and with the hard work and commitment of our leaders and people, we can meet our objectives, improve our financial metrics and fulfil our vision of helping create a world where essential services and infrastructure deliver for customers, clients and our planet.

Charley

How we developed our new Vision, Mission and Values

We wanted our new vision, mission and values to be built from the ground up, so it was important to involve colleagues from across our Group in the creation of something that both resonated and was aligned to our ambitions.

To do this, we held regional workshops involving over 330 employees, circa 10% of our workforce. Colleagues came together in Glasgow, Leeds, Bristol, Walsall, Leicester, Knebworth, Northern Ireland and India to discuss our qualities as a Group, as individual businesses and as employees.

The common themes our people shared provided the foundations to set our new values – how we want to behave in the workplace, and the qualities and tools we need to achieve our vision and mission: professional, trusted, impactful and community focused.

We launched our new vision, mission and values at our annual leadership conference where our leaders discussed and agreed how we will embed this single unified purpose across all our Group businesses and how we will bring this to life for our people and the communities in which we operate.



Our Vision, Mission and Values

Vision statement

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

Mission statement

We are one Group; together greater than the sum of our parts. We provide, and help others provide, critical essential services in the UK and overseas. We do this reliably, safely and sustainably, creating value for our investors. Being a great place to work, our people drive a culture of inclusion, engagement and growth.

We are a trusted go to partner. We share our expertise, experience and ingenuity with our clients, customers, stakeholders and the communities we serve, so that the essential services of today and the future run smoothly and efficiently.

Our Values

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.

Trusted



We are **trustworthy**. Our clients, customers, colleagues 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**, straight forward and are always **accountable**.

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 leave 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.

Strategic report

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Regulated Water Supply

South Staffordshire Water, which operates as Cambridge Water and South Staffs Water across two socially and geographically diverse regions, is a privately-owned regulated water only company. It provides high-quality drinking water to more than 1.7 million people and around 42,000 businesses in and around Cambridge, and in Staffordshire and parts of the West Midlands. It does not take away wastewater or treat sewage.

The period covered by this review has been challenging for companies in the water sector in England and Wales. There has been a slew of negative stories in the press and on social media, along with close scrutiny of water companies' performance by regulators and politicians.

And yet, in what has been a turbulent and unsettling year, the company's people have continued to go above and beyond to deliver for customers and the environment.



Securing the water future

A critical programme during the year was the culmination of work to develop the company's [business plan for 2025 to 2030](#) as part of the regulator Ofwat's PR24 price review process. The company's Board and its investors were actively involved in the plan's development. They challenged the company's proposals at every stage of their development and helped to drive its thinking and ambition.

For the first time, Ofwat asked companies to set their five-year business plans within the context of a [25-year long-term delivery strategy](#). The aim was to enable companies to outline the long-term outcomes they plan to deliver, and how they will deliver them in a range of plausible futures.

The company submitted its business plan to Ofwat in October 2023. Following an in-depth period of analysis and queries, Ofwat published its final determination on the plan on 19 December 2024. Ofwat rated the company's business plan as 'Standard' – the second-highest category and recognised the company's ambition on delivering stretching performance and ranked its cost efficiency as sector leading.

Ofwat final determination resulted in a satisfactory outcome for South Staffordshire Water Plc. New price controls, which will be reflected in the bills the company's customers pay, will come into effect on 1 April 2025.

Delivering long-term water resources

The company is acutely aware of the impact its activities can have on the environment. So, it does everything it can to mitigate these impacts, protecting and enhancing the environment while still securing a constant supply of high-quality drinking water for its customers.

Key to this are the long-term water resources management plans the company produces for its Cambridge and South Staffs regions. These plans set out how it will provide high-quality, secure and reliable water supplies in an affordable and sustainable way over a 25-year time frame.

During the year, the company worked closely with other stakeholders to develop its plans for the 25 years from 2025 to 2050. Its two operating areas are geographically diverse, and the focus of each water resources management plan reflects these differences.

In the Cambridge region, which is in one of the driest parts of the country, the company's plan focuses on securing sustainable water resources for the long term. One critically important feature of this is the [Fens reservoir](#), which the company is delivering in partnership with Anglian Water.

For the South Staffs region, the company's focus is on managing the demand for water. The company is confident that its planned universal metering programme and the work it is doing to encourage customers to use water wisely will help it to achieve its ambitions.



'Can for the Cam' campaign to reduce seasonal high demand, and help to protect local chalk streams.



Performance against regulatory targets

Delivering high-quality and resilient water supplies at an affordable price is central to the company's purpose. At the start of the current five-year planning period from 2020 to 2025, the company set itself challenging and ambitious targets that focus on delivering excellent services for customers, communities and the environment.

The company has had a mixed year in terms of its performance against these targets. It has performed very well in some areas, delivering excellent results. But there are other areas where it knows it still has work to do. Where needed, it has put action plans in place to ensure it can meet its own and its customers' expectations.

One area of exceptional performance is the number of customers the company is helping through its financial assistance and support schemes. Here, the company significantly exceeded its targets in each year of the current five-year planning period to date. In the year ended 31 March 2024, for example, the company provided financial support services to 61,752 customers, against a target of 38,000.

The company also performed well with its target for the number of household customers registered on its Priority Services Register, a free service for customers with additional needs or those who might find themselves in circumstances that could make them vulnerable. Registrations are well ahead of target, with 11.6% of household customers registered for additional support.

The company made significant investment in its assets and its people during the current five-year planning period, and this is making a real difference. For example, it is currently among one of the best performers in the sector for how it manages supply interruptions. This is linked very closely to its performance in finding and fixing visible leaks on its networks quickly, one of the top priorities for customers, where the company has been delivering exemplary performance, fixing 90% of visible leaks in four days.

But there are some areas where performance has fallen short of the company's – and its customers' – expectations. This includes its compliance with stringent drinking water quality regulations. The company is disappointed to have failed this important target during 2023, mainly because of a small number of significant failures at the Hampton Loade water treatment works in its South Staffs region. The company is confident the upgrade programme at the Hampton Loade works will help ensure water treatment processes remain highly effective in the future.

Another area the company needs to deliver improvements in its performance is C-MeX; the principal regulatory measure of household customer experience. Again, the company is disappointed with its performance during the reporting year, especially as it achieved its upper quartile target earlier in the current five-year planning period. An improvement plan is in place with a strengthened customer service team to help drive improvements in its performance.

The company has more work to do if it is to meet its ambitious target of reducing leakage in its Cambridge and South Staffs regions by 15% over the five years to 2025. While it ended the year ahead of its target in the Cambridge region, it is slightly behind where it would like to be in its South Staffs region. It will continue to focus its efforts on improving its performance in the year ahead.

Finally, the company still has some way to go to recover its position in relation to how much water each of its household customers uses every day. This is what Ofwat calls 'per capita consumption' and it is a measure the company has struggled to get back on track following the Covid-19 pandemic, with changes in working patterns continuing to impact demand. It is confident that it will be able to demonstrate improved performance in this area during the final year of the current planning period.



Hampton Loade upgrade programme

One of the company's key commitments for the current five-year planning period is the delivery of upgraded water treatment processes at the two largest works in the South Staffs region – Hampton Loade and Seedy Mill.

It has already met its target to deliver the upgrade programme at Seedy Mill and is continuing to progress with the project to install an innovative ceramic membrane filtration system at Hampton Loade.

The company has reported previously about the additional green recovery funding it was awarded in 2021 to install the new filters. As well as delivering enhanced water quality, the new filtration technology should also help reduce carbon emissions and deliver greater operational flexibility and resilience.

When complete, it will be the largest deployment of this technology by volume globally and the first retrofit in of its kind in an existing water treatment works.

The upgrade programme has continued to progress well during the year. The company's civil engineering partners have completed the principal engineering work and the new filtration units have been installed. At the time of writing, the company's focus was on testing the system fully before bringing the new plant into commission.

It remains on track to complete the project by 31 March 2025, in line with the target agreed with the Drinking Water Inspectorate and Ofwat.



Protecting the environment

The company has a responsibility to protect the environment for future generations. It has responded well to this during the year – increasing its focus on monitoring, tracking and improving its environmental performance and protection. This has allowed it to deliver a strong baseline position, as a result of:

- increasing the size of its Water Strategy and Environment team;
- training its field-based people how to spot and report pollutions risks, and self-reporting events to the Environment Agency;
- completing its environmental risk assessment and creating action plans to address any issues;
- working with farmers and landowners across the Cambridge and South Staffs regions through its successful SPRING catchment management programme; and
- achieving 100% compliance with its regulatory environmental obligations through the Water Industry National Environment Programme (WINEP).

It will continue to build on its performance in this critical area in the year ahead.



Valuing people across the business

As a trusted business, it is important for South Staffordshire Water to create an inclusive environment where all its people can thrive. The company is committed to fairness and transparency, and to shaping a culture that not only attracts top talent, but that also nurtures the continuous growth and fulfilment of all.

To that end, it started work during the year on developing and implementing a new values-led and data-driven people strategy built on the foundations of great people, operational excellence, customer focus, and trusted partnerships.

In developing this strategy, the company has focused its attention on talent acquisition and onboarding, employee voice, talent management, diversity, equity and inclusion, HR governance and reward and recognition.

Recognising the important role communication plays in employee engagement, the company has expanded the reach of its regular Executive updates. It now holds these sessions at all its key water production sites, giving the operational teams the opportunity to hear from and engage with members of the Executive team directly.

Finally, the company has a People Forum, a committee of 13 volunteers from across the Cambridge and South Staffs regions, who constructively engage with the business on behalf of its people, regardless of where they work. Its role is to create and sustain a positive culture that helps to maintain trust, build a shared view of the company and deliver meaningful solutions for all employees.

Looking ahead

The coming year will present the company with several challenges and opportunities. For example, the new UK Government has already announced a Bill in the King's Speech that could require it to be compliant with new regulatory obligations. But it also provides the company with the opportunity to engage with different stakeholder groups, sharing plans and successes with new audiences.

It will be important for the company to make sure it gets the best outcome from Ofwat's PR24 price review process for all its stakeholders, including its customers. The company remains confident in the strength and ambition of the plan it submitted and has already started work on implementing it.

Although there has been significant rainfall across the Cambridge and South Staffs regions over the winter and spring, the company will continue to encourage all customers to use water wisely. This includes the work it is carrying out with Anglian Water to consult on the new Fens reservoir and to bring its plans forward to transfer water from Anglian's Grafham Water reservoir into the Cambridge region.

The company will continue to develop and trial a new tariff to make customers' bills more affordable and encourage them to use water wisely. The new tariff is designed for customers who are not eligible for the company's social tariff, but who are still struggling to pay their water bills. Customers taking part in the tariff trial will be offered the 60% social tariff discount for efficient water use up to a certain level, with the standard tariff applying for any discretionary water use above that level.

From a people perspective, the company will focus its attention on making sure leaders across the business receive the training and the development they need to enable them to deliver its people strategy. It is also planning to initiate learning and development programmes to address skills and capability gaps across the business. It will also introduce additional employee engagement programmes that support the advancement of a positive working environment.



Using behaviour change approaches to reduce customers' water use

The company has a long-term ambition to help all customers use water wisely. Key to this is its strategy to deliver household water use reductions through sustained behavioural change.

During the summer months, the company typically supplies an extra 20 million litres of water a day in its Cambridge region. This means it sometimes must pipe extra water in from elsewhere or take more from underground sources, which can impact the rare chalk stream habitats in the region.

To help address this, between July and September 2023, the company ran its 'Can for the Cam' campaign, targeted specifically at reducing customers' water use. It encouraged customers to switch from using hosepipes to watering cans in their gardens.

The company used a variety of communication channels to spread the message, including social media, print and online promotion, podcasts and events. Key to this was making sure customers understood the link between the water they use and the impact this has on the local environment and chalk streams. The company educated customers on water scarcity and worked with local environmental organisations to promote water saving hints and tips.

The target was to save 500,000 litres of water each day through the campaign. Results were nearly double this, with customers using 940,000 litres of water less each day than they would have done.

The company is keen to carry forward the success of the campaign. It is working with behavioural change specialists from Cambridge University to help shape a follow-up campaign. It is looking to build on its strong start and make sure it continues to deliver sustained water savings.

In June 2024, the company was delighted that the campaign received a 'Highly Commended' in the Behavioural Change Campaign of the Year at the UK Green Business Awards. It has also been nominated for Water Efficiency Project of the Year at the national Water Industry Awards.





SSI Water, Waste and Infrastructure

The SSI Water, Waste and Infrastructure division provides a range of engineering services to regulated utilities, environmental customers, the transportation sector, local authorities and industrial customers with critical infrastructure. Five businesses operate in eight customer focused business units that are renowned specialists in their respective sectors.

Specialist engineering services:

- **G Stow** | borehole engineering
- **Integrated Water Services (IWS)** | mechanical and electrical engineering design, build and maintenance
- **OnSite Pipelines** | specialist civil engineering, pipeline repair and installation
- **OnSite Rail** | specialist trackside civil engineering, land management and drainage services, supported by specialist UV cast in place pipeline lining services
- **OnSite Specialist Maintenance** | leak sealing, water proofing and concrete repairs

Asset management services:

- **Advanced Engineering Solutions** | infrastructure inspection and asset integrity services
- **Hydrosave** | water loss management and network management

Wastewater services

- **OnSite Utility Services** | inspection, monitoring and maintenance of sewerage and drainage networks



UK wide services and international innovation partners

The division, which has over 19 regional depots and offices to operate large numbers of utility-based frameworks, provides services across the UK and Ireland via integrated customer delivery models. With an excellent track record for long-term customer retention, targeted growth is focused in areas with a high technical barrier to entry, where innovative engineering design and build projects, the use of technology and specialist equipment, and a 24/7 service is required.

The division grows year on year, increases its profits and continues to focus on delivering for clients. As well as OnSite being named contractor of the year 2023 in the prestigious Water Industry Awards, IWS Mechanical and Electrical (IWS M&E) and OnSite were jointly recognised for the Best Environmental, Social and Governance Initiative of the Year Award at the 2023 Utility Weekly Awards.



Technology – early adoption and acceleration

The businesses have continued to be the chosen partner for international technology providers to support the development, growth and deployment of products in the UK. This includes smart telemetered systems across water and sewerage networks and, in 2023, Hydrosave successfully trialled valve release technology in the United States of America and agreed a partnership approach for delivery in 2024.

The engineering businesses deliver specialist borehole, civil, mechanical, electrical, control and automation design, build and maintenance projects to UK water companies, the regulated environmental sector and to commercial and industrial customers.

As principal contractors, the health, safety and welfare of employees, customers and the public are of paramount importance to effective service delivery. This is driven through a culture of compliance, combined with openness and freedom of thought for employees to adopt safe systems of work in an ever changing and adapting working environment. Prioritising the management of critical risks and the integration of safety with operational effectiveness has commenced through cultural training programmes.

Specialist engineering

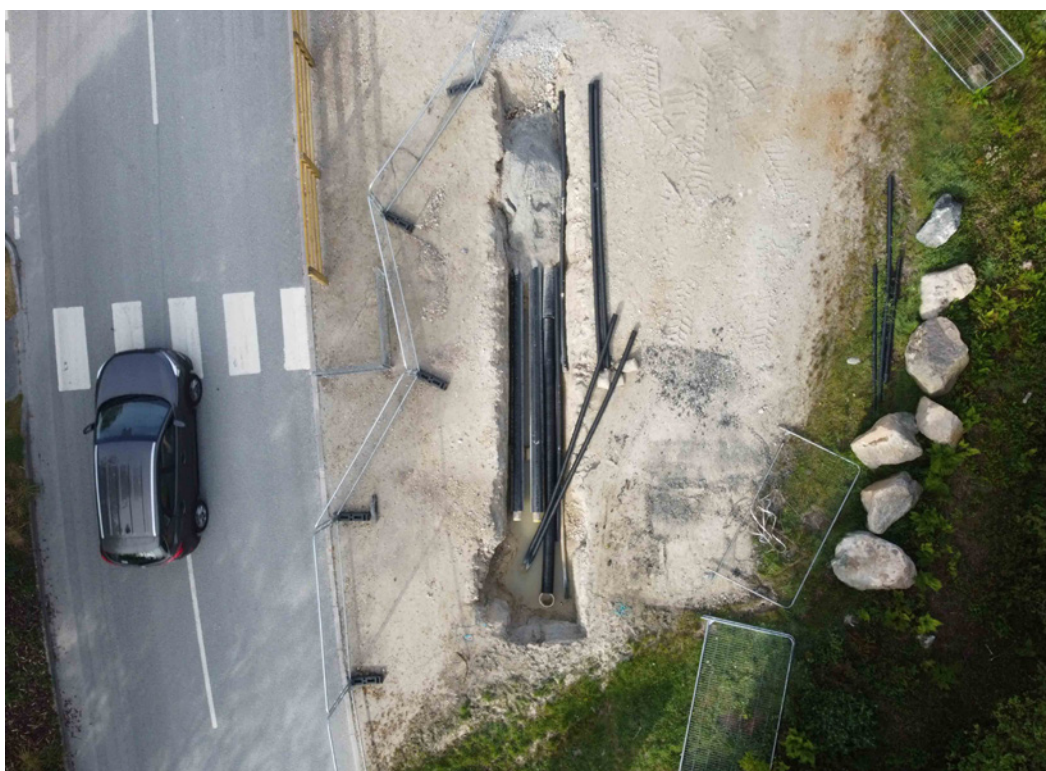


Focused on sustainability and growth in adjacent sectors, the engineering division is well placed to support the development of the UK's low carbon heat networks and growth in the use of ground source heat pumps.

After successful heat network installations at the Eden Project in Cornwall and Swaffham Prior in Cambridgeshire, IWS M&E and OnSite delivered an award-winning low carbon heat network project at the Imperial War Museum (Duxford) in Cambridgeshire.

G Stow's financial performance continued to be positive, with investment in new drilling equipment. Strong performance from the successful completion of several water borehole drilling projects as well as borehole refurbishments, maintenance and relining projects. The team has also been focusing on smaller diameter boreholes linked to the expansion of our heat network proposition.





The OnSite Pipelines and Civil Engineering division provides a range of pipeline and associated above- and below-ground civil engineering services to the built environment.

With a core of projects in the water sector, the division offers a range of services including installation, network maintenance, mains rehabilitation, directional drilling and specialist civil engineering. Operating in multiple sectors, the business is focused on customer service, a positive impact on the environment and helping clients achieve industry leading performance.

Within the year the business secured several new frameworks in the water sector, completed several large diameter and major pipeline diversion projects and carried out lead pipe regional replacement programmes for water utilities. Multiple projects were also delivered to commercial and industrial customers and the business has been instrumental in supporting growth for the installation of low carbon heat networks. In a period of rapid expansion, civil engineering expertise has been recruited to the management team and specialist project management software has been mobilised.



OnSite's Specialist Maintenance division had a further challenging year, with some business restructuring. Encouragingly, with the newer business model, the existing reservoir maintenance and relining contracts are profitable. The business remains an expert specialist offering with a unique range of services including waterproofing, concrete repairs, chemical resistant coatings, ground stabilisation and reservoir repairs.





OnSite Utility Services offers specialist wastewater and drainage services, including sewer flow monitoring, rehabilitation, CCTV surveys, sewer lining and specialist cleaning services to the water, rail and highways regulated sectors as well as to local authorities and private customers.

The business also supports the continued maintenance and refurbishment of inland waterways and canal networks across England and Wales. Work for the Canal and River Trust, using PortaDam, our temporary dam system, has been very successful in both planned and reactive situations, proving the use of the product.

The sewer flow team has continued to support several customers with innovative smart network projects including flow measurement, sewer level and early warning flood sensor installation projects. In-house product development and rental of temporary flow monitors, and a system to manage the maintenance and reporting from the monitors, supporting CSO control, sewer design and predictive modelling projects, has continued.





OnSite Rail saw the first stable year of growth linked to the end of the Rail regulator's 'Price Control' period. With strong results still achieved in a difficult market, the team is well placed to continue the growth plan in 2024-25, delivering trackside drainage services, large diameter sewer lining projects using UV techniques and management of critical risk direct to Network Rail and to several main contractors in the South-East, Wessex and North London regions and routes. Regional expansion remains a key focus for this division, using transferable skills from within SSI Services and by adding new services.

The sewer lining division had another successful year, achieving an excellent operating profit as a trusted and specialist service delivery framework supplier to several water utilities. Further capital investment into specialist plant and machinery has continued to support the UK programme of trenchless sewer rehabilitation.

Looking forward, OnSite is well placed to support the water sector with its accelerated investment programmes for the end of AMP7 and into AMP8, in sewerage network early warning telemetry flood and overflow systems, proactive condition inspection programmes and new structural lining systems. Growth is also forecasted in the rail sector, with the Canal and River Trust and with new environmental customers



Asset management services



Hydrosave provides asset management services that support the resilience and quality of the UK water network. 2023/24 was another successful year for growth and margin improvement.

Particular success was achieved on water loss management and leakage detection frameworks carried out across regions in the UK, helping the water sector in its ambition to manage leakage events, reduce water loss and achieve leakage reduction. A technology-led approach and investment in leak detection continues to be adopted on all contracts, using a range of the latest technologies from around the world. These include acoustic, flow and pressure sensors, in-pipe CCTV systems and the analysis of smart networks.

Services also included validating and auditing network boundaries, installation of 4G/5G sensors, assessing customer demand and carrying out trunk mains leak detection surveys. To address the growing percentage of leakage on customer properties, Hydrosave has also developed an expertise for managing and inspecting customer-side water losses.

As the water sector evolves to be more data rich and information led, the businesses have continued to develop their smart networks installation and maintenance teams to service water flow, pressure, transient and water quality sensors across the UK.



Advanced Engineering Solutions Ltd (AESL) operates in the water and gas sectors. The water department works closely alongside sister company Hydrosave to offer water utilities a comprehensive set of services to support asset health and management.

The AESL Water department provided forensic non-destructive testing (NDT) and pipeline analysis services to the water sector using patented in-house SmartCAT® technology to measure internal and external corrosion. This included analysis of results from projects in Australia, where a licensed partner also uses SmartCAT®.

AESL Gas services continued to work closely with national suppliers and gas network operators on their key asset infrastructure repair and maintenance, and to demonstrate compliance to the Pressure Systems Safety Regulations (PSSR). Inspection, testing and maintenance of gas assets including inspection traps, water baths and pressure control units, is a critical infrastructure service to the UK gas sector. Within the year, the business successfully retained a number of long-term key frameworks with Northern Gas Networks and Cadent for the inspection and repair of assets that fall within PSSR.



Looking ahead

The outlook continues to be positive as the businesses within the division work increasingly closer together to support infrastructure owners and operators with their challenges and priorities.

Increasing the number of clients and specialist projects is a key focus area given the current reliance on a few large leak detection contracts in Hydrosave that drive the majority of turnover and the risk that is carried for water sector insourcing. Within the core water sector market, the asset led view of health will be used to drive forward the investment programmes in future price control periods and that will mean innovation and new technologies needed, which our businesses are perfectly placed to support with, help understand then provide a clear route to remediate.

The businesses in the Water, Waste and Infrastructure division will continue to be market leaders in the water and environment sectors and look to develop their client base in adjacent markets where products and services can add value to asset operators and owners. This includes supporting clients' decarbonisation agendas through the division's ground source heat pump and EV charging infrastructure installation services.



Sewer saved by OnSite team

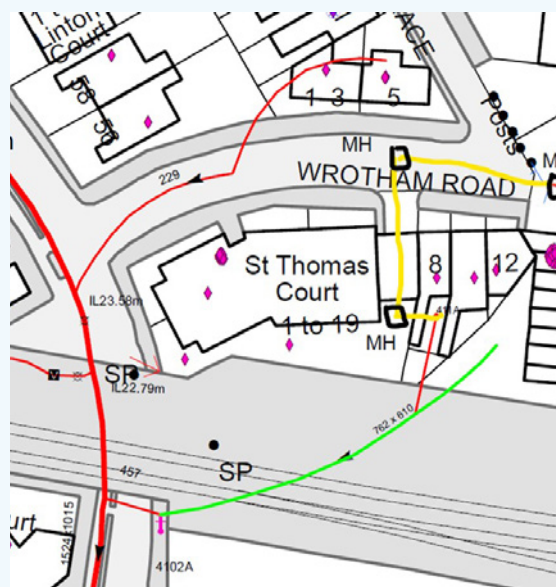
Challenge

Thames Water originally contracted another company to investigate an issue with a sewer pipe. That contractor's solution was to abandon the existing sewer and excavate and relay a new sewer. We wanted to avoid this costly and disruptive scenario, and find a solution to return the sewer to effective operation.

Why us

When Thames Water asked OnSite to take over the project, the initial CCTV survey camera had failed to move more than a couple of metres along the pipe due to water levels.

As the sewer pipe had a change in diameter, there was a step between the 750mm brick and 300mm sewer. The survey camera could not move up the step when surveying from the downstream end, so the initial CCTV survey was conducted upstream. Because of the water levels, the survey was abandoned with the assumption there was a blockage caused by a collapse within the pipe.



The OnSite team completed the survey again. Upon lifting the manhole in the rear of a resident's garden, it was clear the sewer was full of fatty deposits. After cleaning the pipe, the water level dropped, showing that water was getting away through the sewer.

The team could then pull the camera through to survey the entire pipe and concluded the original solution of abandoning the sewer to excavate and relay a new sewer was not necessary, and an alternative solution could prevent the need to dig up the road and cause disruption.

What we did

Our solution was to slip line the defective pipe to maintain the original asset, with a new manhole at the point the sewer split off. This would provide access to the sewer outside of a resident's garden to prevent future disruption.

The trenchless method of repair provided a cost saving for the client and a reduction in the time needed to complete the work.

From the outset, OnSite's team carefully considered the impact of the project on the local community. Letters were sent to local residents to inform them of the upcoming works and road closures, with advanced warning signs displayed on affected roads. The road was planned to be closed for five days over the three-week project period. However, the team was able to reopen the road after just three days, two days earlier than expected.

OnSite's solution minimised the impact on the local community and other road users in the area and avoided the need for multiple closures to be in place for the duration of the project, meaning no impact on the rail infrastructure or other highways in the area. It also avoided excavation work noise in a highly built-up area.

Outcome

OnSite's solution meant there was less time on site and less waste generated – just one grab lorry of spoil was removed. The original solution could have been ten times this amount. This resulted in reduced carbon emissions for the project. The construction phase took just three weeks to complete.



SSI Compliance

The SSI compliance division comprises two market-leading businesses: Omega Red Group (Omega) and IWS Water Hygiene (IWS WH). Driven by the ever increasing regulatory and insurance demands of customers for compliance, both businesses have continued to build their market reputation, resolute in their safety-first commitment, delivering high quality solutions across lightning protection, power earthing, height safety, air hygiene, water hygiene and water treatment.

The compliance businesses are being integrated to form a platform of increasing scale from which to deliver the highest quality compliance services that customers need. The overarching ambition being to support customers in meeting their regulatory obligations and insurance demands, keeping their people, property and customers safe and compliant with current legislation.

With around 600 directly employed staff and branches strategically located in Bristol, Edinburgh, London, Manchester and Nottingham, the compliance division has the scale to provide coverage that is truly national while at the same time being able to resource and deliver at a local level. The division's geographic coverage allows us the provision of solutions for a wide range of customers and market sectors, from power generation and transmission, utilities, industrial, facilities management, through to social housing and local government, no matter how big or small their requirement is.

Strategy and performance

The division has continued to implement its road map and strategy, harmonising processes across both businesses and with further investment in systems planned, to make it easier and simpler for customers to work with both businesses.

The roadmap will support customers through streamlined service delivery and access to a wider range of services from a single point of contact; flexibility and choice of services tailor made to customers' requirements; a unified approach for enquiries, updates and support to deliver an excellent customer experience; and the adaptability to offer new services that meet the changing demands of customers and their compliance requirements.

The division has continued to deliver safe, profitable growth across both businesses, securing significant contract wins and maintaining a strong forward order book well into the coming financial year and beyond. A strategic decision to limit exposure to the general construction sector throughout the year has insulated the business to a high degree from the market volatility experienced in the housing sector, with more stable returns being delivered from a focus on sectors such as power, critical grid infrastructure, government, retail, social housing, hotel and leisure, and higher education.

With significant commonality across both businesses in terms of customer base and markets served, the ability to offer customers the choice of being a multiple service provider is further supporting and underpinning organic growth.

Omega Red is supporting the UK's transition to a low carbon economy, deploying its knowledge and specialist high voltage electrical earthing skills to help deliver the transformational infrastructure that will make this a reality. Key projects in the year include working as an integral part of EDF's team, delivering their flagship Hinkley Point C project, comprising two nuclear reactors, the first of a new generation of nuclear power stations in Britain providing zero carbon electricity for around six million homes.

The Omega team is also proud to be associated with the onshore element of the Dogger Bank offshore wind farm located off the northeast coast of England. When completed this will be one of the world's largest offshore wind farms. Involved with all three phases of this multi-billion-pound investment, it will ultimately have an installed electrical generation capacity of 3.6GW.

Similar to the Dogger Bank project, the Omega team has continued to work with Ørsted and their delivery partners on the various phases of their record breaking Hornsea offshore wind farm project, currently under construction off the east coast, in the North Sea.

IWS WH continues to be a leading supplier of choice across the UK, providing legionella compliance services and products, water hygiene risk assessments, air hygiene, water treatment, maintenance and remedial works to industrial, local authority, social housing and educational establishments, along with numerous commercial customers, large and small.

As a Legionella Control Association (LCA) Member, the company complies with the LCA Code of Conduct and LCA Service Standards and is committed to helping customers prevent Legionellosis and keep their water systems safe. Rigorous independent third-party audits by the LCA, together with the many accreditations held, further build trust and confidence with customers in ensuring the professional services and products provided are fully compliant and always to the highest standard.



Water hygiene Legionella risk assessments remain critical for the generation of customers' written scheme of control, as mandated by Health and Safety Executive Approved (HSE) Code of Practice (ACOP) L8 and necessary to keep both them and their customers safe and fully compliant. Risk assessments are undertaken at customers' premises by our trained teams using our own in-house, bespoke mobile working solutions, to collect the necessary data to ensure compliance. Powering our mobile solution is our own software which has been specifically set up and customised to meet the requirements of ACOP L8 and fundamental to our membership of the LCA.

Water hygiene maintenance remains a core function, with IWS WH providing routine monitoring on customer sites in line with ACOP L8 guidelines. Temperature monitoring, sampling, and water tank inspections are examples of the type of work completed under the maintenance contracts IWS WH has with many institutional clients, namely councils, housing associations, facilities management companies, schools and universities, as well as many blue-chip customers. Many of these customers have had long relationships with IWS WH. Testament to this is the high levels of retained and repeat business we continue to secure, often because of a competitive tender process, to ensure our services are regularly benchmarked for their cost effectiveness and value.

All aspects of remedial water treatment work are undertaken, including water sampling, replacement or cleaning and disinfecting of tanks, disinfection and cleaning of the internals of cooling towers, fitting of thermostatic mixing valves blending valves, and the removal of dead legs and redundant pipework.

A full design, installation and maintenance project service is required for the more complex aspects of water treatment such as dosing systems (traditional and solid chemical), industrial boilers, reverse osmosis and water softening systems.

One such example of the social housing sector in which we operate is the partnership forged with HC One, working across their 270 care homes. We're proud to deliver water treatment and Legionella services for the 13,000 residents who live in their homes, encompassing dementia care, nursing, residential and specialist care, keeping residents safe and allowing HC One to remain focused on providing the positive and personalised care they need.

Safety and our people

The Compliance division is highly regarded in the industry, and will continue its focus on safety, reputation and customer satisfaction, focused on the principles of protecting people, buildings and assets, protecting customers' brands and reputations, and providing independent advice and guidance to aid compliance.

The division's approach will remain centred around a safety-first culture that is deeply engrained in DNA, from the onboarding of apprentices through to the Senior Leadership Team. Teams are empowered to prioritise safety above all else and have the authority to halt any job if they believe it cannot be done safely, always challenged in collaboration with customers to finding an alternative and safe way of implementing the job in hand. This safety-focused approach is supported by investments in training, equipment and personal development.

Regular audits, along with cross-business employee safety committees, not only help in identifying existing safety risks but also proactively address potential issues before they escalate. This is further supported by the proactive investigations undertaken regarding our highest risk activities to ensure that 'work is done as imagined'.

The company values the growth and development of its employees, often promoting from within to provide opportunities for progression. Many senior roles have been fulfilled by individuals that have progressed from having been first appointed as an apprentice.

Over the last year, the company has embedded a consistent competency matrix for field staff roles, important in resourcing works with the correct skills and experience, as well as providing opportunities for training and career progression. Within the IWS Water Hygiene business, investment in new training facilities at each of our regional locations, ensures both new recruits and experienced team members are furnished with the skills and competencies needed to furnish customers' needs.

Looking ahead, the business will add new and additional modules to its Institute of Leadership and Management (ILM) accredited Future Leaders Programme, aimed at developing both their soft and strategic knowledge-based skills. This initiative reflects a forward-thinking approach and underpins a commitment to foster home-grown leadership talent.



Water hygiene services at King's College London

King's College London (King's) is a public research university located in London. The university is split across five campuses and also has two IT Services centres based in Newquay, Cornwall.

King's was established by royal charter in 1829 under the patronage of King George IV and the Duke of Wellington. In 1836, King's became one of the two founding colleges of the University of London.

In September 2023, Integrated Water Services Water Hygiene (IWS WH) was selected via a successful tender process and awarded a five-year contract at King's. The contract, commencing October 2023, includes a range of water hygiene services including water sampling, TMV servicing, tank cleaning and calorifier inspections across all campuses.

Challenges

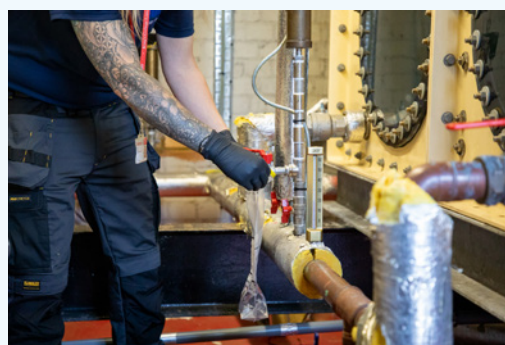
Due to the nature of research taking place across the campuses, from behavioural science units to a variety of clinical and laboratory spaces, access can sometimes be limited for the team to carry out services.

There were some challenges during the early phase of the contract where we were establishing the ways of working together. This has led to the strengthening of the partnership with the client.

Delivery

We have successfully mobilised and deployed the team to ensure we are meeting the standards set by King's. We are currently ten months into the contract and building strong working relationships with the King's team. As a result, the contract has been extended to include steam boiler treatment as part of the service package.

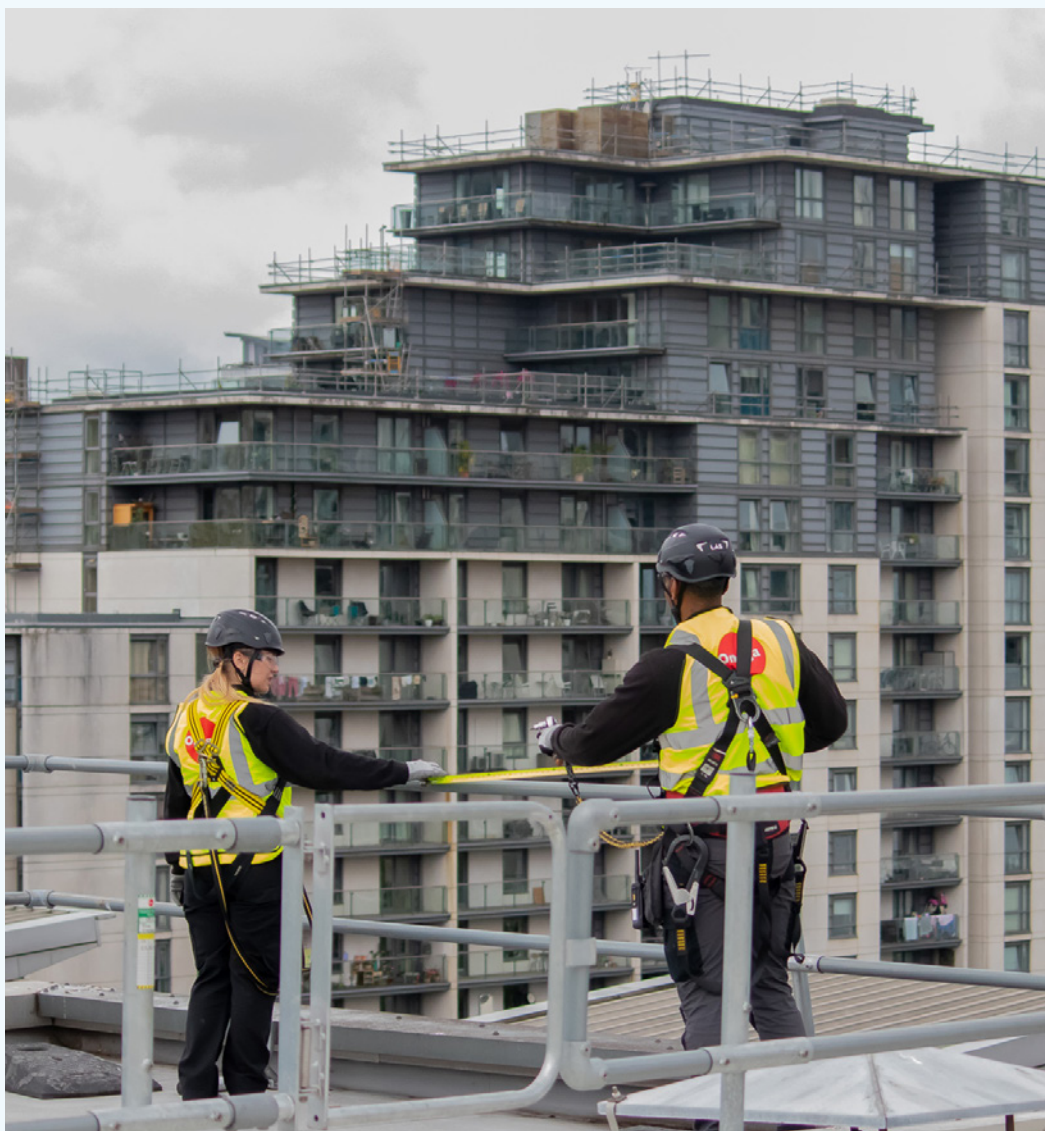
IWS WH is also looking at additional offerings we can provide to King's as our understanding deepens of the system issues the client has faced.



Why IWS WH

King's selected IWS WH following a tender submission with feedback being received that this was, in part, due to our open approach during the bid process and our willingness to work in partnership, adapting our methods to help solve long standing problems.

King's has trust and faith in our service delivery and work with us to maintain satisfactory water quality and hygiene across a varied estate, due to age, complexity and infrastructure.



Height safety and lightning protection at The Mailbox, Birmingham

Services | Lightning protection maintenance and height safety solutions including edge protection, fall protection systems, abseil anchors and a full replacement of its Building Maintenance Unit (BMU)

Background

The Mailbox in Birmingham is one of the city's most prestigious mixed-use developments, combining luxury residential spaces, high-end retail, offices and a vibrant social scene. Given its iconic status and the complex demands of its operations, maintaining the safety and integrity of the building's infrastructure is paramount. Mitie FS (UK) Limited, a trusted partner for facility services across the UK, manages the comprehensive maintenance of The Mailbox.

Initially Omega Red Group (Omega) was asked to review a working at height consultant's report, with most assets that had previously passed inspections by other contractors being deemed non-compliant and unsafe for use.

Following a review, it was identified that these assets were not suitable and alternative methods were required to ensure robust safe systems of work were in place for the ongoing maintenance at The Mailbox.

Challenges

The Mailbox presented several challenges, typical of high-rise, multi-use buildings:

- **Complex architecture** | The building's unique design includes multiple roof levels, extensive glazing, and significant external surfaces, all of which require meticulous maintenance and protection.
- **Safety at height** | Regular maintenance, cleaning and repairs necessitate working at height, involving potential risks that must be managed through robust safety systems.
- **Environmental exposure** | As a prominent structure, The Mailbox is exposed to harsh weather conditions, increasing the need for reliable lightning protection and resilient safety systems for personnel working at height.
- **Prestige and reputation** | Maintaining the aesthetic and operational integrity of such a high-profile location requires solutions that are not only effective but also discreet and non-intrusive.

Our approach

Understanding the requirements

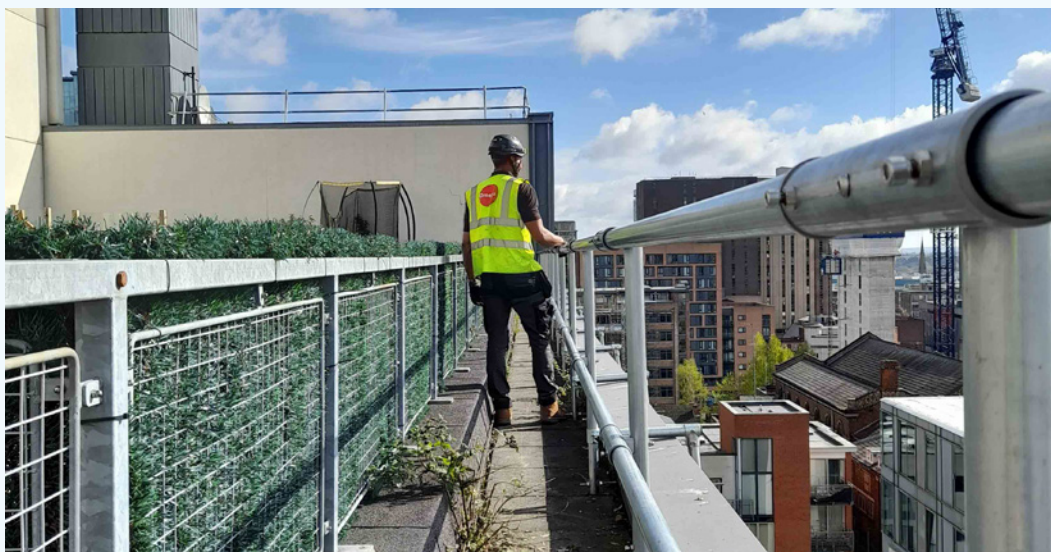
We began by undertaking a deep review of the consultant's report with the client to determine the full working at height requirements and most practicable solutions. Taking time to understand the client's needs meant that we could offer the most suitable and cost-effective solutions for access and safety.

Installation plan

Working closely with the client, we planned the installation works in phases to collaborate with the required ongoing maintenance of the structure. The most important tasks were the replacement of the BMU cradle unit and installation of guardrail across various roofs and terraces to enable cleaning and structural repairs around the entire building envelope.

Robust maintenance programme

Introducing a five-year maintenance plan with the client made sure they understood when all assets required the next inspection and meant we could effectively plan works to increase efficiency. A regular programme of asset inspection and maintenance ensures they comply with the relevant standards as well as the manufacturer's guidelines.





Why Omega Red

After reviewing the consultant's report, The Mailbox lost confidence with its original contractor. Having established a successful partnership with Mitie FS (UK) Limited, on recommendation The Mailbox sought Omega's technical expertise to address the identified shortcomings.

Following these consultations, and with its reputation as a trusted partner to organisations across the UK, Omega was chosen as the preferred supplier to undertake the necessary work.



Service and Software

Echo has been established for over 20 years delivering customer service and software solutions to water utilities in the UK, Australia and USA that support and enhance their customer operations. Broadly, this incorporates outsourced customer service solutions including customer contact handling, billing, meter reading and debt collection, as well as developing, implementing, and supporting billing and CRM software.

Market conditions this financial year had an optimistic outlook compared to the previous year. In the UK Echo supported clients with their PR24 preparations, although the cost-of-living continues to impact clients in both bill affordability and debt collections.

At the start of the year, the Australian market had already entered a buoyant phase as a significant number of the utilities had commenced preliminary planning to replace their legacy billing solutions over the next few years. Towards the end of the year, Echo was planning towards its first Australian Client Forum in Melbourne, which further enhanced this view. Furthermore, the various state-based regulators are continuing to place greater emphasis on customer centric service models, which aligns with the inherent benefit of selecting Aptumo on Salesforce.

In the USA, the utilities are increasingly focussed on change programmes to enhance customer experience, including billing system replacements.

Overall, Echo delivered a strong performance during the year, supporting its existing clients and making further progress in its global expansion in both Australia and USA. In the UK, following a strong contract award with Northern Ireland Water at the end of the previous financial year, it's now significantly through the implementation of Aptumo alongside the new end-to-end customer service delivery model. A renewed contract was won with a further UK large water and sewerage company client, with a new system implementation for Aptumo.



Strategic direction

Echo has a strong reputation and lengthy proven track record as a trusted service partner to water utilities. Our strategic direction remains one of continued growth across the UK, Australia, and the USA, focusing solely on water sector customer service and software.

Aptumo, Echo's innovative customer billing software, continues to present growth opportunities for the business both in the UK and overseas. Together with the customer service side of the business, both offer significant transformation opportunities for clients.

Echo continued to support the UK and Australian water markets throughout the year, helping its clients transform their customer management systems to deliver a cost-effective and improved experience for their customers.

Northern Ireland Water (NIW) and a large UK water company became Echo's third and fourth clients in the UK to choose Aptumo, the company's next-generation, cloud-based billing and CRM software, helping them to simplify processes, offer customers more choice in how they communicate with the company, and deliver more self-serve options to further improve customer service. The 10-year contract secured last year with Echo's longstanding client NIW, saw the commencement of Aptumo implementation, which is alongside Echo's end-to-end customer service provision.

During the year, Echo planned towards the first Client Forum in Australia with Coliban Water and North East Water. Echo continued to actively bid on live procurements in the water sector and took part in key industry events. This further strengthened Echo's presence and commitment as a valuable supplier to the Australian water sector.

Echo has continued to progress its expansion activities and plans in the USA. The partnership with a water sector system integrator, established in the geography, has further enabled ongoing business development and tender opportunities.

To position the business well for the anticipated growth ahead, Echo continues to focus on its forward-looking product roadmap to ensure Aptumo offers innovative functionality for the evolving water sector markets in the UK, Australia, and the USA. A further priority has been in bolstering the Salesforce skillset within the team to better support the business when implementing Aptumo alongside other native Salesforce products or where Salesforce is the client's platform of choice. This has included the use of artificial intelligence to support automation of key processes, and integration tools and capabilities.

Echo has continued to support its clients Cambridge Water and South Staffs Water (SSW) in their joint ambition to deliver an excellent customer experience. Performance in the year for C-MeX was impacted by the cyberattack on parent company South Staffordshire Plc, however Echo was able to support SSW in exceeding its performance commitment targets for the number of customers helped during the year and the percentage of its household customers registered on its Priority Services Register, whilst also reducing the volumes of customer complaints.

Echo delivered all targets for its client NIW for the tenth successive year and, is now well into implementation phase for a new contract, implementing a new and innovative market leading service and software solution to help NIW in their ambition to deliver world-class customer service.

Echo's wholly owned offshore operation in India was awarded 'Great Place to Work' and continued to deliver agility and efficiency for existing external and Group clients in a range of software functions and customer service back office, and administration roles, whilst continuing to prepare for expansion into wider processes and service offerings.



A platform approach to

How our clients are improving both customer service and operational efficiency

Sales

New water connections
Property searches

Marketing

Customer outreach
Social interactions

IOT (asset management)
For asset monitoring

Intelligent IVR

Advanced self-service
Sentiment analysis

Salesforce maps

Geospatial asset and incidents

CRM and billing powered by Salesforce

CSWEEK

Expanding Excellence in Customer Service

Looking to the future

On a global scale the water sector continues to provide opportunities. Echo is well placed to take advantage in UK, Australia and USA as the business remains focused on supporting clients to deliver against regulatory, customer and wider stakeholder requirements.

In customer service solutions and billing and collections, Echo remains strongly positioned to be a trusted service partner to water utilities.

Looking ahead there are ongoing challenges anticipated, particularly as the cost-of-living crisis remains a threat in relation to water bill affordability and debt collection. Customer expectations remain high, as customers demand a world class service and greater choice. Data, insight, and billing choices continue to be high priorities. In addition, further changes are expected within the sector with the onset of the artificial intelligence era, smart metering agenda drive and the global quest to be more resourceful with the usage of water.

The subsidiary in India will continue to grow to support the sector with back office and administrative initiatives.

Innovation is at the heart of Echo and the business will continue to specialise in delivering software and customer services for water sector clients. Product roadmaps and software development are aligned to the sector drivers and opportunities both in the UK and overseas.



Commercial Water Production and Distribution

Office Watercoolers Limited (OWC) provides water coolers, spring water and other ancillary items such as boilers, SIP (sanitise in place), sanitisation, service and repair to businesses across the UK. The company is customer focused, which shows in its exceptional service levels. The company continues to take advantage of new technologies to reduce the impact on the environment for both the business and its customers including reducing energy used and carbon emissions.

- Its dedicated management team has over 50 years' experience and drives the culture of quality and efficiency throughout the business
- National network coverage, timely delivery and advertising efficiency are achieved through five regional distribution centres
- Our reputation and culture as the market leader for service quality and standards enhances the customer experience and increases operating margins
- OWC has a proven track record of acquiring, integrating and delivering strong performance for bolt on acquisitions





Providing excellent service and high-quality water since 2001, and with more than 20 years' experience within the industry, OWC is one of the most successful water cooler companies in the UK.

From its Midlands base and with depots across the country, customers are offered a nationwide service. OWC installs bottles and mains-fed dispensers delivering water, and a hot and cold beverage service.

OWC operates as a founder member of AWS, a group of eight independent companies responsible for more than 60,000 units. AWS was initially set-up up as a buying group, with access to over 20 regional service depots which enables OWC to provide true national coverage.

The extensive range of high-quality coolers the business offers can be sited in any location and satisfy all levels of demand, along with a high-quality customer experience. OWC prides itself on its customer service ethos. The company's dedicated teams work hard to deliver a highly tailored service and to establish long term relationships with all customers.

Through organic growth and acquisition, OWC now has a nationwide presence and can meet the demands of its customers.

Within the last financial year, there have been some notable large customer wins. These include successfully tendering for London Underground and Apple Int. The industry continues to consolidate, which creates further opportunities for expansion.

Performance and strategy

The UK Watercooler market is split roughly 60/40 between mains-fed and bottled, with mains-fed having the larger share of approximately 700,000 units. During the last few years, OWC has migrated a significant number of bottled units to the more environmentally friendly mains-fed units. This means OWC's split is now 80/20 in favour of the mains-fed option. OWC continues to promote the more environmentally friendly mains-fed option to all customers.

Whilst OWC continues to develop larger national key accounts, its target market is the 1-10 cooler smaller company account. This focus gives less exposure to larger national accounts which are typically at very low margin, a strategy which has proved to be successful.

OWC has partnered with industry software specialists who have provided tailored company software. ProWat is a stable industry platform that completely underpins OWC's ability to provide fast, accurate delivery of product, asset management and billing whilst providing efficient back-office facilities and support to the management team.

Environmental responsibilities are something OWC takes seriously and includes the recycling of all cardboard and plastic thereby reducing the company's carbon footprint. The introduction of a small inbuilt SIP machine (sanitise in place) also means a substantial saving on energy usage for customers.

Employee wellbeing is at the heart of everything OWC does. Training and personal growth opportunities give all employees a chance to grow and promotes a happy and healthy workplace. OWC's flexible working policy provides the opportunity to recruit from a wider pool of individuals whilst enabling existing employees to have a greater work life balance.

The business excels in the area of health and safety where it continues to plan, monitor and control all related health and safety measures with input from wider Group expertise.

The business has maintained its status as one of the leaders in the watercooler sector. With the support of suppliers, OWC continues to help develop the next generation of environmentally friendly watercoolers.



Utility Network Design and Installation

In January 2023, South Staffordshire Plc acquired a majority 92.5% shareholding in Infrastructure Gateway Ltd (IGL), with an option to acquire the remaining 7.5% in 2026.

IGL, one of the UK's largest independent multi utility infrastructure providers, currently serves residential housebuilders and commercial developers across the Midlands and east of England. One of a select group of UK companies accredited under the Lloyds Register, and holding Multi Utility Registration Status, IGL is also in the top three providers of water connections to Ofwat appointed NAVs (New Appointments and Variations).

IGL works mainly in the residential housebuilding sector, its principal activity being the design, installation and final connection of utility networks to dwellings on new developments.





Performance

Due to the nature of its business, profitable work has continued, mainly due to the added value provided through technical services and design facilities. This does, however, rely on a large amount of planning and technical skill which involves having increasing numbers of skilled office-based staff, impacting on the overheads.

For the year 2023-24, results have been impacted by a number of external factors:

- Due to high inflation and uncertainty with interest rates affecting mortgage offers, the housing sector has been turbulent, resulting in a considerable downturn in completions

- Following competition in the market, lack of skilled labour has led to an inflation in expected remuneration
- As IGL has moved fully into the multi utility market, cash flow is noticeably slower due to a change in payment terms. Payment happens as properties are connected to the utility, rather than when it is commissioned. In some instances it can take months after the main goes live before connection is complete
- Inflation has affected material pricing across the entire product offering from all suppliers, resulting in an increase from 5%, up to as much as 60%, mainly on polymer, metal and copper pricing.

In order to mitigate these factors, IGL has:

- expanded into the EV market and delivered its first projects on time and on budget for a major supermarket chain and one of Europe's leading EV charging station providers; this is a market which is continuing to grow
- continued to engage with new entrants into the market, promoting its strong ethic towards training and development of employees. IGL prides itself on providing a great place to work, with rewards and remuneration in line with, or above, market expectations
- changed and adapted its financial model to ensure there is a healthy cash flow
- widened its supplier chain, benchmarking each and every item purchased, ensuring products are purchased at the best price without affecting quality.
- adapted its process to make sure all quotations are updated monthly to reflect the latest purchase price

Secured contracts from both existing and new customers remain high, with strong conversion rates. IGL attributes this to its commitment to the strong customer service, prevalent within the business from the top down. IGL's senior leadership team is confident that, with the number of secured projects in the pipeline, the concentration on further process improvements over the coming year and via some measure of diversification, the company will continue to generate growth both in terms of turnover and profitability.

As part of South Staffordshire Plc, IGL now has the financial backing to attract and win large scale projects. This includes 3,000 plots for a council in the east of England.



Looking forward

The senior leadership team is committed to significant growth ambitions and continue to build the business in a strong and sustainable manner.

With the new government coming into power in July 2024, it is hoped this will result in recovery for the housing market. Residential housebuilding targets are strong, with an ambition to build one and a half million homes within the first five years. This will include creating new towns which will, in turn, require significant infrastructure.

It is anticipated that the government will provide funding for more EV projects, particularly in the public sector including health centres, gyms and roadside.

IGL's growth ambitions also include geographic market penetration, diversification of offering and innovation in new markets. IGL has already had success further west, towards Bristol, with a large amount of secured work already converting into construction activity. The business has made efforts to expand into the heat market and expects to deliver its first heat project in the next financial year. With its accreditation for working on 33kV electric networks, there is an opportunity to look at industrial and commercial sectors, providing power to large warehouses.



Environment, Social & Governance (ESG)

The Group is passionate about making a positive contribution to the environment, our clients, our people and the communities in which we live and work. Given the nature of the Group and its businesses, understanding and improving our ESG performance is a vital part of our business strategy and is reported annually.

This year we have created a strong oversight approach to help ensure we achieve our ambitions and that these are ever improving. A new ESG management group, comprised of the Group Executive Committee and senior support leaders, is now in place to set clear goals, actions and provide more rapid approvals for ESG work. This is supported by an ESG working group comprised of senior business leaders and support leads to ensure a more rapid implementation of the new approaches and initiatives agreed.

Many projects are currently ongoing, such as developing a Group ESG sub committee and a data assurance and confidence grade register, which will demonstrate our commitment to this area.

Environment

The Group is mindful of the impact of its operations on the environment and is passionate about playing its part in protecting the natural environment for the years to come. As our work is primarily in infrastructure, providing critical services or owning these assets, we are clear on our obligations as asset stewards and the support these assets provide to our natural world.

For our Environmental pillar, this includes supporting climate resilience and biodiversity as well as reducing waste, conserving water, building more resilient and lower carbon assets and sustainable supply chain sourcing. We report performance on these regularly to our teams and report this to our investors, Arjun Infrastructure Partners.

As well as our usual KPIs, the Group has committed to the creation of a full 'Net Zero 2050' plan, which will see the Group achieve net zero by no later than 2050, noting the water companies have also agreed (with the whole UK water sector) to net zero by 2030.

Some examples of environment initiatives within the year include:



Low carbon ground source heating solution for IWM

Working as a trusted partner, with others as well as our own Group businesses, to drive down environmental impact and reducing carbon emissions is a win for all. Our businesses partnered in a sector-first way, between water company and contractors, to deliver a unique solution for the Imperial War Museum in Duxford on their heating needs and effective decarbonisation via ground source heat pumps and associated network. This was recognised at the Utility Week Awards, winning ESG Initiative of the Year.

Not only did we achieve a great outcome, but we have been able to showcase this as a great example of collaboration for the wider sector.



Enhancing biodiversity at Blithfield Reservoir

Our Blithfield Reservoir is not only a precious water source for our customers but it's also an important habitat for some wonderful wildlife including wildfowl, including goosander, widgeon and a wide variety of over-wintering fowl.

We have created a welcoming place for visitors to come, enjoy countryside walks, do bird watching and take part in sailing and angling activities. Our partnership with local community groups, councils, Natural England, local Wildlife Trusts, RiverCare and the Environment Agency has ensured we continue to keep this special place open, carbon low and with a controlled impact to the natural environment.

This means we work together to protect and enhance the biodiversity of the site so that it continues to allow wildlife and plant life to flourish while we all enjoy it together.



Reducing our carbon impact across the Group

The Group continues to do small things to manage its environmental impact.

- Bug houses are regularly deployed at our offices
- Bees are kept on some of our sites
- Installed EV chargers in more locations to support electric transport
- Continued to install LED lighting in our offices
- Moved some equipment to solar power (like our new CCTV survey kit)
- Made steps to flush less urinals
- Moving to a fleet support system to reduce fuel consumption on our non-electric fleet

All of these are no regret options, which we review via our ESG working group and are building into a more sustainable plan for the way we work every day.

Social

The Group seeks to foster positive and collaborative relationships with its employees, customers, suppliers and the wider communities in which its businesses operate. This includes valuing and promoting diversity and inclusion as an employer, attracting and developing talent, having a positive community impact, ensuring customer satisfaction and providing a safe work environment for our people.

To aid this, in the year we have created a new Vision, Mission and Value set from workshops held with over 10% of our people from all across our Group, from front line team members to senior leaders. These will help badge common understanding of our purpose. We have embedded these with a new recognition approach across the Group, recognising and praising the work we do every day to deliver for our clients and customers.

The Group reports to its investor, Arjun Infrastructure Partners, on its performance in all these areas regularly, including a host of metrics such as gender pay gap information and employee engagement scores.

Inclusion, Equality and Diversity

The Group is committed to providing a positive and inclusive working environment, free from discrimination and unfair treatment. We welcome diversity and provide equal opportunities for employment, training and promotion, having regard to employees' particular aptitudes and abilities, regardless of their gender, race, age, disability or any other protected characteristics.

The Group takes steps to promote gender diversity which include aiming to attract more diverse applicants to vacancies, further developing flexible working arrangements and encouraging more diversity in engineering and technical roles. Within the year, we have launched a new group awareness calendar, supporting those from our diverse minorities with internal comms on special days, months and specific events. These also come with briefing packs for leaders to bring this to life and celebrate our diversity within individual businesses.

Human rights are not considered to be a material risk for the Group because of existing regulatory requirements in the UK and the nature of our supply chain. Working with our suppliers, our businesses have started to clearly state human rights clauses in their supplier contracts together with the expectations we demand for human rights preservation.

To show commitment to human rights, our CEO has publicly made commitments for the year ahead on how we will increase inclusion for our LGBT+ community. These will be delivered by a new employee network group set up in the coming months.



Andy, an OnSite employee, ran a marathon to raise vital funds and awareness for the charity Best Mates.

A positive community impact

During the year, the Group continued to invest in supporting local communities and causes close to the heart of the sectors we serve. We have done this through many shared initiatives.

Within the SSI Waste, Water and Infrastructure and Compliance divisions, colleagues continue to support local causes as well as those that are important to their clients through our employee volunteering scheme. This tends to be smaller, more localised community and fundraising initiatives. For example, our teams have been baking, guessing pet names and competing in charity races to raise funds for charities as well as carrying out minor repairs to fences and pathways to enhance community spaces.

South Staffs Water's community hub is located on Wednesbury high street, in the heart of one of the region's most socially deprived areas.

The vision was to provide a trusted and accessible location for our customers to interact with the business and other support agencies. This has made it easier for those most in need to seek support on help to pay, bill reductions, wider social support and accessing the help on our priority services register.

Since opening its doors on 27 April 2018, the hub has welcomed thousands of visitors and provided a venue for many community groups. The hub and its team have supported so many community initiatives, including food bank donations and school uniform swaps.



In India, Echo Managed Services has supported local community groups by spending their team building days giving something back, planting trees and litter picking in the beautiful Dhanaulti and Rishikesh regions of the Himalayas. The Echo India team also pride themselves on devoting their time and efforts to give children at a local orphanage a better life. Each year, the office hosts Santa Claus and the children are invited to come in, hear stories and have a party whilst also receiving a gift from Santa. The children are often also invited to join with festivities such as Holi, the festival of colours, and food is provided by Echo to the orphanage for other celebrations.



Health, Safety and Wellbeing

Governance for performance and oversight of significant events rests with the Group Executive team, supported by the Group Head of Health and Safety. We believe safety at work is a basic human right, and workplace conditions directly impact our employees, as well as their families and communities. Our employees should expect an unequivocal level of dedication and continual improvement, using a determined learning approach so they can go home safe every day. All senior leaders are expected to make public commitments to our team members about having an unapologetic zero tolerance for safety issues but also fostering an environment of sharing to improve health and safety for all.

Fulfilling our statutory duties is an obligation but one driven by the ethics of caring for our people. The Group's all accident performance continued to improve during 2023-24. Injury rate fell from 1.14 to 0.98. Most of the events in this banding are of low potential severity, but a reduction remains a positive marker. Our RIDDOR performance also improved, from 0.07 to 0.04. More positive indicators, such as near misses and leadership visits, remain healthy compared to the previous year and are illustrative of the value we place on an open, honest and proactive reporting culture that allows our people to share their knowledge, experience, skill and innovations.

In this year we have introduced a new Health Safety and Wellbeing (HSW) Management Group, comprised of our Executive Team and the Group Head of Health and Safety to ensure our ambitions are monitored, and actions taken swiftly. This is supported by a new HSW Working Group made up of key business leads (who lead local HSW committees from our front line team members) and all health and safety professionals from across our Group of businesses.

The Management Group has set the direction and agreed a new strategic approach, setting a common standard across the whole group, branded with one identity to help move the health and safety performance even higher. This is in the process of being delivered to the business and will help further improve our focus and reduce health and safety incidents.

We continue to work hard to transform how we think and manage health and safety, widening our view from just focusing on accidents. Following our very successful focus on our highest risks or our high potential severity events (HiPos) we have seen an increased rate, mainly from better reporting and classification. This trend is now reducing and is being monitored regularly.



We have continued to hold a Health and Safety conference each year, including formal awards, a focus on new equipment, key messages and points of critical learning. This clear commitment, alongside our regular safety standdowns, helps demonstrate our dedication to our team members.

Our people have access to specialist occupational health advisors, who provide proactive health surveillance and advice to help keep them fit and healthy. Employee assistance programmes are available across the Group, providing counselling on a variety of issues, both work-related and personal. Mental health first aiders have also been trained in many of our businesses.



A great place to work

The Group is passionate about attracting and retaining the right talent to support the delivery of excellent services to our clients and their end customers and for South Staffordshire Plc to be a great place to work. This includes a focus on employee engagement, growth and development and how we recognise the work our people do every day. Some examples of initiatives in this area within the year include:



Employee engagement

The Group continued its Groupwide employee engagement survey, increasing participation by over 40% and getting thousands of verbatim comments to review on what we do well and what we can work on together. The survey focused on the areas of basic needs at work, individual contribution, teamwork and a sense of belonging, as well as growth and progression.

The survey highlighted some key areas of strength which will be used to update the Groupwide 'People Promises' and formulate business-specific action plans. These will ensure we deliver the right outcome for everyone in South Staffordshire Plc.



Recognition through our value awards

For the first time this year, we have recognised individuals in all teams for their individual contribution against our new value set. Successful nominees (from both leaders and peers) are recognised on a monthly basis and put forward to further awards. The CEO recognises excellence across the Group via her monthly blog and, as part of the new Annual Leadership conference, we acknowledge the leaders who most positively impact our businesses and deliver for customers and clients.

We anticipate all of these steps will increase employee engagement and help towards being a great place to work.



CCO supports industry body on inclusion

Women are underrepresented in utilities, making up only 19% of the workforce across the sector, and only 1.5% of the leadership in the sector are LGBT+. The Chief Commercial Officer has been nominated as the Pipeline Industries Guild (The Guild) Deputy National Chair (taking the full Chair position in the next twelve months). The Guild actively supports all types of diversity through its sector-wide initiatives, both client and contractor sides. South Staffordshire Plc is proud to visibly support this work and show our commitment to improving the whole sector, not just our businesses, as a great place to work.



Governance

Good governance, compliance and business ethics are fundamental to the Group and its operations. This influences the makeup of our Board and how it operates alongside procedures such as anti-bribery, modern whistleblowing and cyber security and data performance.

During the year a full refresh of the corporate governance policies has been undertaken and re-briefed to ensure our approaches are as up to date as possible, and the commitments we make to our people and they make to us are clear.

We report regularly in all these areas to our investor, Arjun Infrastructure Partners. More information on this can be found within the Governance section of this report.

As part of this business planning process, the Group has assessed its future prospects as part of this assessment, has prepared operational forecasts including expectations of its performance over the next three operational matters. The Group has then prepared consolidated financial forecasts which reflect the agreed strategic objectives and operational plans, and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned investment programme, tax and finance related cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover.

Strategic Report

Overview

The Group monitors its financial performance through targeted Key Performance Indicators (KPIs) such as Turnover, Profit, EBITDA, Net Debt and dividend distribution, together with non-financial measures such as Health and Safety, Employee Engagement and Business Development. In the year ended 31 March 2024 the Group's regulated business experienced a stronger year after its allowed revenue was able to increase by over 6.9% after being adversely affected by the surge in the prices of energy and chemicals the previous year. The regulated water business did see the continued impact of high RPI on the non-cash interest payments on index-linked debt in the year to March 2024.

The rest of the Group's businesses performed strongly with several of the engineering businesses delivering solid sales and profit growth despite also encountering cost pressures in salaries and materials.

The impact of higher levels of inflation on South Staffordshire Water Plc over the medium term is more positive as the regulatory mechanism allows revenue to increase with the prior year's annual CPIH and the Regulatory Capital Value ("RCV") is also indexed.

We use several financial KPIs, which include, but are not limited to the following.

	2024 £'000	2023 £'000
Turnover	384,970	353,552
Operating costs	365,184	341,704
EBITDA	79,039	71,589
Operating profit before exceptional items	29,047	23,828
Net debt reported for borrowing covenants	563,702	511,067*
Dividends distributed	-	-

* Balance has been restated

Turnover and profit

Group turnover increased by 8.9% to £385.0m in the year (2023: £353.5m). Turnover generated by South Staffs Water increased to £151.6m (2023: £141.8m), from both household and non-household metered revenue. External turnover from the non-regulated service businesses increased by £21.7m to £233.4m (2023: £211.7m). This is due to a full year of ownership of the Infrastructure Gateway Limited business acquired in January 2023.

Group EBITDA (before infrastructure renewals) of £79m, reconciliation below, was £7.4m higher than the previous year (2023: £71.6m). South Staffs Water operating profit has remained consistent in the year. South Staffs Water has sustained water demand in both Cambridge and South Staffs regions, which resulted in higher turnover. This is compounded by unprecedented price rises, resulting in sustained pressure on production costs, such as power and chemicals.

Profit performance in the Non-Regulated Service included higher profits driven by increased sales and activity across several of the businesses whilst two of the engineering services businesses suffered lower profitability because of contractual delivery failings. Consequently, steps have been taken to improve contract governance and oversight with a new approval framework and more frequent subsidiary company Board and Audit & Risk Committee meetings. Group operating profit, before exceptional items and income from associated undertakings,

Strategic Report

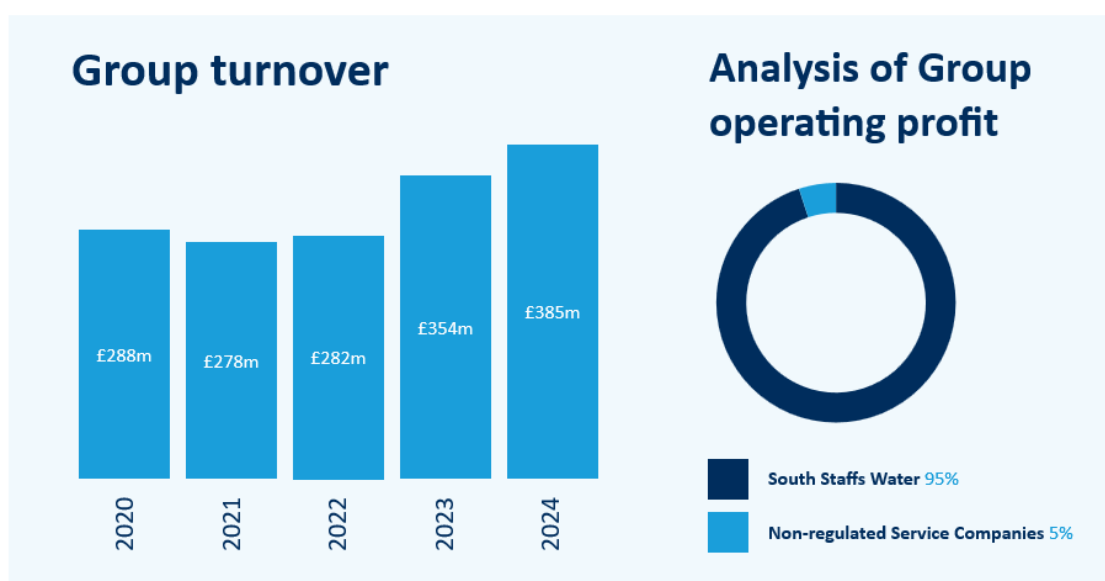
was £29.0m (2023: £23.8m), higher than the previous year's performance due mainly to stronger contribution in the non-regulated companies. Operating profit for South Staffs Water, before exceptional items was £27.3m (2023 £27.2m).

There was a reduction in finance charges in the year of £2.4m to £44.7m (2023 £47.1m) due to a reduction in the index-linked debt charges because of easing levels of RPI.

Overall, Group loss before tax was £10.8m (2023: loss £23.1m). There has been one prior year restatement identified, relating to the prior year acquisition. Further details can be found in Note 32 to the financial statements.

'Reconciliation of operating profit (Before infrastructure renewals) to reported EBITDA' (Before infrastructure renewals)

	2024 £'000	2023 £'000
Operating profit before exceptional items	29,336	24,551
Exceptional items	(1,783)	(5,565)
Depreciation	32,680	30,864
Infrastructure renewals	11,668	18,864
Amortisation of goodwill	7,817	5,464
Intangible asset impairment	917	-
Amortisation of intangible assets	1,908	843
Amortisation of capital contributions	(3,504)	(3,432)
EBITDA (before infrastructure renewals)	79,039	71,589



Strategic Report

Tax

The tax credit for the year reduced to £1.2m (2023: £6.7m credit). This was predominantly due to a lower deferred tax credit recognised in South Staffs Water, driven by tax losses generated in the year being much lower compared to the previous year.

The main driver for the tax credit being lower than the statutory rate of 25% (2023: 19%), of pre-tax profits was due to the Group goodwill amortisation charges not being deductible for corporation tax purposes.

The Group's approach to tax is explained in the group approach to tax section of the report.

Cash flow and dividends

The Group continues to place significant emphasis on its cash flow. Group cash flow from operating activities was £66.0m (2023: £34.8 restated), with the increase predominantly due to both higher operating profits and lower working capital movements. Overall gross capital expenditure for the year was £77.1m (2023: £91.3m). Overall net capital expenditure, net of contributions, was £62.7m (2023: £76.9m).

The Company paid no dividends during the year (2023: £nil).

Financing, net debt and liquidity

Group net debt reported for covenant purposes at 31 March 2024 amounted to £563.7m (2023: £511.1m restated) The movement being largely due the increase in the value of index-linked debt in South Staffs Water. Group net debt for statutory accounting reporting purposes under FRS 102 at 31 March 2024 amounted to £591.2m (2023: £538.9m restated) with the value fully reconciled to the value used for covenant purposes in the notes to the consolidated cash flow statement along with a detailed analysis of the Group's net debt.

In South Staffs Water, net debt for covenant reporting purposes was £369.9m (2023: £305.8m) being 68.4% (2023: 59.3%) of its regulatory capital value (RCV) of £540.5m (2023: £515.9m).

The Group and South Staffs Water have maintained and continue to forecast to maintain headroom in respect of borrowing covenants that would otherwise be a breach of the agreement. These include both interest cover and leverage covenants. Standard & Poor's continues to rate South Staffs Water as BBB+ (Neg), well within investment grade and Moody's Investor services has recently affirmed South Staffs Water Plc's existing rating at Baa2; stable outlook, one of only 3 companies in the sector not to be downgraded or placed on negative watch for downgrade.

At 31 March 2024, the Group had undrawn bank borrowing facilities of £nil (2023: £nil), in addition to its cash balances of £42.5m (2023: £52.0m), providing liquidity headroom of £42.5m (2023: £52.0m). Since the year end, on 8 November 2024 South Staffordshire Water Plc signed a new £75m 3-year Bank Revolving Credit Facility providing £45m of undrawn commitments. On 27 January 2025, the Group received a £19.8m cash injection from the ultimate controlling shareholder. An element of the cash has been used to settle intercompany balances, including those which have arisen as a result of recent unlawful dividends (see the Director's Report). The net equity investment into South Staffordshire Plc as a result of this cash injection was £11.5m.

Strategic Report

Risk management

As an integrated services group with interests that include operating our regulated water company, serving the Cambridge and South Staffs regions, and a range of businesses providing non-regulated services and products, the Board and Executive acknowledge that effective management of risks and opportunities is key to the Group's long-term success and future viability

It is recognised that the Group may face a diverse range of risks and uncertainties, and these cannot be eliminated entirely. Our approach should enable us to deal with these in an informed manner so that the level of exposure is acceptable to the Executive and Board, delivery of strategic and operational business objectives is supported, and the long-term sustainable success of the Group is maintained. The Board has overall responsibility for setting the Group's strategic objectives, determining risk appetite and ensuring an effective internal control framework is in place. Principal risks are identified, prioritised, and documented to support this.

The Board (assisted by the Audit and Risk Committee) has a key role in reviewing and challenging the management of, and current exposure for, Group-level risks. Where additional strengthening or improvements are deemed as required, action plans are to be agreed to address these.

Currently, risks are assessed initially at an inherent (gross) level, based on likelihood and impact scoring without any controls and mitigations in place, and then on a residual (net) basis, to reflect the position (and exposure) after applying our current controls and mitigations whilst also taking the effectiveness of these into consideration.

During the year, the water business completed a refresh of its the risk management methodology framework with the SSW Audit & Risk Committee approving a new risk appetite framework. The divisional risk register was then reviewed and updated based on this revised scoring framework. During FY25 the intention is to commence a similar refresh for the risk management framework of the businesses units providing non-regulated services.

Those risks the Directors believe to be the most significant for the Group are presented as Principal Risks.

Details of the Group's principal financial risks are provided in note 27 to the financial statements.

Principal Group risks

In relation to our risk profile, there are risks associated with the sector in which our regulated water business operates, such as those relating to water quality and treatment, supply chain and resource, infrastructure integrity and financial sustainability. Certain risks have the potential to affect all our Group businesses, for example those relating to health and safety. Whilst other risks are more specific to the commercial operations and specialist products and services provided by our non-regulated businesses.

Our principal risks are the most significant risks that may adversely affect our business strategies, plans, financial position or future viability and performance. These are presented in the following section.

Strategic Report

Risk	Health & Safety*	Profile	
As an integrated services group, the nature of our operations can be complex and potentially hazardous and we do not want these to cause harm to our employees, contractors or the public. Staying safe together is an important objective for us. A failure to ensure the effective and compliant management of our Health and Safety responsibilities will not only cause direct harm to people but can have consequences that include: • Externally led investigations • HSE actions and fines • Legal prosecutions • Additional (unbudgeted) costs for improvements and compliance measures • Compensation claims • Negative publicity • Loss of stakeholder trust • Reputational damage • Triggering breach of contract terms or exclusion from tenders • In certain circumstances, custodial sentences for Directors			
Mitigations During the reporting year, we have reinforced our commitment to safety through a range of actions, these include: • A new Groupwide 'Staying Safe Together' health and safety strategy. This strategy underpins the expectations of how all Group companies approach safety and sets clear expectations on the safety behaviours we expect from all our people. Our new strategy aligns with the highly effective 'Plan-Do-Check-Act' methodology cycle; so, supporting consistent identification and robust control of Health & Safety risks, reducing the potential for incidents, helping achieve compliance with Health & Safety legislation and continually improving performance. • A new health and safety policy ensures shared and aligned standards for the management of our hazards across all Group companies. We will focus on our most critical hazards and ensure robust controls are in place and effective. • Establishing improved and clear governance frameworks to provide oversight for the Group Executive team and the Board. • Introduction of new performance metrics that will measure and drive cultural change across the Group businesses. • Implementation of human organisational performance (HOP) principles to influence culture, help us learn from both our successes and failures and it being safe to speak out and hold colleagues to account in the right way. • Consolidation of our Safety Management systems and making these readily accessible to business users. • Senior Management and Director workplace audits and insight tours. • Strengthening our health and safety Training and Education and ensuring face to face induction training for all our people. • CDM training for Project Manager's, identifying roles and responsibilities between Client, Principal Contractors and Principal Designers. Critical risk projects have appropriate go/no go checks and verification processes. We will continue to build on these initiatives in the year ahead to further strengthen our mitigation measures.			

Strategic Report

Risk	Financing our business / financial resilience*	Profile	
	Ensuring that the Group remains financially resilient and maintains its long-term viability is a key objective for us. We do not want to be in a position where we are unable to access sufficient funds to meet our ongoing commitments and liabilities as they fall due. As a Group, our key financing risks relate to: • Borrowing facilities – where a potential breach of terms and conditions, including financial covenants, could cause technical events of default which, in turn, may have a range of consequences, including lenders dictating the terms to resolve. • Liquidity – where an inability to maintain funding and liquidity at the levels required to support ongoing operation of the business, could lead to effects including serious cashflow issues; difficulty in paying all suppliers (resulting in accounts being put on stop); and open questioning of our going concern / continued viability position. We aim to ensure that the Group remains financially resilient and maintains its long-term viability. Should we be unable to fund our business sufficiently then this will impact such aspects as meeting the ongoing funding requirements for our water business's operational costs, capital programme and long-term debt refinancing, together with working capital and some capital expenditure requirements for the other parts of the group. We must maintain key financial ratios to comply with the covenants of our debt providers and the relative credit rating agencies. Our water business licence requires us to maintain an investment grade credit rating and, from 2025, a minimum rating one notch higher on at least stable ratings outlook. Failure to do this could result in cash lock-up, restricting our ability to pay dividends or default. Maintaining investment grade debt ratings is also important to other lenders to the group where we raise debt at SSW Finance Limited, with a debt maturity in January 2026 and South Staffordshire Plc. Here, we hold long-term loans maturing in 2029 and 2031 and a five-year revolving credit facility, currently maturing in December 2026. We have seen a combination of additional cost pressures during the year, particularly in the energy and chemicals market. Inflationary pressures, which, alongside the operating cost increases, have added to our index-linked bond debt valuation.		
	Mitigations At a Group level we: • Report against covenant metrics as part of monthly management reporting • Monitor compliance with financial covenants and credit ratings • Review funding requirements • Maintain ongoing dialogue and relationships with banks, other institutional lenders and credit rating agencies • Employ detailed modelling of financial viability scenarios to accurately forecast outturns with scope for sensitivities and risk mitigations • Use hedging strategies • Perform regular market monitoring • Put a structure in place (at a Group level) to ring-fence regulated liquidity from the non-regulated activities • Fully fixed our power costs for budgeted distribution input for 2024/25 • Have a long-term financing strategy in place that considers projected future investments plans and forecasts liquidity requirements beyond the current planning period. Access to markets is not expected to be a limiting factor in financing our businesses.		

Strategic Report

- Oversee treasury activity (through the Chief Financial Officer) and have further developed our treasury management policy, procedures and forecasting models.

In our water business, activities undertaken during the year have included:

- Completing an assessment of long-term viability
- Strengthening short-term financial resilience by placing cash on deposit to receive interest
- Securing £20 million of private placement debt with Pricoa
- Providing the monthly finance pack to the Group Executive team
- Focused discussions on the profit & loss account, cash flow and various metrics including regulatory capital value (RCV), AICR and net debt variances to budget with the Board

Our non-regulated businesses:

- Regularly run credit checks on customer / client bases
- Review the commercial terms of contracts and frameworks
- Agree staged applications and payments
- Complete all deliverables on contracts in timely manner to facilitate early cash collection

Group services:

- Oversee treasury activity (through the Chief Financial Officer); and,
- Are undertaking further development of Group treasury management policy, procedures and forecasting models

Risk	Legal and Regulatory Compliance*	Profile	◀▶
Consistent delivery against our legal and regulatory obligations is important to us. Ineffective management of compliance with applicable requirements (and changes to these) would have adverse consequences for our reputation, finances, performance and ability to do business. Should our water business fail to comply, then as a licensed water company, we could face actions by Ofwat or other statutory bodies including: • Our annual data returns not complying with Ofwat's guidelines, leading to us having to republish the information • Being deemed as failing to operate a level playing field for retailers and developer services customers, breaching competition rules; and • Not complying with our licence conditions, leading to regulatory enforcement action and fines of up to 10% of our turnover For our non-regulated businesses, the consequences of non-compliance include: • Breaching commercial contract terms and conditions, triggering client action • Investigations and potential punitive actions by official bodies • Exclusion from bidding for contracts / works • Negative publicity with reputational damage All business areas could be affected adversely by how our stakeholders view us and the level of trust they have in us should we fail to meet legal and regulatory requirements.			
Mitigations For our water business, annually we undertake a formal review to ensure that we understand what our obligations are under the terms of our licence and evidence how we comply with these. This includes: • Assessing the impact of any licence or legislative changes made during the year and ensuring any new applicable obligations are identified and complied with.			

Strategic Report

- The review and publication of required documents, using appropriate internal and external assurance processes aligned with the agreed risk and assurance framework for data and information produced by South Staffordshire Water Plc.
- Obtaining Board level approval and sign-off against all significant obligations, such as our customer charges and annual performance report.

The non-regulated businesses' activities include:

- Maintaining a knowledge and awareness of legal and regulatory requirements that apply to the sectors in which they operate and the contracts they deliver.
- Keeping a watching brief on forthcoming and potential changes that may affect the specialist products and services offered and may also provide opportunities for us to promote how we can help other businesses in fulfilment of their legal or regulatory obligations.

Risk	Technology, systems and security*	Profile	
	Our operational capability could be compromised due to threats arising from technological, human or physical sources and these could directly affect our critical information technology (IT) and / or operational technology (OT). Failures in availability, security, reliability and performance could result in material disruption to operations, corruption or loss of data, reputational damage, legal or regulatory breaches and related actions and sanctions from official bodies such as regulators. Further, we may not actively identify and explore opportunities to leverage use of new or emerging technologies to deliver efficiencies, operational improvements and transformation. There continues to be a heightened global threat of cyber-attacks by criminal gangs, nation states and hacktivists who seek to exploit weaknesses in defences. There remains an increased risk of cyber-attacks on critical national infrastructure (CNI) and services remains high. Our water business is subject to complex regulatory regimes - specifically the UK GDPR, the UK Data Protection Act 2018 and the National Information Security Regulations 2018 – which apply different frameworks and standards to our IT and OT infrastructure. If we do not meet these complex legal standards to protect personal data and our operational technology, consequences include: • Breaching regulations. • Incurring fines and other sanctions. • Facing reputational damage. • Receiving compensation claims from affected individuals.		
	Mitigations A wide range of controls and measures are employed which include: • A Group cyber strategy that drives investment and operational planning. • Using threat intelligence to analyse cyber risks to the Group. • Increased cyber awareness and GDPR training across the business. • Regular phishing simulations to help our people recognise potentially harmful emails. • 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. • KPMG are providing independent assurance of the in-depth controls and procedures that have been implemented in accordance with the MITRE framework. • Scheduled penetration testing across all boundary connections to determine our level of resilience against potential cyber-attacks. • Information Security policies.		

Strategic Report

- Business information security forums (ISFs) and an Information Security Steering Group (ISSG).
- Oversight of critical systems and suppliers to ensure the Group understands the data it holds, that this is secure, and applicable regulations are adhered to;
- Regular monitoring and updating of our plans to replace and upgrade our operating systems and databases as required.
- ISO27001 accreditation for our Group IT services.
- Multi-factor identification.
- Enhanced email and internet security
- OT Risk Evaluation Group is responsible for risk identification, management and, where required, escalation in our water business.
- Ongoing legacy IT Transformation / Mitigation. Upgrade / replacement and / or implementation of micro-segmentation to reduce attack surfaces
- Adoption of a defence in depth strategy aligned to the MITRE framework.
- A programme of continuous vulnerability scanning of all our externally facing systems and web application firewalls.
- High availability architecture and monitoring is built into core systems such as firewalls, networks, switches and servers.
- All systems send log data to Security Operations Centre (SOC) 24x7x365.
- A Technical Design Authority to review all new technology solutions are implemented as designed, and that they meet the necessary security requirements.
- System change controlled through formal change control process and ISO27001.

Risk	Asset health and condition*	Profile	◀▶
Our assets are integral to delivery across all our Group businesses and maintaining an asset base of optimum health and / or required condition to support continuing operations is a key objective for us. For our water business, we must ensure the continued supply of sufficient clean, wholesome water to our customers in a sustainable way. Our asset management plans, and risk management practices, need to support this capability both on a day-to-day basis and into the long-term future. Assets and their management across the Group can attract interest from a range of our stakeholders – including customers, commercial clients, investors, insurers and regulators. A failure to manage asset health and condition adequately can be a causal factor for risk events in our businesses that have severe consequences for us, including: • Failure of critical assets affecting the ability of our water business to deliver a safe and uninterrupted supply of water to customers. • Operational incidents that could cause harm to people or the environment. • The breach of regulatory requirements, legal obligations or commercial contract terms. • Adverse effects on our performance metrics (e.g., water quality, customer service, on-time contract completion) which in turn will have potential financial, legal and reputational consequences. • Additional costs for emergency repairs and / or short-term hire (of e.g., plant, equipment or vehicles) to enable continued commercial contract delivery.			
Mitigations • Across the Group, our businesses look to assess the risks to assets when making decisions on the prioritisation of investment (finance and resources). • Inspection, test and proactive maintenance routines and programmes that support the quality and life of existing assets and will prioritise available capex to invest in essential, or the most cost-effective, items for new or replacement assets and so maintain our capability (and capacity) to service a diverse range of existing and future clients.			

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- The long-term plans of our water business are set within the wider context of managing and maintaining our assets and supply capabilities. In our business plan for 2025 to 2030, we have modelled identification of needs and solutions to support optimum investment strategies. This includes making significant investment at Hampton Loade and Seedy Mill water treatment works and reducing network failure through targeted mains rehabilitation schemes.

Risk	Contract and programme delivery *	Profile	◀▶
The successful delivery of capital, operational or functional contracts and programmes, including change, directly by ourselves or through appointed contractors (to time, cost and quality) supports achievement of our objectives. Inflationary and sourcing pressures on materials, consumables and sub-contracts could contribute to additional costs and delays which, in turn, impact our ability to deliver capital works programmes successfully in our water business with potential consequences for the condition and performance of our assets and the service provided to our customers. There are businesses within in the wider Group that are supporting other water companies in delivery of their capital programmes (such as our Mechanical & Electrical engineering business) and operational performance (for example, by providing leakage detection services). Should we not deliver against specified KPIs or legal obligations, which form an important part of the contracts held with these customers, then this could trigger contract performance fails with associated penalties or default mechanisms. For our wider commercial clients, similar risks to contract delivery and performance exist.			
Mitigations - Portfolio, project and programme risk management e.g. use of Project Management Office (PMO) functions to coordinate and monitor project delivery and cost variations across our engineering-based service businesses. - Capital, change and operational programme management. - Due diligence and ongoing health monitoring of key contractors. - Contract terms and conditions, KPIs, stage payments and retentions. - Steering Group meetings that oversee our investment activity. - Identification, logging and resolution of defects e.g. by our Echo software business during implementation stages to ensure key milestones are achieved. - Service delivery KPIs are carefully monitored, and any emerging shortfalls are addressed through recovery plans.			

Risk	Supply Chain*	Profile	◀▶
The Group has a diverse and wide-ranging supply chain. Maintaining a resilient and effective supply chain is a key component in the delivery of our operations, contracts and projects. As an integrated services group comprised of regulated and non-regulated businesses, our supply chain can be complex and, in places potentially fragile, so we need to be able to manage shocks and disruptions affecting our ability to procure and secure the goods and services we require, at acceptable cost, quality and quantity levels. We have undertaken identification and assessment of risks in relation to the loss of critical supply for, and disruption to the delivery of, business critical items as: Chemicals, which we require to treat the water we abstract to the required regulated standards.			

Strategic Report

- Essential component spares, which could impact on the operation of key equipment, such as pumps for water distribution.
- Stock consumable items, such as pipes and fittings, which could impact planned maintenance and repair work.
- Fuel, which could impact all our businesses.
- Construction materials, such as steel, required for capital works

Mitigations

The measures we have in place include:

- Enhanced assurance and due diligence over suppliers.
- Supplier audits and other reporting mechanisms that support early identification of issues e.g. for critical components or consumables.
- Tactical measures including moving away from 'just in time' delivery and adopting a more resilient 'procure and secure' approach and identifying alternative suppliers for components and consumables.
- Utilisation of hedging for essential items e.g. for fuel.
- Procurement personnel working closely with operational teams in Group businesses to maintain critical supplies.
- Participation in sector / industry working groups.
- Including supply chain resilience within business continuity planning.
- Regular review of stock policies to support maintenance of sufficient supplies.
- Managing effective relationships as part of supplier management.

Risk	Climate change*	Profile	◀▶
Stakeholders are increasingly interested in how climate change will impact our Group and our preparedness, resilience and ability to adapt and plan for this.			
Mitigations Actions and initiatives include: • Enhancing biodiversity through the PEBBLE fund in our South Staffordshire and Cambridge water regions. • Protecting the environment through sustainable pipe laying methods. For example, the work our OnSite Pipelines business has done to as part of the installation of a heat main for Eden Geothermal. • EV charger installation to support further electrification of our fleet. • A 25-year, forward-looking planning approach in our Water Resource Management Plans to help us address future challenges, including those relating to climate change. • Increasing the resilience of the water supply networks across our Cambridge and South Staffs regions and planning for any incremental impacts on performance that a changing climate may bring. • Climate change is a key focus for our Executive teams and our ESG agenda. • We have made a voluntary commitment to the principles set for climate-related financial disclosures. • Horizon scanning of emerging changes in Government policy, including climate change related policies, to monitor and assess the potential direct or indirect impact on the Group. We recognise that climate change has the potential to impact several of our principal risks and that our response to these risks needs to consider climate resilience.			

Strategic Report

Risk	Environmental impact*	Profile	◀▶
As a Group, we are mindful of the impact of our operations on the environment and have committed long-term to playing our part in protecting the natural environment. This includes supporting climate resilience and biodiversity, reducing waste, conserving water, sustainable supply chain sourcing and ensuring compliance with environmental regulations and/or legislation.			
Mitigations The measures taken to reduce our environmental impact by our Water business include: • Strengthening our Water Strategy team. • Improving internal processes, including quickly mobilising the relevant teams when incidents occur to minimise any potential environmental impact. • Working with the Environment Agency and Natural England to ensure we deliver our WINEP obligations and achieve sustainable abstraction over the long term. • A well-established catchment management team and expanding further the reach of our SPRING catchment management programme, for example, making financial contributions available to help farmers to improve their facilities for pesticide use and to prevent other water quality problems at source. • Working closely with our operational technology and water production teams to maintain MCERTS compliance for selected discharge permits and monitoring compliance with our abstraction licences. • Looking ahead to 2025, we will continue to focus our attention on activities that will not only meet our environmental obligation, but that will also deliver wider societal and reputational benefits. For example, the grants made available through our community-focused PEBBLE biodiversity fund. • We are also working with other companies to carry out benchmarking with the aim of improving our clean water response and monitoring. As part of this, we have reviewed all our discharges and compliance and have put a plan in place to ensure delivery in this area. • We are developing a clean water pollution process and procedure that we will roll out across the business In our non-regulated businesses, working practices that support environmental approaches include: • Rapid spill containment, response and decontamination processes. • Risk assessments and method statements for works. • Training of employees and accreditation of our businesses. • Effective bunding and chlorination of pipework. • Electrification of the fleet for company car drivers and small commercial fleet vans. • Installation of EV charging points at various office / depot locations across our Group estate; and, • Assessment criteria for suppliers and sub-contractors that include environmental accreditations and related working practices. As a Group, we are developing our plans to ensure that we can meet the obligation to net zero carbon by 2050. We report Group performance on key environmental metrics regularly to our investor Arjun Infrastructure Partners.			

Risk	Water Quality#	Profile	▲
We are legally required to operate the water supply system in line with statutory requirements to ensure the supply of wholesome water and to ensure sufficient contingency to maintain supplies to our customers. Failing to provide a resilient supply of clean, safe drinking water that is assured using a risk-based drinking water safety plan (DWSP) approach has the potential to impact public health, incur performance commitment penalties, result in regulatory enforcement action and affect customer and other stakeholder confidence.			

Strategic Report

Mitigations

Following compliance failures at our Hampton Loade and Seedy Mill water treatment works during the reporting year, our focus is on putting in place new control measures to mitigate the risk of further deterioration in water quality. This includes:

- Holding weekly Steering Group meetings to manage actions resulting from compliance failures.
- Working with external consultants WRc to carry out root cause analysis of microbiological failures at Hampton Loade.
- Reviewing the structure of the water quality team to ensure we continually meet public health protection requirements.
- Developing and implementing new water quality related policies and procedures
- Working alongside our Capital Investment and Delivery team to support the delivery of our long-term capital investment and asset maintenance programme.
- We are continuing to progress with the installation of a new ceramic membrane filtration system at Hampton Loade. This will enable us to deliver enhanced water quality for our customers.
- In addition, we are planning further improvements to our drinking water safety planning process to ensure risks are more adequately identified, assessed and appropriately mitigated.

Risk	Water resources – Cambridge region#	Profile	◀▶
We look to balance the supply of water with demand so that we have sufficient volumes available to our customers. Underlying drivers, such as population growth, ensuring environmentally sustainable extraction and climate change affect the risk. This can be challenging at times, for example during a period of prolonged, hot weather, and the impact of an insufficient supply volume can be high e.g. for public health. With license caps in mind, both regions have challenges within the planning period, but Cambridge is the focus region.			
Mitigations We are: • Continuing to work with the Environment Agency to develop the water resources management plans (WRMPs) for our Cambridge and South Staffs regions. • Working with the Environment Agency on the Water Resources East (WRE) and Water Resources West (WRW) regional WRMPs and on the delivery of our environmental programme (WINEP). • Continuing to develop two strategic resource options with our neighbour Anglian Water – the Grafham transfer and Fens reservoir. The Fens reservoir project is being progressed through the regulator alliance for progressing infrastructure development (RAPID) process. We have a number of controls in place to mitigate the impact or reduce the probability of having insufficient water resources. These include: • Our water resources management plans and drought plans. • Collaborative, regional engagement through WRE and WRW. • Tracking our leakage and individual water use (PCC) metrics. • Our ongoing asset maintenance programme to minimise the risks of short-term supply interruptions.			

Risk	Customer affordability#	Profile	◀▶
A key objective for us is that customers are able to pay their water bills. The economic climate has increased household bills, predominantly energy and fuel, and has placed additional financial pressure on our customers. The impact of the cost-of-living crisis can also be an increased number of customers applying for financial support, for example our social tariff.			
If the ability of our customers to pay their bills is impacted severely, revenue reduces and the level of bad debt and collection cost increases, affecting our performance.			

Strategic Report

Mitigations

To support customer affordability we have undertaken the following steps:

- Progressing our plans in line with the consumer watchdog CCW's affordability review.
- Implementing a new 'help when you need it' programme, which has affordability as a core theme.
- Alongside our customer support tariffs, we are also planning to implement a 'pay in your own way' approach to increase payment choices for customers. As part of this, we are exploring things like QR codes on customers' bills and ApplePay.
- Implementing a 24/7 self-serve approach. This will enable customers to make payments and changes to their accounts at a time that best suits them.
- Offering flexible options to help customers spread their payments across a 12-month period to suit their individual circumstances.
- Implemented a new integrated billing and collections system called Aptumo. This provides reliable and accurate bills that have been designed with our customers in mind. It also gives us access to customisations that will enable us to take customer segmentation and personalised customer service to a new level.
- We also have a Debt Steering Group, which meets each month which monitors debt performance and agrees strategy.

Risk	Regulatory price review process (PR24) [#]	Profile	
Our five-year business plan for 2025-30 (PR24) was submitted to Ofwat in October 2023. This outlined our goals for the next AMP and associated costs. Ofwat published its final determination on the plan on 19 December 2024. New price controls, which will be reflected in the bills the company's customers pay, will come into effect on 1 April 2025. It is recognised that, after review and analysis of our business plan, Ofwat could decide to remove or reduce costs and / or intervene on proposed bill increases.			
Mitigations • We have reviewed other water companies' PR24 business plans to assess how our plan compares with the rest of the sector. This has highlighted areas of concern that we can prepare for further engagement with Ofwat in the next stages of the process. • Since we submitted our business plan in October 2023, we have followed all PR24 guidance to ensure we are compliant with the price review process. This includes responding to queries quickly and providing any additional information required to ensure Ofwat can accurately assess our plan. • In August we responded to the Draft Determination setting out our feedback and asking Ofwat to reconsider its proposals in small number of aspects of the draft price review. Ofwat published its final determination on the plan on 19 December 2024 which led to a satisfactory outcome for South Staffordshire Water Plc. • We will continue to review risks and issues as we progress through the price review process and raise any significant areas of concern to senior stakeholders, including Ofwat.			

Key:

	Risk profile is increasing.
	Risk profile is decreasing.
	Risk profile is stable/unchanged.
*	Group level principal risk
#	South Staffordshire Water only principal risk

Strategic Report

Group Approach to Tax

The following statement complies with the requirements of the Finance Act 2016 for large groups to make their tax strategies available to the public.

The Group takes seriously its legal and social responsibilities for meeting its tax obligations. The Group currently has no material operations outside the United Kingdom, and therefore the following has specific reference to UK taxation, although the same principles are applied in other jurisdictions where applicable.

The Group is committed to complying with tax laws in a responsible manner, balancing its obligations to the Government and the public with its duty to manage its affairs efficiently in order to deliver cost effective services to its customers while generating an economic return to its investors. The Group has processes in place to ensure it can make timely and accurate tax returns that reflect its fiscal obligations to the Government.

In particular, the Group:

- does not engage in aggressive tax planning;
- does not engage in artificial tax arrangements;
- seeks to maintain a transparent and collaborative relationship with HM Revenue & Customs, principally through the Group's HM Revenue & Customs' dedicated Customer Compliance Manager; and
- seeks independent professional tax advice on material matters where the application of tax law is complex or uncertain.

The Group will make use of applicable tax incentives provided by the UK Government within the framework outlined above. These may include, for example, preferential rates of capital allowances or enhanced tax relief for research and development costs and certain designated capital assets that add efficiency to the Group's operations. Such incentives have been put in place by the UK Government to encourage appropriate business investment.

It should be noted that, for the Group's regulated water supply business, South Staffs Water, such incentives will generally have the effect of reducing its customers' water bills under the funding model adopted by the economic water sector regulator, Ofwat.

In addition to corporation tax, the Group contributes significantly to the UK Exchequer by means of a number of other taxes and levies, including but not limited to:

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

The Group's approach to risk management applies to tax as it does to other business areas. This includes identifying, assessing and managing tax risk across the entire Group, with significant issues escalated to the Group Chief Financial Officer, Group Chief Executive and/or the Board for consideration. The Group Internal Audit function will review significant risk areas where considered appropriate.

The Group has identified economic uncertainty as a risk area. This includes risk in relation to the possibility of unexpected tax law and policy changes by the Government. The Group carefully monitors published tax legislation, guidance and policy documents to ensure it can assess the compliance requirements and the economic implications for the Group. The Group will, where considered appropriate engage with HM Revenue & Customs where its tax position is likely to be materially affected by such policy changes.

Strategic Report

Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis.

In order to assess the Group's liquidity requirements and trading prospects a detailed business planning process is completed for review by the Board. This reassesses its long-term strategic objectives and operational plans and the key business issues that the Group faces both now and those anticipated in the future and how the Group proposes to address these issues.

In selecting the Going Concern period the Directors have regard to the structure of the Group whereby the cashflows of the regulated subsidiary, South Staffordshire Water Plc, are ring-fenced from the rest of the non-regulated Group, which represents a number of engineering businesses servicing the water industry ("non-reg Group"), and therefore the Going Concern analysis is conducted at two distinct levels.

As part of this business planning process, the Group has assessed its future prospects and, as part of this assessment, has prepared operational forecasts including expectations of its performance in important operational matters. The Group has then prepared consolidated financial forecasts, which reflect the stated strategic objectives and operational plans, and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned Investment programme, tax and finance related cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover.

From this business planning, the directors have used the forecasts up to 31 March 2026 for its going concern assessment.

South Staffordshire Water Plc

The Directors of South Staffordshire Water Plc ("SSW") concluded that at the date of signing that SSW's Annual Report and Accounts on 12 July 2024 the most appropriate Going Concern Period for SSW was to reflect the high degree of certainty within the expiring five-year price-review period on 31 March 2025 and to look forward for twelve months from signing to 15 July 2025.

The going concern assertion was based on the final determination for the five years from 2020 to 2025 which provides a high degree of confidence over SSW's revenue in the period to 31 March 2025, including SSW's ability to index the 2024-25 customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence over power costs given fixed price agreements in place covering the period to 31 March 2025 and the degree of confidence about the approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

SSW has also now considered the PR24 Final Determination issued by Ofwat on 19 December 2024. The Directors are of the view that the outcomes in the Final Determination do not indicate a materially different view from the assumptions used in the going concern period assessment and sensitivity analysis in the going concern period. However, the Directors' preliminary assessment of the Final Determination package is that this will provide a slightly stronger set of cashflows in the Going Concern period than those forecast based on the assumptions and therefore conclude that the Final Determination will positively support the basis of assessment that the Company is Going Concern.

The Group's Going Concern assessment includes an updated forecast for SSW to 31 March 2026 and is based on the final determination as approved by Ofwat.

Since the statement by SSW on 12 July 2024, in November 2024, an agreement has been reached for a new £75m, representing an additional £45m, of new increased revolving credit facility from UK banks with an initial 3-year maturity in November 2027. This demonstrates SSW's ability to access funding in the bank and capital markets

On 15 August 2022 South Staffordshire Plc announced that it had been the subject of a criminal cyber-attack. The nature of the attack did not include data encryption or destruction but did include data exfiltration. In the period since the incident the Group has continued to respond to the investigations by regulators. Advised by legal

Strategic Report

counsel, the Directors continue to review the risks and levels of regulatory fines or penalties and of potentially settling legal claims relating to the breach of data.

In what the Directors consider to be a severe but plausible set of downside scenarios, SSW has sufficient financial headroom for the going concern period, after allowing for mitigating actions such as deferring expenditure and dividends, and complies with all covenants. The severe but plausible downside scenario for the SSW cash pool assumed no further incremental debt facilities beyond the £75m RCF referred to above.

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 20 and 22 to the financial statements the Directors of South Staffordshire Plc set out that the quantum and value of civil claims the Group may receive, and the costs of liabilities that may be incurred addressing those claims, and any regulatory penalties, involves significant judgment and uncertainty, and is therefore subject to change as the matters progress and the factual position becomes clearer.

Non-regulated Group

The Directors of South Staffordshire Plc have concluded that, for the non-regulated Group, a Going Concern period ending on 31 March 2026 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues. Therefore, the Going Concern period is to 31 March 2026.

To assess the financial resilience of the non-regulated Group to possible changing circumstances, sensitivity analysis has been applied to these financial forecasts to assess the impact on profitability, cash flows, liquidity, borrowing capacity and compliance with borrowing covenants of severe but plausible adverse changes to important assumptions made within these base projections, including those that are outside of the control of the Group. They include an increase in operating costs (including those arising from principal risk events occurring: see principal risks above) and the level of inflation and interest rates. The Directors have also considered the risk that payments for its subsidiaries services to Thames Water are subject to extended payment terms during the Going Concern period and also the risks that Thames Water takes action that terminates existing contracts before their current end dates. In addition, these scenarios also include the possibility that South Staffordshire Water Plc may not pay further dividends in the near future through its immediate parent company to South Staffordshire Plc. The Directors have selected these assumptions as they believe it is these that could most significantly impact on the going concern of the non-regulated Group and that could most materially deviate from the non-regulated Group's base assumptions over the longer term.

In addition to the downside scenarios assessed by South Staffordshire Water Plc relating to legal costs and claims, South Staffordshire Plc has also included the potential for the potential need to settle penalties from regulators arising from ongoing investigations.

The Directors consider, that when taken together these severe but plausible downside risks represent a meaningful assessment of the robustness of the non-regulated Group. The Directors have further assessed what additional reduced trading levels would be required to reduce liquidity to a level that would imperil the ability of the Group to continue as a going concern and concluded that the likelihood of these further reductions is remote given the magnitude of the reductions that this would require.

The Directors have continued to consider options to mitigate the likelihood of the severe downside scenarios and raise additional funding for the non-regulated Group to increase available liquidity. In order to address these concerns, the Group has received €30m equivalent cash injection into Hydriades IV Limited on 27 January 2025, with initially £19.8m then injected into the Company and SSW. The balance of £5m remains in Hydriades IV Limited available to meet the Group and Company's liquidity requirements in case of need. The Directors are also assured by progress to agree a new term loan facility to refinance a £40m bank facility due to mature in December 2026. The new lender has credit committee approval and final documentation is in process of negotiation.

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SSW Finance Limited refinancing risk

This is the immediate holding company of SSW and an indirect subsidiary of South Staffordshire Plc. It acts solely as a financing company and its debt service relies primarily on dividend distributions from South Staffordshire Water Plc. SSW Finance Ltd has a total of £83m of private placement notes of which £73m mature in early January 2026, some 12 months from the signing date. Whilst this company has already commenced discussions regarding refinancing this debt the Directors have carefully considered the risk of being unable to arrange suitable replacement debt to meet this obligation as it falls due. SSW Finance Ltd's cashflow movements are outside of the non-reg group and the financing arrangements and obligations are governed by a Common Terms Agreement effective December 2021. After careful consideration, the Directors are of the view that the risk of the company being unable to arrange sufficient new debt facilities is remote given: (1) The overall Group's wider track record in securing new finance (2) positive early engagement with potential lenders and a clear strategy supported by debt advisory specialists (3) the comparative performance of SSW under the Ofwat regulatory regime and positive prospects for the AMP8 period based on the Ofwat PR24 Final Determination (4) stable credit ratings with Moody's having affirmed South Staffs Water Baa2 (stable) rating and Standard & Poor's the rating for SSW Finance Limited of BBB (negative) in November 2024, (5) flexibility to utilise some of the recent equity injection and other available lending facilities across the group to mitigate the total amount to be refinanced and (6) the continued support of our shareholders as needed.

Therefore, against this background the Directors are confident they will secure a refinancing of the maturing £73m and regard the risk that SSW Finance Ltd cannot raise this new debt as remote.

Conclusion

Based on the business plan and associated sensitivity analysis detailed above, together with the other actions taken by the Group to secure additional capital, the Board of Directors has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of the going concern assessment.

The Directors have also considered that the consolidated financial statements of the Group at 31 March 2024 reports a net liability of £7.67m.

The Directors report that the deterioration in the group's balance sheet over recent years that have contributed to this position are the result of two main factors. Firstly, the former estimated surplus in the group's main pension scheme of £54.535m at 31 March 2022, has reduced to £755,000 at 31 March 2024, following the 2023 transaction to invest the scheme's assets in an insurance policy. Whilst removing the accounting estimated surplus the transaction significantly reduces the Group's liability risk to fund potential actual deficits in future years. Secondly, the elevated levels of RPI inflation in 2022 to 2024 had a negative impact on financial expense in the 2023 and 2024 financial years as a result of the accreting South Staffordshire Water Plc's RPI index-linked debt.

The Directors conclude that these increased interest charges have the effect of increasing the liabilities for repayment of the two index linked instruments in 2044 and 2051. These increases are substantially matched by related increases to the SSW Regulated Asset Value, which indexes linked to CPIH inflation and is the economic value of the regulated water company which is not revalued in the balance sheet under FRS102.

Overall, the Directors conclude that the net balance sheet liability does not give rise to a near term liability that impacts the ability of the group to meet its liabilities as they fall due during the period of the going concern assessment.

Strategic Report

The Strategic Report is approved on behalf of the Board of Directors.

A handwritten signature in black ink, appearing to read 'R O'Malley', is positioned above a light blue rectangular stamp.

R O'Malley
Group Chief Finance Officer
31 January 2025

Section 172 (1) Statement

Board of Directors and Executive Team

Directors' Report

Corporate Governance Report and Committee Reviews

Directors' Responsibilities Statement

Governance

Section 172 (1) Statement

Group statement

Each Director has a duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors contained in section 172(1) of the Companies Act 2006. These being:

- the long-term consequences of decisions,
- the interests of the company's employees,
- the impact of the company's operations on the community and the environment,
- the need to foster the company's business relationships with suppliers, customers and others,
- the desirability of the company maintaining a reputation for high standard of business conduct, and,
- the need to act fairly as between members of the company.

Further detail of how the company has taken account of section 172(1) factors can be found in the strategic report.

In identifying our stakeholders, we recognise certain groups may be affected by our decisions and activities whilst others are able to affect us through their actions and decisions. During the year, the company has sought to engage with, and understand, its stakeholders so that their interests and priorities are given due regard and consideration as part of the Directors' balanced decision-making in support of strategy execution and long-term sustainable success.

Key stakeholder group	How we have engaged with these stakeholders
Customers / Clients	Across the Group, customers and clients have been given regular updates using a number of communication channels including social media, local radio, regular meetings and website content. South Staffordshire Water Plc ("South Staffs Water" or "SSW") Continued to engage regularly with household and non-household customers during the year, as their views are essential in driving decision-making. It is important to always provide a good experience for all customers as a failure to do so could cause reputational or financial harm. • During the reporting year, South Staffs Water's focus has been on engaging with our household and business customers to ensure their preferences are reflected in its plans for 2025 to 2030 and beyond. A wide range of qualitative and quantitative techniques and approaches to engage with customers have been used, including through: • ongoing priorities tracker; • research for Cambridge and South Staffs water resources management plans; • qualitative and quantitative willingness to pay research to inform long-term business planning; • the development of a robust triangulation framework; and • focus groups and quantitative surveys to help inform its business plan for 2025 to 2030 and long-term delivery strategy.

Governance

	Customer insights are shared through a combination of internal communications, Board reports, interactive de-briefs (with the senior managers responsible for delivering plans) and presentations to the Executive Team and Board steering groups. South Staffs have also hosted six forums for developers, self-lay providers and NAVs (new appointments and variations) during the year covering a range of topics, including: • developer charges; • D-MeX (the developer measure of experience) activities; • self-lay adoption codes; • water efficiency initiatives; • market growth; and • regulatory changes for the five years from 2025 to 2030; and • have gained useful feedback and insight from these forums, which will be taken forward to improve the services provided to developer services customers. In the non-household retail market space, South Staffs Water has used its universal communications strategy to engage and support retailers. In addition, regular meetings have been held with MOSL (non-household retail market operator) and CCW (consumer watchdog). Quarterly review meetings have been held with retailers, covering performance metrics, engagement plans and R-MeX (retailer measure of experience). Within this engagement, South Staffs Water has offered a service called 'wholesaler on wheels', whereby members of its Retail team visited retailers (or retailers were invited to visit South Staffs Water) for high-level meetings where participants have learned more about each other. We also offered 'A day in the life of...' sessions to all retail stakeholders as a way of sharing knowledge and information, and to showcase the work we do in the field. The engagement of the Independent Customer Panel has been sought regularly to share information and seek their input on the quality of South Staffs Water's customer engagement and customer-facing corporate documents. Echo • Active relationship management, regular communication and understanding how Echo can best support its water sector clients forms part of Echo's approach to service delivery and engagement. This is reflected by Echo's excellent reputation and proven record as a services partner. • Following last year's implementation of a vulnerable customer framework to manage how the customers of water companies are engaged with across the business. This has been expanded to cover transient vulnerabilities, with focus on short term financial support which will be of increasing importance as multiple households face serious cost of living increases and financial challenges.
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Governance

	- Engaging with clients to develop the services Echo deliver and the roadmap for its product so that Echo can continue to improve its delivery to clients, for their end customers. Clients' input from AUS and UK has been key for Echo's product roadmap development and is embedded in the framework for ongoing development. - Achieving Contact Centre of the Year and best Employee Development Programme at the Centre Network Northern Ireland (CCNNI) annual awards. Echo was also recognised by the annual UK National Contact Centre Awards for its outsource relationship and the successful relationship fostered between Echo Managed Services and Northern Ireland Water and the way they work together to deliver what matters for its customers. - Supporting its client SSW in managing the sensitive situation of the cyber event that impacted their customers. SSI Services - Working together to support delivery of client / customer targets and objectives. For example, working with clients to ensure groundwater gets to where it needs to, efficiently and sustainably. - Actively encouraging client / customer feedback and engagement with the business. - Client / customer recognition of engagement, standard of service and results delivered.
Key stakeholder group	How we have engaged with these stakeholders
Community	The Group's divisions have actively supported local communities during the year. South Staffs Water - South Staffs Water's focus during the year has been on continuing to build on its network of community relationships and partnerships with organisations like The Fuel Bank Foundation and Citizens' Advice to help support some of its traditionally hard-to-reach customers in structurally disadvantaged areas across the Cambridge and South Staffs regions. - South Staffs Water continued its mobile 'water on wheels' initiative in the Cambridge region and successful, award-winning community hub in the South Staffs region. Both enable face-to-face engagement with customers who, for whatever reason, prefer that approach to digital self-service. - South Staffs Water continued to take a 'one stop shop' approach to networking which enables customers who may be in vulnerable circumstances to be directed to a range of other sources of help and support. Most of South Staffs Water's engagement with environmental NGOs during the year has been through the water resources management planning process, particularly in the Cambridge region. This includes hosting webinars and Q&A sessions with representatives from: - the Cam Valley Forum;

Governance

- Hobsons Conduit Trust;
- Friends of Cherry Hinton Brook;
- the Federation of Cambridge Residents' Associations (FeCRA);
- and Green Party councillors across the region.

South Staffs Water has also engaged with the Environment Agency, National Resources Wales, Natural England, and other local environment groups while developing its Water Industry National Environment Programme (WINEP) for 2025 to 2030.

Feedback on the Cambridge and South Staffs water resources management plans was received from the National Trust and Historic England. South Staffs Water has committed to continue engaging with both organisations in the year ahead.

Echo

- In India, Echo Managed Services continued its longstanding support of, and involvement with, the Mala Simriti orphanage.
- The Echo teams across all locations are always keen to take part in events to raise awareness or support charities and good causes. During 23-24 Echo championed Diwali celebrations in India, Thanksgiving in the USA, being a 'Great Place to Work' in India, Time to Talk Day for mental health awareness, Neurodiversity Week, Women's Health Awareness month, Learning and Work week and Pride month. Away from externally recognised events, the teams often set up their own local events or activities to support projects closer to home including local job fairs.

SSI Services

- Businesses across SSI Services are encouraged to support:
 - local charities, groups and initiatives making a positive impact on their local communities; and
 - client / customer schemes that add value in local communities and the community groups, organisations and initiatives therein.
- Throughout the year, employees have been involved in multiple fundraising and other activities to support good causes and their aims. These include:
 - remembrance walk to raise money for a local hospice;
 - supporting a client's Christmas gift initiative;
 - raffles and bake sales to raise money for local charities;
 - taking part in 'Run Rome the Marathon' to raise money for WaterAid;
 - completing 72 holes of golf to raise money for the Mr Motivator charity, providing beds for children who don't have them; and
- Businesses within SSI Services look to give back to their communities when they can and, where possible, combine this with supporting improvements to the environment. For example:
 - undertaking acts of kindness for local communities in areas where businesses are working – one example in the year being vegetation clearance at a local cemetery and rebuilding fences to create a clearer path through.
- Being able to engage directly with potential future employees and increase awareness of the career and development opportunities offered at all levels by SSI Services is important. Attendance at job fairs in Scotland

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	and across England has enabled face-to-face interaction, raising the profile of SSI Services as an employer within local areas and communities. Infrastructure Gateway Limited • has recognised colleague long service; and • taken part in charity fundraising activities including National Doughnut Week, a charity golf day and 'Pizza for Pride' day to raise money for Switchboard, an LGBTQ+ community. Office Watercoolers Limited • supports a charity through its trade association membership called 'Just A Drop' (JustADrop.org) which brings sustainable safe water, sanitation and hygiene projects to communities around the world which transform lives; • recycles tons of cardboard annually; and • supports a local junior football team.
Employees	The Group continued to engage with its employees throughout the year, using a range of tools in support of this and the sharing of information. Regular updates take place for employees across the Group using numerous channels, including workshops, Executive roadshows, updates, monthly Conduit e-newsletter, team meetings, Workplace and MiHub. Our people are key and should feel valued, engaged and motivated if they are to deliver and contribute to the success of Group businesses. South Staffs Water • South Staffs Water have used a wide range of tools and approaches to engage with its people during the year, including: • regular senior leadership forums; • twice-yearly Executive team updates across key sites in both Cambridge and South Staffs regions; • regular directorate and team meetings and away days; • News Splash, a monthly e-newsletter, featuring content from across the business; • a regular blog from Andy Willicott, our Managing Director; • WhatsApp groups for field-based teams; • Talent Pipeline, which showcases new employees and people who have moved within the business; • Yammer, to share information about activities, teams and groups across the business; • 'Wellbeing Wednesdays', with tips and advice to support the mental health of all our people; and • 'lunch and learn' sessions as part of the PR24 price review process. South Staffs Water also relaunched its People Forum during the year, which provides support and representation for all our people. As well as participating in pay negotiations with unions and the Executive team, the People Forum also reviews company-wide people-related policies and organises social events throughout the year.

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	We shared the results of the Groupwide employee engagement survey with Board members and worked through the challenges to improve completion rates and scores. The Board meets regularly with the Executive team and some of our Independent Non-executive Directors attended Executive roadshows that were held during the year. They also joined colleagues from our Environment team on walk overs at some of the chalk streams in our Cambridge region to understand more about the work we are doing to protect these rare habitats. Echo Recognising, celebrating, and sharing the achievements and successes of our people, with our people. From employee feedback we acknowledge that recognition is important and through our "Pinned for Success" scheme, peers are encouraged to recognise each other, celebrating their achievements. • We understand that times are challenging, and we showcased the benefits available to our team to support them during the rise in the cost of living, this included lunch and learn sessions and recorded sessions on how to use our benefits platform. • Actively listening to our employees is hugely important. In all our locations we have a very active Employee Voice Forum who meet with senior managers regularly sharing feedback and suggestions for improvement. We encourage participation in our annual engagement survey, creating action plans based on focus group feedback to continue to make Echo a great place to work. We also hold SMTea breaks to provide our teams with direct access to the Leadership Team in Echo. • Every year we follow a wellbeing calendar of events which includes physical, mental and charity days. We encourage all our locations to actively participate, bringing everyone together. • There are lots of opportunities to grow, with many new and exciting projects creating new roles, encouraging learning new skills. In Northern Ireland we are particularly proud on the number of internal promotions there have been. Our people are clear on the opportunities available to them and are supported with our career pathways, highlighting where their next step may be. • We support our teams through development programmes, including running a leadership development programme (ACE) to all our existing front-line leaders to advance their capabilities around our Leadership Behaviours Framework. • Our people focus is evidenced by our reaccreditation of Silver Award from Investors in People.
Key stakeholder group	How we have engaged with these stakeholders

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Employees (continued)	SSI Services • People are key to the success of SSI Services. It is important that they feel valued, engaged, and motivated. Examples of the way that this has been supported during the year include: • introducing a "Safety First" approach to support employee empowerment and embed the right safety culture; • publishing various articles to promote female engineers, introduce some of the females working in engineering within SSI Services and support International Women's Day; • providing specialist training and refreshers, e.g., safe working at height; • celebrating our people who have been a valuable part of businesses for many years e.g., long service awards and recognition; • recognising employees who step-in to help others e.g., employees administering CPR to a member of the public until an ambulance arrived; and, • continuing to deliver apprenticeship programmes.
Regulators/ government	The regulators and government stakeholder groups are key to the South Staffs Water business. Failure to comply with applicable legal and regulatory requirements could result in potential enforcement action, financial penalties and reputational damage. The remainder of the Group businesses are not party to direct relationships with these stakeholder groups although compliance with applicable legislation is of fundamental importance. • For South Staffs Water, engagement during the year was primarily through regulatory submissions, meetings and membership of relevant groups and organisations, including: • Water UK's Regulatory and Strategy Committee, which is attended by Strategy and Regulation Directors and discusses future regulation policy; • Ofwat's regulatory working groups (such as the cost assessment working group) to help shape future decisions; • regional water resources planning groups (WRE and WRW); and • other regulatory and environmental technical and advisory groups. During the year South Staffs Water continued with its business as usual engagement with local and national elected officials. Alongside this, South Staffs Water also carried out an intensive programme of engagement with MPs across its Cambridge and South Staffs regions following the cyber-attack on the Company in July. This included holding meetings with several MPs across both regions and preparing briefings ahead of an Adjournment Debate in the House of Commons. As part of the PR24 price review process, South Staffs Water set up a Stakeholder Challenge Panel. This is an independent and impartial panel of stakeholders and experts. As its name suggests, its role is to challenge the outcomes South Staffs Water will develop to reflect customers' and stakeholders' views and priorities as part of its business planning.

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Shareholders	Our shareholders want to be assured that the Group businesses are run efficiently, and that Directors engage proactively with them on strategic decisions. Failure to engage with this stakeholder group would impact effective delivery of Group strategy. - Engagement with shareholders takes place through monthly management and board meetings. Regular dialogue also takes place with shareholders through a variety of other mechanisms such as briefings, calls and informal meetings. The Group Chief Executive and Group Chief Finance Officer also have regular dialogue with shareholders on key issues, which affect the business as and when those issues arise. Shareholders are engaged in discussions on the matters referred to below. - financial performance; - risk review; and - long term viability and financial resilience.
Suppliers / partners	Group businesses within each division, work with a range of suppliers and partners across different disciplines and sectors. Each division has its own relationships with suppliers and partners who support their individual businesses. - Engagement with our supply chain and other partners during the year has focused on the following areas: - Contract performance management, with reference to a supplier providing building maintenance services to the business. Following a review of the services provided and the supplier's failure to deliver to an agreed action plan, our Procurement team removed it from our approved supply chain list. - We have worked with our supplier partners to implement a new street works application to help the planning teams in our Cambridge and South Staffs regions raise permits with local authorities. - We revised our modern day slavery checklist and shared this with our supply chain. - We have aligned our fuel cards across the whole group, resulting in commercial benefits for us.
Key stakeholder group	How we have engaged with these stakeholders
Suppliers / partners (continued)	Echo - Supplier engagement forms part of Echo's quality management system. - Supplier reviews have increased following the COVID19 Pandemic. - Building our partner network in the US as we expand our software offering to this new market. SSI Services - SSI engages with suppliers primarily through meetings and has in place a sustainable procurement policy.

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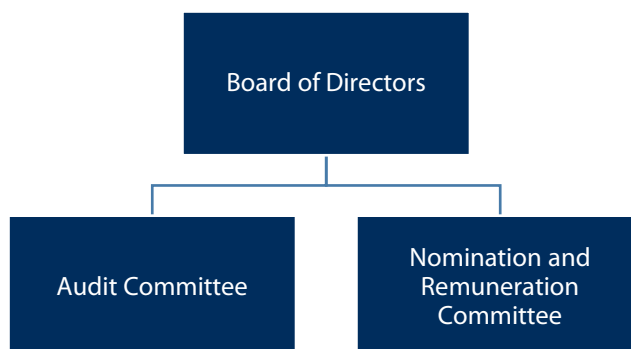
This statement was approved by written resolution of the Board of Directors on 31 January 2025 and duly signed on its behalf.

A handwritten signature in black ink, appearing to read 'R O'Malley'.

R O'Malley
Group Chief Finance Officer

Governance

Board of Directors



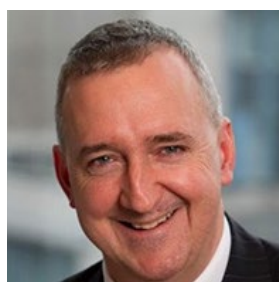
The Board comprises the Independent Chair, the Group Chief Executive, the Group Chief Finance Officer and two Non-executive Directors. Details of the terms of reference of all the committees, their membership and activities during the year are reported on pages 148-153.

Steve Johnson – Independent Non- Executive Chairman



Appointed as Independent Non-Executive Chairman in July 2018.. Steve has over 35 years' experience in the energy and utility sectors and was CEO of Electricity North West for eight years. Steve's dedication to the industry was recognised in June 2016 through the award of an MBE for services to energy networks. Prior to this, he was Managing Director of Morrison Utility Services, which followed 17 years at United Utilities. Steve has also held positions as Non-executive Director of South West Water and Chairman of Energy Networks Association from 2011 to 2014.

Peter Antolik – Non-Executive Director & Arjun Infrastructure Partners Representative



Peter was appointed as a Non-executive Director and Arjun Infrastructure Partners Representative on 25 October 2018. He is a Partner of Arjun Infrastructure Partners and his background covers regulated companies, transport regulation, and the management of infrastructure funds and investments.

Peter joined Arjun Infrastructure Partners from the Office of Rail and Road, where he led the Highways Directorate. He was previously an Executive Director at JP Morgan Asset Management, and Strategy and Regulation Director at Thames Water.

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Keith Harris – Non-executive Director and Arjun Infrastructure Partners Representative. Chair of the Audit & Risk Committee



Appointed as an Independent Non-executive Director and Arjun Infrastructure Partners Representative on 20 October 2020. Keith is the owner of the advisory business Lorraine House and spent 20 years at Wessex Water, including a period of time at ENRON/AZURIX, where he was global Head of Regulation. At Wessex Water he held various senior executive and Board positions, including CFO and deputy CEO, and brings strong financial and regulatory experience to the Board.

External appointments: Independent Non-executive Director of Ervia, the parent company of Irish Water; Gas Networks Ireland and Aurora Telecom industry Partner with Arjun Infrastructure Partners; Associate with OXERA.

Misha Nahorny – Non-executive Director and Arjun Infrastructure Partners Representative.



Misha is a Managing Director at Arjun and is responsible for originating and executing investments across Europe. He brings over 20 years' experience in the energy and infrastructure investment industry. Misha was previously leading the European infrastructure investment team at John Laing.

Misha's sector experience spans all sectors of infrastructure, including energy, utilities, renewables, circular economy, transport, industrial parks as well as digital and social infrastructure.

Charley Maher – Group Chief Executive Officer



Charley Maher was appointed Group Chief Executive on 18 September 2023 and was formally appointed as a director on 2 September 2023. Charley previously held senior leadership roles in financial services and utilities. Prior to joining, Charley worked for YTL UK, as Chief Commercial Officer of Wessex Water Group, and Managing Director at pelican Business Services and water2business. Earlier in her career she was with NatWest and the RBS Group.

Rob O'Malley – Group Chief Finance Officer



Appointed Chief Finance Officer of South Staffordshire Plc in March 2020, Rob was appointed to the Board on 29 April 2020. Rob had previously held senior finance roles in energy networks and utilities. He is responsible for the Group's Financial reporting and broader financial arrangements together with leading Group Finance team. Prior to joining, Rob was formerly Director of Treasury at Cadent Gas and Head of Corporate Finance at Electricity North West. Earlier in his career he was with United Utilities and NatWest.

Governance

The following were members of the Board during the reporting year, but resigned before 31 March 2024

Phil Newland appointed Group Chief Executive on 29 April 2020 and resigned from the Board on 28 April 2023

Executive Team

The details of the Executive team appointed as at the date of this report are as follows:

Charley Maher – Group Chief Executive Officer



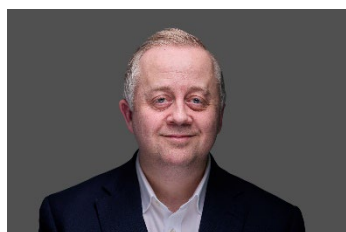
Charley Maher was appointed Group Chief Executive on 18 September 2023. Charley previously held senior leadership roles in financial services and utilities. Prior to joining, Charley worked for YTL UK, as Chief Commercial Officer of Wessex Water Group, and Managing Director at pelican Business Services and water2business. Earlier in her career she was with NatWest and the RBS Group. Since the departure of Andy Willicott, as Managing Director of South Staffs Water in December 2024 Charley has been also acting as interim MD for that subsidiary pending the appointment of a new MD.

Rob O'Malley – Group Chief Finance Officer



Appointed Chief Finance Officer of South Staffordshire Plc in March 2020, Rob was appointed to the Board on 29 April 2020. Rob had previously held senior finance roles in energy networks and utilities. He is responsible for the Group's Financial reporting and broader financial arrangements together with leading Group Finance. Prior to joining, Rob was formerly Director of Treasury at Cadent Gas and Head of Corporate Finance at Electricity North West. Earlier in his career he was with United Utilities and NatWest.

Barry Hayward – Group Chief Commercial Officer



Appointed CCO of South Staffordshire Plc in January 2024 having previously held senior leadership roles in the utilities sector. Prior to joining, Barry worked for Wessex Water Enterprises, as Managing Director of GENeco, Nest Homes, Wessex Searches and Swiss Combi Technology. Prior to this, he held a range of senior roles including operational leadership positions at Wessex Water and Managing Director roles at water 2 business, Flipper and Albion Water.

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Sara McCann – Group HR Director



Appointed as Group HR Director in May 2024, having joined the business in September 2023 as Head of People for South Staffordshire Water. With over 20 years' experience in human resources, Sara has operated in senior HR leadership positions with both Global and European remits. She has a breadth of knowledge and skills across different disciplines including operational HR, employee relations, transformation projects, talent management and learning and development. Sara is a Chartered Member of the Chartered Institute of Personnel and Development (CIPD) and holds certifications in Six Sigma Green Belt and Health and Safety IOSH.

Hayley Monks – Managing Director of Echo



Hayley was appointed Managing Director of Echo Managed Services in December 2024. Hayley joins us from WNS Global Services, a leader in business process outsourcing across multiple sectors, including utilities. In addition, as a co-founder of the Womens Utilities Network (WUN) and a former consultancy business owner, as well as previously leading billing and collections at British Gas, she brings with her a wealth of experience to lead Echo into its next phase of growth.

Joel Stevens – Managing Director of OnSite, IWS M&E and G Stow Plc



Joel was appointed as Managing Director in November 2024, having previously been at utilities and low carbon infrastructure management business MUJV. Joel brings extensive experience in operations, commercial strategy, and business development which will be instrumental in driving OnSite's continued success and expansion.

Neil Shailer – Managing Director of Omega Red and IWS Water Hygiene



Appointed Managing Director for SSI Services' Compliance Business and as Managing Director of IWS Water Hygiene in April 2020, having previously been Managing Director for Omega Red Group since 2015. Prior to joining the Group, Neil held the positions of UK Operations Director for Bilfinger Industrial Services and Managing Director for AIM listed Alkane Energy, having spent his early career at Siemens.

Governance

Andrew Lobley – Managing Director of Advanced Engineering Solutions and Hydrosave



Andrew has been with the Group for the last 10 years, most recently on secondment as Interim MD of OnSite and, prior to this, as Operations Director for Cambridge Water and South Staffs Water. With his career experience to date, together with his PhD in Civil Engineering focused on asset risk management, Andrew is well placed to drive the strategy and growth of the division forward.

Steven Draper – Managing Director of Infrastructure Gateway



Appointed as Managing Director of Infrastructure Gateway in May 2018. Steven has worked in the engineering and utilities sector for over 20 years starting in the water and wastewater arena before joining Infrastructure Gateway in 2008 where he has worked with the team and been integral in the significant growth the business has seen, before becoming a member of the group in January 2023.

The following were members of the Executive Team during the reporting year, but have subsequently resigned:

Simon Dray was appointed Managing Director of several of the Water and Gas businesses in SSI Services in 2019 and resigned on 19 June 2024

Anna Fell was appointed as HR Director in June 2021 and resigned on 30 April 2024.

Andrew Willicott was appointed Managing Director of South Staffs Water in 2020 and resigned on 6 December 2024.

Monica Mackintosh was appointed as Managing Director of Echo Managed Services in 2018 and resigned on 30 September 2024.

Governance

Directors' Report

The Directors are pleased to present their annual report, together with the audited Group financial statements, for the year ended 31 March 2024.

Directors

The Directors who held office during the year and subsequently, together with the number of Board meetings attended by each director holding office during the year are set out in the table below.

	Director type	Appointed	Date resigned	Meetings attended ¹
Steve Johnson	Independent Non-Executive Chairman	3 July 2018		10/10
Peter Antolik	Non-Executive Director & Arjun Investment Partners Representative	3 July 2018		10/10
Charley Maher	Group Chief Executive	29 September 2023		6/6
Rob O'Malley	Group Chief Finance Officer	29 April 2020		10/10
Keith Harris	Non-Executive Director & Arjun Investment Partners Representative	30 October 2020		10/10
Misha Nahorny	Non-Executive Director & Arjun Investment Partners Representative	27 November 2024		0/0

No Director had any material interest in any contract of significance with the Company or Group during the year under review.

Governance

Retirement and re-election of directors

In accordance with the Companies Act 2006 and the Articles of Association one director was appointed during the year and two directors were eligible to retire by rotation and were required to offer themselves for re-election at the Annual General Meeting.

Business review

The strategic report provides detailed information relating to the Group, its strategy and the operations of its businesses, future developments and the Group's financial results and position for the year ended 31 March 2024.

From time to time the Group takes legal action and engages legal advisors to protect its interests.

The Group has defended itself against one such case and has previously raised a provision for potential costs associated with this case. Following the year end, the Group concluded this case with no further action and no evidence against the Group was offered by the prosecution in these proceedings. As such, the Group will release the provision previously held. No adjustment has been made in these financial statements on the basis the provision held was not material.

The Group is currently under investigation that could lead to further action. The Directors regard the risk of a resulting liability as possible and no related provision is required. It is not possible to reliably estimate the value or timing of any possible related future payment, should this occur.

Details of the principal risks and uncertainties facing the Group are set out in the strategic report.

Financial results

The Group's turnover was £385.0m (2023: £353.5m), with operating profit of £27.6m (2023: £19.0m) and loss before tax of £10.8m (2023: £23.1m loss). The Group's financial results and position are explained in more detail in the financial review section of the Strategic Report and shown in the consolidated profit and loss account, consolidated balance sheet and consolidated cash flow statement.

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Environment, Social and Governance

The Group regards compliance with relevant environmental laws, the adoption of responsible social and ethical standards and the health, safety, well-being, fair treatment and development of its people, including disabled persons, and those who become disabled while in the Group's employment, as an integral part of and fundamental to its businesses.

The Group places considerable value on the engagement of its people and continues to keep them informed on matters affecting them as employees and various factors affecting the Group's performance. This is achieved through formal and informal meetings and workplace internal communications.

The Group has a clear governance and oversight structure in place to ensure our aspirations are achieved. This has a Management Group, comprised of the Group's Executive Committee members and essential support service leads, and a Working Group of senior leaders and operators from across the businesses. There is a recent commitment to have a plan to achieve Net Zero by no later than 2050 plan in place for all group companies by the middle of 2050.

Further information about the Group's environment, social and governance activities is set out in the strategic report.

Energy use and carbon emissions

Further to the Group's current aspiration of Net Zero no later than 2025, the UK water sector has made a commitment to achieve net zero carbon emissions by 2030. This goal forms part of Water UK's Public Interest Commitment, which sets out five stretching social and environmental ambitions that each of the water companies is contributing towards.

The Company is required to publish the following information about its carbon emissions.

Methodology

These figures have been prepared broadly in compliance with the principles of the Greenhouse Gas Protocol (GHGP), which was developed by the World Resources Institute and the World Business Council for Sustainable Development. They have been collated and summarised through the use of the UKWIR Carbon Accounting Workbook, which was developed to be used as a standard process for carbon accounting within the UK water sector and audited by an external auditor appointed by Ofwat. The company has also used UK Carbon Factors for Greenhouse Gas Emissions produced by the Department for Business, Energy and Industrial Strategy (BEIS).

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Scope 1 energy use and emissions

Scope 1 energy use and emissions are directly associated with the company's operations. This includes the use of natural gas and fuel oils to operate its site generator plant and fuel for transportation on direct company business, such as transportation to its sites. The Group's Scope 1 energy use and carbon dioxide emissions for the year were as follows.

Fuel	2023/24		2022/23	
	kWh	Tonnes CO2	kWh	Tonnes CO2
Natural gas	106,614,560	19,503	97,586,394	17,917
Diesel BS EN 590	40,559,879	10,224	38,764,506	9,182
Gasoil (Class A2)	-	-	3,717,655	955
White diesel (generators)	752,734	201	1,279,515	327
Kerosene	179,955	47	316,730	78
Hydrogenated vegetable oil (HVO)	-	-	405,659	4
Unleaded 95	3,738,956	875	2,838,363	652
Total	151,846,084	30,850	144,908,822	29,115

Scope 2 energy use and emissions

Scope 2 emissions are those associated with the Group's direct consumption of grid electricity for pumping and water treatment in addition to relatively small amounts used to operate its buildings.

The Group does not presently accurately capture Scope 3 emissions but is working to develop methodologies to discuss with its supply chain and other stakeholders.

Governance

Total emissions

Scope 1 and 2 emissions are those directly associated with our business operations.

We have summarised them below, using both location-based and market-based factors for electricity.

The emissions by South Staffordshire Water Plc (SSW), created through the treatment and distribution of drinking water, are the largest proportion of the overall consolidated group's totals. In 22/23 and 23/24 SSW has procured almost 100% electricity from certified clean renewable energy sources. The Directors of the Company have therefore determined that the most representative measure for the consolidated group relating to the activity of the business is that of emissions per megalitre (ML) of treated water supplied in the reporting period as used in the annual report of SSW.

	Location-based electricity factor			Market-based electricity factor		
	2023/24	2022/23	2021/22	2023/24	2022/23	2021/22
Emissions (tonnes CO ₂ e)	44,422	43,348	43,845	24,889	23,068	21,086
Emissions (kg CO ₂ e per ML of treated water)	272	255	265	154	132	128

Efficiency measures

During the reporting year, the group has continued to invest in the efficiency of its network through ongoing pump efficiency and leak reduction programmes, by improving water production efficiency and by reducing our demand for energy, respectively. Following on from SSW's major overhaul of its gas engine at Hampton Loade in the previous reporting year, work is underway to explore alternative power sources for Hampton Loade itself. Finding cleaner power sources is vital to follow their newly formed net zero roadmap and achieve their net zero ambition of 2030. This is not an easy task so new and upcoming technologies are being explored in the form of hydrogen and organic waste to renewable natural gas options. We are still in the earlier stages of analysing viability with implementation, if possible, not happening for a few years.

Elsewhere in the group, OnSite Central Ltd. has now completely converted its LCV fleet to modern low emission Euro 6 engines with start/stop & emergency stop features ensuring cleaner burning engines and compliance with UK low emissions zones. All operational vehicles from June 2022 are being fitted with a new telematic system. The additional Lightfoot system connects to the vehicle's ECU to monitor driver behaviour to target fuel use, driver safety and downtime reduction. It provides active real-time driver feedback to assist in modifying behaviours which may lead to unsafe or inefficient operation. The successful trial in OnSite Central Ltd has led to the a review for usability elsewhere in the group of companies.

A number of the Non-Regulated Companies hold International Standards Organisation (ISO) accreditations for environmental reporting and continued a number of initiatives during the year.

For example, in Northern Ireland, Echo holds the ISO 45001 (Health & Safety) and ISO 14001 (Environmental Management Systems). The Belfast office has a number of initiatives to reduce carbon dioxide emissions including green stationary products purchased and minimising paper and electricity usage. Staff are also encouraged to reduce waste to landfill. Under the health and safety standard, staff have objectives around risks and hazards in the office and in the field. There are a number of trained mental health first aiders.

Across the Group, IWS Water Hygiene Division also has ISO 14001 (environmental management system) with its most recent recertification audit being 2020, adding in 2022 the Achilles Carbon Reduce Certification assessed to ISO 140640-1. OnSite Central Ltd. also possesses this as well.

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Hydrosave (UK) Limited, OnSite Central Ltd, the IWS Mechanical & Electrical Division and Advanced Engineering Services Ltd have ISO 14001 accreditation too.

Acquisitions

There were no acquisitions during the year.

Corporate governance

A detailed corporate governance report follows. The Group's shareholders and structure is also shown.

Risk management

Details of the Group's policy in respect of financial and treasury risk are provided in note 27 to the financial statements.

The Group's activities in respect its management and focus on business risks are set out in the strategic report and the governance report.

Capital investment

Capital expenditure, on tangible and intangible assets, before contributions from third parties and excluding infrastructure renewals during the year amounted to £77.1m (2023: £91.3m).

Equality, diversity and inclusion

The group considers that all people should have equal chances and opportunities. The group is an equal opportunity employer. This means that its policy is to ensure that no unlawful discrimination occurs, either directly or indirectly, against any employee on the grounds of:

- age;
- gender;
- gender reassignment;
- colour;
- sexual orientation;
- disability;
- marital status;
- race;
- religious beliefs; and
- ethnic or national origin.

The group is committed to creating and maintaining a diverse and inclusive work place. It considers that a diverse and inclusive environment enhances its ability to attract and retain talented employees, leads to more creative and innovative thinking, and results in better services for its customers.

Through its equal opportunity, diversity, and inclusion policy, the group aims to:

- work to eliminate unlawful discrimination and harassment against individuals;
- make a commitment to treat employees with dignity and respect;
- promote equality and opportunity;
- promote positive attitudes and good relations with people;
- encourage participation by all;

Governance

- take steps to account for disabilities;
- promote different minority groups;
- support equal opportunities in employment and recruitment;
- provide and maintain adequate arrangements to enable employees to raise issues; and
- provide employees with equality and opportunities training as part of the induction process.

The group takes steps to ensure its recruitment and hiring practices are inclusive and fair. This includes actively seeking out and recruiting candidates from diverse backgrounds, and making sure its recruitment and hiring practices do not discriminate against any group of individuals.

The group also takes steps to ensure the work place is accessible to people with disabilities and has a duty to make reasonable adjustments to facilitate the employment of people with disabilities. Such reasonable adjustments may include:

- adjusting premises;
- re-allocating some or all of a disabled employee's duties;
- transferring a disabled employee to a more suitable office;
- giving a disabled employee time off work for medical treatment or rehabilitation;
- providing training or mentoring for a disabled employee;
- supplying or modifying equipment, instruction, and training manuals for disabled employees; or
- any other adjustments the company considers reasonable and necessary, provided such adjustments are within the financial means of the company.

If an employee has a disability and considers any such adjustments could be made by the group, they should contact the Managing Director or Office Manager.

All employees are encouraged to participate in the group's efforts to create a diverse and inclusive work place. If there are any concerns about discrimination or harassment, these can be brought to the attention of the Managing Director or Office Manager.

The group is committed to nurturing a culture of diversity and inclusion, and is working to create an environment where all employees feel valued and respected. It will review the policy on an ongoing basis to ensure it continues to meet its commitment to diversity and inclusion.

Payment of suppliers and commercial arrangements

The Group's policy is to pay suppliers in line with the terms of payment agreed with each of them when contracting for their products or services. Group trade creditors at 31 March 2024 represent 88 days of purchases during the year (2023: 79 days). The Group is not reliant on any single commercial arrangement.

Political donations

During the year we made £nil (2023: £nil) donations to political parties during the year.

Indemnity insurance

The Directors have the benefit of a directors' and officers' liability insurance policy purchased for all the South Staffordshire Plc group of companies.

Governance

Dividends

During the current year, a review of historic distributable reserves was performed. This identified unlawful distributions paid and received which are further described below.

Dividends received

The Company has historically received dividends from subsidiaries in the years ended 31 March 2018, 31 March 2019 and 31 March 2022 totalling £2,456,000 which have been identified as unlawful. In order to remediate this matter, on 16 May 2024, the Directors of both the Company and the relevant subsidiaries have passed a resolution to treat the unlawful dividends as intercompany receivables / intercompany liabilities. As a result, at the balance sheet date the Company has an intercompany payable for amounts owed to other group undertakings of £2,456,000. These intercompany liabilities totalling £2,456,000 were subsequently settled on 19 June 2024 in full.

Dividends paid - March 2022

South Staffordshire Plc paid dividends to its parent Company Aquainvest Acquisitions Limited during 31 March 2022 totalling £24,658,000. Interim dividends of £8,969,000 were paid in September 2021 and further dividends of £15,689,000 were paid in March 2022.

Of the March 2022 dividend paid, £1,441,000 has been identified as being unlawful as South Staffordshire Plc had insufficient distributable reserves at the time to make the distribution as a result of the cumulative reduction to distributable reserves from the unlawful dividends received noted above. Given the value of the error, and subsequent remediation action taken (see below), the Directors have determined this is not material to the financial statements and no prior year adjustment has been made.

In order to remediate this matter, on 24 January 2025, the Directors of both the Company and Aquainvest Acquisitions Limited have passed a resolution to treat the unlawful element of the dividend as an intercompany receivable / intercompany liability. As a result, at the balance sheet date the Company has an intercompany receivable for amounts due from Aquainvest Acquisitions Limited totalling £1,441,000. The intercompany receivable due from Aquainvest Acquisitions Limited of £1,441,000 has subsequently been settled on 27 January 2025 in full.

Dividends paid - May 2023

On 3 May 2023 the Company declared and paid a distribution to its parent undertaking Aquainvest Acquisitions Limited which was subsequently found to be unlawful as South Staffordshire plc had insufficient distributable reserves to make the distribution as a result of the above matters. The Directors of both the Company and Aquainvest Acquisitions Limited have passed a resolution to treat the dividend as an intercompany receivable / intercompany liability. As a result, at the balance sheet date the Company has an intercompany receivable for amounts due from Aquainvest Acquisitions Limited totalling £5,185,000 (in aggregate £6,626,000 when considering the March 2022 unlawful dividend of £1,441,000). This amount is interest free, repayable on demand and is included in Debtors – amounts falling due within one year.

The intercompany receivable due from Aquainvest Acquisitions Limited of £5,185,000 has subsequently been settled and paid on 27 January 2025.

Going concern

The Company's statement on going concern and the basis for the going concern assumption are set out in the Strategic Report on pages 108 to 110.

Governance

Post balance sheet events

A number of subsidiaries of the Company which were all non-trading and 100% owned by the Company as at 31 March 2024, were dissolved on 15 October 2024. Further details can be found in Note 30 to the financial statements.

After the year end the Group undertook a review of its distributable reserves position and identified a number of instances of unlawful dividends received and paid by South Staffordshire Plc.

The unlawful dividends paid in FY22 and FY24 have been treated as an adjusting post balance sheet event resulting in the recognition of a debtor of £6,626,000 included in "Amounts owed by parent undertakings" in "Debtors – amounts falling due within one year." The unlawful dividends received in FY18, FY19 and FY22 have also been treated as an adjusting post balance sheet event resulting in the recognition of a creditor of £2,456,000 included in "Amounts owed to other group undertakings" in "Creditors – amounts falling due within one year."

A legal process as described in the Director's report has been undertaken to remediate unlawful dividends on 24 and 27 January 2025. All amounts have now been settled in cash.

On 27 January 2025, The Group received a £19.8m cash injection from the ultimate controlling shareholder. An element of the cash has been used to settle intercompany balances, including those which have arisen as a result of recent unlawful dividends (see the Director's Report). The net equity investment into South Staffordshire Plc as a result of this cash injection was £11.5m.

Independent auditor

In accordance with the provisions of section 418 of the Companies Act 2006, the Directors confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. The Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Ernst & Young was first appointed as auditor to the Company in February 2023. A resolution proposing the reappointment of Ernst & Young LLP will be proposed at the Annual General Meeting.

Governance

Current Board of Directors and Advisors

Board of Directors

Steve Johnson - Chairman

Peter Antolik

Keith Harris

Misha Nahorny

Charley Maher (Group Chief Executive),

Rob O'Malley (Group Chief Finance Officer)

Secretary

Caroline Stretton

Registered Office

Green Lane, Walsall, West Midlands, WS2 7PD

Telephone: 01922 638282

Registered in England, Number 04295398

Auditor

Ernst & Young LLP, Statutory Auditor

1 More London Place, London, SE1 2AF

Governance

Corporate Governance Report

The Board of Directors has always placed good governance at the core of the Group and is aware of its obligations to ensure effective leadership and appropriate governance arrangements are in place.

The Board of Directors apply the principles of the Wate Principles to the Company. The Directors also consider the annual report and financial statements to comply with the Walker Guidelines for Disclosure and Transparency in Private Equity.

The Company also regularly monitors corporate governance and reporting best practice, as well as the applicability of any developments to it. Any changes to the Group's governance and reporting arrangements considered appropriate are implemented within agreed timescales.

Group Structure

The Company and its Board of Directors recognise the responsibilities that come from providing a public service. The Company is therefore fully committed to maintaining high standards of leadership, transparency, and governance as a parent of a regulated business. The Company maintains an open dialogue with all its subsidiaries and fully supports South Staffs Water in complying with its statutory and regulatory obligations and ensuring that it can make strategic and sustainable decisions that are in the long-term interests of the regulated business. This includes Condition P of South Staffs Water's licence and although some Directors sit on the Boards of both companies, South Staffs Water acts where applicable, with the support of the Group, as if it were a separate listed company. The Company provides management, professional and administrative support services to South Staffs Water and other subsidiaries at cost. There was no direct interaction between South Staffs Water and the ultimate controlling party, Arjun Infrastructure Partners Limited during the year.

The Board of Directors can confirm, on behalf of Arjun Infrastructure Partners Limited, that it, as the ultimate controlling party of the Group for the year ended 31 March 2024, also fully supports these principles of Board leadership, transparency, and governance.

There have been no material changes to corporate governance arrangements in the Group during the year. The Board confirms that, to the best of its knowledge, there are no issues or risks at the Group level which may negatively impact on the Group.

Details of the borrowings of the Group are provided in the financial review section of the Strategic Report, the financial statements, including the analysis of net debt and the notes to the consolidated cash flow statement and financial statements.

Details of how the Group preserves value over the long-term, business models and how these and the Group strategy are delivered are provided in the Strategic Report.

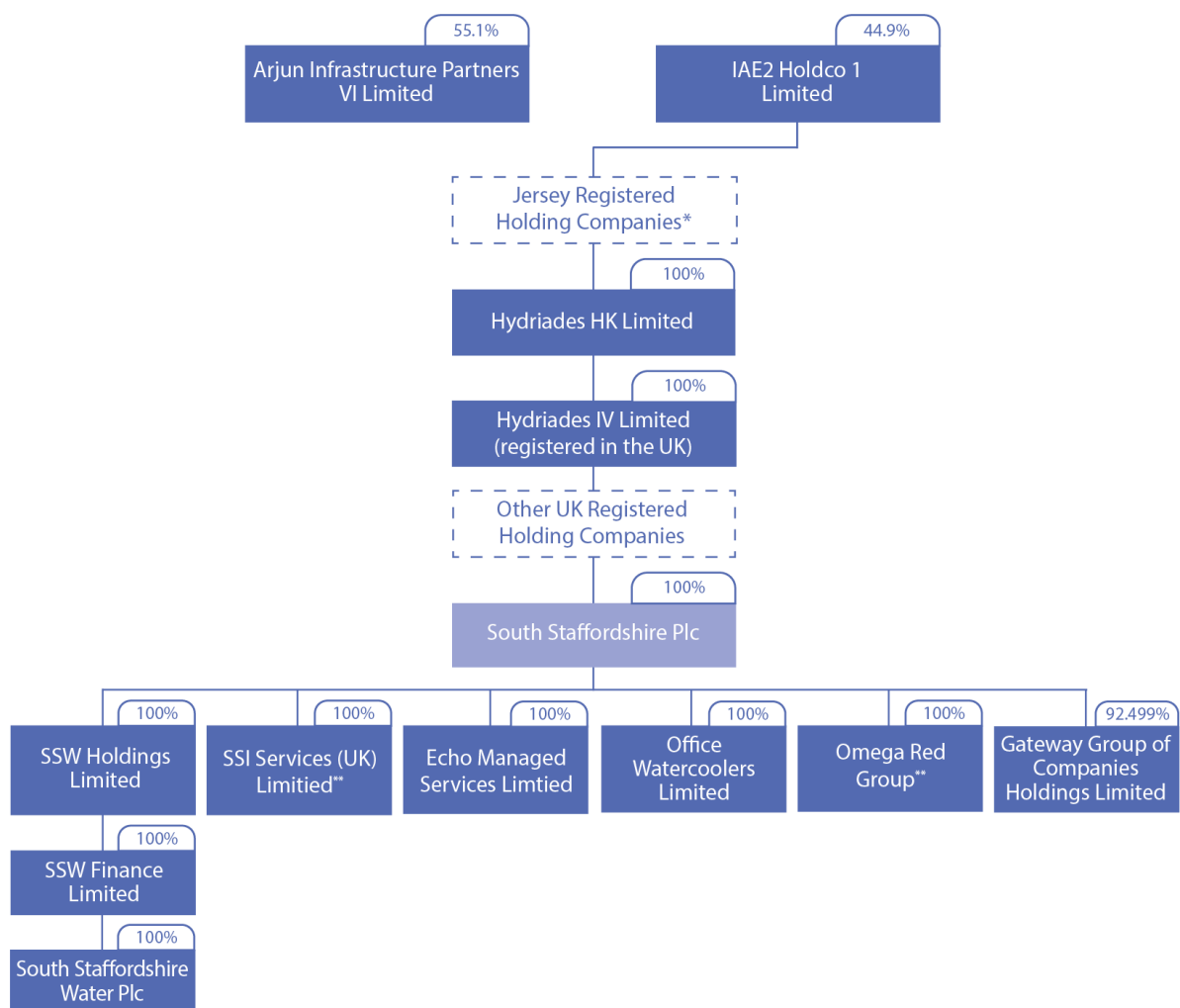
Details of the Group structure are set out below:

Governance

Our investors as at 31 March 2024

Funds advised by Arjun Infrastructure Partners Limited control 100% of the shares of the Hydiades IV Limited Group of companies and of South Staffordshire Plc.

Simplified Group structure as at 31 March 2024



* Jersey registered holding companies are UK resident for tax purposes.

** Omega Red Group is managed within the SSI Services division.

% represents economic equity interest held.

Governance

Relations with investors and the immediate holding companies

During the year, there were several UK registered intermediate holding companies above South Staffordshire Plc in the Group structure, headed by Hydrades IV Limited. There are intermediate holding companies above Hydrades IV Limited, which are registered in Jersey, but are registered in the UK for tax purposes and one intermediate holding company, which is registered in Hong Kong. There are several UK registered entities above the companies registered in Jersey and the ultimate controlling party is Arjun Infrastructure Partners Limited, a company registered in the UK.

Arjun Infrastructure Partners Limited, AIP Holdings Limited (the controlling shareholder of Arjun Infrastructure Partners Limited) have signed Condition P undertakings in accordance with South Staffs Water's Instrument of Appointment. The companies giving the Condition P undertakings agree to:

- provide South Staffs Water with all information needed to comply with its obligations; and to procure that their subsidiaries will;
- refrain from taking any action which might cause South Staffs Water to breach any of its obligations; and
- ensure that the Board of South Staffs Water contains no less than three Independent Non-executive Directors, or such higher number to ensure that the Independent Non- executive Directors are the largest single group on the Board, who are persons of standing with relevant experience.

There is regular dialogue between the Board and investors to ensure that their objectives and priorities are carefully considered. This dialogue is achieved through Board meetings, with investors having representation on the Board of Directors, through committee meetings and other less formal communications. Investors are also represented on three Board sub-committees.

The Board of Directors

The Directors are collectively responsible for the long-term success of the Company and the Group's businesses.

Directors may be appointed by the Company by Ordinary Resolution or by the Board. As set out in the Company's Articles of Association (Articles), a director appointed by the Board will hold office until the next AGM. At each AGM, one third of the Directors will retire by rotation and will submit themselves for re- election at least once every three years. Peter Antolik and Stephen Johnson retired by rotation and were re-elected, and Charley Maher was reappointed as a Director at the AGM.

All Directors are aware of the procedure for those wishing to seek independent legal and other professional advice. The Board also has access to the advice and services of the Company Secretary, who is also responsible for monitoring corporate governance matters. The Board is responsible for the appointment and removal of the Company Secretary.

Governance

Insurance and indemnities

The Company maintains Directors' and Officers' liability insurance in respect of legal action that might be brought against its Directors and Officers. As permitted by the Company's Articles of Association (Articles), and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers against certain liabilities that may be incurred as a result of their positions with the Group. The indemnity was in force throughout the tenure of each Director during the last financial year and is currently in force.

Board membership

A full list of Board members and the skills and experience of each Director are set out in the biographies in the previous section called Board of Directors.

Peter Antolik is also a Director of all of the UK, Jersey and Hong Kong holding companies above the Company in the Group structure as at 31 March 2024.

Phil Newland was appointed as Group Chief Executive, Executive Director of the Company, and a number of its subsidiary companies on 29 April 2020. Phil resigned from the Board on 28 April 2023.

Charley Maher joined as Group Chief Executive on the 18 September 2023 and formally joined the Board on the 29 September 2023.

On 29 April 2020, Rob O'Malley was appointed an Executive Director of the Company, a number of its subsidiary companies and all UK registered holding companies below Hydriades IV Limited. Following the Phil Newland's resignation, Rob was additionally appointed to several other group subsidiary companies.

Following the year-end, Misha Nahorny was appointed to the Board on 27 November 2024.

Caroline Stretton is the General Counsel & Company Secretary.

Functions of the Board

The Board's primary focus is to develop, implement and fulfil the strategy to deliver the service and performance to meet the needs of:

- customers and commercial partners;
- the ongoing needs of the business supporting future growth;
- equity investors and other providers of capital;
- employees;
- environment; and
- other stakeholders.

The Board sets standards of conduct to promote the Company's success, provide leadership, and review the Company and the Group's governance structure. It approves major financial and investment decisions over senior management thresholds and evaluates the performance of the individual businesses, as well as the Group as a whole, by monitoring reports received directly from the subsidiary businesses and those prepared at a Group level. The Non-executive Directors, led by the Chair, are responsible for overseeing this work, and scrutinising management performance. They constructively challenge and help develop proposals on strategy.

Governance

Overall, the Board is also responsible for the Group's systems of internal control, evaluating and managing significant risks to the Group as a whole. In accordance with the Company's Articles the Board delegates some of these responsibilities to and works in conjunction with the Audit Committee.

On joining the Board, Directors receive induction material, about the Group and each business, appropriate to their needs and responsibilities. This may include, but is not limited to:

- business models;
- strategic and financial plans;
- financing structure;
- operational activities;
- information on the regulatory and operating framework in which the Group operates; and
- information on the wider Group structure

The Directors and Executive team carry out site visits to maintain familiarity with the Group's operations and to refresh their skills and knowledge. The Directors also keeps up to date with legal and regulatory changes and developments by receiving written updates from both internal and external advisers and regulators.

The Directors are supported by an Executive team and by other senior managers who are responsible for assisting them in the development and achievement of the Group's strategy and reviewing the financial and operational performance of the Group, as well as its individual businesses. Along with the Directors, the Executive team is responsible for monitoring policies and procedures along with any other matters that are not reserved for the Board. There are procedures providing a framework of authorisation levels for key decision- making. Details of the Executive team's skills and experience are contained in their biographies in the previous section.

The Board is satisfied that its membership contains an appropriate balance of different skills and experience, as well as that each Director continues to contribute effectively, allocating appropriate time and commitment to their role. On a regular basis, the Board considers its own performance, the performance of the individual Directors and its Committees. The Board and its Committees consider potential conflicts at the start of every meeting.

Matters reserved for the Board

A schedule of matters specifically reserved for the Board's decision has been adopted. The matters include, but are not limited to:

- reviewing and approving capital and operating budgets;
- reviewing and approving the Group's strategy and performance;
- reviewing and approving material changes to the Group's capital structure and borrowings;
- reviewing and approving financial reports;
- reviewing and approving financial policies, including dividend policies and considering the likely impact on the Group's credit ratings and broader financial metrics;
- contracts that are material, either strategically or by reason of size, according to specified limits;
- appointment and removal of any director;
- prosecution, defence or settlement of litigation above £1m, or being otherwise material;
- material changes to the company's pension arrangements;
- ensuring maintenance of a sound system of internal control and risk management;
- considering the balance of interests between investors, employees, customers and the community;
- and
- powers to delegate authority.

Governance

The Directors maintain a flexible approach to Board matters, and may delegate power to a committee, with precise terms of reference for specified routine purposes. Both the terms of reference and composition of Committees are reviewed to ensure their ongoing effectiveness.

While South Staffs Water acts as though it were a separate public listed company, a limited number of matters in respect of this subsidiary company also need the approval of the Company Board. These include:

- material submissions to Ofwat, particularly in respect of price reviews and major structural reform;
- contracts that are material either strategically or by reason of size, according to specified limits;
- appointment and removal of any Director who is a shareholder representative;
- prosecution, defence or settlement of litigation above £1 million or being otherwise material; and
- material changes to pension arrangements, where operated on a Group basis.

Board meetings

The Board holds regular scheduled meetings throughout the year. During the year ended 31 March 2024, there were ten scheduled Board meetings.

All Board members are provided with sufficient information prior to board meetings to allow appropriate preparation and ensure that they can properly discharge their duties. Key information provided in these reports includes reports on operational performance, health and safety, financial performance, regulatory and corporate matters. The attendance by individual Directors at scheduled meetings of the Board during the year is shown in the table in the Director's report.

Organisational structure

A defined organisation structure exists for the Group with clear lines of responsibility, accountability, and appropriate division of duties.

The directors set overall strategy for the Group. They have delegated the necessary authority to the Executive team and business departments in order to deliver that strategy. This is communicated to employees through published policies and procedures, and regular management and employee briefings.

The Group's extensive financial regulations specify authorisation limits for individual managers, with all material transactions being approved by a member of the Executive team, a director or by the Board collectively. In addition, formal Treasury policies are in place. Where appropriate, commercial, and financial responsibility is clearly delegated to the Executive team and supported by the directors. In November 2020 an Internal Control Manual ("ICM") was introduced providing a reference tool to improve clarity on delegated authorities across the Group.

The delegated authorities set out in the ICM have been reviewed during the year and the Board delegated authority to Charley Maher and Rob O'Malley to approve a new delegated authority framework which will be introduced in 2024.

Governance

Risk Management

The Group takes the same approach to risk as that reflected by South Staffs Water's status as a regulated and licensed water undertaker providing an essential public service.

The non-regulated businesses also operate in principally in regulated environments and, as such, must also have a strong approach to risk. The Group balances the need to manage exposure to risk while aiming to deliver high standards of operational and financial performance across the Group.

A strong risk management and control framework is in place in South Staffs Water, the non-regulated businesses and at a Group level to understand and manage identified risks. The Board and Audit Committee discuss the effectiveness of the Group's risk management and internal control systems on a regular basis both in terms of the Group as a whole and its individual businesses. The Executive team is required to monitor risk and its management. Any changes in business risks and any subsequent procedures or controls to mitigate the risk being reported to the Board and the Audit Committee.

Further details of risk management and principal risks are set out in the financial review section of the strategic report.

Details in respect of the Company's going concern assumptions can be found in the Directors' report.

Regulatory reporting

South Staffs Water makes significant efforts to produce regulatory documentation and information that is reliable, robust and accurate, and that is supported by suitable systems and procedures. South Staffs Water's board, including its Independent Non-executive Directors, are involved in the approval process for key regulatory information. This process supports:

- the governance in place;
- the review of information by an independent technical auditor (Jacobs);
- the audit work; and
- certain agreed-upon procedures in respect of the extraction of specific information performed by the external independent auditor (Ernst & Young LLP).

Where identified as necessary by South Staffs Water's assurance framework, the Group's Internal Audit, Control and Assurance function will review processes and data to provide appropriate assurance.

South Staffs Water places great emphasis on regulatory reporting to ensure it continues to have sufficient processes and internal systems of control to fully meet its obligation for the provision of information to Ofwat, other regulators and stakeholders. It is important to South Staffs Water that this information is robust, not just for its external credibility, but to also allow it to manage the performance of its business and make appropriate decisions with reference to this data.

Governance

Board Committees

Audit and Risk Committee

Membership for the year ended 31 March 2024

Chairman Keith Harris (Meetings attended 3/3)

Other members Peter Antolik (Meetings attended 3/3)
Steve Johnson (Meetings attended 3/3)
Rob O'Malley (Meetings attended 3/3)

Meetings are also regularly attended by: Ernst & Young LLP (the Group's external independent auditors), the Group Chief Executive, the Group Chief Financial Officer, and, representatives from Arjun Infrastructure Partners Limited.

Role and responsibilities

The Audit & Risk Committee focuses on the audit, assurance and risk processes within the business. It is responsible for reviewing and monitoring the Company's financial statements, internal controls and systems for mitigating the risk of financial and on-financial loss which it does in conjunction with senior management, the auditors (both internal and external) and the financial reporting team. This includes:

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

The Committee is also responsible for:

- recommending to the Board the appointment, re-appointment and if necessary, removal of the external auditor; and
- monitoring the internal and external auditor's independence, performance and effectiveness.

Its responsibilities further extend to approving the nature and scope of material internal and external audits and approving the external auditor's remuneration.

Governance

Key terms of reference

The Committee reviews and challenges Internal Audit reports, individual papers from management, external auditor reports and the Group risk register. It also reviews areas of accounting judgement and estimation and, where appropriate, makes comments and/or recommendations; and seeks further management clarification as required.

Audit & Risk Committee activities

In the year ended 31 March 2024, the Audit & Risk Committee's focus was on the extended external audit process for the March 2023 Annual Report which was signed in January 2024.

Each business is responsible for identifying, quantifying, reporting, and controlling risks relevant to their activities. Risk reports are produced and normally reviewed by the Audit & Risk Committee once a year. Group Internal Audit critically assesses the risks identified by each business.

The Committee reviews and challenges papers and feedback from senior management, external auditors' reports, reports from Group Internal Audit and the Company's risk register. It also discusses areas of judgement and estimation, making comments and recommendations, where appropriate, and seeks further management clarification, where required. The Committee also received a report on tax matters and approved the Tax Risk Strategy document which is published on the website.

The responsibilities of the external auditor in relation to financial reporting for 2023/24 are set out in its report that follows.

Financial reporting and planning

The Board, supported by the Audit Committee, recognises the need to present a fair, balanced, understandable, and clearly defined assessment of the Group's operational and financial performance and position, including its future prospects. This is provided by a review of the Group's operations, including the future outlook and the Group's performance as set out in the strategic report.

Business plans, annual profit and loss budgets, cash flow budgets and forecasts, longer-term financial forecasts and investment proposals for each business, and for the Company, have been formally prepared, reviewed and approved by the Board, supported by the Audit Committee. Actual financial results and cash flows, including a comparison with budgets and forecasts, are regularly reported to the Board with variances being identified and used to initiate any action deemed appropriate.

Details of the Group's actual and forecast future compliance with its borrowing covenants are also prepared on a regular basis, and forecasts of the Group's level of its undrawn and available borrowing facilities and cash balances for liquidity purposes are also prepared and reported to the Board.

The Committee received copies of the annual report and financial statements to review during the drafting process to ensure that the key messages being followed in the annual report were aligned to the Company's position, performance and strategy being pursued and that the narrative sections of the annual report were consistent with the financial statements.

Governance

Sensitivity analysis has been carried out on the Group's longer-term financial forecasts to ensure its long-term viability. This ensures the Company can withstand certain severe but plausible events to demonstrate and provide the Board with evidence of its long-term viability and financial resilience.

Internal control

The Board, supported by the Audit & Risk Committee, attaches considerable importance to the Company's system of internal control and reviews its effectiveness. This includes ensuring reasonable steps are taken to safeguard the wider group's assets and to prevent and detect material fraud and other irregularities. The internal control system can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Company has an established internal control framework that is continually reviewed and updated, considering the nature of its operations and structure.

Internal Audit

Internal Audit (IA) seeks to evaluate and improve the effectiveness of the Group's governance, risk management and control processes. This provides assurance that supports the Board and senior management in fulfilling their duties.

An internal audit plan is presented to the Audit and Risk Committee each year; this is subject to challenge and approval. The plan combines the need for regulatory and financial reporting assurance, risk management and control evaluation with the provision of independent resources to enhance the Group's operations. The Audit Committee monitors progress against the plan through the reporting of findings and recommendations at each meeting.

Looking to the year ahead, IA Capacity will be increased by use of co-source resource to deliver elements of the approved IA plan in the Water business, so allowing re-allocation of in-house resource to expand review activity in other business areas.

During the 2023-24 reporting year, Group Internal Audit has been involved in such activities as:

- Providing third line assurance on non-financial Annual Performance Report outcome delivery incentives; interim and final wholesale charges; and developer fees and charges.
- Performing reviews in South Staffordshire Water which have included areas such as interim accounts; design and effectiveness of critical spreadsheet controls; adherence to the Internal Control Manual; financial transaction cycle process, risk and control mapping; testing of Fast Track Assure social tariff and Aptumo records; and compliance with policy, procedures and contractual entitlement for management grade Company Cars.
- Assurance and validation of data populating defined tables in the PR24 submission model.
- Supporting on development and implementation of a refreshed risk management framework for the Water business.
- Commencing a tender process (to complete in early 2024/25) for co-source resource to support 2024/25 IA work in the Water business.
- Collation of information for probity dashboard reporting to Audit and Risk Committee.
- Performance of ad hoc work in response to management or other requests, such as attending the Information Security Steering Group and participating in working groups on expenses, governance and employee taxes.

Governance

The Internal Audit arrangements in operation are considered appropriate to the size and complexity of the Group. The Board will continue to review this assessment through the Audit and Risk Committee.

External independent auditor

The Board, supported by the Audit Committee reviews the external independent auditor's performance each year considering independence, effectiveness, and fees, including the level of non-audit services and related non-audit fees.

In evaluating the external independent auditor, the Audit Committee assesses the calibre of the audit firm, the audit scope and plan, which is reported to the Audit Committee in advance of the work commencing, and the level and nature of audit communications, including the reporting to the Audit Committee of any significant issues.

The responsibilities of the external independent auditor in financial reporting are set out in its report relating to each year's financial statements. The Company appointed Ernst & Young LLP as Independent Auditor to take effect for the year ended 31 March 2024.

Governance

Nomination and Remuneration Committee

Membership for the year ended 31 March 2024		
Director	Role	Board Meetings Attended
Steve Johnson (appointed 03/07/2018)	Chair	1/1
Peter Antolik (appointed 03/07/2018)	Member	1/1
Charley Maher (29/09/2023)	Member	1/1

Meetings

Meetings are convened when required. During the year, one meeting was held to oversee appointments to the senior leadership team, succession planning, the engagement survey and family benefits.

Roles and responsibilities

The Nomination and Remuneration Committee (Committee) considers:

- (i) the composition of the Board and Executive team. This includes reviewing the balance of skills, knowledge, experience, diversity (including gender) and competencies; and
- (ii) the remuneration policy and for setting the remuneration packages of the Board and the Executive team.

External search advisors can be appointed to assist the Committee where considered appropriate, but are not considered necessary in all appointments.

Key terms of reference

Key terms of reference include:

- preparing an appropriate specification for any open Executive Director Board positions or for the Executive team;
- ensuring successful candidates have the necessary skills, experience, information and knowledge to fulfil their duties;
- consideration of succession planning for Executive Directors and the Executive team.
- agreeing remuneration that will ensure that the Group Chief Executive and the Executive team are provided with appropriate incentives to achieve high standards of performance and successful delivery of the Group's strategy and reward them for their individual contributions to the success of the Group;
- determining such remuneration packages and arrangements with regard to any relevant legal requirements and associated guidance and to obtain reliable, up-to-date information about remuneration in other companies;

Governance

- approving the design of, and determining targets for, any performance related remuneration packages for the Group Chief Executive and the Executive team;
- ensuring that contractual terms on termination are fair and that failure is not rewarded;
- overseeing any material changes in employee benefit structures throughout the Group; and
- ensure that remuneration packages are designed to attract, retain and motivate high-calibre senior executives.

Diversity

The Group is committed to providing a positive and inclusive working environment, free from discrimination and unfair treatment. Information about the Group's policy around inclusion, equality and diversity is set out on page 80 of the Strategic Report.

Remuneration report

Introduction to Remuneration Policy

The South Staffordshire Plc remuneration policy aims to attract, retain, and motivate high-calibre Directors and Executive team members, while aligning their interests with the company's strategic objectives and long-term shareholder value. The Remuneration Committee (RemCo) oversees all remuneration matters for Board Directors and Executives, ensuring compliance with corporate governance standards, transparency, and accountability.

Remuneration Packages Overview

The total remuneration for Board Directors and Executives consists of:

1. Base Salary

- **Purpose:** Core element of fixed remuneration, reviewed annually by the RemCo considering market benchmarks and role complexity.
- **Review:** Salary levels for Executives are reviewed annually, effective from 1 July, and any adjustments are based on performance and prevailing market conditions.

2. Annual Bonus

- **Purpose:** Reward performance against annually set financial and non-financial targets.
- **Operation:** Bonuses are calculated based on a combination of Group financial performance and individual objectives, assessed at the end of the financial year. Payments are discretionary and subject to RemCo approval
- **Opportunity:** The maximum bonus opportunities are determined by the Executive's terms of employment.

3. Deferred Bonus Scheme

- **Purpose:** Align long-term interests of Executives with the company's strategic goals by deferring a portion of the annual bonus, which is subject to a two-year holding period.
- **Operation:** An award matching the annual bonus earned will be deferred for a further two-year period. The payout under this matching award depends on the performance over the full three-year

Governance

period. A third of the role is fixed in value and is guaranteed with two-thirds of the award subject to a multiplier between 0x and 2x based on performance.

4. Benefits

- **Purpose:** Ensure the overall package is competitive and aligned with market practices, helping to retain high-performing individuals.
- **Components:** Include a car or car allowance, private medical insurance, life assurance, and pension contributions or an allowance in lieu of pension contributions.

5. Notice Period

All Executive Directors and members of the Executive team are employed under service contracts of no fixed term. The notice period for these contracts varies depending on the individual's role within the organisation:

- **C-Suite Roles:** A notice period of six to twelve months applies for both the Company and the members of the C-Suite, ensuring sufficient time to manage any transition effectively.
- **Senior Executives:** Typically, have notice periods of between three to six months, depending on the level of responsibility and seniority.
- **Operation:** During the notice period, Executives are entitled to receive their full salary and contractual benefits, including car allowance, private medical insurance, and pension contributions. No Director or Executive team member is involved in determining their own notice period terms. In circumstances where an Executive resigns or is terminated for reasons other than gross misconduct, the Company may choose to make a payment in lieu of notice (PILON) at the discretion of the Remuneration Committee. If termination occurs due to gross misconduct or a breach of contract, no further salary, bonuses, or benefits will be paid during the notice period.

Long-Term Incentive Plan (LTIP)

The Long-Term Incentive Plan (LTIP), which was introduced in 2020, has now been withdrawn. This decision follows the company's review of the plan's performance conditions, which required the achievement of specific cumulative distributions and profit after tax targets over the AMP7 regulatory period (2020-2025). Unfortunately, the business did not meet the necessary conditions for payout under the LTIP. As such, the LTIP has been discontinued with immediate effect, and no further accruals or payments will be made under this scheme. All participants of this scheme have been notified.

In place of the LTIP, the company has introduced a new Deferred Bonus Scheme. This scheme, commencing in 2025, is designed to better align the interests of the Executive team and shareholders by focusing on long-term business objectives. Details of this scheme are confirmed in the remuneration packages overview section.

Malus and Clawback Provisions

To ensure accountability and safeguard against unethical behaviour, the company has provisions for malus (withholding) and clawback (recovery) of bonus payments. These provisions may be invoked in cases of gross misconduct, financial misstatements, or regulatory breaches, ensuring that the company's long-term health and reputation are protected.

Governance and Decision-Making Process

The Remuneration Committee retains full discretion to adjust remuneration packages in response to exceptional circumstances. The Committee also regularly reviews performance-related pay, assessing both financial results and broader business metrics. All decisions regarding executive remuneration are made with transparency, aligned to shareholder and regulatory expectations where applicable.

Governance

Board and Executive Terms of Engagement

Phil Newland, Group Chief Executive who resigned on 28 April 2023, was employed on a service contract of no fixed term, with a notice period of 12 months by either party. He was entitled to basic pay, private medical insurance, a car allowance, fuel and payments made by the Group in respect of a money purchase pension scheme, in addition to an annual performance- related bonus, which was designed to achieve long-term value creation and high standards of operational and financial performance.

Charley Maher, Group Chief Executive Officer was employed to replace Phil and commenced employment with South Staffordshire Plc effective from 18 September 2023.

Remuneration and Nomination Committee Meetings

The Remuneration and Nomination Committees play a critical role in ensuring effective governance, overseeing executive appointments, succession planning, and remuneration practices at South Staffordshire Plc.

Remuneration Committee Meetings

The Remuneration Committee is responsible for reviewing and approving remuneration packages for Board members and senior executives. This includes setting annual performance targets for bonuses, reviewing long-term incentive plans, and ensuring alignment with shareholder and regulatory expectations.

- **Frequency:** The committee typically meets **twice per year**, with key meetings occurring in **June** to approve annual bonuses and performance-linked pay, and in **December / January** to review remuneration policies for the coming year.
- **Key Responsibilities:**
 - Review executive remuneration policies and practices.
 - Approve salary increases, bonuses, and deferred remuneration schemes.
 - Ensure alignment between executive pay and company performance.
 - Oversee the application of malus and clawback provisions where necessary.

Nomination Committee Meetings

The Nomination Committee ensures that appropriate processes are in place for the appointment and succession of Board members and senior executives.

- **Frequency:** The Nomination Committee meets **at least twice a year**, with additional meetings scheduled as necessary, particularly during times of Board or senior executive transitions.
- **Key Responsibilities:**
 - Oversee the appointment process for Board members and senior executives.
 - Review the composition, diversity, and skills of the Board annually.
 - Ensure effective succession planning is in place for key leadership roles.
 - Monitor compliance with governance codes, including the UK Corporate Governance Code.

Governance

	Executive Directors		Chairman & Non-Executive Directors		Executive Team*		Total	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Basic Salary	627	480	70	108	876	737	1,573	1,325
Benefits	11	18	-	—	8	8	19	26
Bonus	440	274	-	—	283	318	723	592
Total Emoluments	1,078	772	70	108	1,167	1,063	2,315	1,943
Pension Contributions	51	38	-	—	91	85	142	93
Total Remuneration	1,129	810	70	108	1,258	1,148	2,457	2,036

Governance

Directors' Responsibilities Statement

The following statement, which should be read in conjunction with the Independent Auditor's statement of its responsibilities set out on the following pages, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the independent auditor in relation to the accounts.

The Directors are responsible for preparing the annual report and financial statements, including the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of the Company and their roles are listed in the previous section called Board of Directors.

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Independent Auditor's Report to the Members of South Staffordshire Plc

Opinion

We have audited the financial statements of South Staffordshire PLC (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2024 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cashflow Statement and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- ▶ We confirmed our understanding of the Board's going concern assessment process and challenged management to ensure key factors were considered in their assessment. Management have performed their going concern assessment to 31 March 2026, being 14 months from signing of the financial statements.
- ▶ We challenged the Board's selection of the going concern assessment period to include consideration of risks arising and significant events and conditions occurring in close proximity to the end of the going concern period that could impact its ability to continue as going concern, such as their ability to refinance debts maturing in January 2026, and to make appropriate disclosures as to how it has satisfied itself that the going concern basis is appropriate.
- ▶ We obtained the Board's going concern assessment, including cash flow forecasts for the two separate cash pools, liquidity requirements and forecast covenant calculations and tested these for arithmetical accuracy. The Board prepared a "base case", a "stressed case" and a "extreme" cash flow forecast models and forecast covenant calculations, and these are the models to which the procedures described below relate.

Independent Auditor's Report to the Members of South Staffordshire Plc

- ▶ We challenged whether it was appropriate to consider the going concern position of the Group as the combination of two separate cash pools, one for the Non-Regulated Group and one for the Regulated Group.
- ▶ We discussed and challenged the potential legal and regulatory costs associated with the cyber-attack, including the quantum and timing thereof, and the associated legal processes available to management with management's external specialists. We also critically evaluated whether the legal process outlined by management's external specialist was within the control of management.
- ▶ 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 Group and the Company. Where applicable, we corroborated data used in the scenarios to appropriate third-party support such as industry reports and sector benchmarks.
- ▶ The Regulated Group has an agreed business plan with Ofwat for the five-year price period from 1 April 2020 to 31 March 2025 and for the forthcoming five-year price period from 1 April 2025 to 31 March 2029, setting out the basis of allowed tariff changes and allowed total expenditures. We have compared the key assumptions in the Regulated Group forecasts to the agreed business plans for consistency.
- ▶ We have challenged key assumptions in the Board's scenarios including revenue growth, operating cost inflation including chemical and energy costs, capex and Infrastructure Renewals Expenditure (IRE) programme spend and future cash outflows related to claims associated with the cyber-attack by comparing to the work performed as part of our audit, such as historical data, Board approved plans (for the Non-Regulated Group and Regulated Group) and submissions to Ofwat (for the Regulated Group).
- ▶ We have validated the maturity dates and covenant requirements of the Company's facilities assumed in the models to facility agreements and validated the evidence for the additional facilities agreed and/or withdrawn post year end.
- ▶ We tested inputs into the covenant forecast calculations back to the base case and downside scenarios to identify whether there were any forecast covenant breaches in the going concern review period.
- ▶ We performed sensitivity analysis on the downside scenarios assuming a severe but plausible level of payment of regulatory penalties and civil claims related to the cyber-attack and no additional financing during the going concern period. This assessment included consideration of mitigating factors within the control of the Company which include the ability to reduce dividend payments, defer expenditure and follow a legal process that would take a significant amount of time and extend payment of civil claims and regulatory fines well beyond the going concern period.
- ▶ With the involvement of our specialist, we challenged management's assumptions on their ability to refinance debt facilities maturing within the going concern period before their expiry.
- ▶ We agreed the equity injection received to bank statements and held discussions with the shareholder representative to understand their willingness and ability to support the viability of the business.
- ▶ We independently searched for evidence that may be contradictory to those used by management, including reports published by third parties and recent press articles.
- ▶ We read the Group'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.

Independent Auditor's Report to the Members of South Staffordshire Plc

We have observed that:

- ▶ The directors' assessment included forecasting separate cash flows for the regulated and non-regulated elements of the Group, performance of reverse stress testing and testing covenant compliance over the going concern assessment period up to 31 March 2026. None of the scenarios forecast liquidity issues or covenant breaches, on the assumption that £73m of private placement notes that mature in early January 2026 are refinanced before they fall due.
- ▶ The forecasts for South Staffordshire Water Plc reflect Ofwat's Final Determination received in December 2024.
- ▶ A new £75m revolving credit facility was completed in November 2024 for South Staffordshire Water Plc, which provided £45m of additional liquidity for the regulated business.
- ▶ €30m equivalent (£24.8m) equity injection was received by the group in January 2025 primarily to provide additional liquidity for the non-regulated parts of the group.
- ▶ A new term loan facility to refinance a £40m bank facility due to mature in December 2026 has credit committee approval and final documentation is in process of negotiation.
- ▶ SSW Finance Limited has £73m private placement notes which mature in early January 2026 and the Board are confident in their ability to refinance these borrowings prior to their expiry for the reasons set out in Note 1(c) to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period to 31 March 2026.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of South Staffordshire Plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 153, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of South Staffordshire Plc

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (FRS 102, Companies Act 2006), the regulatory landscape (Ofwat, Drinking Water Inspectorate, the Environmental Agency) and relevant UK tax compliance regulations.
- In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to General Data Protection Regulation ("GDPR"), health and safety, climate and environmental and bribery and corruption practices.
- We understood how the Group is complying with those frameworks by making enquiries of Board members and management, those responsible for legal and compliance procedures, the General Counsel and Company Secretary, the Strategy and Regulation Director and Head of Internal Audit. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee, our attendance at meetings of the Audit Committee and our review of correspondence received from regulatory bodies. For the purpose of our risk assessment, we also obtained and reviewed the latest available internal audit reports.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management including the Chief Executive Officer, Chief Financial Officer, the General Counsel and Company Secretary Head of Internal Audit, the Strategy and Regulation Director and Audit Committee Chair. We also considered management remuneration and covenant compliance requirements which may create an incentive or pressure for management to manipulate results.
- We considered the possibility of fraud through management override, and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- 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 and legal counsel, 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. For certain matters, we involved internal forensic specialists to support our audit procedures in relation to assessing the potential significance of non-compliance with laws and regulations.
- We attended meetings with management and legal counsel in order to understand instances of non-compliance with laws and regulations.

Independent Auditor's Report to the Members of South Staffordshire Plc

- We assessed the progress of regulator discussions and other claims carried out by management in response to the cyber-attack to ensure accounting conclusions and disclosures are appropriate and are consistent with the results of the investigation. We engaged our legal specialists in these assessments.
- 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. We engaged our own internal legal specialists in this assessment.
- The Group 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, which included the use of an expert where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christine Chua (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

31 January 2025

Consolidated Profit and Loss Account

For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	2	384,970	353,552
Operating costs	3	(365,184)	(341,704)
Other operating income	6	10,178	11,980
Intangible asset impairment	10	(917)	-
Group operating profit		29,047	23,828
Exceptional items	7	(1,783)	(5,565)
Group operating profit (after exceptional items)		27,264	18,263
Income from associated undertakings		289	723
Total operating profit		27,553	18,986
Interest receivable and similar income	8	6,343	4,960
Interest payable and similar expenses	8	(44,682)	(47,051)
Loss before taxation		(10,786)	(23,106)
Taxation on loss	9	1,243	6,731
Loss for the financial year		(9,543)	(16,375)
Attributable to:			
Equity holders of the parent		(9,582)	(16,427)
Non-controlling interest		39	52
Loss for the financial year		(9,543)	(16,375)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Loss for financial year		(9,543)	(16,375)
Movement on hedging reserve		(215)	1,835
Deferred tax on movement on hedging reserve	9	54	(459)
Actuarial (loss) relating to retirement benefit surplus	28	(689)	(53,450)
Deferred tax on actuarial loss relating to retirement benefit surplus	9	172	13,355
Exchange movements on translation of overseas operations		40	(246)
Total consolidated comprehensive loss for the year		(10,181)	(55,340)
Attributable to:			
Equity holders of the parent		(10,220)	(55,392)
Non-controlling interest		39	52
		(10,181)	(55,340)

The results in both statements above are derived from continuing operations. The accompanying notes are in integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2024

		2024	2023
	Note	£'000	Restated £'000
Fixed assets			
Intangible assets	10	80,707	79,265
Tangible assets	11	692,894	663,225
Interests in associated undertakings	12	1,433	1,144
Other investments	13	73,524	73,145
		848,558	816,779
Current Assets			
Stocks	16	9,656	9,532
Debtors – amounts recoverable within one year	17	129,832	125,045
Debtors – amounts recoverable in more than one year	17	3,439	4,049
Retirement benefit surplus	28	306	1,874
Cash at bank and in hand		80,165	80,328
		223,398	220,828
Creditors - amounts falling due within one year			
Borrowings	18	(37,631)	(28,316)
Other creditors	19	(137,254)	(155,332)
		(174,885)	(183,648)
Net current assets		48,513	37,180
Total assets less current liabilities		897,071	853,959
Creditors – amounts falling due in more than one year			
Borrowings	18	(634,946)	(592,606)
Other creditors	19	(14,202)	(17,553)
Accruals and deferred income	15	(191,012)	(180,154)
		(840,160)	(790,313)
Provisions	20	(64,576)	(61,130)
		(64,576)	(61,130)
Net (liabilities)/assets		(7,665)	2,516

Consolidated Balance Sheet (continued)

As at 31 March 2024

	Note	2024 £'000	2023 £'000
Capital reserves			
Share capital	23	6,449	6,449
Share premium account	24	42,319	42,319
Revaluation reserve	24	15,423	15,643
Capital redemption reserve	24	1	1
Merger reserve	24	(253)	(253)
Currency translation reserve	24	(71)	(111)
Hedging reserve	24	(2,610)	(1,757)
Profit and loss account		(68,639)	(59,452)
Shareholder's funds		(7,381)	2,839
Non-controlling interest		(284)	(323)
Total capital employed		(7,665)	2,516

A statement of movement of reserves is given in the Consolidated Statement of Changes in Equity. The accompanying notes are an integral part of these financial statements.

The financial statements of South Staffordshire Plc, registered number 04295398, were approved by the Board of Directors and authorised for issue on 31 January 2025.



R O'Malley, Director

Consolidated Statement of Changes in Equity

As at 31 March 2024

	Called-up Share Capital	Share Premium Account	Revaluation Reserve	Capital Redemption Reserve	Merger Reserve	Currency Translation Reserve	Hedging Reserve	Profit & Loss Account	Shareholders' Funds	Non controlling Interests	Total Capital Employed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	5,449	10,882	15,863	1	(253)	(26)	(3,133)	(3,256)	25,527	267	25,794
Loss for the financial year	-	-	-	-	-	-	-	(16,427)	(16,427)	52	(16,375)
Exchange movements on translation of overseas operations	-	-	-	-	-	(85)	-	(161)	(246)	-	(246)
Change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	1,664	-	1,664	-	1,664
Deferred tax on change in value of hedging instruments – cash flow	-	-	-	-	-	-	(416)	-	(416)	-	(416)
Actuarial loss relating to retirement benefit surplus	-	-	-	-	-	-	-	(53,450)	(53,450)	-	(53,450)
Deferred tax on actuarial loss (note 9)	-	-	-	-	-	-	-	13,355	13,355	-	13,355
Deferred tax rate change	-	-	-	-	-	-	-	-	-	-	-
Amounts transferred to profit and loss	-	-	-	-	-	-	171	-	171	-	171
Deferred tax on amounts transferred to profit and loss	-	-	-	-	-	-	(43)	-	(43)	-	(43)
Total comprehensive income/(expense)	-	-	-	-	-	(85)	1,376	(56,683)	(55,392)	52	(55,340)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(375)	(375)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	267	267	(267)	-
New shares issued	1,000	31,437	-	-	-	-	-	-	32,437	-	32,437
Amounts transferred to profit and loss	-	-	(220)	-	-	-	-	220	-	-	-
Balance at 31 March 2023	6,449	42,319	15,643	1	(253)	(111)	(1,757)	(59,452)	2,839	(323)	2,516

Consolidated Statement of Changes in Equity (continued)

As at 31 March 2024

	Called-up Share Capital	Share Premium Account	Revaluation Reserve	Capital Redemption Reserve	Merger Reserve	Currency Translation Reserve	Hedging Reserve	Profit & Loss Account	Shareholders' Funds	Non controlling Interests	Total Capital Employed
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	6,449	42,319	15,643	1	(253)	(111)	(1,757)	(59,452)	2,839	(323)	2,516
Loss for the financial year	-	-	-	-	-	-	-	(9,582)	(9,582)	39	(9,543)
Exchange movements on translation of overseas operations	-	-	-	-	-	40	-	-	40	-	40
Change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	(384)	-	(384)	-	(384)
Deferred tax on change in value of hedging instruments – cash flow	-	-	-	-	-	-	96	-	96	-	96
Actuarial loss relating to retirement benefit surplus	-	-	-	-	-	-	-	(689)	(689)	-	(689)
Deferred tax on actuarial loss (note 9)	-	-	-	-	-	-	-	172	172	-	172
Deferred tax rate change	-	-	-	-	-	-	-	-	-	-	-
Amounts transferred to profit and loss	-	-	-	-	-	-	169	-	169	-	169
Deferred tax on amounts transferred to profit and loss	-	-	-	-	-	-	(42)	-	(42)	-	(42)
Total comprehensive income/(expense)	-	-	-	-	-	40	(161)	(10,099)	(10,220)	39	(10,181)
Amounts transferred between reserves	-	-	(220)	-	-	-	(692)	912	-	-	-
Balance at 31 March 2024	6,449	42,319	15,423	1	(253)	(71)	(2,610)	(68,639)	(7,381)	(284)	(7,665)

Company Balance Sheet

As at 31 March 2024

		2024	2023
	Note	£'000	Restated £'000
Fixed assets			
Tangible assets	11	163	180
Other investments	13	266,596	267,112
		266,759	267,292
Current Assets			
Stocks	16	70	63
Debtors – amounts recoverable within one year	17	32,142	59,455
Retirement benefit surplus	28	255	946
Cash at bank and in hand		-	13,304
		32,467	73,768
Creditors - amounts falling due within one year			
Borrowings	18	(11,779)	(941)
Other creditors	19	(32,677)	(79,808)
		(44,456)	(80,749)
Net current liabilities		(11,989)	(6,981)
Total assets less current liabilities		254,770	260,311
Creditors – amounts falling due in more than one year			
Borrowings	18	(133,917)	(133,644)
Other creditors	19	(7,764)	(7,655)
		(141,681)	(141,299)
Provisions	20	(1,000)	207
Net assets		112,089	119,219
Capital and reserves			
Share capital	23	6,449	6,449
Share premium account	24	42,319	42,319
Capital redemption reserve		1	1
Profit and loss account		63,320	70,450
Shareholder's funds		112,089	119,219

Company Balance Sheet (continued)

As at 31 March 2024

The loss in the year ended 31 March 2024 for the Company is £7,121,000 (2023: £13,768,000). The Company has applied the section 408 exemption from preparing a separate profit and loss account. A statement of movement of reserves is given in the Company Statement of Changes in Equity. The accompanying notes are an integral part of these financial statements. The financial statements of South Staffordshire Plc, registered number 04295398, were approved by the Board of Directors and authorised for issue 31 January 2025.



R O'Malley, Director

Company Statement of Changes in Equity

As at 31 March 2024

	Called-up Share Capital	Share Premium Account	Capital Redemption Reserve	Profit & Loss Account	Shareholder's Funds
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	5,449	10,882	1	115,875	132,207
Loss for the financial year	-	-	-	(13,768)	(13,768)
Actuarial loss relating to retirement benefit surplus	-	-	-	(42,211)	(42,211)
Deferred tax on actuarial loss	-	-	-	10,554	10,554
Total comprehensive loss	-	-	-	(45,425)	(45,425)
New shares issued	1,000	31,437	-	-	32,437
Balance at 31 March 2023	6,449	42,319	1	70,450	119,219
Loss for the financial period	-	-	-	(7,121)	(7,121)
Actuarial loss relating to retirement benefit surplus	-	-	-	(12)	(12)
Deferred tax on actuarial loss	-	-	-	3	3
Total comprehensive loss	-	-	-	(7,130)	(7,130)
Balance at 31 March 2024	6,449	42,319	1	63,320	112,089

The accompanying notes are an integral part of the financial statements.

Consolidated Cashflow Statement

As at 31 March 2024

		2024	2023
			Restated
	Note	£'000	£'000
Cash inflow from operating activities		66,856	34,715
Corporation tax paid		(903)	35
Net cash inflow from operating activities	(a)	65,953	34,750
Cash flows from investing activities			
Purchase of tangible fixed assets		(75,133)	(89,564)
Purchase of intangible fixed assets		(8,493)	-
Proceeds from sale of tangible fixed assets		2,869	470
Interest received		2,589	2,368
Advance to parent undertakings		(5,185)	-
Cash consideration for business acquisition		(4,910)	(23,354)
Cash balances of businesses acquired (net)		-	3,523
Contributions and grants received		14,363	-
Net cash outflow from investing activities		(73,900)	(106,557)
Cash flows from financing activities			
Interest paid		(21,527)	(18,314)
Drawdown of RCF		-	14,000
Repayment of RCF		-	(14,000)
New Equity		-	32,437
Drawdown / additions to private placement loan notes		20,000	40,000
Private placement loan notes issue costs paid		(4)	(336)
Capital element of finance lease and hire-purchase rental payments		-	(267)
Net cash inflow from financing activities		(1,531)	53,520
Decrease in cash and cash equivalents		(9,478)	(18,287)
Cash or cash equivalents brought forward		52,012	70,299
Cash or cash equivalents carried forward		42,534	52,012

* Contributions and grants received have been presented with investing activities in 2024, rather than operating activities. There is no impact to cash, net cash flows or net debt as a result of this change.

Purchase of tangible fixed assets relates to the cash paid out in the year in relation to tangible fixed asset additions. The difference in that paid £75,133,000 (2023: £89,564,000) and additions in the tangible fixed asset note of £68,614,000 (2023: £91,325,000) is due to the in-year movement of creditors due relating to capital purchases of £6,519,000 (2023: £1,761,000).

The cash balance of £42,534,000 (2023: £52,012,000) represents positive cash balances of £80,165,000 (2023: £80,328,000) net of overdraft balances of £37,631,000 (2023: £28,316,000).

Notes to the Consolidated Cashflow Statement

As at 31 March 2024

(a) Reconciliation of operating profit to net cash inflow from operating activities

		2024	2023
			Restated
Note	£'000	£'000	£'000
Total Group operating profit		27,553	18,986
Depreciation	11	32,680	30,864
Amortisation of goodwill	10	7,817	5,464
Impairment of intangible assets	10	917	-
Amortisation of intangible assets	10	1,908	843
Amortisation of capital contributions		(3,504)	(3,432)
Share of joint venture operating profit		(289)	(723)
Profit on disposal of fixed assets		(2,694)	(473)
Contributions and grants received		-	14,882
		36,835	47,425
Increase in stocks		(124)	(4,303)
Decrease/(increase) in debtors		1,007	(59,211)
Increase in creditors		1,585	31,818
		2,468	(31,696)
Cash inflow from operating activities		66,856	34,715
Corporation tax paid		(903)	35
Net cash inflow from operating activities		65,953	34,750

(b) Reconciliation in movement in net debt

	2024	2023
	£'000	Restated £'000
Decrease in net cash	(9,478)	(18,287)
Finance lease repayments (cash)	-	267
Movement on bank term loans (non-cash)	-	(1,030)
Drawdown of RCF	-	(14,000)
Repayments of RCF	-	14,000
Intercompany loan with parent undertaking	(714)	(715)
Bank term loan issue cost amortisation (non-cash)	(123)	-
Issue of private placement loan notes (net of issue costs cash)	(19,996)	(39,664)
Private placement issue cost amortisation (non-cash)	48	-
Movement in derivatives (non-cash)	(383)	1,663
Movement on index-linked debt (non-cash)	(21,557)	(28,362)
Increase in net debt in the year	(52,203)	(86,128)
Net debt brought forward	(538,985)	(452,857)
Net debt carried forward	(591,188)	(538,985)

Notes to the Consolidated Cashflow Statement (continued)

As at 31 March 2024

(c) Analysis of net debt

	Balance at 1 April 2023 Restated £'000	Acquisitions and disposals £'000	Cash Flow £'000	Non-Cash Movements £'000	Balance at 31 March 2024 £'000
Cash at bank and in hand (net of overdraft)	52,012	(4,910)	(4,568)	-	42,534
Intercompany loan	(15,006)	-	-	(714)	(15,720)
Irredeemable debenture stock	(1,652)	-	59	(57)	(1,650)
Index-linked debt (net of issue costs)	(269,515)	-	9,179	(30,736)	(291,072)
Bank term loans (net of issue costs)	(69,275)	-	5,442	(5,565)	(69,398)
Private placement loan notes (net of issue costs)	(237,156)	-	(13,163)	(6,787)	(257,106)
Derivatives	1,608	-	-	(384)	1,224
Obligations under finance leases and hire-purchase contracts	(1)	-	14	(13)	-
Net debt	(538,985)	(4,910)	(3,037)	(44,256)	(591,188)

Non-cash movements represent interest accrued under the effective interest method, indexation, amortisation of issue costs, amortisation of the discount/premium on index-linked debt and non-cash reduction in finance leases. The book value of net debt detailed above differs from the value used for covenant reporting purposes of £563,702,000 (2023: £511,067,000 restated). Index-linked debt used for covenant reporting purposes is the indexed principal whereas, in accordance with applicable accounting standards, the book value represents amortised cost. Also, bank loans and private placement loan notes for covenant reporting purposes are reported at principal value before costs whereas the book value above includes un-amortised costs. A reconciliation of book net debt (as reported above) to net debt for covenant purposes is provided below.

	Balance at 31 March 2024 £'000	Balance at 31 March 2023 Restated £'000
Book net debt (as reported above)	(591,188)	(538,985)
Exclude intercompany loan	15,720	15,006
Exclude book premium on issue of index-linked debt	11,682	12,058
Exclude unamortised issue costs	(2,963)	(3,079)
Exclude accrued interest	3,047	3,933
Net debt reported for borrowing covenants	(563,702)	(511,067)

It is noted that the covenant net debt value as opposed to the book net debt value is used by stakeholders to monitor key financial metrics of the Group.

Notes to the Financial Statements

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

(a) General information and basis of accounting

South Staffordshire Plc ("the Company") is a privately owned Limited Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Green Lane, Walsall, West Midlands, WS2 7PD.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. Pounds sterling is also the presentational currency of the Group. The company meet the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to them from preparing a Statement of Cash Flow.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company, and its subsidiary undertakings made up to 31 March each year.

Under FRS 102, business combinations must be accounted for using the acquisition method, with the exception of group reconstructions which may be accounted for using the merger accounting method if the qualifying conditions are met. Group reorganisations which took place in previous years have been accounted for using acquisition accounting principles where the transaction has substance from the perspective of the Group, in order to meet the overriding requirement under section 393 of the Companies Act 2006 for financial statements to present a true and fair view. In other limited instances, the merger method has been applied where this better reflected the substance of the transaction.

(c) Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis.

In order to assess the Group's liquidity requirements and trading prospects a detailed business planning process is completed for review by the Board. This reassesses its long-term strategic objectives and operational plans and the key business issues that the Group faces both now and those anticipated in the future and how the Group proposes to address these issues.

In selecting the Going Concern period the Directors have regard to the structure of the Group whereby the cashflows of the regulated subsidiary, South Staffordshire Water Plc, are ring-fenced from the rest of the non-regulated Group, which represents a number of engineering businesses servicing the water industry ("non-reg Group"), and therefore the Going Concern analysis is conducted at two distinct levels.

As part of this business planning process, the Group has assessed its future prospects and, as part of this assessment, has prepared operational forecasts including expectations of its performance in important operational matters. The Group has then prepared consolidated financial forecasts, which reflect the stated strategic objectives and operational plans, and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned Investment programme, tax and finance related

Notes to the Financial Statements (continued)

cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover.

From this business planning, the directors have used the forecasts up to 31 March 2026 for its going concern assessment.

South Staffordshire Water Plc

The Directors of South Staffordshire Water Plc ("SSW") concluded that at the date of signing that SSW's Annual Report and Accounts on 12 July 2024 the most appropriate Going Concern Period for SSW was to reflect the high degree of certainty within the expiring five-year price-review period on 31 March 2025 and to look forward for twelve months from signing to 15 July 2025.

The going concern assertion was based on the final determination for the five years from 2020 to 2025 which provides a high degree of confidence over SSW's revenue in the period to 31 March 2025, including SSW's ability to index the 2024-25 customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence over power costs given fixed price agreements in place covering the period to 31 March 2025 and the degree of confidence about the approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

SSW has also now considered the PR24 Final Determination issued by Ofwat on 19 December 2024. The Directors are of the view that the outcomes in the Final Determination do not indicate a materially different view from the assumptions used in the going concern period assessment and sensitivity analysis in the going concern period. However, the Directors' preliminary assessment of the Final Determination package is that this will provide a slightly stronger set of cashflows in the Going Concern period than those forecast based on the assumptions and therefore conclude that the Final Determination will positively support the basis of assessment that the Company is Going Concern.

The Group's Going Concern assessment includes an updated forecast for SSW to 31 March 2026 and is based on the final determination as approved by Ofwat.

Since the statement by SSW on 12 July 2024, in November 2024, an agreement has been reached for a new £75m, representing an additional £45m, of new increased revolving credit facility from UK banks with an initial 3-year maturity in November 2027. This demonstrates SSW's ability to access funding in the bank and capital markets

On 15 August 2022 South Staffordshire Plc announced that it had been the subject of a criminal cyber-attack. The nature of the attack did not include data encryption or destruction but did include data exfiltration. In the period since the incident the Group has continued to respond to the investigations by regulators. Advised by legal counsel, the Directors continue to review the risks and levels of regulatory fines or penalties and of potentially settling legal claims relating to the breach of data.

In what the Directors consider to be a severe but plausible set of downside scenarios, SSW has sufficient financial headroom for the going concern period, after allowing for mitigating actions such as deferring expenditure and dividends, and complies with all covenants. The severe but plausible downside scenario for the SSW cash pool assumed no further incremental debt facilities beyond the £75m RCF referred to above.

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 20 and 22 to the financial statements the Directors of South Staffordshire Plc set out that the quantum and value of civil claims the Group may receive, and the costs of liabilities that may be incurred addressing those claims,

Notes to the Financial Statements (continued)

and any regulatory penalties, involves significant judgment and uncertainty, and is therefore subject to change as the matters progress and the factual position becomes clearer.

Non-regulated Group

The Directors of South Staffordshire Plc have concluded that, for the non-regulated Group, a Going Concern period ending on 31 March 2026 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues. Therefore, the Going Concern period is to 31 March 2026.

To assess the financial resilience of the non-regulated Group to possible changing circumstances, sensitivity analysis has been applied to these financial forecasts to assess the impact on profitability, cash flows, liquidity, borrowing capacity and compliance with borrowing covenants of severe but plausible adverse changes to important assumptions made within these base projections, including those that are outside of the control of the Group. They include an increase in operating costs (including those arising from principal risk events occurring- see principal risks above) and the level of inflation and interest rates. The Directors have also considered the risk that payments for its subsidiaries services to Thames Water are subject to extended payment terms during the Going Concern period and also the risks that Thames Water takes action that terminates existing contracts before their current end dates. In addition, these scenarios also include the possibility that South Staffordshire Water Plc may not pay further dividends in the near future through its immediate parent company to South Staffordshire Plc. The Directors have selected these assumptions as they believe it is these that could most significantly impact on the going concern of the non-regulated Group and that could most materially deviate from the non-regulated Group's base assumptions over the longer term.

In addition to the downside scenarios assessed by South Staffordshire Water Plc relating to legal costs and claims, South Staffordshire Plc has also included the potential for the potential need to settle penalties from regulators arising from ongoing investigations.

The Directors consider, that when taken together these severe but plausible downside risks represent a meaningful assessment of the robustness of the non-regulated Group. The Directors have further assessed what additional reduced trading levels would be required to reduce liquidity to a level that would imperil the ability of the Group to continue as a going concern and concluded that the likelihood of these further reductions is remote given the magnitude of the reductions that this would require.

The Directors have continued to consider options to mitigate the likelihood of the severe downside scenarios and raise additional funding for the non-regulated Group to increase available liquidity. In order to address these concerns, the Group has received €30m equivalent cash injection into Hydriades IV Limited on 27 January 2025, with initially £19.8m then injected into the Company and SSW. The balance of £5m remains in Hydriades IV Limited available to meet the Group and Company's liquidity requirements in case of need. The Directors are also assured by progress to agree a new term loan facility to refinance a £40m bank facility due to mature in December 2026. The new lender has credit committee approval and final documentation is in process of negotiation.

SSW Finance Limited refinancing risk

This is the immediate holding company of SSW and an indirect subsidiary of South Staffordshire Plc. It acts solely as a financing company and its debt service relies primarily on dividend distributions from South Staffordshire Water Plc. SSW Finance Ltd has a total of £83m of private placement notes of which £73m mature in early January 2026, some 12 months from the signing date. Whilst this company has already commenced discussions regarding refinancing this debt the Directors have carefully considered the risk of being unable to arrange suitable replacement debt to meet this obligation as it falls due. SSW Finance Ltd 's cashflow movements are outside of the non-reg group and the financing arrangements and obligations are governed by a Common Terms Agreement effective December 2021. After careful consideration, the Directors are of the view that the risk of the company being unable to arrange sufficient new debt

Notes to the Financial Statements (continued)

facilities is remote given: (1) The overall Group's wider track record in securing new finance (2) positive early engagement with potential lenders and a clear strategy supported by debt advisory specialists (3) the comparative performance of SSW under the Ofwat regulatory regime and positive prospects for the AMP8 period based on the Ofwat PR24 Final Determination (4) stable credit ratings with Moody's having affirmed South Staffs Water Baa2 (stable) rating and Standard & Poor's the rating for SSW Finance Limited of BBB (negative) in November 2024, (5) flexibility to utilise some of the recent equity injection and other available lending facilities across the group to mitigate the total amount to be refinanced and (6) the continued support of our shareholders as needed.

Therefore, against this background the Directors are confident they will secure a refinancing of the maturing £73m and regard the risk that SSW Finance Ltd cannot raise this new debt as remote.

Conclusion

Based on the business plan and associated sensitivity analysis detailed above, together with the other actions taken by the Group to secure additional capital, the Board of Directors has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of the going concern assessment.

The Directors have also considered that the consolidated financial statements of the Group at 31 March 2024 reports a net liability of £7.67m.

The Directors report that the deterioration in the group's balance sheet over recent years that have contributed to this position are the result of two main factors. Firstly, the former estimated surplus in the group's main pension scheme of £54.535m at 31 March 2022, has reduced to £755,000 at 31 March 2024, following the 2023 transaction to invest the scheme's assets in an insurance policy. Whilst removing the accounting estimated surplus the transaction significantly reduces the Group's liability risk to fund potential actual deficits in future years. Secondly, the elevated levels of RPI inflation in 2022 to 2024 had a negative impact on financial expense in the 2023 and 2024 financial years as a result of the accreting South Staffordshire Water Plc's RPI index-linked debt.

The Directors conclude that these increased interest charges have the effect of increasing the liabilities for repayment of the two index linked instruments in 2044 and 2051. These increases are substantially matched by related increases to the SSW Regulated Asset Value, which indexes linked to CPIH inflation and is the economic value of the regulated water company which is not revalued in the balance sheet under FRS102.

Overall, the Directors conclude that the net balance sheet liability does not give rise to a near term liability that impacts the ability of the group to meet its liabilities as they fall due during the period of the going concern assessment.

Notes to the Financial Statements (continued)

(d) Turnover

South Staffordshire Water Plc's turnover comprises the value of sales (excluding VAT and similar taxes) of goods and services in the normal course of business. For water supplied, turnover includes amounts billed for water supplied and an estimate of amounts supplied but unbilled at the year end.

Other income includes rental income, which is recognised over the term of the lease.

Software licence income is recognised within turnover once software implementation and customer acceptance are complete unless there is an agreement to pay a rental charge for the product, in which case, turnover is recognised based on the value of the rental charge each month. Income from separate software maintenance contracts is recognised evenly over the contract period to which it relates. Income generated through the performance of software development and consultancy services is included within turnover on the basis that turnover is matched with the delivery of the service.

Contract accounting is applied to certain contracts which the Group is a party to. Where the outcome of the contract can be assessed with reasonable certainty, attributable turnover and profit are calculated on an appropriate and prudent basis and included in the accounts for the period under review. Where a contract loss is anticipated, the entire anticipated loss is recognised immediately. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date and is recorded in accrued income as part of debtors due within one year.

Turnover of other non-regulated activities represents amounts receivable excluding VAT, from the sale of goods and services.

(e) Interest receivable and similar income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(f) Interest payable and similar expenses

Interest expenses is recognised using the effective interest rate method.

(g) Dividends

Dividends are recognised if they have been paid or if they have been approved by the shareholders before the year-end.

(h) Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill is amortised over its estimated useful life of 10 years.

Notes to the Financial Statements (continued)

(i) Tangible fixed assets and depreciation

Tangible fixed assets comprise infrastructure assets (including water mains, impounding, and pumped raw water storage reservoirs and dams), specialist operational assets (including pumping stations, treatment stations, boreholes and service reservoirs), land and buildings, as well as other assets including fixed plant and equipment.

Infrastructure Assets

Infrastructure assets principally comprise two separate regional networks of systems that are intended to be maintained in perpetuity at a specified level of serviceability by the continuing replacement and refurbishment of their components. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the networks is treated as an addition, which is included at cost. Annual expenditure required to repair and maintain the operating capability of the network is expenses within operating costs. New infrastructure assets are depreciated on a straight-line basis over their useful economic life of 100 years. The deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 is being depreciated over the estimated remaining economic life of 80 years.

Other Assets

Other assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value over the estimated useful lives of the assets, with the exception of land which is not depreciated. The estimated useful lives of assets are as follows:

Asset Type	Category	Life
Boreholes	Specialised Operational Assets	100 years
Pumping stations, booster stations and treatment plant	Specialised Operational Assets	50-80 years
Mains, mains diversions	Infrastructure Assets	100 years
Impounding reservoirs and land	Infrastructure Assets	50-80 years
Fixed plant	Non-specialised Operational Assets	20-30 years
Meters	Other Tangible Assets	15 years
Mobile plant	Other Tangible Assets	Up to 10 years
Office equipment	Other Tangible Assets	Up to 10 years
Motor vehicles	Other Tangible Assets	3-7 years

Notes to the Financial Statements (continued)

Impairment of non-current assets

At each reporting date the company assesses whether there is any indication that an asset may be impaired. Where there are indicators of impairment, the Company performs impairment tests which involve comparing the carrying amount of the assets to their recoverable amount. Recoverable amount is the higher of fair value less costs to sell ('FVLCS') and value in use ('VIU'). If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

FVLCS is defined as the amount obtainable from the sale of an asset (or CGU) in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease

(j) Grants and contributions

Capital contributions, received in respect of non-current assets, including certain charges made as a result of new connections to the water and sewerage networks, are treated as deferred income and released to Other Operating Income over the useful economic life of those non-current assets. The release of this deferred income is recognised as Other Operating Income under the caption "Contributions".

Grants and contributions which are given in compensation for expenses incurred with no future related costs are recognised in operating costs in the period that they become receivable. This income is recognised as Other Operating Income under the caption "Infrastructure renewals contributions".

(k) Opex vs capex

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the company has developed to facilitate the consistent application of its accounting policies. The cost of repairs, maintenance and replacement of minor items is recognised in the income statement as it arises. Major parts, and expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised.

(l) Leased assets

Assets financed by leasing and hire-purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are included in tangible fixed assets, and the net obligation to pay future rentals is included as borrowings within creditors. Rentals are apportioned between finance charges and a reduction of the outstanding liability for future rentals so as to produce a constant charge to the profit and loss account based upon the capital outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis.

Notes to the Financial Statements (continued)

(m) Investments

Investments held as fixed assets are stated at cost less amounts written off and any provision for impairment. In accordance with Section 611 of the Companies Act 2006, the cost of shares acquired from a fellow group undertaking by way of a share for share exchange are recorded at the higher of the nominal value of the shares issued as consideration and the carrying value of the investment in the transferring company.

Investments in joint ventures are measured at cost less impairment in the individual accounts of the company. Investments in joint ventures are accounted for using the equity method for the purposes of the Group consolidated financial statements.

(n) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis (FIFO). Cost includes an appropriate element of overheads. Provision is made for obsolete, slow moving or defective items where appropriate.

(o) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the year, and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the consolidated statement of Other Comprehensive Income. All other exchange differences are included in the profit and loss account.

Notes to the Financial Statements (continued)

(p) Pensions

The profit and loss charge or credit in respect of defined benefit pension schemes represent:

- The cost or credits associated with benefit changes, settlements and curtailments. These are charged or credited against operating profit.
- The net interest charge or credit on the net defined benefit deficit or surplus. This is charged or credited within finance charges (net).

Actuarial gains and losses are charged or credited directly to the consolidated statement of comprehensive income net of deferred tax. The defined benefit scheme liabilities, valued using the projected unit method and the fair value of scheme assets, are recognised in the relevant balance sheet as a net retirement benefit surplus or obligation before the related deferred tax, which is reported separately.

Pension scheme surpluses have been recognised in the statement of financial position as the recoverability of the surplus in the form of a refund or a reduction in future contributions does not depend on the future decisions of the trustees of the scheme. The recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan.

In accordance with the agreed policy in the Group, as the South Staffordshire section of the defined benefit Water Companies Pension Scheme is a multi-employer scheme with deferred members of the scheme being employees of a number of companies in the Group, this section is accounted for in the individual company accounts of South Staffordshire Plc, the holding company of the participating companies in the Group. The Cambridge Water section of the defined benefit Water Companies Pension Scheme is accounted for in the accounts of Cambridge Water Plc. The defined benefit scheme of G. Stow Plc is accounted for in the accounts of G. Stow Plc.

In respect of the Group defined contribution schemes the amounts charged to the profit and loss account are the contributions payable in respect of the year.

(q) Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred, unless the specific criteria under FRS 102 for capitalisation of development costs have been met, in which case, the costs are capitalised and depreciated over the estimated useful life of the subsequent revenue streams.

Notes to the Financial Statements (continued)

(r) Taxation

Current tax is based on taxable profits or losses for the year based on legislation enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in respect of capital allowances in excess of depreciation and all other timing differences that have originated but not reversed at the balance sheet date using the future rate of tax anticipated at the time of reversal based on legislation enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that arises when income or expenses from subsidiaries, associates and joint ventures have been recognised in the financial statements and will be assessed to tax in a future period, except where the entity is able to control the reversal of the timing difference, and it is probable that the timing difference will not reverse in the foreseeable future;
- where there are differences between the amounts that can be deducted for tax for assets (other than goodwill) and/or between amounts that will be assessed for tax in respect of liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, deferred tax liabilities/(assets) are recognised. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

(s) Financial instruments

Financial assets

Financial assets comprise cash and cash equivalents, trade debtors, loans receivable and derivative financial instruments.

Cash and cash equivalents, trade debtors and loans receivable are initially measured at the transaction price, adjusted for transaction costs and subsequently measured at amortised cost. Cash and cash equivalents comprise cash at bank and in hand and short-term deposits.

Derivative financial assets comprise interest rate swaps designated as hedging instruments in effective hedge relationships. See (q) below for further information.

Financial Liabilities

Financial liabilities comprise trade and other creditors, borrowings and derivative financial instruments.

The company's trade and other creditors and borrowings are initially measured at transaction price adjusted for transaction costs and subsequently measured at amortised cost. For the company's index linked borrowings, the initial effective interest rate (EIR) is calculated based on expected cash flows at initial recognition. Thereafter, the company increases the borrowings to reflect the finance expense and reduces it for payments made. The company accrues the finance expense based on the prevailing interest and inflation rates with the finance cost comprising both the expense relating to coupon payments and the RPI accretion of the notional amount. In doing so it takes into account actual cumulative inflation up until the reporting date. Any premium/discount and costs of issue are amortised over the life of the instrument, with the amortisation being included in the effective interest rate of the instrument that is included in finance charges in the profit and loss account.

The company has floating rate bank loans and related interest rate swaps. These previously linked to LIBOR as a benchmark; however, they have since transitioned to using SONIA as part of the process of IBOR reform with no material impacts on the financial statements.

Derivative financial liabilities comprise interest rate swaps designated as hedging instruments in effective hedge relationships. See (q) below for further information.

The company's policy is to pay suppliers in line with the terms of payment agreed with each of them, when contracting for their products or services. The company also follows the Prompt Payment Code.

Notes to the Financial Statements (continued)

(t) Hedge accounting

The company has entered into derivative financial instruments to hedge exposure to floating interest rates. These derivative financial instruments are recorded on the balance sheet at fair value on inception and at each balance sheet date. Movements in fair value of derivative financial instruments are recorded in the profit and loss account except where the company has adopted hedge accounting.

At present, all derivatives held by the company have been designated as hedging instruments as in effective cash flow hedges. At inception of the hedge relationships, the company documents the relationships between the hedging instruments and the hedged items along with the company's risk management strategy and objectives in relation to each hedge. At the inception of the hedges, and on an ongoing basis, the company documents whether the hedging instruments are highly effective in offsetting changes in cash flows of hedged items.

The effective proportion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognised in OCI and accumulated in the cash flow hedge reserve, net of deferred tax. The gain or loss relating to the ineffective proportion is recognised immediately in the profit and loss account. Hedge accounting is discontinued when:

- The company de-designates the hedging relationships;
- The hedging instruments expire are terminated or are sold; or
- They no longer qualify for hedge accounting.

Amounts recognised in the hedging reserve are recycled to the profit and loss account in the periods when the hedged items are recognised in the profit and loss account. When forecast transactions are no longer expected to occur, the cumulative gains or losses are recognised immediately in the profit and loss account.

(u) Related party transactions

The Group has no related party transactions requiring disclosure other than those disclosed in note 29.

(v) Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made.

Where the effect of the time value of money is material, the current amount of a provision is the present value of the expenditures expected to be required to settle obligations.

Notes to the Financial Statements (continued)

(w) Contingent liabilities

The Company is subject to litigation from time to time as a result of its activities. The Company establishes provisions in connection with litigation where it has a present legal or constructive obligation as a result of past events; and where it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where the Company has a possible obligation arising from a past event, or a present obligation which does not meet the recognition criteria for a provision, this represents a contingent liability. Contingent liabilities are not recognised in the financial statements, but are disclosed, unless the probability of an outflow is remote.

(x) SaaS agreements

The Company identifies software as a service (SaaS) and other cloud computing arrangements and assesses whether the arrangement transfers control of the underlying software to the Company. Where it does not, the contract is accounted for as a service contract over the contract term.

Where the Company does not control the underlying SaaS software, the accounting policy for implementation costs, is as follows.

- If the costs incurred give rise to a separately identifiable asset from which the group has the power to obtain economic benefits, the costs are capitalised as a separate software intangible and amortised straight line over their useful life.
- If the costs relate to enhancement expenditure impacting other existing software which is controlled by the Company (for example, costs incurred to integrate or make improvements to existing software as part of the implementation process, resulting in additional functionality), the costs are capitalised as subsequent expenditure on the existing Company controlled system.
- Where the costs do not result in a separate identifiable intangible asset or the enhancement of existing controlled systems, the costs are expensed as the related implementation services are received. Such costs are included in the "Other operating costs" line in the P&L.

(y) Exceptional items

In the opinion of the Directors, the Company separately presents certain items on the face of the profit and loss account as exceptional. Exceptional items are material items of income or expense that, because of their size or incidence, are presented separately to allow an understanding of the Company's financial performance and comparison to the prior year. They are not expected to be incurred on a recurring basis.

Notes to the Financial Statements (continued)

Principal accounting judgements, estimates and assumptions

In the application of the accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions in respect of the carrying amounts of assets and liabilities recognised in the financial statements.

These are based on historical experience, future forecasts, and other factors that are considered to be relevant. It is recognised that historical experience and forecasts change over time and these judgements, estimates and assumptions are therefore reviewed, and amended where necessary, on a regular basis. However, it is also recognised that the actual outcomes may still differ from the judgements, estimates and assumptions made.

Provided below are details of the principal accounting judgements, estimates and assumptions that the Directors have made when applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The more significant judgements were as follows:

Operating expenditure (opex) vs capital expenditure (capex)

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the Company has developed to facilitate the consistent application of its accounting policies. The cost of repairs, maintenance and replacement of minor items are recognised in the income statement as it arises. Major parts, and expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised.

Disclosure of contingent liability

In July 2022 the Group experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of the Group's employees and customers. There is an ongoing investigation under regulations 18 of the Network and Information Systems Regulations 2018 (as amended) by the Drinking Water Inspectorate (DWI) related to the cyber-attack. Based on currently available information, it is not possible to reliably estimate a provision for this matter. For further details, please refer to Note 22.

Recognition of provisions

During the year, the Group has increased specific provisions relating to potential regulatory penalties and other payments associated with the 2022 data breach and based on a recent ongoing investigation with another regulator. The regulators have not issued penalty notices however, the Group has estimated a potential penalty amount. Further in relation to the civil claims, there is significant judgment and uncertainty involved in relation to the quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

Goodwill

Goodwill is amortised over its useful life but must be subject to an impairment test if impairment indicators are identified. Judgement is required in assessing whether indicators are present. In order to make this judgement, we undertake an exercise to estimate future cash flows from each CGU. The key input in making this judgement is the estimated EBITDA which impacts the profit assumed and hence free cash flow generation in each CGU.

Notes to the Financial Statements (continued)

The key accounting estimates were:

Accrued income

An estimate of water consumption by metered customers of South Staffs Water since the date of the last water bill and the corresponding income that remains unbilled at the end of the year (accrued income) is required to be made each year. This estimate uses a historical water consumption rate for each customer from South Staffs Water's billing system and applies this consumption rate to the unbilled period and the related tariff to estimate unbilled income for that period. The accrued income for metered customers as at 31 March 2024 was £16,050,000 (2023: £14,513,000). A 1% movement in consumption equates to a £124,000 movement. Other accrued income, including unregulated group activities, totalled £32,963,000 (2023: £17,725,000), with the balances assessed on an individual contract basis based on work completed at the reporting date. An estimate of the sales value of work that is partially complete at the end of the year that remains un-invoiced is estimated made based on the estimated level of completion at the year end and the total sales value of each job.

Amortised cost of index-linked borrowings

In order to record the Company's index-linked borrowings at amortised cost the actual inflation rate (Retail Price Index - or RPI) per annum is assessed. The net book value of index-linked borrowings as at 31 March 2024 was £257,106,000 (2023: £269,515,000).

Bad and doubtful debt provision

The recoverability of trade debtors, and therefore the amount of bad and doubtful debt provision held against trade debtors in the balance sheet at each year-end, requires judgement. For South Staffs Water, this judgement requires consideration of the historical and forecast debt collection rates in respect of different categories of customers and trade debt, usually calculated as a percentage of the total amount billed in each year. This information is used to estimate the level of debt outstanding at the end of the year which is expected to be irrecoverable after following the processes of collection that South Staffs Water adopts. This estimate represents the year-end bad and doubtful debt provision of South Staffs Water which was £41,752,000 as at 31 March 2024 (2023: £35,414,000). For each 1% increase in the whole life cycle collection rates the bad and doubtful debt provision will increase approximately £1,100,000.

Tangible fixed assets – Assessment of useful economic lives

There is a requirement to estimate the useful economic lives of tangible fixed assets in order to depreciate the cost or deemed cost of these assets and make an appropriate charge to the profit and loss account over that period for each asset. This estimate is based on a combination of engineering data, experience of similar assets and on the businesses forecast replacement or rehabilitation cycle and its investment plan. Industry practice is also considered as part of the overall estimate of assets lives. The total net book value of Group tangible fixed assets as at 31 March 2024 is £692,894,000 (2023: £663,225,000). South Staffordshire Water Plc assets included in the total above amounted to £685,763,000 (2023: £659,848,000). The average useful economic life for tangible fixed assets is 45 years and if this was to move by 5 years, the impact would be approximately £1,525,000.

Defined benefit pension schemes

Judgements, assumptions and estimates are required to appropriately record the assets and liabilities of defined benefit pension schemes in the balance sheet at each period end. The Directors use the services of professional actuaries to advise on the most appropriate valuations for these assets and liabilities in accordance with the relevant accounting standard. The net accounting surplus for these assets and liabilities as at 31 March 2024 in the consolidated balance sheet is £306,000 (2023: £1,874,000).

Notes to the Financial Statements (continued)

Sewerage charge collection provision

The Group undertakes the billing and collection of sewerage charges on behalf of a third party. The current contract includes an obligation to remit, over a four-year period, including the billing year, fixed percentages of the billed amount, less agreed commission levels. This places risk on the Group if the level of cash collections on annual billed amounts are not met. The Group's policy on this contract provisioning is to create a provision to cover the difference between the current lifetime collections forecast and the collections target specified in the contract. The primary assumption driving the provision requires judgement. This judgement requires consideration of the anticipated amount of cash ultimately that will be collected against the amount billed for any year, based on historical data and experience.

Company treatment of long-term loans as fixed asset investments

Loans to subsidiary undertakings of £92,854,000 (2023: £90,869,000) represent unsecured loans (see Note 13), which under the terms of the agreements are repayable on demand. Whilst repayable on demand, loans to subsidiary undertakings are provided for long-term financing and there is no intention of repayment in the foreseeable future. As such the Directors consider loans to subsidiary undertakings to be a fixed asset investment in nature.

2. Analysis of turnover

Turnover

	2024 £'000	2023 £'000
South Staffordshire Water Plc	151,602	141,872
Inter-divisional	(56)	(57)
South Staffordshire Water Plc (external)	151,546	141,815
Non-regulated service businesses	290,773	270,735
Inter-divisional	(57,349)	(58,998)
Non-regulated service businesses (external)	233,424	211,737
Group Turnover	384,970	353,552

The Directors do not consider the turnover of acquisitions in the year or the previous year to be material to the Group and as such these have not been separately disclosed.

South Staffordshire Water Plc ("SSW") recognises revenue generally at the time of delivery and when collection of the resulting receivable has been assessed as probable. During the year, the SSW estimate of the amounts billed to customers where collectability is not probable has changed (for example, to reflect instances where a customer has not paid their bills over multiple years). As a result, amounts have been removed from turnover where collectability is not probable. The impact of this is to reduce revenue by £3.5m with a corresponding reduction in bad debt expense for the same amount, this has resulted in a lower bad debt expense in the current year compared to the prior year. Provisions for doubtful debts for 2024, as disclosed in note 3, operating costs has been adjusted accordingly. If the same revision to the recognition and presentation had been applied in the prior year, the prior year revenue and bad debt expense would have been reduced by £3.2m.

Notes to the Financial Statements (continued)

3. Operating costs

	2024 £'000	2023 £'000
Raw materials and consumables	56,707	42,476
Staff costs (Note 4)	114,236	105,277
Depreciation (non-infrastructure assets) (Note 11)	28,242	26,576
Depreciation (infrastructure assets) (Note 11)	4,438	4,288
Infrastructure renewals expenditure	11,668	18,864
Amortisation of goodwill (Note 10)	7,817	5,464
Amortisation of intangible assets (Note 10)	1,908	843
Own work capitalised	(138)	(296)
Operating lease rentals:		
- Plant and Machinery	2	39
- Other	5,979	5,004
Charge for bad and doubtful debts	527	3,714
Other operating costs	133,798	129,455
	365,184	341,704

The Company recognises revenue generally at the time of delivery and when collection of the resulting receivable has been assessed as probable. During the year, South Staffordshire Water Plc estimate of the amounts billed to customers where collectability is not probable has changed (for example, to reflect instances where a customer has not paid their bills over multiple years). As a result, amounts have been removed from turnover where collectability is not probable. The impact of this is to reduce revenue by £3.5m with a corresponding reduction in bad debt expense for the same amount, this has resulted in a lower bad debt expense in the current year compared to the prior year. Analysis of turnover for 2024, as disclosed in note 2, has been adjusted accordingly. If the same revision to the recognition and presentation had been applied in the prior year, the prior year revenue and bad debt expense would have been reduced by £3.2m.

Other operating costs includes power £18,256,000 (2023: £15,889,000), hired and contracted services £62,940,000 (2023: £63,112,000) and other operating costs £52,602,000 (2023: £55,111,000).

Notes to the Financial Statements (continued)

3. Operating costs (continued)

Auditor remuneration is analysed as follows:3333

	2024 £'000	2023 £'000
Audit of the Company's annual accounts	183	176
The audit of other Group undertakings pursuant to legislation	1,067	509
Total audit fees	1,250	685
Other assurance services	60	101
Total non-audit fees	60	101
	1,310	786

4. Staff costs

	2024 £'000	2023 £'000
Wages, salaries and bonuses	100,729	92,851
Social security costs	9,736	9,349
Pension costs	3,771	3,076
	114,236	105,277

	2024 Number	2023 Number
Average number of employees:		
SS Plc	109	92
South Staffs Water	407	422
Non-regulated service companies	2,425	2,086
	2,941	2,600

The monthly average number of employees by activity, including Directors on a service contract and are on a full-time equivalent basis.

Notes to the Financial Statements (continued)

5. Directors' remuneration

	2024 £'000	2023 £'000
Emoluments	1,265	914
Company contributions to money purchase pension schemes	2	4
Termination payments	120	-
	1,387	918

No Director's holding office at 31st March 2024 accrued benefits under a Group defined benefit pension scheme during the year (2023: Nil) and 1 Director was contributing members of a Group money purchase pension scheme during the year (2023: 2 Directors). There were £2,000 of contributions paid by the Group in respect of money purchase pension schemes for Directors during the year (2023: £8,000).

The highest paid director received emoluments of £502,000 (2023: £457,000) during the year. There were £nil of Group contributions in respect of a money purchase pension scheme for the highest paid director (2023: £4,000).

None of the Directors had a material interest in any contract to which the Group was party during the year or the preceding year. Further details of the remuneration of the Executive team are provided in the Remuneration Committee Review section above.

6. Other operating income

	2024 £'000	2023 £'000
Profit on disposal of fixed assets	796	473
Rental income	229	203
Contributions	3,503	3,432
Corporate job retention scheme receipts	-	15
Infrastructure renewals contributions	5,650	7,857
	10,178	11,980

Rental income arises from land and industrial estates owned by the Group, and rented to tenants on annual tenancies. Rental income is recognised straight line over the rental period.

Contributions in the table above represent the amortisation of capital contributions received in respect of non-current assets, which are released over the useful economic life of those non-current assets.

Infrastructure renewals contributions are for mains diversionary works and are received from developers for diversion activity. They are recognised when the works have been completed.

Notes to the Financial Statements (continued)

7. Exceptional items

During the year the South Staffordshire Water Plc sold one piece of land that was no longer required for operational use, resulting in a gain on disposal of £1,898,000. While the Company typically records gains and losses on tangible fixed assets within 'Other operating income', due to the size and non-recurring nature of this disposal, the gain has been separately identified as exceptional in line with the Company's accounting policy. The profit on disposal gives rise to a capital gain for corporation tax purposes at 25%. No current tax arises on this gain due to tax losses arising in the year being available for offset.

In July 2022 the Group experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of the Group's employees and customers.

The Group classified the costs associated with this incident as exceptional in the prior year in accordance with the Company's accounting policy. The provision has been treated as non-tax deductible for corporation tax purposes.

During the year the Group increased specific provisions relating to potential regulatory penalties and other payments associated with the 2022 data breach.

The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, and any regulatory penalties, involves significant judgment and uncertainty. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

Other ongoing regulatory investigations are ongoing the assessment of these is therefore subject to change until the factual position becomes clearer.

Notes to the Financial Statements (continued)

8. Finance income and expenses

	2024 £'000	2023 £'000
Interest receivable		
Bank interest receivable	(2,608)	(2,011)
Interest receivable from joint ventures	(427)	(357)
Interest on loans to parent undertakings	(3,308)	(2,592)
Total interest receivable and similar income	(6,343)	(4,960)
Interest payable and similar expenses:		
Index linked debt (cash)	9,179	8,384
Index linked debt (non-cash)	21,697	28,656
Bank term loan, drawings on short term bank loans and other interest	6,016	3,489
Private placement loan notes	6,833	6,465
Finance leases and hire purchase contracts	14	15
Interest payable on loans from subsidiary undertakings	715	-
Irredeemable debenture stock	59	43
	44,513	47,052
Other finance expense:		
Amounts recycled from hedging reserve	169	-
Total interest payable and similar expenses	44,682	47,052

Notes to the Financial Statements (continued)

9. Tax on profit

	2024 £'000	2023 £'000
Current tax		
UK corporation tax at 25% (2023:19%)	76	170
Adjustment in respect of prior years	-	(754)
Total current tax credit	76	(584)
Deferred tax		
Origination and reversal of other timing differences	(968)	(5,598)
Adjustment in respect of prior years	(351)	(549)
Total deferred tax credit	(1,319)	(6,147)
Tax on loss in the Consolidated Profit and Loss account	(1,243)	(6,731)

	2024 £'000	2023 £'000
Deferred tax		
Relating to movement on hedging reserve	(54)	459
Relating to retirement benefit deficit	(172)	(13,355)
Tax on items taken directly to other comprehensive income	(226)	(12,896)

The tax assessed on the profit for the year is lower than (2023: higher than) the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are reconciled below:

Notes to the Financial Statements (continued)

9. Tax on profit (continued)

	2024 £'000	2023 £'000
Loss on ordinary activities before tax	(10,786)	(23,106)
Loss on ordinary activities multiplied by standard UK corporation	(2,697)	(4,390)
Adjustments in respect of prior years	(351)	(1,302)
Difference in current tax and deferred tax rates	-	(1,344)
Expenses not deductible for tax purposes (net)	2,468	2,235
Benefit of capital allowances super deduction 30% element	-	(1,932)
Foreign tax rates	(1)	56
Group relief received not paid for	(662)	(54)
Total tax credit	(1,243)	(6,731)

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water PLC. The gains will come into charge if the assets are sold and not replaced by suitable qualifying assets. As the properties are essential assets of the water supply business it is regarded as unlikely that the gains will come into charge. The potential deferred tax amounts to £2,733,000 (2023: £2,733,000).

Notes to the Financial Statements (continued)

10. Intangible assets

Group

	Development Costs	Software	Other Intangible assets under construction	Goodwill Restated	Total Restated
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2023	8,136	11,863	-	125,173	145,172
Additions	-	-	8,493	-	8,493
Reassessment of contingent consideration	-	-	-	(2,500)	(2,500)
Transfers to intangibles	917	2,242	2,931	-	6,090
Disposals	-	-	-	-	-
At 31 March 2024	9,053	14,105	11,424	122,673	157,255
Amortisation and impairment					
At 1 April 2023	2,815	7,025	-	56,066	65,906
Amortisation charge for the year	766	1,142	-	7,817	9,725
Disposals	-	-	-	-	-
Impairment	917	-	-	-	917
At 31 March 2024	4,498	8,167	-	63,883	76,548
Net Book Value					
At 31 March 2024	4,555	5,938	11,424	58,790	80,707
Net Book Value					
At 31 March 2023	5,321	4,838	-	69,107	79,266

Notes to the Financial Statements (continued)

10. Intangible assets (continued)

An amount of £6,090,000 has been transferred from tangible assets to intangible assets in the year. This primarily related to software costs and costs associated with the Fens reservoir project which were under construction at the previous year end. The software has been transferred to intangible assets on completion of its development.

With regards to the Fens reservoir, £2,931,000 of costs incurred previously have been transferred from tangible to intangible assets in the year. In addition, during the year the Company has capitalised a further £8,493,000 of costs in relation to this project. This is a project being undertaken for the development of a new reservoir to serve the Cambridge and Anglian regions, in partnership with Anglian Water. The costs incurred to date primarily comprise environmental works and design plans.

Whilst the final structure of the arrangement is yet to be determined, the costs incurred will entitle the group to economic benefits through future access to the completed reservoir. Having considered the recognition criteria, management has therefore concluded that the costs meet the criteria for recognition as an intangible asset and as such, the costs have been capitalised as “assets under construction” within the group’s intangible assets.

Goodwill has been reduced by £2,500,000 during the year as a result of a reassessment of contingent consideration. See note 13 for further details.

Notes to the Financial Statements (continued)

11. Tangible assets

Group

	Lands and Buildings £'000	Infrastructure Assets £'000	Fixed Plant & Equipment £'000	Specialised Operational Assets £'000	Total £'000
Cost					
At 1 April 2023	31,171	518,634	385,845	285,577	1,221,227
Additions	255	1,056	19,175	48,128	68,614
Transfer to intangible assets	-	-	(6,090)	-	(6,090)
Transfer between classes	234	-	(234)	-	-
Disposal	(78)	-	(3,631)	-	(3,709)
At 31 March 2024	31,582	519,690	395,065	333,705	1,280,042
Depreciation					
At 1 April 2023	11,113	201,534	196,934	148,421	558,002
Charge for the year	150	4,438	17,854	10,238	32,680
Transfer to intangible assets	-	-	-	-	-
Transfer between classes	246	-	(246)	-	-
Disposals	(78)	-	(3,456)	-	(3,534)
At 31 March 2024	11,431	205,972	211,086	158,659	587,148
Net Book Value At 31 March 2024					
Owned	20,151	313,718	183,979	174,755	692,603
Leased	-	-	-	291	291
	20,151	313,718	183,979	175,046	692,894
Net Book Value At 31 March 2023					
Owned	20,058	317,100	188,674	136,859	662,691
Leased	-	-	237	297	534
	20,058	317,100	188,911	137,156	663,225

Freehold land of £2,555,000 (2023: £2,337,000) included above is not subject to depreciation.

Finance lease liabilities had been fully paid in previous years and therefore there no finance lease liabilities or cash flow in the year.

Tangible fixed assets in the course of construction included in the table above had a cost of £100,668,000 at 31 March 2024 (2023: £107,064,000).

Notes to the Financial Statements (continued)

11. Tangible assets (continued)

Company

	Land and Buildings £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2023	80	210	290
Additions	-	-	-
Disposal	-	-	-
At 31 March 2024	80	210	290
Depreciation			
At 1 April 2023	-	110	110
Charge for the year	-	17	17
Disposals	-	-	-
At 31 March 2024	-	127	127
Net Book Value			
At 31 March 2024	80	83	163
Net Book Value			
At 31 March 2023	80	100	180

Freehold land of £80,000 (2023: £80,000) held at 31 March 2024 was not subject to depreciation.

None of the tangible fixed assets of the Company were financed by finance leases or hire purchase agreements.

Notes to the Financial Statements (continued)

12. Interests in associated undertakings

	£'000
Balance at 1 April 2023	1,144
Share of profit after taxation	289
Balance at 31 March 2024	1,433

The balance above relates to the Group's 20% interest in Pennon Water Services Limited, a joint venture accounted for using the equity method.

During the year the Group provided Wholesale water services to the retailer Pennon Water Services Limited and turnover of £17,683,000 (2023: £17,726,000) in relation these transactions was recognised and there was a trade debt outstanding of £nil (2023: £17,000) at the year end.

The Group has an outstanding interest-bearing loan balance due from PWSL of £6,517,000 (2023: £6,517,000) which remained outstanding at 31 March 2024.

13. Fixed asset investments

Group

	Loan to joint venture £'000	Loans to parent undertakings £'000	Total £'000
At 1 April 2023	6,517	66,628	73,145
Reclassification	-	379	379
At 31 March 2024	6,517	67,007	73,524

Included in loans to parent undertakings are:

- £22,200,000 (2023: £22,200,000) identified as a loan with no fixed repayment date with an interest rate of 5.5%;
- £29,807,000 (2023: £29,807,000) identified as a loan with no fixed repayment date with an interest rate of 7.0%; and
- £15,000,000 (2023: £15,000,000) identified as a loan with no fixed repayment date with no interest charged.

Notes to the Financial Statements (continued)

13. Fixed asset investments (continued)

Company

	Loan to Joint Venture	Loans to subsidiary undertakings	Loans to parent undertakings	Investment in Joint Venture	Shares in subsidiary undertakings Restated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	6,517	90,869	67,007	1,982	100,737	267,112
Reclassifications	-	1,985	-	1	(2)	1,984
Reassessment of contingent consideration	-	-	-	-	(2,500)	(2,500)
At 31 March 2024	6,517	92,854	67,007	1,983	98,235	266,596

During the prior year the Company acquired 92.5% of the share capital in The Gateway Group of Companies Holding Limited ("TGGCH"). The Company has a call option, and the existing shareholders have a put option on the remaining 7.5% of the business. The value of the exercise price for both the call option and put option is based on the consolidated adjusted EBITDA of TGGCH and its subsidiary undertakings, and is available during the year ending 31 March 2026. The Directors have assessed the call option and put option and have concluded there is no fair value to the Company or Group consolidated financial statements.

Included in the prior year consideration was total contingent consideration of £14,121,000, which was based upon the adjusted EBITDA of the acquired group at three different points in the future. The first amount was paid during the financial year and was in line with the amount included in contingent consideration. At the year end the Group reassessed the outstanding consideration and calculated it to be £2,500,000 lower than what was initially included. This has resulted in a reduction in both investments and goodwill (see note 10). The second amount has been subsequently paid during September 2024.

As at 31 March 2024, the Company's trading subsidiary undertakings, all of which are incorporated in the United Kingdom with the exception of Echo India Private Limited, which is incorporated in India and OnSite Utility Services Canada Limited, which is incorporated in Canada, and all of which have only ordinary shares in issue, were as follows:

Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of business
SSW Finance Limited	13703008		100.0%	Holding company
SSW Holdings Limited	13682466	100.0%		Holding company
South Staffordshire Water Plc	02662742		100.0%	Regulated water supply
Aqua Direct Limited	03349782	100.0%		Supply of spring and mineral water

Notes to the Financial Statements (continued)

13. Fixed asset investments (continued)

Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of business
Office Watercoolers Limited	04144740	100.0%		Rental of water cooling units and sale of spring water
Echo Managed Services Limited	04102885	100.0%		Customer Management
Echo Northern Ireland Limited	NI057759		100.0%	Customer Management
Inter-Credit International Limited	01024737	100.0%		Customer Credit Management
Echo India Private Limited	U72900DL2011FTC227486		100.0%	Software development support services to UK parent company
SSI Services (UK) Limited	03824088	100.0%		Holding company for those companies listed below
OnSite Central Limited	02712788		100.0%	Sewer and wastewater asset inspection, relining, surveying, cleaning and flow monitoring, Clean water asset installation, repair, maintenance and refurbishment
OnSite Utility Services Canada Limited	BC1007169		100.0%	Sewer and wastewater asset inspection, surveying and cleaning
Integrated Water Services Limited	05283349		100.0%	Mechanical, electrical and water hygiene services.
Hydrosave UK Limited	03460346		100.0%	Water main leak detection services and clean water network management services
Immerse Asset Management Limited	02784266		100.0%	Water efficiency and bill management services
G. Stow Plc	02645390		100.0%	Borehole drilling and refurbishment
Advanced Engineering Solutions Limited	03082093		100.0%	Pipeline engineering
Omega Red Holdings Limited	06399736	100.0%		Holding company
Omega Red Group Limited	02197902		100.0%	Electrical earthing and lighting protection systems
The Gateway Group of Companies Holdings Limited	13985732	92.5%		Holding company
The Gateway Group of Companies Limited	08448586		92.5%	Holding company
Infrastructure Gateway Limited	04546642		92.5%	Construction of utility projects for fluids, electricity and telecommunications.
Pennon Water Services Limited	09902835	20.0%		Regulated water supply

Notes to the Financial Statements (continued)

13. Fixed asset investments (continued)

Other subsidiaries of the Company as at 31 March 2024, which were all non-trading companies as at that date, were as follows:

365 Environmental Services Limited	
Aqua Direct Limited	
Aquastations Water Coolers Limited	
Aquaven Limited	
Brightwater Limited	
Brocol Consultants Limited	(Dissolved on 15 October 2024)
Data Contracts Specialist Maintenance Limited	
Debt Actions Limited (NI)	(Dissolved on 29 October 2024)
Freshwater Coolers Plc	
Green Compliance Water Division Limited	
Greenacre Pumping Systems Limited	
Immerse Asset Management Limited	
Inter-Credit International Limited	
ION Water & Environmental Management Limited	(Dissolved on 15 October 2024)
IWS M&E Services Limited	
IWS Pipeline Services Limited	
IWS Water Hygiene Services Limited	(Dissolved on 15 October 2024)
Lingard Limited	
Omega Earthing Systems Limited	(Dissolved on 15 October 2024)
Omega Facility Services Limited	(Dissolved on 15 October 2024)
Omega Furze Contracting Limited	(Dissolved on 15 October 2024)
Omega Lightning Protection Limited	(Dissolved on 15 October 2024)
Omega Product Supplies Limited	(Dissolved on 15 October 2024)
OnSite Specialist Maintenance Limited	(Dissolved on 15 October 2024)
Perco Engineering Services Limited	
Phoenix Water Coolers Limited	
Portadam Limited	
Pump Services Limited	
Rapid Systems Limited	
Recoup Revenue Management Limited	(Dissolved on 15 October 2024)
Smart Water Coolers Limited	
South Staffordshire Infrastructure Services Limited	(Dissolved on 15 October 2024)
South Staffordshire Water Holdings Limited	(Dissolved on 15 October 2024)
Subaqua Solutions Limited	
Waterflo Limited	
Wells Water Treatment Services Limited	(Dissolved on 15 October 2024)
Woodside Environmental Services Limited	

As at 31 March 2024, the registered address of the above subsidiaries is Green Lane, Walsall, WS2 7PD, with the exception of Aqua Direct Limited (Elmhurst Spring, Lichfield Road, Elmhurst, Lichfield, Staffordshire, WS13 8HQ), Echo Northern Ireland Limited (Capital House, Wellington Place, Belfast, Northern Ireland, BT1 6FB), Aptumo Australia Pty Ltd (RSM Australia Pty Ltd, Level 21, 55 Collins Street, Melbourne, VIC 3000), Echo India Managed Services Private Limited (508, Mansarovar Building, 90 Nehru Place, New Delhi-110019 India) and Debt Action Limited (Capital House, 3 Upper Queen Street, Belfast Northern Ireland, BT1 6PU).

Notes to the Financial Statements (continued)

14. Commitments

Group capital commitments outstanding at 31 March 2024 were £26,785,000 (2023: £44,682,000). Payments due not later than one year were £26,785,000 (2023: £35,900,000). The majority of this relates to the major upgrade of the South Staffordshire Water's two largest water treatment works.

The Company had no capital commitments at either year-end.

15. Capital contributions– accruals and deferred income

	Infrastructure Assets £'000	Other Assets £'000	Total £'000
At 1 April 2023	155,486	24,668	180,154
Capital contributions received	2,731	11,631	14,362
Amortised in year	(2,024)	(1,480)	(3,504)
Balance at 31 March 2024	156,193	34,819	191,012

The Company had no capital contributions at either year-end.

16. Stocks

	Group 2024 £'000	2023 £'000	Company 2024 £'000	2023 £'000
Store and raw materials	9,656	9,532	70	63

Notes to the Financial Statements (continued)

17. Debtors

	Group		Company	
	2024	2023 Restated	2024	2023 Restated
	£'000	£'000	£'000	£'000
Amounts recoverable within one year:				
Trade debtors	60,992	65,637	-	-
Amounts owed by group undertakings	-	849	12,828	57,484
Amounts owed by parent undertakings	11,773	151	11,773	151
Other debtors	7,639	21,651	5,945	1,013
Prepayments	2,981	4,878	800	218
Accrued income	46,313	31,878	-	-
Deferred tax (Note 21)	-	-	706	-
Corporation tax receivable	134	-	90	90
	129,832	125,044	32,142	58,956
Amounts recoverable in more than one year:				
Other Amounts owed by parent undertakings	2,215	2,441	-	-
Derivative financial debtors	1,224	1,608	-	-
	3,439	4,049	-	-
	133,271	129,093	32,142	58,956

Other debtors have decreased in the year due to a £20m facility held as a short-term fixed period deposit at 31 March 2023 that was due to mature in 2 months. The remainder of the other debtors are timing difference of interest receivable balances held at the year end.

Amounts owed by parent undertakings of £11,773,000 include £6,626,000 related to unlawful dividends paid by the Company (£5,185,000 in the FY24 and £1,441,000 in FY22). A legal process as described in the Director's report has been undertaken to remediate unlawful dividends and this amount has been settled in full on 27 January 2025.

Notes to the Financial Statements (continued)

18. Borrowings

	Group		Company	
	2024	2023 Restated	2024	2023
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank overdraft	37,631	28,316	11,779	941
	37,631	28,316	11,779	941
Amounts falling due in more than one year:				
Bank loans (unsecured and net of issue costs):				
- payable between one and two years	29,902	-	-	-
- payable between two and five years	39,496	69,275	39,496	39,303
Indexed-linked debt*	291,072	269,515	-	-
Private placement notes (net of issue costs):				
- payable between one and two years	72,767	-	-	-
- payable between two and five years	-	72,683	-	-
- payable in more than five years	184,339	164,475	94,421	94,341
Irredeemable debenture stock (unsecured)*	1,650	1,652	-	-
Amounts payable to parent undertakings*	15,720	15,006	-	-
	634,946	592,606	133,917	133,644
Total borrowings	672,577	620,922	145,696	134,585

* these loans fall due in more than 5 years

For the analysis of Group net debt, refer to the Group Cash Flow note (c) which can be found on page 114.

Notes to the Financial Statements (continued)

18. Borrowings (continued)

Book value and covenants values

	2024 £'000	2023 £'000
Retail Price Index-Linked loan		
Un-Indexed Loan Value	111,400	111,400
Indexed/Covenant Loan Value	217,564	199,540
Book Value	228,141	210,458

Retail Price Index-Linked Bond

Un-indexed Loan Value	35,000	35,000
Indexed/Covenant Loan Value	61,831	58,200
Book Value	62,931	59,057

Details on debt facilities

A full list of fixed, floating and Index Linked debt is shown below with maturity dates and agreed coupons. The RCF facilities listed below are shown at the value that is agreed and available as at 31 March 2024

<u>Excluding Index Linked Debt</u>	Borrower	Lender	RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£38M Barings Private Placement	Company	Barings	Term	Fixed	3.06%	Dec-21	Dec-31
£57M Barings Private Placement	Company	Barings	Term	Fixed	3.19%	Dec-21	Dec-31
£20M Siemens RCF	Company	Siemens	RCF	Floating	2.25%	Dec-21	Dec-26
£20M Lloyds RCF	Company	Lloyds	RCF	Floating	2.25%	Dec-21	Dec-26
£43M Metlife Private Placement Series A Notes	SSW Finance Ltd	MetLife	Term	Fixed	2.93%	Feb-20	Jan-26
£30M Metlife Private Placement Series B Notes	SSW Finance Ltd	MetLife	Term	Fixed	3.02%	Feb-20	Jan-26
£10M Metlife Private Placement Series C Notes	SSW Finance Ltd	MetLife	Term	Fixed	2.84%	Dec-21	Dec-31
£1.65M Irredeemable Debentures	SSW Plc	Various	Term	Fixed	4.11%	Feb-20	Mar-60
£30M NatWest RCF	SSW Plc	NatWest	RCF	Floating	2.85%	Mar-23	Mar-26
£20M Pricoa Private Placement Series A	SSW Plc	Pricoa	Term	Fixed	2.57%	Sep-21	Sep-36
£40M Pricoa Private Placement Series B	SSW Plc	Pricoa	Term	Fixed	2.75%	Jun-22	Jun-37
£20M Pricoa Private Placement Series C	SSW Plc	Pricoa	Term	Fixed	6.70%	Dec-23	Dec-30
<u>Index Linked debt</u>			RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£111.4M Artesian Finance Bond	SSW Plc	Artesian III	Term	ILD	3.76%	Sep-05	Sep-45
£35M Euro Bond	SSW Plc	Bond holders	Term	ILD	1.84%	Jun-08	Jun-51

Notes to the Financial Statements (continued)

19. Other Creditors

	Group		Company	
	2024	2023 Restated	2024	2023 Restated
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments received in advance	42,108	34,523	-	-
Trade creditors	19,654	23,300	339	424
Amounts owed to other group undertakings	-	-	21,364	63,723
Other creditors	31,954	39,281	9,305	11,810
Accruals and deferred income	40,882	54,429	1,536	3,606
Corporation tax payable	-	1,102	-	-
Other taxation and social security	2,656	2,697	133	245
	137,254	155,332	32,677	79,808
Amounts falling due in more than one year:				
Payments received in advance	3,233	5,144	3,233	5,144
Other creditors	10,969	12,409	4,531	2,511
Derivative financial liabilities	-	-	-	-
	14,202	17,553	7,764	7,655

Derivative financial liabilities represent the market value of floating to fixed rate interest rate swaps.

Other creditors have decreased during the year, mainly due to the contingent consideration balance in relation to the prior year acquisition of The Gateway Group of Companies Holding Limited reducing. The first payment in relation to this was paid in July 2023 and the subsequent amounts have been decreased by £2,500,000, following a reassessment by management (see note 13 for further details).

Notes to the Financial Statements (continued)

20. Provisions

Group

	Dilapidations £'000	Onerous Contract £'000	Other Provisions £'000	Deferred Tax £'000	Total £'000
At 1 April 2023	952	-	-	60,178	61,130
Other adjustments*	-	136	2,000	-	2,136
Profit and loss account charge/(credit)	94	1,021	1,739	(1,318)	1,536
Charge to other comprehensive income	-	-	-	(226)	(226)
At 31 March 2024	1,046	1,157	3,739	58,634	64,576

* Equivalent amounts were presented in 'Other creditors' in the prior year

The Group has recognised a provision for dilapidations in relation to the estimated costs of restoring leased properties to their original condition at the end of the lease term, in accordance with the terms of the lease agreements. The Group will reassess the provision at the end of each reporting date and adjust it as necessary to reflect any changes in estimates or circumstance.

In July 2022 the Group experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of the Group's employees and customers.

During the year the Group increased specific provisions relating to potential regulatory penalties and other payments associated with the 2022 data breach. In the prior year, the related balance was included in 'Other creditors' on the grounds of materiality.

The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, and any regulatory penalties, involves significant judgment and uncertainty. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

In addition, 'Other provisions' also includes an ongoing regulatory investigation the assessment of which is therefore subject to change until the factual position becomes clearer. As well as this, other provisions contains de-fleeting costs required to returning the Company's leased vehicle fleet back to its original condition.

Company

	Other Provisions £'000	Deferred Tax £'000	Total £'000
At 1 April 2023	-	(206)	(206)
Other adjustments*	1,000	-	1,000
Profit and loss account charge	-	(109)	(1,339)
Prior year adjustment	-	(388)	(388)
Charge to other comprehensive income	-	(3)	(3)
Reclassification to deferred tax to debtors	-	706	1,936
At 31 March 2024	1,000	-	1,000

* Equivalent amounts were presented in 'Other creditors' in the prior year

A further analysis of deferred tax is set out in Note 21.

Notes to the Financial Statements (continued)

21. Deferred tax

	Group		Company	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Deferred tax liabilities/(assets) are provided as follows:				
Accelerated capital allowances	86,895	78,221	(365)	(443)
Tax losses	(26,191)	(16,629)	(335)	-
Timing differences in respect of hedging reserves	(870)	(816)	-	-
Timing differences in respect of retirement benefits	77	566	64	237
Deferred interest deductions	(1,711)	(1,698)	-	-
Other timing differences	434	534	(70)	-
	58,634	60,178	(706)	(206)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to do so and where the assets and liabilities relate to taxes levied by the same taxation authority.

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water PLC. The gains will come into charge if the assets are sold and not replaced by suitable qualifying assets. As the properties are essential assets of the water supply business it is regarded as unlikely that the gains will come into charge. The potential deferred tax amounts to £2,733,000 (2023: £2,733,000)

At 31 March 2024, the group had restricted trading losses of £2,407,002 and capital losses of £44,625. A deferred tax asset has not been recognised for these losses on the grounds that there is not sufficient certainty of future taxable profits to offset these against.

22. Contingent liabilities

In addition to the details of the provisions included in Note 20 during the year the Company received a notice of intention to impose a penalty under regulations 18 of the Network and Information Systems Regulations 2018 (as amended) by the Drinking Water Inspectorate (DWI) related to the cyber-attack. The DWI have subsequently suspended any further action, pending further investigation.

It is presently unknown whether the DWI will issue a penalty and if so the quantum of any potential penalty.

Notes to the Financial Statements (continued)

23. Share capital

Group and Company

	2024 £'000	2023 £'000
Authorised		
47,058,824 Ordinary Shares of 42.5p	20,000	20,000
	20,000	20,000
Issued and fully paid		
15,172,797 Ordinary Shares of 42.5p each (2023: 15,172,797 Ordinary Shares of 42.5p)	6,449	6,449
	6,449	6,449

On 23 January 2023, 2,352,941 ordinary shares with the aggregate nominal value of £42.5p were issued at £13.786 each in exchange for cash.

24. Other reserves

Group

	Share Premium Account £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Currency Translation Reserve £'000	Hedging Reserve £'000
At 1 April 2022	10,882	15,863	1	(253)	(26)	(3,133)
Total comprehensive income for the year	31,437	-	-	-	(85)	1,376
Reserve transfers	-	(220)	-	-	-	-
At 1 April 2023	42,319	15,643	1	(253)	(111)	(1,757)
Total comprehensive income for the year	-	-	-	-	40	(161)
Reserve transfers	-	(220)	-	-	-	(692)
At 31 March 2024	42,319	15,423	1	(253)	(71)	(2,610)

The share premium account represents the cash consideration paid for the issued 12,819,856 shares of 42.5p each, giving rise to the share premium accounts of £10,882,000. During the prior year the Company received an equity injection of £32,437,000 for paid issued shares of 2,352,941 at 42.5p, giving rise to an additional share premium of £31,437,000.

Notes to the Financial Statements (continued)

24. Other reserves (continued)

The revaluation reserve represents the deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 which gave rise to a revaluation reserve of £18,800,000, net of deferred tax, which is being depreciated on a straight-line basis over the estimated remaining economic life of 80 years.

The capital redemption reserve represents the purchase of 660,000 ordinary 'B' shares of 0.01p each repurchased by the Group in March 2008 for a consideration of £1 and subsequently cancelled, creating a capital redemption reserve of £660.

The merger reserve related to the demerger of the Group from Homeserve Plc on 6 April 2004, as a group reconstruction was completed in order to transfer legal ownership of certain companies and businesses to South Staffordshire PLC or its subsidiaries. In accordance with Financial Reporting Standards the above group reorganisations has been accounted for using merger accounting principles.

The currency translation reserve represents differences arising from translating foreign currency assets and liabilities at the closing balance sheet rate compared to the average rate applied to retained earnings.

The hedging reserve represents fair value movements relating to interest rate swap agreements entered in to by South Staffordshire Water Plc, further details of the swap can be found in Note 27.

Notes to the Financial Statements (continued)

25. Operating lease commitments

At 31 March 2024 the Group and Company were committed to making the following total minimum payments under non-cancellable operating leases:

Group

	2024	2023	2024	2023
	Buildings	Buildings	Other	Other
	£'000	£'000	£'000	£'000
Amounts due:				
Within one year	743	674	2,237	2,032
Between two and five years	1,557	1,577	5,876	4,144
After five years	697	238	-	-
	2,997	2,489	8,113	6,176

Company

	2024	2023
	Motor Vehicles	Motor Vehicles
	£'000	£'000
Amounts due:		
Within one year	111	116
Between two and five years	54	165
After five years	-	-
	165	281

26. Non-controlling interest

	£'000
At 1 April 2023	(323)
Profit on ordinary activities after taxation	39
At 31 March 2024	(284)

Notes to the Financial Statements (continued)

27. Financial assets and liabilities

The Group's financial assets and liabilities include cash, loans receivable, borrowings, derivative financial assets and liabilities, trade creditors and trade debtors. Borrowings as at 31 March 2024 represent bank term loans, private placement loan notes, index-linked debt and irredeemable debenture stock. The purpose of the Group's borrowings is to finance the Group's operations. It is and has been throughout the year and the previous year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group's policy in respect of cash, loans receivable and borrowings are to maintain flexibility with both fixed and floating interest rates and long and short-term borrowings while not exposing the Group to significant risk of market movements (see below). As at 31 March 2024, derivative financial assets represent floating to fixed interest rate swaps used as cash flow hedges to reduce the Group's risk to changes in SONIA.

	2024 £'000	2023 £'000
Borrowings		
Retail Price Index-linked debt	291,072	269,515
Fixed rate financial liabilities	303,874	291,591
Floating rate financial liabilities	80,329	68,316
	675,275	629,422

The above borrowings are stated at their book value as opposed to the value used for borrowing covenant purposes. See note 18 for a comparison between book and covenant net debt. The floating rate borrowings comprise sterling denominated short-term bank loans (revolving credit facilities) that bear interest at rates based on SONIA. Floating rate bank term loans, include a principal value of £30,000,000 (2023: £30,000,000) that is effectively swapped to fixed rate by cash flow hedges using floating to fixed interest rate swaps where cash flows under the swaps have commenced. The Group's trade debtors and trade creditors are not subject to interest unless considered to be overdue.

Fixed Rate Borrowings

	Weighted Average Interest Rate %	Weighted average period for which rate is fixed Years
2024 Sterling	3.24	7.4
2023 Sterling	3.21	6.8

Notes to the Financial Statements (continued)

27. Financial assets and liabilities (continued)

Financial risks

The Group's activities result in it being subject to a limited number of financial risks, principally credit risk, as the Group has financial assets receivable from third parties. Management of financial risks focuses on reducing the likely impact of risks to a level that is considered acceptable. The Group has formal principles for overall risk management, as well as specific procedures to manage individual risks.

- 1) Interest rate risk arises from borrowings issued at floating rates, including those linked to SONIA and the Retail Price Index (RPI), that expose the Group's cash flows to changes in SONIA and RPI. Risks of increases in SONIA are managed by limiting the value and proportion of Group borrowings that are linked to this variable rate and by entering an appropriate value of floating to fixed interest rate swap contracts. Risks associated with increases in RPI are effectively managed by hedging against the revenues and the Regulatory Asset Value of South Staffs Water, both of which are also linked to RPI.
- 2) Credit risk - As is market practice, the Group grants certain customers credit on amounts due for the services it supplies, leading to limited risk over the recovery of amounts receivable from these customers. Full details of the way this risk is managed are provided below. Credit risk also includes the risk over recovery of loans receivable. This risk is managed by ensuring that loans are only made to entities with sufficient financial resources to service the interest due on the loans. The total carrying value of financial assets subject to credit risk, net of provisions, at 31 March 2024 was £149,448,000 (2023: £145,803,000).
- 3) Liquidity risk represents the risk of the Group having insufficient liquid resources to meet its obligations as they fall due. The Group manages this risk by regularly monitoring the maturity of credit facilities, actual and forecast cash flows and ensuring that the payment of its obligations is matched with cash inflows and availability of free cash and adequate credit facilities.

Security over assets

Index-linked debt, debenture stock and bank debt issued by South Staffordshire Water PLC, are not secured on any assets. The Company's bank loans and its private placement loan notes are secured against the shares of the Company and certain subsidiaries. SSW Finance Limited's Private Placement Notes are secured by charges over the shares in South Staffordshire Water Plc

Notes to the Financial Statements (continued)

27. Financial assets and liabilities (continued)

Sensitivity analysis

The following analysis is intended to illustrate the sensitivity to reasonably possible movements in variables affecting financial liabilities being SONIA and the long-term forecast for the UK Retail Price Index (RPI) on the pre-tax profit and loss account of the Group during the year. There is no impact on reserves other than the impact on the profit and loss account after tax.

	2024 £'000	2023 £'000
RPI + 0.25%	(378)	(691)
RPI – 0.25%	378	678
SONIA + 1.00%	(400)	(418)
SONIA – 1.00%	400	382

The Group has entered into interest rate swaps under which it has been agreed to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of changing interest rates on future cash flow exposures arising from issued variable rate debt. The interest rate swaps have been accounted for as cash flow hedges with movements in the fair value of these swaps being recognised in the other comprehensive income and accumulated in the hedging reserve. Details of interest rate swaps are summarised below:

Period to maturity	Interest rate fixed		Nominal principal		Fair Value	
	2024 %	2023 %	2024 £'000	2023 £'000	2024 £'000	2023 £'000
5-10 years	2.14	2.14	30,000	30,000	(1,224)	(1,608)

Group debtors

Group debtors recoverable in more than one year of £73,524,000 (2023: £73,145,000) principally represent loans receivable from the Company's parent undertakings of £67,007,000 (2023: £69,928,000) with no fixed repayment date and £6,517,000 receivable from the joint venture (2023: £6,517,000).

Notes to the Financial Statements (continued)

27. Financial assets and liabilities (continued)

Trade debtors

Before accepting orders from certain customers and offering credit terms, the Group undertakes appropriate credit assessments and uses this information to determine if an order is accepted and the credit terms that will be offered. Provision is made within the trade debtor values detailed below, based on judgment by senior management, for amounts considered to be unrecoverable due either to their nature or age. Due to the varying nature of the Group's businesses, there is no single method that is applied to all trade debtors. This would not be considered appropriate with the methods applied being considered appropriate to each business. The total amount charged to the profit and loss account in the year ended 31 March 2024 in respect of such provisions was £5,193,000 (2023: £3,714,000). Total Group trade debtors (net of provisions) as at 31 March 2024 were £70,776,000 (2023: £69,168,000). The Directors consider that debtors that are neither past due nor impaired are of a high quality and were considered, at the balance sheet date, to be fully recoverable at their gross book value. The Directors consider that the concentration of credit risk across the Group is limited due to the Group's customer base being significant. The largest balance outstanding from any external party at 31 March 2024 was £4,135,000 (2023: £1,067,012), representing 6% (2023: 2%) of the above Group net trade debtor total. Individually significant debtors are principally due from customers with investment grade credit ratings including utilities, government agencies and local authorities.

An ageing analysis of invoiced trade debtors that are past due but not impaired is provided below:

South Staffs Water	<1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	5 years+ £'000	Total £'000
2024	13,008	4,169	2,006	1,906	12	252	21,353
2023	12,534	2,260	1,613	126	399	344	17,276

Non-Regulated company debtors considered to be impaired are £584,000 (2023: £544,000) and are all more than 2 months past due. An ageing analysis of debtors of South Staffs Water that are considered to be impaired is provided below:

	<1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	5 years+ £'000	Total £'000
2024	4,564	4,032	4,539	4,223	4,372	20,024	41,754
2023	3,347	4,315	4,102	4,250	4,343	15,057	35,414

The Directors consider that the carrying value of trade and other debtors including loans receivable, net of provisions, detailed in note 17 approximates to their fair value.

Notes to the Financial Statements (continued)

28. Pension retirement benefits

Group

Surplus of defined benefit pension scheme	£'000
At 1 April 2023	1,874
Section expenses	(966)
Net finance income	87
Actuarial loss (net)	(689)
Surplus at 31 March 2024	306

Company

Surplus of defined benefit pension scheme	£'000
At 1 April 2023	946
Section expenses	(725)
Net finance income	46
Actuarial loss (net)	(12)
Surplus at 31 March 2024	255

The Group operates three funded pension schemes for the benefit of its employees. The Group participates in the Water Companies Pension Scheme, by way of two separate sections, which provide benefits based on pensionable pay at certain points in time (indexed as appropriate). At 31 March 2024, both of these sections had ceased future accrual of benefits with the South Staffordshire section ceasing future accrual from 1 April 2015 and the Cambridge section from 31 December 2010. In the 2018 financial year the Group acquired a further defined benefit pension scheme as part of the acquisition of G Stow Plc which is also closed to new entrants and had ceased accrual of benefits prior to acquisition. The Group also operates three defined contribution pension schemes. The assets of all these schemes are held separately from those of the Group, being invested by professional fund managers.

Details of the accounting policy for pension schemes are provided in note 1. As both of the sections of the Water Companies Pension defined benefit scheme are closed to future benefit accrual, from 1 April 2015 only funding deficit contributions have been paid into the Scheme (with these being £nil in the year ended 31 March 2024 and £nil in the year ended 31 March 2023) with these contributions paid increasing the assets of the sections. No current service contributions are now paid and with effect from 1 April 2015 there is no current service cost charge to the profit and loss account.

Notes to the Financial Statements (continued)

28. Pension retirement benefits (continued)

A pension asset has been fully recognised for both sections at both 31 March 2024 and 31 March 2023 as the Group would benefit from a refund of any surplus assets following a complete run-off of the scheme (i.e. following the final benefit payment from the scheme). There were no overdue contributions at either year-end.

The G Stow Plc defined benefit scheme is closed to future benefit accrual, from 22 June 2017 only funding deficit contributions have been paid into the Scheme (with these being £nil in the year ended 31 March 2024 and £nil in the year ended 31 March 2023) with these contributions paid increasing the assets of the sections. No current service contributions are now paid and with effect from 1 April 2015 there is no current service cost charge to the profit and loss account.

Additional disclosures regarding the Group's defined benefit pension schemes are required under provisions of FRS 102. Valuations each year are undertaken by a qualified actuary using assumptions that are consistent with the requirements of FRS 102. The market value of investments has been calculated using the bid price.

The major assumptions used were as follows:

	31 March 2024	31 March 2023
Rate of increase in pensions	3.0%	3.0%
Discount rate	4.8%	4.8%
Annual inflation RPI	3.5%	3.6%
Annual inflation CPI	3.0%	3.1%
	31 March 2024 No. of Years	31 March 2023 No. of Years
Life expectancy of male aged 60 at accounting date	25.6	26.1
Life expectancy of female aged 60 at accounting date	28.7	29.1

Notes to the Financial Statements (continued)

28. Pension retirement benefits (continued)

The market value of the assets in the Group's schemes and the present value of these schemes' liabilities at the balance sheet date were:

Valuation

	2024 %	2024 £'000	2023 %	2023 £'000
Equities	1%	948	1%	949
Bonds/gifts and debt instruments	2%	3,634	8%	12,586
Diversified growth funds				
Other	97%	153,383	91%	147,381
Cash	0%	57	1%	1,556
Market value of scheme assets		158,022		162,472
Present value of scheme liabilities		(157,737)		(160,597)
Surplus before deferred tax (see note 21)		285		1,875
Related deferred tax liability		-		-
Surplus after deferred tax		285		1,875

The market value of the assets in the Company's schemes and the present value of these schemes' liabilities at the balance sheet date were:

Valuation

	2024 %	2024 £'000	2023 %	2023 £'000
Equities	0%	-	0%	-
Bonds/gifts and debt instruments	0%	5	5%	7,579
Other	100%	123,019	73%	117,958
Cash	0%	105	1%	1,148
Market value of scheme assets		123,129		126,685
Present value of scheme liabilities		(122,874)		(125,739)
Surplus before deferred tax (see note 21)		255		946
Related deferred tax liability		-		-
Surplus after deferred tax		255		946

During the previous year the South Staffs Water and Cambridge Water Sections of the Water Companies Pension Scheme, together with the other three section of the Scheme, changed their investment strategies to invest in an insurance policy with Just Plc, which is structured to meet the Scheme's future liabilities. This transaction, often referred to as an Insurance Buy-In, completed on the 31 March 2023. Consequently the sections' assets at the year-end mainly comprised the insurance policy.

Notes to the Financial Statements (continued)

28. Pension retirement benefits (continued)

Changes in the present value of the liabilities of the Group's schemes are as follows:

	2024	2023
	£'000	£'000
Opening present value of scheme's liabilities	160,597	219,308
Interest cost	7,490	5,940
Actuarial gain	(1,230)	(51,882)
Benefits paid	(9,120)	(12,769)
Closing present value of scheme's liabilities	157,737	160,597

Changes in the present value of the liabilities of the Company's schemes are as follows:

	2024	2023
	£'000	£'000
Opening present value of scheme's liabilities	125,739	169,943
Interest cost	5,866	4,637
Actuarial gain	(1,594)	(40,109)
Benefits paid	(7,137)	(8,732)
Closing present value of scheme's liabilities	122,874	125,739

Changes in the market value of the assets of the Group's schemes are as follows:

	2024	2023
	£'000	£'000
Opening present value of scheme's assets	162,473	273,846
Interest on scheme assets	6,611	6,728
Actuarial loss	(451)	(2,794)
Actuarial return on plan assets less interest income	(1,490)	(102,538)
Benefits paid	(9,120)	(12,769)
Closing market value of the scheme assets	158,023	162,473

The total return on assets of the Group's schemes over the year to 31 March 2024 was a profit of £5,340,000 (2023: loss of £98,666,000).

Notes to the Financial Statements (continued)

28. Pension retirement benefits (continued)

Changes in the market value of the assets of the Company's schemes are as follows:

	2024 £'000	2023 £'000
Opening present value of scheme's assets	126,685	212,474
Interest on scheme assets	5,187	5,267
Actual return on plan assets less interest income	(1,606)	(82,324)
Benefits paid	(7,137)	(8,732)
Closing market value of scheme assets	123,129	126,685

The sensitivity of projected year end defined benefit obligations to alternative assumptions is as follows:

	2024 £'000 Increase	2023 £'000 Increase
<i>Discount rate</i>		
Effect of a 0.1% pa change	(1,600)	(1,700)
<i>Inflation</i>		
Effect of a 0.1% pa change	1,500	1,600
<i>Life expectancy</i>		
Effect of a one year change	5,900	6,900

The amount charged to the consolidated profit and loss account for the defined contribution schemes in the year was £3,771,000 (2023: £3,077,000).

Notes to the Financial Statements (continued)

29. Related party transactions

Historical agreements were put in place with Selena Bidco Limited, a holding company in the Group structure, to offset the impact on South Staffs Water Plc, a wholly owned subsidiary within South Staffordshire Plc group, of certain hedging relationships entered into with a third-party bank, on both cash flow and the profit and loss account. These historical agreements resulted in a liability being established, payable by Selena Bidco Limited to South Staffordshire Water Plc. The balance due from Selena Bidco Limited, the ultimate parent company registered in Jersey, in respect of these transactions at 31 March 2024 was £2,579,000 (2023: £2,804,000) and is included within debtors, under the amounts due from parent undertakings.

During the year South Staffordshire Water Plc provided Wholesale water services to the retailer Pennon Water Services Limited, a 20% minority interest, and its subsidiary SSWB Limited and turnover of £17,683,000 (2023: £17,726,000) in relation these transactions was recognised and £nil outstanding at the year-end (2023: £17,000). The receivable is due in 30 days from invoice date. Also at 31 March 2024, an amount of £400 was payable to PWSL for cash collected during the year that has not been paid over (2023: £2,000).

The Group has an outstanding interest-bearing loan balance due from Pennon Water Services Limited of £6,517,000 (2023: £6,517,000) which remained outstanding at 31 March 2024 (Note 13). The loan balance has an applicable interest rate of 5% per annum for 50% of the drawing and 3% + 12-month SONIA for the remaining 50% of the drawing.

Remuneration for key personnel is reported in the remuneration committee review section above.

Notes to the Financial Statements (continued)

30. Post balance sheet events

The following subsidiaries of the Company as at 31 March 2024, which were all non-trading companies as at that date, and 100% owned by the Company were dissolved on 15 October 2024:

- Brocol Consultants Limited (Dissolved on 15 October 2024)
- Debt Actions Limited (Dissolved on 29 October 2024)
- ION Water & Environmental Management Limited (Dissolved on 15 October 2024)
- IWS Water hygiene Services Limited (Dissolved on 15 October 2024)
- Omega Earthing Systems Limited (Dissolved on 15 October 2024)
- Omega Facility Services Limited (Dissolved on 15 October 2024)
- Omega Furse Contracting Limited (Dissolved on 15 October 2024)
- Omega Lightning Protection Limited (Dissolved on 15 October 2024)
- Omega Product Supplies Limited (Dissolved on 15 October 2024)
- Recoup Revenue Management Limited (Dissolved on 15 October 2024)
- South Staffordshire Infrastructure Services Limited (Dissolved on 15 October 2024)
- South Staffordshire Water Holdings Limited (Dissolved on 15 October 2024)
- Wells Water Treatment Services Limited (Dissolved on 15 October 2024)

After the year end the Group undertook a review of its distributable reserves position and identified a number of instances of unlawful dividends received and paid by South Staffordshire Plc.

The unlawful dividends paid in FY22 and FY24 have been treated as an adjusting post balance sheet event resulting in the recognition of a debtor of £6,626,000 included in "Amounts owed by parent undertakings" in "Debtors – amounts falling due within one year." The unlawful dividends received in FY18, FY19 and FY22 have also been treated as an adjusting post balance sheet event resulting in the recognition of a creditor of £2,456,000 included in "Amounts owed to other group undertakings" in "Creditors – amounts falling due within one year."

A legal process as described in the Director's report has been undertaken to remediate unlawful dividends on 24 and 27 January 2025. All amounts have now been settled in cash.

On 27 January 2025, The Group received a £19.8m cash injection from the ultimate controlling shareholder. An element of the cash has been used to settle intercompany balances, including those which have arisen as a result of recent unlawful dividends (see the Director's Report). The net equity investment into South Staffordshire Plc as a result of this cash injection was £11.5m.

31. Ultimate controlling party

The Company's immediate parent undertaking is Aquainvest Acquisitions Limited. During the year the ultimate parent company in the United Kingdom was Hydiades IV Limited, registered in England and Wales, which was the largest and smallest UK group preparing consolidated accounts that include South Staffordshire Plc at 31 March 2024. The consolidated accounts for Hydiades IV Limited can be obtained from the Company's registered office, Green Lane, Walsall, West Midlands, WS2 7PD.

The ultimate controlling party is AIP Holdings Limited, a Company registered in England and Wales, which controls and manages and is the General Partner of a UK registered investment entity that acquired a majority equity interest of a holding company of the Group.

Notes to the Financial Statements (continued)

32. Prior period restatement

During the current year the Group performed a review of its prior year acquisition of The Gateway Group of Companies Holding Limited and identified the following prior year errors in both the Company only and Consolidated Group financial statements.

Company

When calculating the cost of the investment, several key steps and adjustments from the final Share Purchase Agreement ("SPA") were unintentionally excluded, impacting the cost of investment and a number of other line items in the parent company balance sheet. The table below shows a reconciliation between the cost of investment as determined for the purposes of the FY23 financial statements and the restated cost of investment, with accompanying notes to explain each line item:

	£'000s	
Cost of investment per 2023 accounts	36,805	Note A
Cash, working capital and intercompany adjustments	1,903	Note B
Loan notes settled on acquisition	(8,500)	Note C
Deferred consideration	1,440	Note D
Total adjustments to cost of investment and net current assets	(5,157)	
Restated cost of investment	31,648	

Note A: Cost of investment in the prior year was based on the initial consideration of £21,988,000, contingent consideration estimated at £14,121,000 and £696,000 of transaction costs.

Note B: The actual consideration per the SPA was adjusted for cash, indebtedness and working capital amounts totalling £1,903,000. These adjustments were excluded from the initial accounting. The increase to the consideration payable was subsequently settled following the acquisition but before the balance sheet date on behalf of South Staffordshire PLC by Infrastructure Gateway Limited, a fully owned subsidiary of The Gateway Group of Companies Holding Limited. This resulted in an understatement of the cost of investment of £1,903,000 and a corresponding understatement of Amounts owed to other group undertakings within Creditors: amounts falling due within one year of £1,903,000.

Note C: The actual consideration per the SPA was also reduced by an amount equal to an external loan note liability owed by The Gateway Group of Companies Holding Limited totalling £8,500,000. Under the SPA, South Staffordshire PLC advanced an amount of £8,500,000 to The Gateway Group of Companies Holding Limited in order for that company to settle its external loan note liability. In the prior year, this advance of cash by the parent company to Gateway Group of Companies Holding Limited was included in the cost of investment in the parent company financial statements. However, this advance should have resulted in the establishment of an intercompany receivable for amounts due from The Gateway Group of Companies Holding Limited. This has now been corrected by reducing the cost of investment and recognising an intercompany receivable. This is included within Amounts owed by group undertakings in Debtors – amounts recoverable within one year.

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Note D: Also excluded from the original accounting was deferred consideration of £1,440,000 with the corresponding entry now included in other creditors, within Creditors: amounts falling due within one year.

These restatements have resulted in an increase in net current assets of £5,157,000, with no impact to net assets. There is also no change to profit for the year or the tax charge as a result of this restatement.

The impact of the above restatements on the Company balance sheet is shown in the table below.

	Previously Reported £'000	PYA £'000	Restated £'000
Fixed assets			
Tangible assets	180	-	180
Other investments	272,269	(5,157)	267,112
	272,449	(5,157)	267,292
Current Assets			
Stocks	63	-	63
Debtors – amounts recoverable within one year	50,955	8,500	59,455
Retirement benefit surplus	946	-	946
Cash at bank and in hand	13,304	-	13,304
	65,268	8,500	73,768
Creditors - amounts falling due within one year			
Borrowings	(941)	-	(941)
Other creditors	(76,465)	(3,343)	(79,808)
	(77,406)	(3,343)	(80,749)
Net current liabilities	(12,138)	5,157	(6,981)
Total assets less current liabilities	260,311	-	260,311
Creditors – amounts falling due in more than one year			
Borrowings	(133,644)	-	(133,644)
Other creditors	(7,655)	-	(7,655)
	(141,299)	-	(141,299)
Provisions	207	-	207
Net assets	119,219	-	119,219
Capital and reserves			
Share capital	6,449	-	6,449
Share premium account	42,319	-	42,319
Capital redemption reserve	1	-	1
Profit and loss account	70,450	-	70,450
Shareholder's funds	119,219	-	119,219

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Group

As a consequence of the above restatements, the Goodwill balance recognised on acquisition should have been lower by £5,157,000, an external liability for the deferred consideration of £1,440,000 should have been recognised and certain balances which arose between the parent and the acquired entities as part of the acquisition should have been identified as intercompany balances and eliminated on consolidation as further explained below.

The consideration in the business combination from the Group's perspective was £40,148,000, being the cost of investment set out above, plus the £8,500,000 paid by the Group in order to acquire the business without external debt. This £8,500,000 does not form part of the cost of investment for the parent (as it is recoverable via an intercompany loan from the acquired entity) but does form part of the consideration transferred from the perspective of the Group as a whole. Partly due to how the final funds flow was structured, in preparing the previous financial statements it was not clear that the external liability had been settled and replaced with an intercompany receivable balance. Due to this, the £8,500,000 liability was incorrectly included as part of the liabilities assumed in the business combination, and therefore flowed to the Group's external borrowings as at 31 March 2023. This has now been corrected in the prior year balance sheet resulting in a reduction to Borrowings within Creditors: amounts falling due in more than one year.

Also referred to above, further adjustments to the consideration per the SPA for cash, indebtedness and working capital totalling £1,903,000 were excluded from the initial accounting and were settled on behalf of South Staffordshire PLC by Infrastructure Gateway Limited, a fully owned subsidiary of The Gateway Group of Companies Holding Limited.

An intercompany debtor was previously recorded in the accounts of Infrastructure Gateway Limited and was not eliminated on consolidation. The restatement results in an elimination on consolidation and reduction to Debtors – amounts recoverable in more than one year in the consolidated accounts of South Staffordshire PLC by £1,903,000.

The impact of the above restatements on the Consolidated balance sheet is shown in the table below. These restatements have resulted in a decrease in net current assets of £3,343,000, with no impact on net assets. There is also no change to profit for the year or the tax charge as a result of this restatement.

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

	Previously Reported £'000	PYA £'000	Restated £'000
Fixed assets			
Intangible assets	84,422	(5,157)	79,265
Tangible assets	663,225	-	663,225
Investment in joint venture	1,144	-	1,144
Other investments	73,145	-	73,145
	821,936	(5,157)	816,779
Current Assets			
Stocks	9,532	-	9,532
Debtors – amounts recoverable within one year	126,948	(1,903)	125,045
Debtors – amounts recoverable in more than one year	4,049	-	4,049
Retirement benefit surplus	1,874	-	1,874
Cash at bank and in hand	80,328	-	80,328
	222,731	(1,903)	220,828
Creditors - amounts falling due within one year			
Borrowings	(28,316)	-	(28,316)
Other creditors	(153,892)	(1,440)	(155,332)
	(182,208)	(1,440)	(183,648)
Net current assets	40,523	(3,343)	37,180
Total assets less current liabilities	862,459	(8,500)	853,959
Creditors – amounts falling due in more than one year			
Borrowings	(601,106)	8,500	(592,606)
Other creditors	(17,553)	-	(17,553)
Accruals and deferred income	(180,154)	-	(180,154)
	(798,813)	8,500	(790,313)
Provisions	(61,130)	-	(61,130)
Net assets	2,516	-	2,516

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

	Previously Reported £'000	PYA £'000	Restated £'000
Capital reserves			
Share capital	6,449	-	6,449
Share premium account	42,319	-	42,319
Revaluation reserve	15,643	-	15,643
Capital redemption reserve	1	-	1
Merger reserve	(253)	-	(253)
Currency translation reserve	(111)	-	(111)
Hedging reserve	(1,757)	-	(1,757)
Profit and loss account	(59,452)	-	(59,452)
Shareholder's funds	2,839	-	2,839
Non-controlling interest	(323)	-	(323)
Total capital employed	2,516	-	2,516

Consolidated cashflow statement

Cash outflows from investing activities have been increased by £1,366,000 to reflect the total cash outflows related to the business acquisition. Previously only the initial cash consideration payment of £21,988,000 was included within investing activities in the cash flow statement and other cash payments made with respect to professional fees and other amounts paid to the sellers totalling £1,366,000 were presented within operating activities. However, as these amounts all form a part of the acquisition accounting (and are therefore reflected in the goodwill arising on the combination) these amounts should have been recorded as investing cash flows.

	Previously Reported £'000	PYA £'000	Restated £'000
Cash inflow from operating activities	33,349	1,366	34,715
Corporation tax paid	35	-	35
Net cash inflow from operating activities	33,384	1,366	34,750
Cash flows from investing activities			
Purchase of tangible fixed assets	(89,564)	-	(89,564)
Proceeds from sale of tangible fixed assets	470	-	470
Interest received	2,368	-	2,368
Cash consideration for business	(21,988)	(1,366)	(23,354)
Cash balances of businesses acquired (net)	3,523	-	3,523
Net cash outflow from investing activities	(105,191)	(1,366)	(106,557)

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

The Group's net debt has also been restated in the "Reconciliation in movement in net debt" and "Analysis of net debt" to reduce the value of private placement loans and book net debt by £8,500,000.

As noted above, as part of the acquisition South Staffordshire PLC advanced an amount of £8,500,000 to The Gateway Group of Companies Holding Limited in order for that company to settle its external loan note liability. In preparing the previous financial statements it was not clear that the external liability had been settled and replaced with an intercompany receivable balance. Due to this, the £8,500,000 liability was incorrectly included as part of the Group's external borrowings as at 31 March 2023, resulting in an overstatement in the Group's net debt.

Reconciliation in movement in net debt:

	Previously Reported	PYA	Restated
	£'000	£'000	£'000
Decrease in net cash	(18,289)	-	(18,289)
Finance lease repayments (cash)	267	-	267
Movement on bank term loans (non-cash)	(1,030)	-	(1,030)
Drawdown of RCF	(14,000)	-	(14,000)
Repayments of RCF	14,000	-	14,000
Intercompany loan with parent undertaking	(715)	-	(715)
Issue of private placement loan notes (net of issue costs cash)	(48,164)	8,500	(39,664)
Movement in derivatives (non-cash)	1,664	-	1,664
Movement on index-linked debt (non-cash)	(28,362)	-	(28,362)
Increase in net debt in the year	(94,628)	8,500	(86,128)
Net debt brought forward	(452,857)	-	(452,857)
Net debt carried forward	(547,485)	8,500	(538,985)

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Analysis of net debt:

	Previously Reported	PYA	Restated
	£'000	£'000	£'000
Cash at bank and in hand (net of overdraft)	52,012	-	52,012
Intercompany loan	(15,006)	-	(15,006)
Irredeemable debenture stock	(1,652)	-	(1,652)
Index-linked debt (net of issue costs)	(269,515)	-	(269,515)
Bank term loans (net of issue costs)	(69,275)	-	(69,275)
Private placement loan notes (net of issue costs)	(245,656)	8,500	(237,156)
Derivatives	1,608	-	1,608
Obligations under finance leases and hire-purchase contracts	(1)	-	(1)
Net debt	(547,485)	8,500	(538,985)
Book net debt (as reported above)	(547,485)	8,500	(538,985)
Exclude intercompany loan	15,006	-	15,006
Exclude book premium on issue of index-linked debt	12,058	-	12,058
Exclude unamortised issue costs	(3,079)	-	(3,079)
Exclude accrued interest	3,933	-	3,933
Net debt reported for borrowing covenants	(519,567)	8,500	(511,067)



South Staffordshire Plc

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

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