

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. Financial performance in the Group's regulated business remained strong, with turnover increasing by £1.7m year on year. Despite this, the regulated business continues to experience significant pressure on energy, chemical and borrowing costs, driven by inflation.

The rest of the Group's non-regulated service businesses delivered higher revenues against prior year, but operating profits were slightly lower due to inflationary pressures increasing costs of raw materials and consumables, together with ongoing headwinds in the housing sector.

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

	2025 £'000	Restated* 2024 £'000
Turnover	411,433	383,180
Operating costs	396,986	365,184
EBITDA	71,467	77,249
Operating profit before exceptional items	25,875	27,546
Net debt reported for borrowing covenants	583,258	563,702
Dividends distributed	-	-

*Details of the restated balances can be found in Note 31 of the Notes to the Financial Statements.

Turnover and profit

Group turnover increased by 7.4% to £411.4m in the year (2024: £383.2m restated). Turnover generated by South Staffs Water increased to £153.3m (2024: £151.6m), from both household and non-household metered revenue. External turnover from the non-regulated service businesses increased by £27.0m, to £315.9m (2024: £288.9m restated). This is predominantly due to the strong growth in the Pipelines and Civil engineering business.

Group EBITDA (before infrastructure renewals) of £71.5m, reconciliation below, was £5.7m lower than the previous year (2024: £77.2m restated). South Staffs Water operating profit has increased in the year, as a result of both higher turnover and reduced costs. Their costs have decreased slightly compared with the prior year, as a result of inflationary pressures and the impact of two large bursts in our South Staffs region, being offset by lower power costs and no catch-up on abstraction charges, which were incurred in the prior year.

Group operating profit, before exceptional items and income from associated undertakings, was £25.1m (2024: £27.3m). Although profit performance in the non-regulated service businesses was slightly lower against prior year, a number of the businesses did deliver standout results, in particular Onsite, which grew its contracting services to the water industry and adjacent sectors by 20%, and Omega Red, who drove their turnover in lightning protection and height safety services rise by over 20%. 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.

Strategic Report (continued)

Turnover and profit (continued)

There was a reduction in finance charges in the year of £9.3m to £29.7m (2024 £39.0m restated) due to a reduction in the index-linked debt charges because of easing levels of RPI. Overall, the Group loss before tax was £9.5m (2024: £13.2m loss restated).

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

	2025 £'000	Restated 2024 £'000
Operating profit before exceptional items	25,875	27,546
Exceptional items (Note 7)	(5,647)	(1,783)
Depreciation	33,932	32,680
Infrastructure renewals	10,660	11,668
Amortisation of goodwill	7,655	7,817
Intangible asset impairment	454	917
Amortisation of intangible assets	2,012	1,908
Amortisation of capital contributions	(3,474)	(3,504)
EBITDA (before infrastructure renewals)	71,467	77,249

Group turnover



Analysis of Group operating profit



South Staffs Water 95%

Non-regulated Service Companies 5%

Strategic Report (continued)

Tax

The tax credit for the year decreased to £0.9m (2024: £1.8m credit restated). This was predominantly due to a lower deferred tax credit recognised across the Group, driven by tax losses generated in the year being much lower compared to the previous year.

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 £49.7m (2024: £66.0m restated). The decrease is predominantly due to lower operating profits and lower working capital movements. Overall gross capital expenditure for the year was £52.2m (2024: £77.1m). Overall net capital expenditure, net of contributions, was £44.6m (2024: £62.7m).

The Company paid no dividends during the year (2024: £nil).

Financing, net debt and liquidity

Group net debt reported for covenant purposes at 31 March 2025 amounted to £583.3m (2024: £563.7m) 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 2025 amounted to £605.0m (2024: £591.2m) 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 £385.4m (2024: £369.9m) being 66.4% (2024: 68.4%) of its regulatory capital value (RCV) of £580.6 (2024: £540.5m).

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 2025, the Group had cash balances of £35.1m (2024: £42.5m), providing liquidity headroom of £35.1m (2024: £42.5m).

On 30 April 2025, South Staffordshire Plc entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031.

On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 26 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were prepaid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

Strategic Report (continued)

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 commercial 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 and published a complete refresh of its the risk management methodology framework with the SSW Audit & Risk Committee approving their risk appetite framework.

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 accounts.

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 (continued)

Risk	Linked to outcomes	Risk profile
Health and safety *	Delivering for our business	◀▶
Financing our business/financial resilience *	Delivering for our business	◀▶
Legal and regulatory compliance *	Delivering for our business	◀▶
Technology, systems and security *	Delivering for our business	◀▶
Asset health and condition *	Delivering for our business	◀▶
Contract and programme delivery *	Delivering for our business	◀▶
Supply chain *	Delivering for our business	◀▶
3Climate change *	Delivering for the environment	◀▶
Environmental impact *	Delivering for the environment	◀▶
Water resources – Cambridge region #	Delivering for the environment	◀▶
Water resources – South Staffordshire region #	Delivering for the environment	New risk
Customer affordability #	Delivering for our customers	◀▶
Customer billing and collections #	Delivering for our customers	New risk
Customer experience #	Delivering for our customers	New risk
Water quality #	Delivering a reliable service	▲
Metering #	Delivering a reliable service	New risk

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 (continued)

Health and safety *

Risk profile: 

Risk causes and triggers

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.

How are we mitigating this risk

During the reporting year, we have reinforced our commitment to safety through a range of actions, these include:

- The full rollout of the group-wide 'Staying Safe Together' health and safety strategy. This strategy underpins the expectations of how all Group companies approach safety, gives clear commitments on how we will act and also sets clear commitments 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.
- The health and safety policy has been refreshed and updated ensuring shared and aligned standards for the management of our hazards across all Group companies. We have completed a 'brilliant basics' approach and in the coming year will refresh the understanding and controls of all our most critical hazards ensuring those associated controls are still robust, best practice and effective.
- Creation and implementation of a set of unified group-wide best practice based standards to ensure our controls are at the right level and learning is shared and supported.
- Imbed the 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.
- Furthered our rollout 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.
- Embed the consolidation of our Safety Management systems to make reporting and follow up of risks and incidents readily accessible to all our people.
- 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.

Strategic Report (continued)

We will continue to build on these initiatives in the year ahead to further strengthen our mitigation measures.

Financing our business / financial resilience*

Risk profile: 

Risk causes and triggers

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. 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 and South Staffordshire Plc. On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 26 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were prepaid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030

In South Staffordshire Plc we hold long-term loans maturing in 2029 and 2031 and on 30 April 2025, we entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031.

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.

How we are mitigating this risk

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.

Strategic Report (continued)

- 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.
- 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.
- Working with the Group Executive team to enhance our monthly finance reporting
- 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.

Strategic Report (continued)

Legal and regulatory compliance *

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

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.
- 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.
- Having in place a robust control process through our Delegation Authorities Matrix, which includes appropriate and well trained contract go/no go processes and reporting.
- 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.

Strategic Report (continued)

Technology, systems and security *

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

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.
- 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, being rollout out to HR and Finance with a view to also cover all our regulated business entities in FY26.
- 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.

Strategic Report (continued)

- 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.

Asset health and conditions *

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

- 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.
- 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

Strategic Report (continued)

Contract and programme delivery *

Risk profile: 

Risk causes and triggers

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 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.

How we are mitigating this risk

- 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.

Strategic Report (continued)

Supply chain *

Risk profile: 

Risk causes and triggers

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.
- 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

How we are mitigating this risk

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.

Strategic Report (continued)

Climate change*

Risk profile: 

Risk causes and triggers

Stakeholders are increasingly interested in how climate change will impact our Group and our preparedness, resilience and ability to adapt and plan for this.

How we are mitigating this risk

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.
- 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 (continued)

Environmental impact *

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

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. A full Green House Gas inventory was completed in FY25 with the expectation full Net Zero carbon planning, aligned to the SBTi principles will be in place by the end of FY26. We report Group performance on key environmental metrics regularly to our investor Arjun Infrastructure Partners.

Strategic Report (continued)

Water resources – Cambridge region

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

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 Graftham 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.

Water resources – South Staffordshire region

Risk profile: New risk

Risk causes and triggers

- Borehole abstraction reductions of 18 Ml/d to be delivered by 2030, as agreed with the Environment Agency.
- Impact of prolonged dry weather on our water supply/demand balance, along with underlying drivers such as climate change, population growth and the need to ensure environmentally sustainable abstractions.
- Dry spring in 2025, which has caused water levels in Blithfield reservoir to be at their lowest for the time of year for five years, along with associated water quality impacts.

How we are mitigating this risk

We have a number of controls in place to mitigate the impact or reduce the probability of having insufficient water resources. This includes the collaborative regional engagement carried out through WRW, as well as our water resources management plan. Other controls in place include the work we carry out to track leakage and PCC. In addition, our ongoing asset maintenance programme enables us to minimise the risk of short-term supply interruptions.

We also started work on our next drought plan. This included updating our drought triggers to enable us to focus more meaningfully on managing our impact on the environment. We are able to maintain our level of service, which is one of the highest in the water sector, with temporary use bans required at a 1 in 40 year interval.

In addition, over the five years to 2030, we will also deliver a number of water quality improvement schemes at production sites across our South Staffs regions and improve the resilience of our water sources.

Strategic Report (continued)

Customer affordability / billing and collections / experience

Risk profile:



Customer affordability	
Customer billing and collections	New risk
Customer experience	New risk

Risk causes and triggers

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.

How we are mitigating this risk

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.
- We also have a Debt Steering Group, which meets each month which monitors debt performance and agrees strategy.

Strategic Report (continued)

Water quality

Risk profile: 

Risk causes and triggers

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.

How we are mitigating this risk

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.

Strategic Report (continued)

Metering

Risk profile: New risk

Risk causes and triggers

- Failure of operational field delivery, customer journey and communication impacts, and resource issues and technology/systems interface impacts leading to a loss of customer trust and failure to deliver our regulatory contract.
- There is a wider risk relating to the impact of non-delivery on our long-term water resources management plans.

How we are mitigating this risk

We have an established steering group in place that meets regularly. In addition, we have set up a target operating model for our universal metering programme covering our contact centre, planning and installation.

There is a clear line of governance around all key decisions, and we have worked extensively with sector leading third parties to shape and challenge our meter delivery programme. We have also engaged with other water companies on lessons learned to ensure we build on the successes of those companies that are further ahead with their metering journeys.

We have commissioned external support to deliver an effective communication campaign to help drive customer awareness and support.

Strategic Report (continued)

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 its legal and social responsibilities for meeting its tax obligations seriously. 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 (continued)

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-regulated 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 December 2026 for its going concern assessment, the going concern period.

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 15 July 2025 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 2030 and to look forward for twelve months from signing to 31 July 2026.

The Group's going concern assessment includes an updated forecast for SSW to 31 December 2026 and is based on the final determination as approved by Ofwat for the five years from 2025 to 2030. This provides a high degree of confidence over SSW's revenue in the period to 31 December 2026, including SSW's ability to index the 2024/25 customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence about the approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

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 further 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 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 signed in November 2024, which matures in November 2027.

A key assumption in the forecast and severe but plausible downside scenario is the quantum and timing of further legal and regulatory costs arising from the criminal; cyber-attack and the mitigations thereof which the Company can influence.

Strategic Report (continued)

Going concern (continued)

In Note 20 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 further 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 December 2026 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues.

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 section) and an increase in the level of inflation and interest rates. 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 need to settle further 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.

Refinancing risk

As at the balance sheet date, the group had two debt maturities that were due to fall within the going concern period, being a £40m Revolving Credit Facility at South Staffordshire Plc, with a maturity date of 21 December 2026 and £73m in private placement notes at SSW Finance Limited which mature in early January 2026. During the period since the financial reporting date the Directors of these respective companies have taken steps to refinance these maturing facilities.

On 30 April 2025, South Staffordshire Plc entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031. On 12 August 2025, SSW Finance Limited successfully agreed to refinance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 2026 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On 21 October 2025 the Series A & B Notes were prepaid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

The Group used the majority of the new £40m term loan proceeds to pay down the existing £40m Revolving Credit Facility. The remaining amounts of utilisation are expected to be repaid and the facility cancelled in the period to 31 March 2026. The Directors are satisfied that sufficient contingency options are available to South Staffordshire Plc to ensure that the residual utilisation of the facility will either be (1) repaid from asset disposals (2) free cashflow generated or (3) arranging a reduced new bank facility with one of the existing lenders ahead of the maturity date to 21 December 2026 so as to be highly confident that the maturity will not represent a material risk to the going concern assumption.

Strategic Report (continued)

Going concern (continued)

The Directors of South Staffordshire Plc are therefore satisfied that the refinancing risks within the going concern period have been substantively dealt with and mitigated and the residual risks do not represent a material uncertainty to the going concern assumption.

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 to 31 December 2026.

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

C Maher
Group Chief Executive Officer
Date: 17 December 2025

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.

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.

How we have engaged with stakeholders

Customers

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")

South Staffs Water have continued to engage extensively with household customers during the reporting year. In addition to their business-as-usual engagement approaches, South Staffs Water have also put more focus on deliberative and behaviour-led studies. This includes using ethnographic research to give us a new way to capture 'in the moment' insight about the way different groups of customers use water each day and the reasons for this.

South Staffs Water have continued to focus on golden threads. These are the themes that have emerged from customer engagement programme over the five years to 2025. These golden threads cover:

- transparency and engagement;
- fairness and collective action;
- concern for the environment;
- the need to protect vulnerable customers; and
- affordability and cost-of-living increases.

South Staffs Water have also engaged their customers about their new Assure Essential Saver tariff, which is based on affordability. The tariff aims to support customers who are not eligible to receive an Assure tariff, but who are still struggling to pay their water bills.

South Staffs Water share information with the Board each month on how they have performed against their respective measures of customer, developer, and retailer experience (C-MeX, D-Mex and R-MeX). They also share other key metrics on customer satisfaction and on the number of written complaints, among other things.

In addition, they have been preparing for the changes to the market performance framework (MPF), which came into effect just outside the reporting year in April 2025.

Governance (continued)

Non regulated entities

Non regulated entities customers have been given regular updates using a number of communication channels, including social media, local radio, regular meetings and website content.

Community

The Group's divisions have actively supported local communities during the year.

South Staffs Water

South Staffs Water have shared information with the Board on the key performance metrics associated with the community activities. This includes the number of customers on their Assure tariff, the number of customers on their PSR and the number of young people engaged through their education outreach programme.

South Staffs Water have focused their efforts during the reporting year to help young people leaving care to make the transition to independent living. For example, SSW have implemented a 'passport' scheme for care leavers for their Assure tariff and have made it easier for them to complete their applications.

They have also continued to engage with community projects and organisations through their PEBBLE Fund. Each year, they make financial grants available to schools and local organisations, funding projects that support, restore or create habitats and that deliver benefits for the wider community.

Over the past ten years South Staffs Water have awarded more than £360,000 to 125 projects across our Cambridge and South Staffs regions. Overall, more than 100 hectares have been improved through a variety of initiatives, including hedgerow and wildflower planting, as well as removing non-native invasive species, which can destroy native habitats.

Projects that have recently received funding include the creation of a:

- common tern breeding platform at Milton Country Park in our Cambridge region; and
- native wildflower garden in the village of Kingstone in our South Staffs region.

Onsite

OnSite continues to proactively support and encourage engagement in local social value activities, including involvement in school events, various charitable and client led initiatives.

Climate change is a key challenge of our generation and, as a water-services company, we are better placed than many other businesses to experience and understand the scale of the challenge ahead. We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact, the impact of our supply chain, adapting to the challenges that climate change may bring in the future and investing and allocating resources accordingly such as the significant investment into new low carbon and efficient sewer jetting systems.

IWS

IWS continue to support local schools and community events and encourage employees to get involved and participate in charity challenges.

Our people

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 enewsletter, 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.

Governance (continued)

South Staffs Water

South Staffs Water continued to use the full range of communication tools and channels at their disposal to engage with all their people across the business. This includes the annual employee engagement survey and regular Executive team updates at their principal sites in the Cambridge and South Staffs regions.

South Staff Water's Managing Director shares a vlog update each month, and employees receive regular Group communications, which focus on things like performance, budgets, health and safety, and shout outs for people living our values.

There is also an internal magazine called 'From the source', which is produced by our People Forum. It features a range of content, including:

- updates from the People Forum;
- introductions to people who have joined the business;
- shout outs to highlight those people who have gone above and beyond for the business; and
- fun activities, recipes and book club recommendations

In addition, our people have the opportunity to join Group-wide employee networks. During the reporting year, dedicated Women's and LGBTQ+ networks were established as a way of connecting people with shared interests from across the business. The role of the Women's network is to foster a supportive and empowering environment for women across the Group, while our Unity+ network focuses on sexual orientation, gender identity and gender expression.

Non regulated entities

Regular updates take place for employees at non regulated entities including numerous channels, including workshops, executive roadshows, updates, training and development, monthly conduit e-newsletter, workplace and MiHub.

Regulators/Government

This is a critical group of stakeholders for us, as failure to comply with our legal or regulatory obligations could result in financial penalties or other enforcement action, leading to reputational harm and the loss of our customers' trust in us. Failure to engage with government at a local and national level could also cause lasting damage to our reputation.

South Staffs Water

A key focus for South Staff Water's engagement with this key stakeholder group during the reporting year has been on finalising our plans for the five years to 2030 with the regulator Ofwat.

As well as finalising their plans to 2030, South Staff Water have also engaged with the Independent Water Commission on the future shape of the water sector.

Following the General Election in July 2024, South Staff Water engaged with MPs across their Cambridge and South Staffs regions. We saw a significant shift in the political landscape across both regions following the election, with many more new Labour – and a couple of Liberal Democrat – MPs.

South Staff Water have continued to liaise with LRFs during the year as part of our business-as-usual incident management framework. LRFs are multi-agency partnerships, comprising representatives from local public services, including:

- the emergency services;
- local authorities;
- the NHS; and
- the Environment Agency

Governance (continued)

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/partner

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.

South Staffs Water

South Staff Water have continued to work with colleagues across the business to ensure their supply chains are resilient and cost effective. This is especially important for as they transition into delivering our ambitious five-year plan to 2030.

During the reporting year, South Staff Water have continued to demonstrate their commitment to supplier diversity. This includes continuing to provide ongoing procurement, supply chain and contract management to support the other water only companies in the sector (Affinity Water, Portsmouth Water and South East Water) under the Off-Shore Consortium Agreement to facilitate the supply of essential chemicals and infrastructure product.

Looking ahead, they are implementing the Achilles Ethical Employment Audit for key critical supply chains. This is a proactive step taking towards responsible procurement and sourcing.

Another area of focus for us has been the transition of their light vehicle fleet to hybrid or fully electric. This followed a commitment we made to their customers in our business plan for the five years to 2025

Non regulated entities

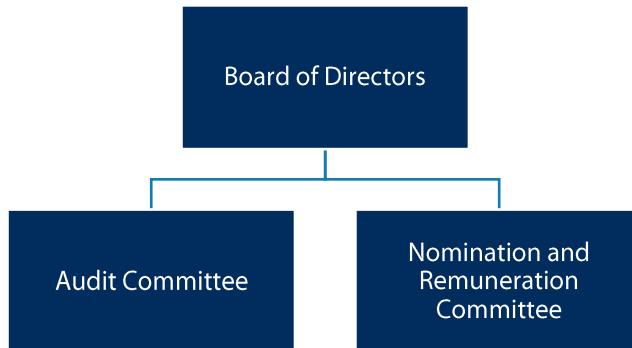
Non regulated entities have relationships with suppliers and partners which supports the business needs.

This statement was approved at a meeting of Directors held on 17 December 2025 and duly signed on its behalf.

C Maher
Group Chief Executive Officer

Governance (continued)

Board of Directors



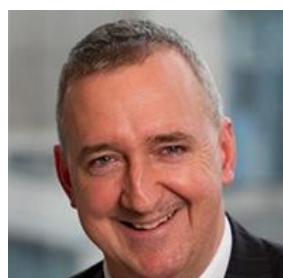
The Board comprised of the Independent Chair, the Group Chief Executive, and three Non-executive Directors. Details of the terms of reference of all the committees, their membership and activities during the year are reported on pages 141-149.

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.

Governance (continued)

Board of Directors (continued)

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 Mayer – Group Chief Executive Officer



Charley Mayer 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. Since the departure of Andy Willicott, as Managing Director of South Staffs Water in December 2024 Charley had been also acting as interim Managing Director for that subsidiary pending the appointment of the new Managing Director, Elena Karpathakis in March 2025.

Governance (continued)

Executive Team

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

Charley Mayer – Group Chief Executive Officer



Charley Mayer 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 had been also acting as interim Managing Director for that subsidiary pending the appointment of the new Managing Director, Elena Karpathakis in March 2025.

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.

Rob O'Malley – Group Chief Finance Officer (Resigned 10 April 2025)



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.

Michael Horn – Group Chief Finance Officer



Michael was appointed Interim Group Chief Finance Officer at South Staffordshire Plc in April 2025 and appointed permanently in September 2025. He brings over 30 years of experience in finance, having held several senior financial leadership positions across the retail and infrastructure sectors, including at Office Depot and Idverde. Throughout his career, Michael has overseen post-acquisition integrations, and managed major projects aimed at transforming business infrastructure and reducing costs, including implementation of new accounting systems and processes.

Governance (continued)

Executive Team (continued)

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.

Stephen Smith – Group Director of Strategy and Investor Relations



Appointed as Group Director of Strategy and Investor Relations in September 2024. Prior to joining, Stephen worked for Water2Business, where he developed his knowledge of the utilities sector. Before this, Stephen worked at NatWest gaining over 18 years of experience in the banking sector. Stephen's expertise spans across strategic commercial thinking, P&L management, and maintaining a balanced business scorecard to ensure sustainable growth and operational excellence.

Hayley Monks – Managing Director of Echo Managed Services Limited



Hayley was appointed Managing Director of Echo Managed Services in December 2024. With over 20 years of experience in the utilities sector, she has led successful transformation initiatives through strong, effective leadership. Her previous roles include Senior Vice President at WNS Global Services and Managing Director at Gobeyond Partners. Hayley is also the co-founder of the Women's Utilities Network, a platform dedicated to supporting and empowering women in the industry, and advancing diversity and inclusion across the sector.

Andrew Lolley – Managing Director of Hydrosave UK Limited



Andrew was appointed as Managing Director in December 2024. Andrew previously held a senior role in sister Group company South Staffs Water as Operations Director. Prior to joining the Group, Andrew held multiple operational roles within the utilities sector at both Cambridge Water and Welsh Water.

Governance (continued)

Executive Team (continued)

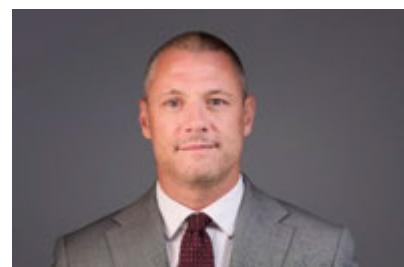
Elena Karpathakis – Managing Director of South Staffordshire Water Plc



Elena has been appointed South Staffs Water's Managing Director in March 2025. Prior to joining, Elena worked for British Gas, most recently leading one of the UK's largest engineering workforces. Earlier in her career she held leadership positions at Openreach and BT.

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

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.

Ben Brownhill – Chief Operating Officer of Infrastructure Gateway



Ben joined Infrastructure Gateway Limited (IGL) in 2016 and was appointed Chief Operating Officer in September 2024, having previously been Technical Director and Operations Director.

Before joining the Group, Ben held managerial roles at leading utilities companies such as National Grid and Severn Trent Water.

With over 20 years of experience, Ben has successfully led utilities operations, developed new partnerships and frameworks, and delivered major infrastructure projects across the UK. He is passionate about supporting all people in the workplace and mentors a raft of individuals as part of the Institute of Water's programme. His work on the Water Industry Registration Scheme (WIRS) Advisory Panel and the Water UK - Code for Adoptions (CFA) Panel has helped him launch new initiatives and now uses the experience of being on industry panels to support the groups Unity+ Network committee as Executive Sponsor.

Nick Marshall – Managing Director of Omega Red Group Limited



Appointed as Managing Director for Omega Red Group in March 2025, having previously been Group Sales and Marketing Director at Murphy Geospatial. Prior to this, Nick held the positions of Head of Sales and Marketing at Omega Red Group, and Divisional Director at Arco Limited. Nick is passionate about accelerating business growth alongside enhancing engagement and development across internal teams.

Governance (continued)

Executive Team (continued)

James Skelton – Managing Director of Office Watercoolers Limited



Appointed as Managing Director of Group business Office Watercoolers in April 2025, James began his journey with the company over 15 years ago, working across a spectrum of operational and leadership roles.

As Managing Director, he now oversees national operations, steers strategic growth initiatives, and ensures the highest standards of customer service and service delivery. Prior to stepping into this role, he gained comprehensive experience across departments, shaping his practical, people-oriented leadership approach.

James also sits on the executive committee of the industry trade association, where his professional interest lies in advancing sector standards, policy influence, and best-practice frameworks.

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

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

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.

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

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

Neil Shailer was appointed Managing Director of Omega Red Group in 2015 and resigned on 20 March 2025.

Joel Stevens was appointed Managing Director of Onsite Central Limited in November 2024 and resigned on 17 October 2025.

Governance (continued)

Directors' Report

The Directors are pleased to present their annual report, together with the audited Group financial statements, for the year ended 31 March 2025.

Board Leadership, Membership and attendance

We held nine scheduled Board meetings, one strategy meeting and two ad hoc Board meetings in 2024/2025. The Group Company Secretary or her nominated delegate is secretary to the Board and attends all meetings. The chairman held private sessions with our non-executive directors during 2024/2025.

Board and committee members are provided with papers in advance of each meeting to enable effective discussion and debate. Directors are expected to attend Board and relevant committee meetings, of which they are a member, unless prevented from doing so by prior commitments, illness or a conflict of interest. All directors attended scheduled Board meetings during the year, as set out below, and the attendance for committee meetings is set out in each of the respective committee reports. If a director is unable to attend a meeting, they give their comments to the chairman or the committee chair in advance of the meeting so that these can be duly considered as part of the discussion at the meeting.

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
Steve Johnson	Independent Non-Executive Chairman	3 July 2018		9/9
Peter Antolik	Non-Executive Director & Arjun Investment Partners Representative	3 July 2018		9/9
Charley Mayer	Group Chief Executive	29 September 2023		9/9
Rob O'Malley	Group Chief Finance Officer	29 April 2020	10 April 2025	9/9
Keith Harris	Non-Executive Director & Arjun Investment Partners Representative	30 October 2020		9/9
Misha Nahorny	Non-Executive Director & Arjun Investment Partners Representative	27 November 2024		2/9

Governance (continued)

Directors' Report (continued)

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.

Rob O'Malley resigned as a Board Director from South Staffordshire Plc on 10 April 2025.

Michael Horn was appointed as a Board Director of South Staffordshire Plc on 03 November 2025.

Caroline Stretton is the Group General Counsel & Company Secretary.

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

Appointment of directors

In accordance with the Companies Act 2006 and the Articles of Association one director was appointed during the year.

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 2025.

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 £411.9m (2024: £383.2m restated), with operating profit of £20.3m (2024: £25.8m restated) and loss before tax of £9.5m (2024: £13.2m loss restated). 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.

Governance (continued)

Directors' Report (continued)

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 end of 2025-26.

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 2050, 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 Energy Security and Net Zero (DESNZ).

Governance (continued)

Directors' Report (continued)

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	2024/25		2023/24	
	kWh	Tonnes CO2	kWh	Tonnes CO2
Natural gas	91,967,586	16,821	106,614,560	19,503
Diesel BS EN 590	40,595,650	10,313	40,559,879	10,224
Gasoil (Class A2)	-	-	-	-
White diesel (generators)	2,152,533	515	752,734	201
Kerosene	140,400	36	179,955	47
Hydrogenated vegetable oil (HVO)	-	-	-	-
Unleaded 95	6,152,868	1,355	3,738,956	875
Total	141,009,036	29,040	151,846,084	30,850

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 now reports its emissions resulting from grid electricity consumption using location-based emissions factors (UK grid emissions factors), which does not consider the procurement of low and zero carbon electrical energy tariffs.

Electricity	2024/25		2023/24		2022/23	
	kWh	Tonnes CO ₂ e	kWh	Tonnes CO ₂ e	kWh	Tonnes CO ₂ e
Location-based emissions	98,154,620	20,633	95,816,481	21,608	105,449,201	22,255
Market-based emissions	98,154,620	325	95,816,481	7	105,449,201	0

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 (continued)

Directors' Report (continued)

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 since 22/23 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		
	2024/25	2023/24	2022/23	2024/25	2023/24	2022/23
Emissions (tonnes CO2e)	40,562	44,422	43,348	20,273	24,889	23,068
Emissions (kg CO2e per ML of treated water)	245	272	255	131	154	132

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 overall of its gas engine at Hampton Loade, work is underway to explore alternative power sources for Hampton Loade itself. Finding cleaner power sources is vital to follow their net zero roadmap, aligned with the Water UK sector wide commitment, 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. These technologies are still in the earlier stages of development and the analysis of their viability with implementation, if possible, may not happen for a few years.

The whole group launched a full review of their green house gas emissions which completed in March 2025, with the intention of creating an SBTi aligned Net Zero plan for all group entities.

OnSite Central Limited has converted all its commercial and LCV fleet to modern low emission Euro 6 engines with start/stop & emergency stop features and a gamified telematic system, with the aims of reducing and controlling emissions. The new system provides active real-time driver feedback to assist in modifying behaviours which may lead to unsafe or inefficient operation. The trial of this in other commercial businesses is due to commence in June 2025.

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.

The group launched its 'Green Week' initiative in January 2025 focused on driving behavioural changed with focus on sustainable travel, no printing days and reduction in email traffic. This promoted the carbon and environmental impacts from individuals actions saw proactive and sustained reductions in paper use, power and travel arrangements.

Under the health and safety standard, our people have objectives around risks and hazards in the office and in the field. There are a number of trained mental health first aiders.

Governance (continued)

Directors' Report (continued)

Efficiency measures (continued)

Across the Group, IWS Water Hygiene Division also has ISO 14001 (environmental management system), adding in 2022 the Achilles Carbon Reduce Certification assessed to ISO 140640-1. Onsite Central Limited. also possesses this as well.

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

Acquisitions

There were no acquisitions during current or previous 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 £51.7m (2024: £77.1m).

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.

Governance (continued)

Directors' Report (continued)

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;
- 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 2025 represent 96 days of purchases during the year (2024: 88 days). The Group is not reliant on any single commercial arrangement.

Governance (continued)

Directors' Report (continued)

Political donations

During the year we made £nil (2024: £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.

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. These intercompany liabilities totalling £2,456,000 were subsequently settled on 19 June 2024 in full.

In addition to these, the Company received dividends from its subsidiary undertaking Cambridge Water Plc during the year ended 31 March 2018 totalling £7,827,000. These were all received as interim dividends during September 2017. Of these, the full £7,827,000 has been identified as being unlawful as Cambridge Water Plc had insufficient distributable reserves at the time to make these distributions.

These dividends were identified as being unlawful during the current year but after a number of previously identified unlawful dividends were identified and rectified. Please see below for further information regarding the rectification of these additional dividends.

Dividends paid – March 2021

South Staffordshire Plc paid dividends to its parent company Aquainvest Acquisitions Limited during 31 March 2021 totalling £20,650,000. Interim dividends of £12,891,000 were paid in September 2020 and further dividends of £7,759,000 were paid in March 2021. Of these, the full £20,650,000 has been identified as being unlawful as South Staffordshire Plc had insufficient distributable reserves at the time to make these distributions.

These dividends were identified as being unlawful during the current year but after a number of previously identified unlawful dividends were identified and rectified. Please see below for further information regarding the remediation of these additional dividends.

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 these, the full £8,969,000 interim dividends and £1,441,000 of the final dividends (£10,410,000 in total) have been identified as being unlawful as South Staffordshire Plc had insufficient distributable reserves at the time to make these distributions.

Governance (continued)

Directors' Report (continued)

£1,441,000 of the March 2022 dividend was identified as being unlawful earlier in the financial year and before the additional amount was subsequently identified as being unlawful. Due to this, this £1,441,000 element has already been remediated. On 24 January 2025, the Directors of both the Company and Aquainvest Acquisitions Limited passed a resolution to treat the £1,441,000 as an intercompany receivable / intercompany liability. This was subsequently received from Aquainvest Acquisitions Limited on 27 January 2025 in full.

With regards to the additional £8,969,000, please see below for further information regarding the remediation of these.

Dividends paid - May 2023

On 3 May 2023 the Company declared and paid a distribution to its parent undertaking Aquainvest Acquisitions Limited of £5,185,000 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.

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

Remediation

In order to remediate the additional unlawful dividends referred to above, the Directors of the Company, Aquainvest Acquisitions Limited and Cambridge Water Plc have passed resolutions to treat the unlawful elements of the dividends as intercompany receivables / intercompany liabilities.

As a result, at the balance sheet date the Company has an intercompany receivable for amounts due from Aquainvest Acquisitions Limited totalling £29,619,000 (£20,650,000 arising in the year to 31 March 2021 and £8,969,000 arising in the year to 31 March 2022). This amount is interest free, repayable on demand and is included in Debtors – amounts falling due within one year.

In addition, at the balance sheet date the Company has an intercompany payable for amounts due to Cambridge Water Plc totalling £7,827,000 (all arising in the year to 31 March 2018). This amount is interest free, repayable on demand and is included in Creditors – amounts falling due within one year.

Governance (continued)

Directors' Report (continued)

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.

Post balance sheet events

On 30 April 2025, South Staffordshire Plc entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031.

On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 26 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were paid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

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.

Following the appointment, Ernst & Young LLP is deemed to be re-appointed under section 487(2) of the Companies Act 2006. Approved by the Board of Directors and signed on its behalf by

C Maher

Group Chief Executive Officer

Date: 17 December 2025

Registered Office: Green Lane, Walsall, West Midlands, WS2 7PD

Registered in England and Wales

Governance (continued)

Company information

Board of Directors	Steve Johnson – Chairman
	Peter Antolik
	Keith Harris
	Mikhail Nahorny
	Charley Maher (Group Chief Executive),
	Michael Horn (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
	One Colmore Square, Birmingham, B4 6HQ

Governance (continued)

Corporate Governance Report

The purpose of this report is to demonstrate the Board's approach to corporate governance. Our Board of Directors are committed to robust standards of corporate governance and we follow the requirements of the Wates Principles 2019; the UK Corporate Governance Code 2018 and Ofwat's Board Leadership, Transparency and Governance Principles (BLTG Principles). The Board is familiar with the changes following the publication of the UK Corporate Governance Code 2024 (2024 Code) and intends to be compliant with all new relevant provisions in the timeframes dictated in the 2024 Code.

Our Board of Directors are aware of all obligations and ensure effective leadership and appropriate governance arrangements are in place.

Our Board of Directors also consider the annual report and financial statements to comply with the Walker Guidelines for Disclosure and Transparency in Private Equity.

As a Company, we regularly monitor 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 our Board of Directors recognise the responsibilities that come from providing a public service and 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.

Our Board of Directors can confirm, on behalf of AIP Holdings Limited, that it, as the ultimate controlling party of the Group for the year ended 31 March 2025, 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:

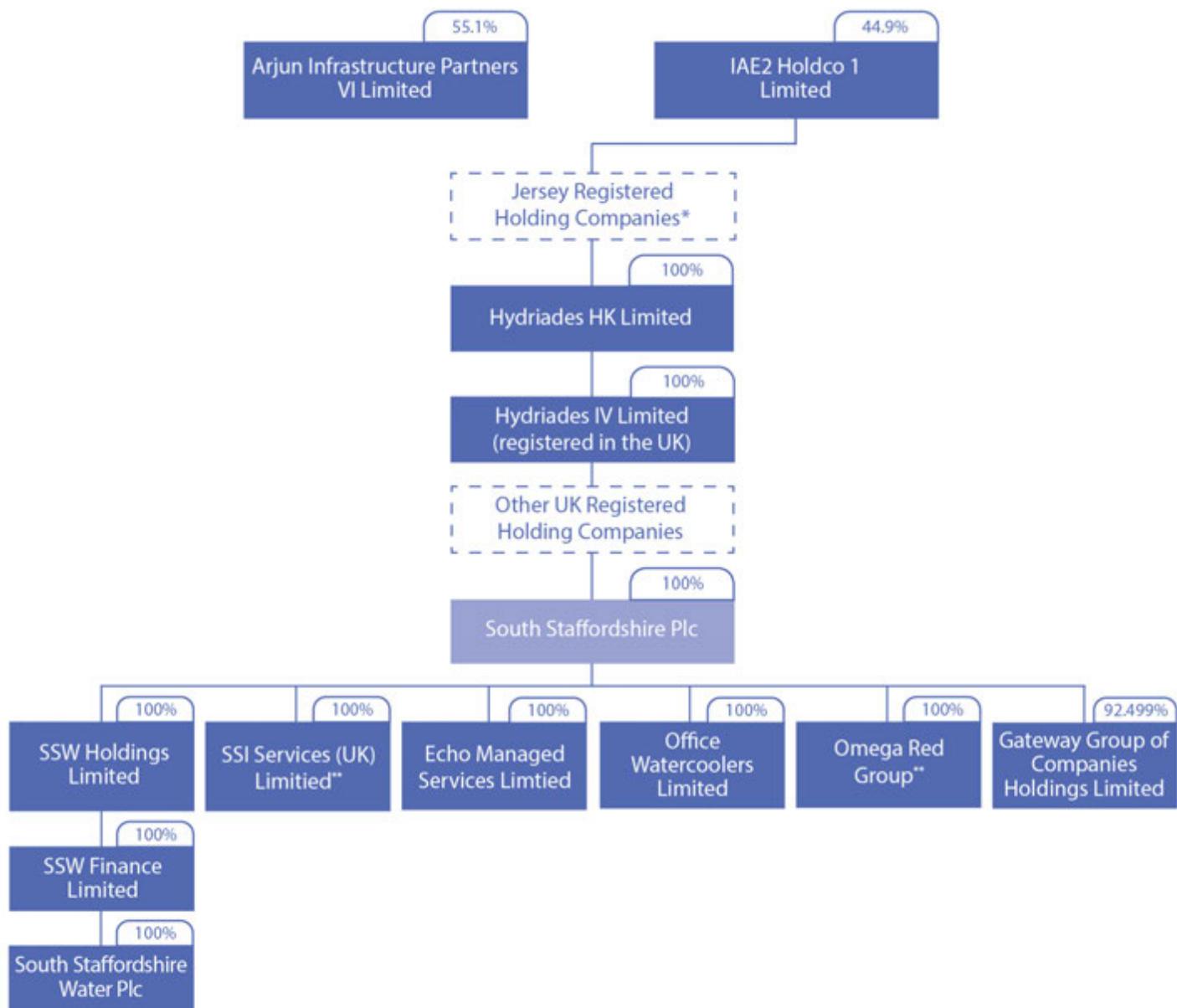
Governance (continued)

Corporate Governance Report (continued)

Our investors as at 31 March 2025

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

Simplified Group structure as at 31 March 2025



* 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 (continued)

Corporate Governance Report (continued)

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 Hydriades IV Limited. There are intermediate holding companies above Hydriades 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 AIP Holdings 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

Our Board of 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.

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 Group Company Secretary, who is also responsible for monitoring corporate governance matters. The Board is responsible for the appointment and removal of the Group Company Secretary.

Governance (continued)

Corporate Governance Report (continued)

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.

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.

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.

Governance (continued)

Corporate Governance Report (continued)

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 (continued)

Corporate Governance Report (continued)

Matters reserved for the Board (continued)

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 2025, there were nine 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.

Governance (continued)

Corporate Governance Report (continued)

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 (continued)

Board Committees

Audit and Risk Committee

Membership for the year ended 31 March 2025

Chairman Keith Harris (Meetings attended 4/4)

Other members Peter Antolik (Meetings attended 4/4)
Steve Johnson (Meetings attended 4/4)

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 (continued)

Board Committees (continued)

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 2025, an area of focus for the Audit & Risk Committee was in relation to the delayed March 2024 Annual Report, which was signed in January 2025.

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 2024/25 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.

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

Governance (continued)

Board Committees (continued)

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 2024-25 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.
- Relevant key accounting judgments and estimates.
- Risk management and risk appetite.
- 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.
- The Committee considered the Annual Report and Financial Statements and concluded that the disclosures, as well as the processes and controls underlying its productions, were appropriate.

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 meetings.

Governance (continued)

Board Committees (continued)

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 reappointed Ernst & Young LLP as Independent Auditor to take effect for the year ended 31 March 2025.

Governance (continued)

Nomination and Remuneration Committee

Membership for the year ended 31 March 2025		
Director	Role	Board Meetings Attended
Steve Johnson (appointed 03/07/2018)	Chair	2/2
Peter Antolik (appointed 03/07/2018)	Member	2/2
Keith Harris (appointed 30/10/2020)	Member	2/2
Charley Maher (appointed 29/09/2023)	Member	2/2
Mikhail Nahorny (appointed 27/11/2024)	Member	1/2

Meetings

Meetings of the Nomination and Remuneration Committee are convened as required to support the business agenda. During the year, two meetings were held, which covered:

- Senior leadership appointments
- Succession planning
- Employee engagement survey outcomes
- Executive pay review
- Performance-related remuneration
- Governance and compliance matters, including policy/report approvals
- Long-term incentive plans
- Broader workforce reward and recognition strategies

Roles and responsibilities

The Nomination and Remuneration Committee (the "Committee") is responsible for:

1. Board and Executive Composition

Reviewing the composition of the Board and Executive team to ensure an appropriate balance of skills, experience, knowledge, diversity (including gender and inclusion), and independence.

2. Remuneration Oversight

Developing and applying the Group's remuneration policy and setting appropriate remuneration packages for Board members and the Executive team.

Where appropriate, the Committee may appoint external advisors to support recruitment or pay benchmarking; however, external support is not required in all cases.

Governance (continued)

Nomination and Remuneration Committee (continued)

Key terms of reference

The Committee's key responsibilities include:

- Preparing specifications for appointments to the Board and Executive team.
- Ensuring candidates possess the necessary skills, experience, and knowledge.
- Advising on the appointment and reappointment of the Chair and Non-Executive Directors, considering tenure, independence, and time commitments.
- Overseeing Board and Committee effectiveness reviews, including annual performance evaluations.
- Reviewing the independence and overall balance of the Board.
- Leading succession planning for Executive Directors and senior leaders.
- Approving remuneration arrangements that align with the Group's strategy and reward strong performance.
- Ensuring pay decisions comply with regulatory standards, reflect market intelligence, and support good governance.
- Reviewing broader workforce pay and benefits to ensure alignment with executive remuneration and the Group's values and culture.
- Approving the structure and targets of performance-related pay schemes.
- Overseeing the operation of malus and clawback provisions within incentive schemes.
- Ensuring termination arrangements are fair, proportionate, and do not reward failure.
- Monitoring gender pay reporting and associated action plans.

Diversity

The Group is committed to fostering an inclusive working environment, free from discrimination and unfair treatment. Details of the Group's diversity, equity and inclusion commitments can be found on [page 80](#) of the Strategic Report.

Remuneration Report

Remuneration Policy Overview

The South Staffordshire Plc remuneration policy is designed to attract, retain, and motivate high-calibre individuals, while aligning leadership incentives with long-term business success and shareholder value. The Remuneration Committee is responsible for overseeing all aspects of Executive remuneration in line with corporate governance expectations.

Remuneration Packages Overview

Remuneration for Board Directors and Executives comprises the following elements:

1. Base Salary

- **Purpose:** Core fixed pay reflecting role scope, performance, and market positioning.
- **Review:** Reviewed annually, effective from 1 April, considering individual performance and external market benchmarks.

2. Annual Bonus

- **Purpose:** Reward short-term performance against financial and non-financial goals.
- **Operation:** Based on Group financial results and individual objectives; subject to RemCo discretion and approval.
- **Opportunity:** Maximum bonus levels are specified in Executive contracts.
- **Clawback and Malus:** Bonuses may be reduced or reclaimed in the event of misconduct, misstatement, or reputational damage.

Governance (continued)

Nomination and Remuneration Committee (continued)

Remuneration Report (continued)

3. Deferred Bonus Scheme

- **Purpose:** Encourage long-term value creation and alignment with strategic goals.
- **Operation:** A matching deferred award is granted based on the annual bonus earned, with one-third fixed and two-thirds subject to performance over a three-year period. A multiplier (0x to 2x) is applied based on performance.
- **Clawback and Malus:** Applies under the same provisions as the annual bonus.

4. Performance Metrics and Weightings

- **Criteria:** Both annual and deferred bonus awards are assessed using a mix of financial (e.g. EBITDA, profit, cash flow) and non-financial (e.g. people, customer, safety, ESG, strategic execution) KPIs. Weightings vary by role and are reviewed annually.

5. Benefits

- **Purpose:** To support competitiveness and Executive retention.
- **Components:** May include car or car allowance, private medical insurance, life assurance, income protection, and either pension contributions or a cash allowance in lieu of pension.

6. Notice Period and Termination

- **Terms:** Executives are employed under contracts of no fixed term.
- **Notice Periods:**
 - **C-Suite:** Six months (by either party)
 - **Senior Executives:** Three to six months, depending on seniority
- **Termination:** The Company may make a payment in lieu of notice (PILON) at the RemCo's discretion. No payments are made in cases of gross misconduct.
- **Governance:** Executives are not involved in setting their own terms.

7. Governance and Oversight

- The RemCo reviews all pay structures to ensure they reflect performance, risk, and shareholder/stakeholder expectations.
- Annual reviews ensure continued alignment with market practice and evolving governance standards.
- No individual is involved in decisions affecting their own remuneration.

Committee Meeting Arrangements

Remuneration Committee

- **Purpose:** To oversee executive pay structures, performance-linked pay, and ensure alignment with the Group's strategy and values.
- **Meeting Frequency:** While the Committee meets as required, a structured annual cycle is followed to ensure key matters are reviewed in line with business needs:
 - May – Annual Performance-Related Pay Review: Focused on assessing prior year performance outcomes and approving annual bonuses, deferred awards, and any application of clawback/malus provisions. This meeting ensures reward outcomes are appropriately aligned with performance and stakeholder expectations.
 - February – Annual Base Pay Review: Reviews Executive and Board base salaries effective from 1 April. Takes into account market benchmarking, individual performance, internal relativities, and affordability within the Group's overall financial context.

Governance (continued)

Nomination and Remuneration Committee (continued)

Committee Meeting Arrangements (continued)

- October – Succession Planning and Talent Review: Dedicated to reviewing succession plans for Executive and senior leadership roles. This includes consideration of internal pipelines, external market capability, and progress on leadership diversity, development, and continuity.
- Other Topics in Meetings / Ad Hoc Meetings: Additional meetings are convened as required throughout the year, for example, to consider:
 - Senior appointments or resignations
 - Structural changes to remuneration arrangements
 - Updates to governance policies and reporting (e.g. gender pay gap, remuneration disclosures)
 - Regulatory developments or investor expectations
 - Feedback arising from the employee engagement survey or Board effectiveness reviews
- **Key Responsibilities:**
 - Review and approve executive pay packages, bonuses, and deferred awards
 - Oversee performance targets and outcome assessments
 - Apply clawback and malus provisions as needed
 - Ensure alignment with shareholder interests and governance expectations

Nomination Committee

- **Purpose:** To manage Board and Executive appointments and ensure effective succession planning.
- **Meeting Frequency:** At least twice annually, with additional meetings scheduled as needed.
- **Key Responsibilities:**
 - Lead Board and Executive appointment processes
 - Review the composition, diversity, and skills of the Board
 - Oversee succession planning for key leadership roles
 - Monitor compliance with the UK Corporate Governance Code

Governance (continued)

Nomination and Remuneration Committee (continued)

	Executive Directors		Chairman & Non-Executive Directors		Executive Team*		Total	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Basic Salary	815	627	70	70	965	876	1,850	1,573
Benefits	16	11	-	-	9	8	25	19
Bonus	974	440	-	-	383	283	1,357	723
Total Emoluments	1,805	1,078	70	70	1,357	1,167	3,232	2,315
Pension Contributions	86	51	-	-	85	91	171	142
Total Remuneration	1,891	1,129	70	70	1,442	1,258	3,403	2,457

Governance (continued)

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:

1. select suitable accounting policies and then apply them consistently;
2. make judgments and accounting estimates that are reasonable and prudent;
3. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. 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.

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

Opinion

We have audited the financial statements of South Staffordshire Plc ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, 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" (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 parent company's affairs as at 31 March 2025 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.

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 parent company's ability to continue as a going concern for a period 31 December 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.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' 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 parent 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 parent 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...](#), 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102, Companies Act 2006), the 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, 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 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 and Company's financial statements to material misstatement, including how fraud might occur by enquiries of senior management including the Chief Executive Officer, Interim Chief Financial Officer, the General Counsel and Company Secretary, 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 and legal specialists to support our audit procedures in relation to assessing the potential significance of non-compliance with laws and regulations where appropriate.

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

- We attended key meetings with management and legal counsel in order to understand instances of non-compliance with laws and regulations.
- We assessed management's accounting conclusions and disclosures with respect to the cyber-attack to confirm these are appropriate and are consistent with the legal advice received. We engaged our own internal legal specialists in this assessment.
- We read minutes of board meetings, reviewed related post year end information and/or transactions, made enquiries of those charged with governance and did general internet searches to evaluate if any contradictory evidence existed that could otherwise impact management's assessment and related disclosures.
- We evaluated management's assessments of historic unlawful dividends received and paid, the appropriateness of remediation taken and resulting accounting conclusions disclosures. We confirmed these conclusions are appropriate and are consistent with external legal advice received. We engaged our own internal legal and forensic specialists in this assessment.
- The Group operates in the water sector which is 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.

Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
17 December 2025

Consolidated Profit and Loss Account

	Note	2025 £'000	Restated* 2024 £'000
Turnover	2	411,433	383,180
Operating costs	3	(396,986)	(365,184)
Other operating income	6	11,078	10,178
Intangible asset impairment	10	(454)	(917)
Group operating profit		25,071	27,257
Exceptional items	7	(5,647)	(1,783)
Group operating profit (after exceptional items)		19,424	25,474
Income from associated undertakings	12	804	289
Total operating profit		20,228	25,763
Interest receivable and similar income	8	6,508	6,343
Interest payable and similar expenses	8	(36,247)	(45,349)
Loss before taxation		(9,511)	(13,243)
Taxation on loss	9	885	1,858
Loss for the financial year		(8,626)	(11,385)
Attributable to:			
Equity holders of the parent		(8,905)	(11,424)
Non-controlling interest		279	39
Loss for the financial year		(8,626)	(11,385)

* Details of the restated balances can be found in Note 32 of the Notes to the Financial Statements.

Consolidated Statement of Comprehensive Income

	Note	2025 £'000	2024 £'000	Restated
Loss for financial year		(8,626)		(11,385)
Movement on hedging reserve		(572)		(215)
Deferred tax on movement on hedging reserve	9	143		54
Actuarial gain/(loss) relating to retirement benefit surplus	27	493		(689)
Deferred tax on actuarial loss relating to retirement benefit surplus	9	(123)		172
Exchange movements on translation of overseas operations		(18)		40
Total consolidated comprehensive loss for the year		(8,703)		(12,023)
<hr/>				
Attributable to:				
Equity holders of the parent		(8,982)		(12,062)
Non-controlling interest		279		39
		(8,703)		(12,023)

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

Consolidated Balance Sheet

	Note	2025 £'000	Restated 2024 £'000
Fixed assets			
Intangible assets	10	79,347	80,707
Tangible assets	11	697,876	692,894
Interests in associated undertakings	12	2,237	1,433
Other investments	13	72,413	73,524
		851,873	848,558
Current Assets			
Stocks	16	7,674	9,656
Debtors – amounts recoverable within one year	17	179,934	157,661
Debtors – amounts recoverable in more than one year	17	2,734	3,439
Retirement benefit surplus	27	1,227	306
Cash at bank and in hand		67,319	80,165
		258,888	251,227
Creditors - amounts falling due within one year			
Borrowings	18	(105,629)	(37,631)
Other creditors	19	(138,332)	(138,772)
		(243,961)	(176,403)
Net current assets		14,927	74,824
Total assets less current liabilities		866,650	923,382
Creditors – amounts falling due in more than one year			
Borrowings	18	(567,181)	(634,946)
Other creditors	19	(17,535)	(14,202)
Accruals and deferred income	15	(195,098)	(191,012)
		(779,814)	(840,160)
Provisions	20	(65,413)	(64,424)
Net Assets		21,573	18,798

Consolidated Balance Sheet (continued)

	Note	2025 £'000	Restated 2024 £'000
Capital reserves			
Share capital	22	7,449	6,449
Share premium account	23	52,797	42,319
Revaluation reserve	23	15,203	15,423
Capital redemption reserve	23	1	1
Merger reserve	23	(253)	(253)
Currency translation reserve	23	(89)	(71)
Hedging reserve	23	(3,039)	(2,610)
Profit and loss account		(50,491)	(42,176)
Shareholder's funds		21,578	19,082
Non-controlling interest		(5)	(284)
Total capital employed		21,573	18,798

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 17 December 2025.

C Maher

Group Chief Executive Officer

Consolidated Statement of Changes in Equity

	Called-up Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Currency Translation Reserve £'000	Hedging Reserve £'000	Restated Profit & Loss Account £'000	Restated Shareholders' Funds £'000	Non controlling Interests £'000	Restated Total Capital Employed £'000
Balance at 31 March 2023 (previously reported)	6,449	42,319	15,643	1	(253)	(111)	(1,757)	(59,452)	2,839	(323)	2,516
Restatements (Note 32)	-	-	-	-	-	-	-	28,305	28,305	-	28,305
Balance at 1 April 2023 (restated)	6,449	42,319	15,643	1	(253)	(111)	(1,757)	(31,147)	31,144	(323)	30,821
Loss for the financial year	-	-	-	-	-	-	-	(11,424)	(11,424)	39	(11,385)
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 hedges	-	-	-	-	-	-	96	-	96	-	96
Actuarial loss relating to retirement benefit surplus	-	-	-	-	-	-	-	(689)	(689)	-	(689)
Deferred tax on actuarial loss (note 9)	-	-	-	-	-	-	-	172	172	-	172
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)	(11,941)	(12,062)	39	(12,023)
Amounts transferred between reserves	-	-	(220)	-	-	-	(692)	912	-	-	-
Balance at 31 March 2024	6,449	42,319	15,423	1	(253)	(71)	(2,610)	(42,176)	19,082	(284)	18,798

Consolidated Statement of Changes in Equity (continued)

	Called-up Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Currency Translation Reserve £'000	Hedging Reserve £'000	Profit & Loss Account £'000	Shareholders' Funds £'000	Non controlling Interests £'000	Total Capital Employed £'000
Balance at 31 March 2024	6,449	42,319	15,423	1	(253)	(71)	(2,610)	(42,176)	19,082	(284)	18,798
Loss for the financial year	-	-	-	-	-	-	-	(8,905)	(8,905)	279	(8,626)
Exchange movements on translation of overseas operations	-	-	-	-	-	(18)	-	-	(18)	-	(18)
Change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	(740)	-	(740)	-	(740)
Deferred tax on change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	185	-	185	-	185
Actuarial gain relating to retirement benefit surplus	-	-	-	-	-	-	-	493	493	-	493
Deferred tax on actuarial gain (note 9)	-	-	-	-	-	-	-	(123)	(123)	-	(123)
Amounts transferred to profit and loss	-	-	-	-	-	-	168	-	168	-	168
Deferred tax on amounts transferred to profit and loss	-	-	-	-	-	-	(42)	-	(42)	-	(42)
Total comprehensive income/(expense)	-	-	-	-	-	(18)	(429)	(8,535)	(8,982)	279	(8,703)
New shares issued	1,000	10,478	-	-	-	-	-	-	11,478	-	11,478
Amounts transferred between reserves	-	-	(220)	-	-	-	-	220	-	-	-
Balance at 31 March 2025	7,449	52,797	15,203	1	(253)	(89)	(3,039)	(50,491)	21,578	(5)	21,573

Company Balance Sheet

As at 31 March 2025

	Note	2025 £'000	Restated 2024 £'000
Fixed assets			
Tangible assets	11	117	163
Other investments	13	252,874	266,596
		252,991	266,759
Current Assets			
Stocks	16	-	70
Debtors – amounts recoverable within one year	17	61,251	61,761
Retirement benefit surplus	27	580	255
		61,831	62,086
Creditors - amounts falling due within one year			
Borrowings	18	(11,919)	(11,779)
Other creditors	19	(31,964)	(40,504)
		(43,883)	(52,283)
Net current assets		17,948	9,803
Total assets less current liabilities		270,939	276,562
Creditors – amounts falling due in more than one year			
Borrowings	18	(134,208)	(133,917)
Other creditors	19	(7,460)	(7,764)
		(141,668)	(141,681)
Provisions	20	(1,000)	(1,000)
Net assets		128,271	133,881
Capital and reserves			
Share capital	22	7,449	6,449
Share premium account	23	52,797	42,319
Capital redemption reserve		1	1
Profit and loss account		68,024	85,112
Shareholder's funds		128,271	133,881

Company Balance Sheet (continued)

As at 31 March 2025

The loss in the year ended 31 March 2025 for the Company is £17,436,000 (2024: £7,121,000). 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 17 December 2025.

C Maher

Group Chief Executive Officer

Company Statement of Changes in Equity

As at 31 March 2025

	Called-up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Restated Profit & Loss Account	Restated Shareholder's Funds £'000
Balance at 31 March 2023 (previously reported)	6,449	42,319	1	70,450	119,219
Restatements (Note 32)	-	-	-	21,792	21,792
Balance at 1 April 2023 (restated)	6,449	42,319	1	92,242	141,011
Loss for the financial year	-	-	-	(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	85,112	133,881
Loss for the financial period	-	-	-	(17,436)	(17,436)
Actuarial gain relating to retirement benefit surplus	-	-	-	464	464
Deferred tax on actuarial gain	-	-	-	(116)	(116)
Total comprehensive loss	-	-	-	(17,088)	(17,088)
New shares issued	1,000	10,478	-	-	11,478
Balance at 31 March 2025	7,449	52,797	1	68,024	128,271

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

Consolidated Cashflow Statement

As at 31 March 2025

			Restated
		2025	2024
	Note	£'000	£'000
Cash inflow from operating activities		49,673	66,856
Corporation tax paid		-	(903)
Net cash inflow from operating activities	(a)	49,673	65,953
Cash flows from investing activities			
Purchase of tangible fixed assets		(47,211)	(75,133)
Purchase of intangible fixed assets		(11,108)	(8,493)
Proceeds from sale of tangible fixed assets		1,070	2,869
Interest received		3,556	2,589
Repayment of loans received from parent undertakings		11,126	-
Advance to parent undertakings		-	(5,185)
Cash consideration for business acquisition		(3,856)	(4,910)
Contributions and grants received		7,560	14,363
Net cash outflow from investing activities		(38,863)	(73,900)
Cash flows from financing activities			
Interest paid		(24,798)	(21,527)
Repayment of loans paid to parent undertakings		(4,500)	-
New shares issued		11,478	-
Bank loan issues costs paid		(400)	-
Drawdown / additions to private placement loan notes		-	20,000
Private placement loan notes issue costs paid		-	(4)
Net cash outflow from financing activities		(18,220)	(1,531)
Decrease in cash and cash equivalents		(7,410)	(9,478)
Cash or cash equivalents brought forward		42,534	52,012
Cash or cash equivalents carried forward		35,124	42,534

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 £46,771,000 (2024: £75,133,000) and additions in the tangible fixed asset note of £40,603,000 (2024: £68,614,000) is due to the in-year movement of creditors due relating to capital purchases of £6,168,000 (2024: £6,519,000).

The cash balance of £35,124,000 (2024: £42,534,000) represents positive cash balances of £67,319,000 (2024: £80,165,000) net of overdraft balances of £32,195,000 (2024: £37,631,000).

Notes to the Consolidated Cashflow Statement

As at 31 March 2025

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

	Note	2025 £'000	Restated 2024 £'000
Total Group operating profit		20,228	25,763
Depreciation	11	33,932	32,680
Amortisation of goodwill	10	7,655	7,817
Impairment of intangible assets	10	454	917
Amortisation of intangible assets	10	2,012	1,908
Amortisation of capital contributions		(3,474)	(3,504)
Share of joint venture operating profit		(804)	(289)
Profit on disposal of fixed assets		(845)	(2,694)
		38,930	36,835
Increase in stocks		1,982	(124)
(Increase)/decrease in debtors		(21,568)	2,797
Increase in creditors		10,101	1,585
		(9,485)	4,258
Cash inflow from operating activities		49,673	66,856
Corporation tax paid		-	(903)
Net cash inflow from operating activities		49,673	65,953

(b) Reconciliation in movement in net debt

	2025 £'000	2024 £'000
Decrease in net cash	(7,410)	(9,478)
Intercompany loan with parent undertaking	3,875	(714)
Bank loan issue costs paid	400	-
Bank term loan issue cost amortisation (non-cash)	(346)	(123)
Issue of private placement loan notes (net of issue costs cash)	-	(19,996)
Private placement issue cost amortisation (non-cash)	(195)	48
Movement in derivatives (non-cash)	(741)	(383)
Movement on index-linked debt (non-cash)	(9,403)	(21,557)
Increase in net debt in the year	(13,820)	(52,203)
Net debt brought forward	(591,188)	(538,985)
Net debt carried forward	(605,008)	(591,188)

Notes to the Consolidated Cashflow Statement (continued)

As at 31 March 2025

(c) Analysis of net debt

	Balance at 1 April 2024 £'000	Acquisitions and disposals £'000	Cash Flow £'000	Non-Cash Movements £'000	Balance at 31 March 2025 £'000
Cash at bank and in hand (net of overdraft)	42,534	(3,856)	(3,554)	-	35,124
Intercompany loan	(15,720)	-	4,500	(625)	(11,845)
Irredeemable debenture stock	(1,650)	-	65	(65)	(1,650)
Index-linked debt (net of issue costs)	(291,072)	-	9,537	(18,940)	(300,475)
Bank term loans (net of issue costs)	(69,398)	-	6,764	(6,710)	(69,344)
Private placement loan notes (net of issue costs)	(257,106)	-	8,427	(8,622)	(257,301)
Derivatives	1,224	-	(886)	145	483
Obligations under finance leases and hire-purchase contracts	-	-	5	(5)	-
Net debt	(591,188)	(3,856)	24,858	(34,822)	(605,008)

Non-cash movements represent interest accrued under the effective interest method, indexation, amortisation of issue costs, and amortisation of the discount/premium on index-linked debt. The book value of net debt detailed above differs from the value used for covenant reporting purposes of £583,258,000 (2024: £563,702,000). 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 2025 £'000	Balance at 31 March 2024 £'000
Book net debt (as reported above)	(605,008)	(591,188)
Exclude intercompany loan	11,845	15,720
Exclude book premium on issue of index-linked debt	11,295	11,682
Exclude unamortised issue costs	(2,780)	(2,963)
Exclude accrued interest	1,390	1,462
Net debt reported for borrowing covenants	(583,258)	(565,287)

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 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-regulated 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 December 2026 for its going concern assessment, the going concern period.

Notes to the Financial Statements (continued)

(c) Going concern (continued)

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 15 July 2025 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 2030 and to look forward for twelve months from signing to 31 July 2026.

The Group's going concern assessment includes an updated forecast for SSW to 31 December 2026 and is based on the final determination as approved by Ofwat for the five years from 2025 to 2030. This provides a high degree of confidence over SSW's revenue in the period to 31 December 2026, including SSW's ability to index the 2024/25 customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence about the approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

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 further 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 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 signed in November 2024, which matures in November 2027.

A key assumption in the forecast and severe but plausible downside scenario is the quantum and timing of further legal and regulatory costs arising from the criminal; cyber-attack and the mitigations thereof which the Company can influence.

In Note 20 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 further 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 December 2026 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues.

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 section) and an increase in the level of inflation and interest rates. 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 need to settle further penalties from regulators arising from ongoing investigations.

Notes to the Financial Statements (continued)

(c) Going concern (continued)

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.

Refinancing risk

As at the balance sheet date, the group had two debt maturities that were due to fall within the going concern period, being a £40m Revolving Credit Facility at South Staffordshire Plc, with a maturity date of 21 December 2026 and £73m in private placement notes at SSW Finance Limited which mature in early January 2026. During the period since the financial reporting date the Directors of these respective companies have taken steps to refinance these maturing facilities.

On 30 April 2025, South Staffordshire Plc entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031. On 12 August 2025, SSW Finance Limited successfully agreed to refinance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 2026 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On 21 October 2025 the Series A & B Notes were prepaid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

The Group used the majority of the new £40m term loan proceeds to pay down the existing £40m Revolving Credit Facility. The remaining amounts of utilisation are expected to be repaid and the facility cancelled in the period to 31 March 2026. The Directors are satisfied that sufficient contingency options are available to South Staffordshire Plc to ensure that the residual utilisation of the facility will either be (1) repaid from asset disposals (2) free cashflow generated or (3) arranging a reduced new bank facility with one of the existing lenders ahead of the maturity date to 21 December 2026 so as to be highly confident that the maturity will not represent a material risk to the going concern assumption.

The Directors of South Staffordshire Plc are therefore satisfied that the refinancing risks within the going concern period have been substantively dealt with and mitigated and the residual risks do not represent a material uncertainty to the going concern assumption.

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 to 31 December 2026.

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 in subsidiaries and joint ventures

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 (t) 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 (t) 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.

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. 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.

Fens reservoir

Fens reservoir is a proposed new reservoir being delivered in partnership with Anglian Water to serve the Cambridge Water and Anglian Water operating areas. The costs incurred to date primarily comprise of environmental works and design plans. Whilst the final structure arrangement is yet to be determined, the costs incurred will entitle the company to economic benefits through access to the completed reservoir. Having considered the recognition criteria, management has therefore concluded the costs meet the criteria for recognition as an intangible asset and as such, the cost has been capitalised as assets under construction within intangible assets.

Notes to the Financial Statements (continued)

Company treatment of long-term loans as fixed asset investments

Loans to subsidiary undertakings of £84,494,000 (2024: £92,854,000) 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.

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 2025 was £16,357,000 (2024: £16,050,000). A 1% movement in consumption equates to a £128,000 movement. Other accrued income, including unregulated group activities, totalled £34,037,000 (2024: £28,473,000), 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 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 2025 was £300,475,000 (2024: £291,072,000).

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 £40,063,000 as at 31 March 2025 (2024: £41,752,000). For each 1% increase in the whole life cycle collection rates the bad and doubtful debt provision will decrease approximately £1,172,000.

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 2025 is £697,889,000 (2024: £692,894,000). South Staffordshire Water Plc assets included in the total above amounted to £691,689,000 (2024: £685,763,000). The average useful economic life for tangible fixed assets is 45 years and if this was to move by 5 years, the impact would be a change in the depreciation of approximately £1,537,000.

Notes to the Financial Statements (continued)

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 2025 in the consolidated balance sheet is £1,227,000 (2024: £306,000).

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.

Notes to the Financial Statements (continued)

2. Analysis of turnover

Turnover

	2025 £'000	Restated 2024 £'000
South Staffordshire Water Plc	153,400	151,602
Inter-divisional	(56)	(56)
South Staffordshire Water Plc (external)	153,344	151,546
Non-regulated service businesses	315,428	288,983
Inter-divisional	(57,339)	(57,349)
Non-regulated service businesses (external)	258,089	231,634
Group Turnover	411,433	383,180

Notes to the Financial Statements (continued)

3. Operating costs

	2025 £'000	2024 £'000
Raw materials and consumables	61,984	56,707
Staff costs (Note 4)	123,709	114,236
Depreciation (non-infrastructure assets) (Note 11)	29,437	28,242
Depreciation (infrastructure assets) (Note 11)	4,495	4,438
Infrastructure renewals expenditure	10,660	11,668
Amortisation of goodwill (Note 10)	7,655	7,817
Amortisation of intangible assets (Note 10)	2,012	1,908
Own work capitalised	(170)	(138)
Operating lease rentals:		
Plant and Machinery	-	2
Other	7,178	5,979
Charge for bad and doubtful debts	1,410	527
Other operating costs	148,616	133,798
	396,986	365,184

Other operating costs includes power £17,339,000 (2024: £18,256,000), hired and contracted services £81,309,000 (2024: £62,940,000) and other operating costs £49,968,000 (2024: £52,602,000).

Notes to the Financial Statements (continued)

3. Operating costs (continued)

Auditor remuneration is analysed as follows:

	2025 £'000	2024 £'000
Audit of the Company's annual accounts	183	183
The audit of other Group undertakings pursuant to legislation	1,067	1,067
Total audit fees	1,250	1,250
Other assurance services	60	60
Total non-audit fees	60	60
	1,310	1,310

4. Staff costs

	2025 £'000	2024 £'000
Wages, salaries and bonuses	108,908	100,729
Social security costs	10,249	9,736
Pension costs	4,552	3,771
123,709	114,236	

Included in staff costs are termination payments of £455,000 relating to directors in subsidiary companies.

	2025 Number	2024 Number
Average number of employees:		
SS Plc	99	109
South Staffs Water	410	407
Non-regulated service companies	2,445	2,425
2,954	2,941	

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

	2025 £'000	2024 £'000
Emoluments	2,078	1,265
Company contributions to money purchase pension schemes	2	2
Termination payments	-	120
	2,080	1,387

No Directors holding office at 31st March 2025 accrued benefits under a Group defined benefit pension scheme during the year (2024: Nil) and 1 Director was a contributing member of a Group money purchase pension scheme during the year (2024: 1 Directors). There were £2,000 of contributions paid by the Group in respect of money purchase pension schemes for Directors during the year (2024: £2,000).

The highest paid director received emoluments of £974,000 (2024: £502,000) during the year. There were £nil of Group contributions in respect of a money purchase pension scheme for the highest paid director (2024: £nil).

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.

Notes to the Financial Statements (continued)

6. Other operating income

	2025 £'000	2024 £'000
Profit on disposal of fixed assets	845	796
Amortisation of capital contributions received	3,474	3,503
Infrastructure renewals contributions	6,673	5,650
Other income	86	229
	11,078	10,178

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.

7. Exceptional items

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 South Staffordshire Water's employees and customers. Included in the current year are costs of £1,910,000 (2024: £3,681,000) in relation to this, charged to exceptional items, in accordance with the Group's accounting policy.

The Group is responsible for the billing and collection of sewerage charges on behalf of a third party, remitting fixed percentages of the billed amounts after deducting agreed commission levels. The Group assumes the risk if forecast cash collections do not meet contractual targets and provides for shortfalls. These costs are recurring in nature and are reported within Operating costs.

During the year the Group made a decision with regards to the contract which has resulted in a reduced expectation of the amounts that will ultimately be recovered for previous billing years. The portion of the current year charge, specific to this decision (£3,737,000) has been classified as exceptional due to its material size, its non-recurring nature and the fact that it arises from a discrete commercial event rather than underlying trading activity.

In the prior year 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 the tangible 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 the gain due to tax losses arising in the year being available for offset.

Notes to the Financial Statements (continued)

8. Finance income and expenses

	2025 £'000	Restated 2024 £'000
Interest receivable		
Bank interest receivable	(2,163)	(2,608)
Interest receivable from joint ventures	(444)	(427)
Interest on loans to parent undertakings	(3,901)	(3,308)
Total interest receivable and similar income	(6,508)	(6,343)
 Interest payable and similar expenses:		
Index linked debt (cash)	9,546	9,179
Index linked debt (non-cash)	9,393	21,697
Bank term loan, drawings on short term bank loans and other interest	8,055	6,016
Private placement loan notes	8,391	7,500
Finance leases and hire purchase contracts	5	14
Interest payable on loans from subsidiary undertakings	624	715
Irredeemable debenture stock	65	59
	36,079	45,180
 Other finance expense:		
Amounts recycled from hedging reserve	168	169
Total interest payable and similar expenses	36,247	45,349

Notes to the Financial Statements (continued)

9. Tax on profit

	2025 £'000	Restated 2024 £'000
Current tax		
UK corporation tax at 25% (2024:25%)	73	76
Total current tax credit	73	76
Deferred tax		
Origination and reversal of other timing differences	(730)	(1,583)
Adjustment in respect of prior years	(228)	(351)
Total deferred tax credit	(958)	(1,934)
Tax on loss in the Consolidated Profit and Loss account	(885)	(1,858)

	2025 £'000	Restated 2024 £'000
Deferred tax		
Relating to movement on hedging reserve	(143)	(54)
Relating to retirement benefit deficit	123	(172)
Tax on items taken directly to other comprehensive income	(20)	(226)

Notes to the Financial Statements (continued)

9. Tax on profit (continued)

The tax assessed on the profit for the year is higher than (2024: higher than) the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are reconciled below:

	2025 £'000	Restated 2024 £'000
Loss before tax	(9,511)	(13,243)
Loss before tax multiplied by standard UK corporation	(2,378)	(3,311)
Adjustments in respect of prior years	(228)	(351)
Expenses not deductible for tax purposes (net)	2,389	2,467
Foreign tax rates	(6)	(1)
Group relief received not paid for	(662)	(662)
Total tax credit	(885)	(1,858)

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 (2024: £2,733,000).

Notes to the Financial Statements (continued)

10. Intangible assets

Group

	Development Costs £'000	Software £'000	Other Intangible assets under construction £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2024	9,053	14,105	11,424	122,673	157,255
Additions	9	-	11,099	-	11,108
Reassessment of contingent consideration	-	-	-	(4,251)	(4,251)
Transfer from tangible assets	-	1,450	-	-	1,450
At 31 March 2025	9,062	15,555	22,523	118,422	165,562
Amortisation and impairment					
At 1 April 2024	4,498	8,167	-	63,883	76,548
Amortisation charge for the year	767	1,245	-	7,655	9,667
At 31 March 2025	5,265	9,412	-	71,538	86,215
Net Book Value					
At 31 March 2025	3,797	6,143	22,523	46,884	79,347
Net Book Value					
At 31 March 2024	4,555	5,938	11,424	58,790	80,707

Software intangible assets include the company's customer billing system, works management system and financial reporting system. In the current year £1,450,000 of software assets under the course of construction has been transferred from tangible to intangible.

Other intangible assets under the course of construction relates to the Fens reservoir. The Fens reservoir is a proposed new reservoir being delivered in partnership with Anglian Water to serve the Cambridge Water and Anglian Water operating areas. The costs incurred to date primarily comprise of environmental works and design plans. Whilst the final structure arrangement is yet to be determined, the costs incurred will entitle the company to economic benefits through access to the completed reservoir. Having considered the recognition criteria, management has therefore concluded the costs meet the criteria for recognition as an intangible asset and as such, the cost has been capitalised as assets under construction within intangible assets.

Goodwill has been reduced by £4,251,000 during the year as a result of a reassessment of amounts payable under the contingent consideration arrangement in connection with the Gateway acquisition in FY23. 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 2024	31,582	519,690	395,065	333,705	1,280,042
Additions	219	-	40,824	-	41,043
Transfer to intangible assets	-	-	(1,450)	-	(1,450)
Capitalisation of completed assets	-	19,790	(105,214)	85,424	-
Disposal	(422)	-	(6,056)	-	(6,478)
At 31 March 2025	31,379	539,480	323,169	419,129	1,313,157
Depreciation and Impairment					
At 1 April 2024	11,431	205,972	211,086	158,659	587,148
Charge for the year	179	4,495	19,170	10,088	33,932
Disposals	(417)	-	(5,836)	-	(6,253)
Impairment	174	-	280	-	454
At 31 March 2025	11,367	210,467	224,700	168,747	615,281
Net Book Value					
At 31 March 2025					
Owned	20,012	329,013	98,469	250,097	697,591
Leased	-	-	-	285	285
	20,012	329,013	98,469	250,382	697,876
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

Freehold land of £2,562,000 (2024: £2,555,000) included above is not subject to depreciation.

Finance lease liabilities had been fully paid in previous years and therefore there are 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 £17,943,000 at 31 March 2025 (2024: £100,668,000).

Notes to the Financial Statements (continued)

11. Tangible assets (continued)

Company

	Land and Buildings £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2024	80	210	290
Additions	-	-	-
Disposal	-	-	-
At 31 March 2025	80	210	290
Depreciation			
At 1 April 2024	-	127	127
Charge for the year	-	46	46
Disposals	-	-	-
At 31 March 2025	-	173	173
Net Book Value			
At 31 March 2025	80	37	117
Net Book Value			
At 31 March 2024	80	83	163

Freehold land of £80,000 (2024: £80,000) held at 31 March 2025 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 2024	1,433
Share of profit after taxation	804
Balance at 31 March 2025	2,237

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 £16,532,000 (2024: £17,683,000) in relation these transactions was recognised and there was a trade debt outstanding of £nil (2024: £nil) at the year end.

The Group has an outstanding interest-bearing loan balance due from PWSL of £6,517,000 (2024: £6,517,000) which remained outstanding at 31 March 2025.

13. Fixed asset investments

Group

	Loan to joint venture	Loans to parent undertakings	Total
	£'000	£'000	£'000
At 1 April 2024	6,517	67,007	73,524
Repayments during the year	-	(1,111)	(1,111)
At 31 March 2025	6,517	65,896	72,413

Included in loans to parent undertakings are:

- £22,200,000 (2024: £22,200,000) identified as a loan with no fixed repayment date with an interest rate of 5.5%;
- £28,696,000 (2024: £29,807,000) identified as a loan with no fixed repayment date with an interest rate of 7.0%; and
- £15,000,000 (2024: £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 £'000	Loans to subsidiary undertakings £'000	Loans to parent undertakings £'000	Investment in Joint Venture £'000	Shares in subsidiary undertakings £'000	Total £'000
At 1 April 2024	6,517	92,854	67,007	1,983	98,235	266,596
IGL Earnout reassessment	-	-	-	-	(4,251)	(4,251)
Repayments during the year	-	(8,360)	(1,111)	-	-	(9,471)
At 31 March 2025	6,517	84,494	65,896	1,983	93,894	252,874

In FY23 the Company acquired 92.5% of the share capital in The Gateway Group of Companies Holding Limited ("TGGCH"). The Company recognised the investment in this subsidiary at cost, which included the estimated amount the Company expected to pay in connection with a contingent consideration arrangement on the acquisition. At the year end the Group reviewed its estimate of the contingent consideration payable, and calculated it to be £4,251,000 lower than its previous estimate. This has resulted in a reduction in both investments (in the Company balance sheet) and goodwill (in the consolidated balance sheet, see note 10).

Also in connection with this acquisition, 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.

Notes to the Financial Statements (continued)

13. Fixed asset investments (continued)

As at 31 March 2025, 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
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	U72900DL20 11FTC227486		100.0%	Software development support services to UK parent company
SSI Services (UK) Limited	03824088	100.0%		Holding company for those companies listed below Sewer and wastewater asset inspection, relining, surveying, cleaning and flow monitoring, clean water asset installation, repair, maintenance and refurbishment
Onsite Central Limited	02712788		100.0%	Sewer and wastewater asset inspection, surveying and cleaning
Onsite Utility Services Canada Limited	BC1007169		100.0%	Mechanical, electrical and water hygiene services.
Integrated Water Services Limited	05283349		100.0%	Water main leak detection services and clean water network management services
Hydrosave UK Limited	03460346		100.0%	Water efficiency and bill management services
Immerse Asset Management Limited	02784266		100.0%	

Notes to the Financial Statements (continued)

13. Fixed asset investments (continued)

Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of business
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 2025, 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 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)
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)
Subqua Solutions Limited	
Waterflo Limited	
Wells Water Treatment Services Limited	(Dissolved on 15 October 2024)
Woodside Environmental Services Limited	

As at 31 March 2025, 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 2025 were £7,178,000 (2024: £26,785,000). Payments due not later than one year were £4,326,000 (2024: £26,785,000). 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

Group	Infrastructure	Other	Total
	Assets £'000	Assets £'000	
At 1 April 2024	156,193	34,819	191,012
Capital contributions received	836	6,724	7,560
Amortised in year	(2,039)	(1,435)	(3,474)
Balance at 31 March 2025	154,990	40,108	195,098

The Company had no capital contributions at either year-end.

16. Stocks

	Group	Company		
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Store and raw materials	7,674	9,656	-	70

Notes to the Financial Statements (continued)

17. Debtors

	Group		Company	
	Restated		Restated	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Amounts recoverable within one year:				
Trade debtors	72,285	60,992	12	-
Amounts owed by group undertakings	-	-	12,051	12,828
Amounts owed by parent undertakings	34,172	41,392	34,172	41,392
Other debtors	20,777	7,639	12,783	5,945
Prepayments	2,219	2,981	456	800
Accrued income	50,394	44,523	10	-
Deferred tax (Note 21)	-	-	1,767	706
Corporation tax receivable	87	134	-	90
	179,937	157,661	61,251	61,761
Amounts recoverable in more than one year:				
Other Amounts owed by parent undertakings	2,251	2,215	-	-
Derivative financial debtors	483	1,224	-	-
	2,734	3,439	-	-
	182,668	161,100	61,251	61,761

Restatements have been made to "Amounts owed by parent undertakings" in the comparative period (in both the consolidated and Company balance sheets) related to unlawful dividends paid by the Company of £29,619,000 (£8,969,000 in FY22 and £20,650,000 in FY21), identified during FY25. See Note 32 for further information.

Notes to the Financial Statements (continued)

18. Borrowings

	Group		Company	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Amounts falling due within one year				
Bank overdraft	32,195	37,631	11,919	11,779
Private placement notes (net of issue costs)	73,434	-	-	-
	105,629	37,631	11,919	11,779
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	69,344	39,496	39,685	39,496
Indexed-linked debt*	300,475	291,072	-	-
Private placement notes (net of issue costs):				
- payable between one and two years	-	72,767	-	-
- payable between two and five years	-	-	-	-
- payable in more than five years	183,867	184,339	94,523	94,421
Irredeemable debenture stock (unsecured)*	1,650	1,650	-	-
Amounts payable to parent undertakings*	11,845	15,720	-	-
	567,181	634,946	134,208	133,917
Total borrowings	672,810	672,577	146,127	145,696

* 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

	2025 £'000	2024 £'000
Retail Price Index-Linked loan		
Un-Indexed Loan Value	111,400	111,400
Indexed/Covenant Loan Value	225,295	217,564
Book Value	235,522	228,141
Retail Price Index-Linked Bond		
Un-indexed Loan Value	35,000	35,000
Indexed/Covenant Loan Value	63,914	61,831
Book Value	64,953	62,931

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 2025

Excluding Index Linked Debt	Borrower	Lender	RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£38M Barings Private Placement	Company	Barings	Term	Fixed	3.06%	Dec-21	Dec-29
£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 Limited	MetLife	Term	Fixed	2.93%	Feb-20	Jan-26
£30M Metlife Private Placement Series B Notes	SSW Finance Limited	MetLife	Term	Fixed	3.02%	Feb-20	Jan-26
£10M Metlife Private Placement Series C Notes	SSW Finance Limited	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%	Nov-24	Nov-27
£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
Index Linked debt			RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£111.4M Artesian Finance Bond	SSW Plc	Artesian III Bond holders	Term	ILD	3.76%	Sep-05	Sep-45
£35M Euro Bond	SSW Plc		Term	ILD	1.84%	Jun-08	Jun-51

Notes to the Financial Statements (continued)

18. Borrowings (continued)

* SSW Plc's revolving credit facility was refinanced during the year, increasing the total facility to £75,000,000 of which £30,000,000 was drawn at 31 March 2025

19. Other Creditors

	Group		Company	
	2025 £'000	Restated 2024 £'000	2025 £'000	Restated 2024 £'000
Amounts falling due within one year:				
Payments received in advance	34,007	42,108	-	-
Trade creditors	18,932	19,654	383	339
Amounts owed to other group undertakings	-	-	22,517	29,191
Other creditors	38,206	33,472	6,242	9,305
Accruals and deferred income	44,581	40,882	2,624	1,536
Corporation tax payable	-	-	-	-
Other taxation and social security	2,606	2,656	199	133
	138,332	138,772	31,964	40,504
 Amounts falling due in more than one year:				
Payments received in advance	9,509	3,233	6,684	3,233
Other creditors	8,026	10,969	776	4,531
	17,535	14,202	7,460	7,764

Notes to the Financial Statements (continued)

20. Provisions

Group

	Dilapidations and De- fleeting £'000	Onerous Contract £'000	Legal and Regulatory £'000	Restated Deferred Tax £'000	Restated Total £'000
At 1 April 2024	1,046	1,157	3,739	58,482	64,424
Reclassification*	439	-	(439)	-	-
Profit and loss account charge/(credit)	612	406	1,200	(957)	1,261
Amount utilised	(115)	(65)	-	-	(180)
Amount released	(71)	-	-	-	(71)
Charge to other comprehensive income	-	-	-	(20)	(20)
At 31 March 2025	1,911	1,498	4,500	57,504	65,413

* Equivalent amounts were presented in other provisions in prior year and now been reclassified to dilapidations and de-fleeting

Dilapidations and de-fleeting

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.

The Group has recognised de-fleeting costs required to returning the Company's leased vehicle fleet back to its original condition.

Onerous contract

The Group has recognised an onerous provision in relation to its contract accounting. An onerous provision is recognised when the unavoidable costs of fulfilling a contract or liability exceeds the economic benefits expected to be derived from it. The provision is estimated on the expected future costs to fulfil the contract.

Legal and Regulatory

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 expected 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 provisions also include an amount in relation to an ongoing regulatory investigation, the assessment of which is therefore subject to change until the factual position becomes clearer.

Company

	Legal and Regulatory £'000	Deferred Tax £'000	Total £'000
At 1 April 2024	1,000	-	1,000
Profit and loss account charge	-	-	-
At 31 March 2025	1,000	-	1,000

A further analysis of deferred tax is set out in Note 21.

Notes to the Financial Statements (continued)

21. Deferred tax

	Group		Company	
	2025 £'000	Restated 2024 £'000	2025 £'000	2024 £'000
Deferred tax liabilities/(assets) are provided as follows:				
Accelerated capital allowances	85,004	86,895	(305)	(365)
Tax losses	(24,498)	(26,639)	(2,380)	(335)
Timing differences in respect of hedging reserves	(1,013)	(870)	-	-
Timing differences in respect of retirement benefits	407	77	145	64
Deferred interest deductions	(2,767)	(1,711)	-	-
Other timing differences	371	730	(17)	(70)
	57,504	58,482	(2,557)	(706)

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 (2024: £2,733,000)

At 31 March 2025, 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 liability

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. During the year, 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 has released the provision previously held.

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

Notes to the Financial Statements (continued)

23. Share capital

Group and Company

	2025 £'000	2024 £'000
Authorised		
47,058,824 Ordinary Shares of 42.5p	20,000	20,000
	20,000	20,000
Issued and fully paid		
17,525,738 Ordinary Shares of 42.5p each (2024: 15,172,797 Ordinary Shares of 42.5p)	7,449	6,449
	7,449	6,449

On 23 January 2025, 2,352,941 ordinary shares with the aggregate nominal value of £42.5p were issued at £4.878 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 2023	42,319	15,643	1	(253)	(111)	(1,757)
Total comprehensive income for the year	-	-	-	-	40	(161)
Reserve transfers	-	(220)	-	-	-	(692)
At 1 April 2024	42,319	15,423	1	(253)	(71)	(2,610)
New shares issued	10,478	-	-	-	(18)	(429)
Reserve transfers	-	(220)	-	-	-	-
At 31 March 2025	52,797	15,203	1	(253)	(89)	(3,039)

The share premium account represents the cash consideration paid for the issued 15,172,797 shares of 42.5p each, giving rise to the share premium accounts of £42,319,000. During the current year the company received an equity injection of £11,477,766 for paid issued shares of 2,352,941 at 42.5p, giving rise to an additional share premium of £10,477,766.

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 transferred to retained earnings as it becomes realised over the estimated useful life of the related assets 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.

Notes to the Financial Statements (continued)

24. Other reserves (continued)

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 into by South Staffordshire Water Plc, further details of the swap can be found in Note 27.

25. Operating lease commitments

At 31 March 2025 the Group and Company were committed to making the following total minimum payments under non-cancellable operating leases:

Group

	2025 Buildings £'000	2024 Buildings £'000	2025 Other £'000	2024 Other £'000
Amounts due:				
Within one year	992	743	4,112	2,237
Between two and five years	1,339	1,557	4,189	5,876
After five years	237	697	-	-
	2,568	2,997	8,301	8,113

Company

	2025 Motor Vehicles £'000	2024 Motor Vehicles £'000
Amounts due:		
Within one year	96	111
Between two and five years	76	54
After five years	-	-
	172	165

26. Non-controlling interest

	£'000
At 1 April 2024	(284)
Profit on ordinary activities after taxation	279
At 31 March 2025	(5)

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 2025 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 2025, 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.

	2025 £'000	2024 £'000
Borrowings		
Retail Price Index-linked debt	300,475	291,072
Fixed rate financial liabilities	226,706	303,874
Floating rate financial liabilities	75,602	80,329
	602,783	675,275

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 (2024: £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
2025 Sterling	3.24%	6.4
2024 Sterling	3.24	7.4

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 2025 was £177,474,000 (Restated 2024: £175,908,000).
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.

	2025 £'000	2024 £'000
RPI + 0.25%	(742)	(378)
RPI - 0.25%	730	378
SONIA + 1.00%	(400)	(400)
SONIA - 1.00%	400	400

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	
	2025 %	2024 %	2025 £'000	2024 £'000	2025 £'000	2024 £'000
In one year or less or on demand	2.14	2.14	30,000	30,000	(483)	(1,224)

Group debtors

Group debtors recoverable in more than one year of £72,413,000 (2024: £73,524,000) principally represent loans receivable from the Company's parent undertakings of £65,896,000 (2024: £67,007,000) with no fixed repayment date and £6,517,000 receivable from the joint venture (2024: £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 2025 in respect of such provisions was £1,410,000 (2024: £527,000). Total Group trade debtors (net of provisions) as at 31 March 2025 were £72,285,000 (2024: £60,992,000). 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 2025 was £7,422,000 (2024: £4,135,000), representing 10% (2024: 6%) 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
2025	12,538	4,747	1,966	896	848	1959	22,954
2024	13,008	4,169	2,006	1,906	12	252	21,353

Non-Regulated company debtors considered to be impaired are £983,000 (2024: £584,000) 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
2025	5,262	4,713	4,469	4,394	4,200	17,025	40,063
2024	4,564	4,032	4,539	4,223	4,372	20,024	41,754

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

	£'000
Surplus of defined benefit pension scheme	
At 1 April 2024	306
Section expenses	(825)
Net finance income	43
Company contributions	1,210
Actuarial gain	493
Surplus at 31 March 2025	1,227

Company

	£'000
Surplus of defined benefit pension scheme	
At 1 April 2024	255
Section expenses	(612)
Net finance income	23
Company contributions	450
Actuarial gain	464
Surplus at 31 March 2025	580

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 2025, 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 £1,210,000 in the year ended 31 March 2025 and £nil in the year ended 31 March 2024) 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 2025 and 31 March 2024 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 2025 and £nil in the year ended 31 March 2024) 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 2025	31 March 2024
Rate of increase in pensions	3.0%	3.0%
Discount rate	5.7%	4.8%
Annual inflation RPI	3.4%	3.5%
Annual inflation CPI	3.0%	3.0%

	31 March 2025	31 March 2024
	No. of Years	No. of Years
Life expectancy of male aged 60 at accounting date	25.6	25.6
Life expectancy of female aged 60 at accounting date	28.8	28.7

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

	2025 %	2025 £'000	2024 %	2024 £'000
Equities	1%	865	1%	948
Bonds/gifts and debt instruments	2%	3,136	2%	3,634
Buy-in policy	96%	136,395	97%	153,076
Other	1%	1,569	0%	307
Cash	0%	(9)	0%	57
Market value of scheme assets		141,956		158,022
Present value of scheme liabilities		(140,729)		(157,737)
Surplus before deferred tax (see note 21)		1,227		285
Related deferred tax liability		(123)		172
Surplus after deferred tax		1,104		457

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

	2025 %	2025 £'000	2024 %	2024 £'000
Equities	0%	-	0%	-
Bonds/gifts and debt instruments	0%	9	0%	5
Buy-in policy	99%	109,555	100%	123,019
Other	1%	766	0%	-
Cash	0%	(78)	0%	105
Market value of scheme assets		110,252		123,129
Present value of scheme liabilities		(109,672)		(122,874)
Surplus before deferred tax (see note 21)		580		255
Related deferred tax liability		(116)		3
Surplus after deferred tax		464		258

In FY23, 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:

	2025 £'000	2024 £'000
Opening present value of scheme's liabilities	157,737	160,597
Interest cost	7,330	7,490
Actuarial gain	(14,174)	(1,230)
Benefits paid	(10,164)	(9,120)
Closing present value of scheme's liabilities	140,729	157,737

Changes in the present value of the liabilities of the Company's schemes are as follows:

	2025 £'000	2024 £'000
Opening present value of scheme's liabilities	122,874	125,739
Interest cost	5,710	5,866
Actuarial gain	(10,990)	(1,594)
Benefits paid	(7,922)	(7,137)
Closing present value of scheme's liabilities	109,672	122,874

Changes in the market value of the assets of the Group's schemes are as follows:

	2025 £'000	2024 £'000
Opening present value of scheme's assets	158,023	162,473
Interest on scheme assets	5,962	6,611
Actuarial loss	-	(451)
Actuarial return on plan assets less interest income	(13,094)	(1,490)
Employer contributions	1,210	-
Benefits paid	(10,145)	(9,120)
Closing market value of the scheme assets	141,956	158,023

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:

	2025 £'000	2024 £'000
Opening present value of scheme's assets	123,129	126,685
Interest on scheme assets	5,121	5,187
Actual return on plan assets less interest income	(10,526)	(1,606)
Employer contributions	450	-
Benefits paid	(7,922)	(7,137)
Closing market value of scheme assets	110,252	123,129

The sensitivity of projected year end defined benefit obligations to alternative assumptions is as follows:

	2025 £'000	2024 £'000
	Increase	Increase
<i>Discount rate</i>		
Effect of a 0.1% pa change	(1,400)	(1,600)
<i>Inflation</i>		
Effect of a 0.1% pa change	1,100	1,500
<i>Life expectancy</i>		
Effect of a one year change	5,200	5,900

The amount charged to the consolidated profit and loss account for the defined contribution schemes in the year was £4,269,000 (2024: £3,771,000).

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 2025 was £2,491,000 (2024: £2,579,000) 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 £16,532,000 (2024: £17,683,000) in relation these transactions was recognised and £nil outstanding at the year-end (2024: £nil). The receivable is due in 30 days from invoice date. Also at 31 March 2025, an amount of £3,000 was payable to PWSL for cash collected during the year that has not been paid over (2024: £400).

The Group has an outstanding interest-bearing loan balance due from Pennon Water Services Limited of £6,517,000 (2024: £6,517,000) which remained outstanding at 31 March 2025 (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.

30. Post balance sheet events

On 30 April 2025, South Staffordshire Plc entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031.

On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 26 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were paid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

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 Hydriades 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 2025. The consolidated accounts for Hydriades IV Limited can be obtained from the Company's registered office, Green Lane, Walsall, West Midlands, WS2 7PD.

The ultimate controlling party is AIP Holdings Limited, a Company registered in England and Wales, which controls and manages and is the General Partner of a UK registered investment entity that acquired a majority equity interest of a holding company of the Group.

Notes to the Financial Statements (continued)

32. Prior period restatement

Impact of restatements at beginning of earliest period presented:

The following restatements relate to errors which occurred prior to FY24; Unlawful dividends adjustment and Consolidation adjustment.

Company

The impact of the unlawful dividends restatement at 31 March 2023 is to increase Debtors – amounts recoverable within one year by £29,619,000 and increase to Creditors – amounts falling due in more than one year of £7,827,000. This resulted in an increase to profit and loss reserve of £21,792,000.

Group

The impact of the unlawful dividends restatement at 31 March 2023 is to increase Debtors – amounts recoverable within one year by £29,619,000. This resulted in an increase to profit and loss reserve of £29,619,000.

The impact of the consolidation restatement at 31 March 2023 is to increase the carrying value of the loan notes by £851,000, and deferred tax by £463,000, and decrease the profit and loss reserve by £1,314,000.

During the current year, a review of historic distributable reserves was performed. This identified unlawful distributions paid and received, in addition to those described in the previous year financial statements, which are further described below.

Company

Unlawful dividends received in year ended 31 March 2018 of £7,827,000 from Cambridge Water Plc have been restated resulting in a reduction to retained earnings of this amount, and a corresponding increase to "Amounts owed to other group undertakings" in "Creditors – amounts falling due within one year".

Unlawful dividends paid in the years ended 31 March 2021 and 31 March 2022 of £29,619,000 (2021 – £20,650,000 and 2022 - £8,969,000) have been restated resulting in an increase to retained earnings of this amount, and a corresponding increase to "Amounts owed by parent undertakings" in "Debtors – amounts falling due within one year".

For further details of the legal process to remediate the unlawful dividends please see the Director's report.

The impact of the above restatements on the Company balance sheet is shown in the table below. This restatement has resulted in an increase to net assets and net current assets of £21,792,000. There is no change to the loss for the year or the tax charge as a result of this restatement.

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Company Balance Sheet

	Previously Reported £'000	Unlawful dividends adjustment £'000	Restated £'000
Fixed assets			
Tangible assets	163	-	163
Other investments	266,596	-	266,596
	266,759	-	266,759
Current Assets			
Stocks	70	-	70
Debtors – amounts recoverable within one year	32,142	29,619	61,761
Retirement benefit surplus	255	-	255
Cash at bank and in hand	-	-	-
	32,467	29,619	62,086
Creditors - amounts falling due within one year			
Borrowings	(11,779)	-	(11,779)
Other creditors	(32,677)	(7,827)	(40,504)
	(44,456)	(7,827)	(52,283)
Net current (liabilities)/assets	(11,989)	21,792	9,803
Total assets less current liabilities	254,770	21,792	276,562
Creditors – amounts falling due in more than one year			
Borrowings	(133,917)	-	(133,917)
Other creditors	(7,764)	-	(7,764)
	(141,681)	-	(141,681)
Provisions	(1,000)		(1,000)
Net assets	112,089	21,792	133,881
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	63,320	21,792	85,112
Shareholder's funds	112,089	21,792	133,881

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Group

Unlawful dividends paid in the years ended 31 March 2021 and 31 March 2022 of £29,619,000 (2021 – £20,650,000 and 2022 - £8,969,000) have been restated resulting in an increase to retained earnings of this amount, and a corresponding increase to "Amounts owed by parent undertakings" in "Debtors – amounts falling due within one year."

For further details of the legal process to remediate the unlawful dividends please see the Director's report.

This restatement has resulted in an increase to net assets and net current assets of £29,619,000. There is no change to the loss for the year or the tax charge as a result of this restatement.

In addition to this, during the year, the Group identified the following prior year errors which have also been corrected:

Consolidation adjustment

The Group has identified an error in the prior year related to an incorrect consolidation adjustment posted totalling £1,518,000.

In the year ended 31 March 2022, the Group undertook a reorganisation where loan notes with a principal amount of £73,000,000 were novated between Group entities. When the loan notes were novated to the subsidiary, the subsidiary initially measured them at the present value of the future payments discounted at a market rate of interest, resulting in an uplift in the fair value of the loan notes of £2,703,000 to £75,703,000. The fair value uplift is being amortised over the term of the loan notes in the subsidiary accounts. The novation of the loan notes between group companies did not constitute a substantial modification from the perspective of the group, and therefore no fair value uplift was made in the consolidated financial statements.

A consolidation adjustment has been posted since the year ended 31 March 2022 to eliminate the uplift to the carrying value of the loan notes recognised in the subsidiary from the consolidated financial statements. The adjustment processed in the year ended 31 March 2024 (and in previous periods) did not consider the amortisation of the fair value adjustment in the subsidiary accounts. As a result, the consolidation adjustment processed in the prior year to remove the fair value uplift in the balance sheet was overstated by £1,518,000 and no adjustment was made to the consolidated profit and loss account to remove the fair value release recorded in the subsidiary accounts of £667,000.

A prior year adjustment has been made to correct this error. This has resulted in an increase in the loss for the year before tax of £667,000 and a tax credit of £167,000. In addition, the prior year adjustment has resulted in a reduction to net current assets of £1,518,000 and a reduction to net assets of £1,351,000.

Revenue recognition adjustment

The adjustment relates to incorrect revenue recognition on a long-term contract which is calculated under the percentage of completion method. Incorrect judgements were assumed which did not reflect the underlying performance of the contract and resulted in an overstatement of its profitability as costs to complete were materially understated.

A prior year adjustment has been made which has resulted in a reduction to turnover and profit before tax of £1,790,000 and a tax credit of £448,000. In addition, the prior year adjustment has resulted in a reduction to Debtors – amounts recoverable within one year of £1,790,000 and a reduction to net current assets and net assets of £1,342,000.

The impact of the above restatements to the Consolidated Balance Sheet and Consolidated Profit and Loss Account is shown in the tables below:

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

Consolidated Balance Sheet

	Previously Reported £'000	Unlawful dividends adjustment £'000	Consolidation adjustment £'000	PYAs Revenue recognition adjustment £'000	Restated £'000
Fixed assets					
Intangible assets	80,707	-	-	-	80,707
Tangible assets	692,894	-	-	-	692,894
Interests in associated undertakings	1,433	-	-	-	1,433
Other investments	73,524	-	-	-	73,524
	848,558	-	-	-	848,558
Current Assets					
Stocks	9,656	-	-	-	9,656
Debtors – amounts recoverable within one year	129,832	29,619	-	(1,790)	157,661
Debtors – amounts recoverable in more than one year	3,439	-	-	-	3,439
Retirement benefit surplus	306	-	-	-	306
Cash at bank and in hand	80,165	-	-	-	80,165
	223,398	29,619	-	(1,790)	251,227
Creditors - amounts falling due within one year					
Borrowings	(37,631)	-	-	-	(37,631)
Other creditors	(137,254)	-	(1,518)	-	(138,772)
	(174,885)	-	(1,518)	-	(176,403)
Net current assets	48,513	29,619	(1,518)	(1,790)	74,824
Total assets less current liabilities	897,071	29,619	(1,518)	(1,790)	923,382
Creditors – amounts falling due in more than one year					
Borrowings	(634,946)	-	-	-	(634,946)
Other creditors	(14,202)	-	-	-	(14,202)
Accruals and deferred income	(191,012)	-	-	-	(191,012)
	(840,160)	-	-	-	(840,160)
Provisions	(64,576)	-	(296)	448	(64,424)
Net (liabilities)/assets	(7,665)	29,619	(1,814)	(1,342)	18,798

Notes to the Financial Statements (continued)

32. Prior period restatement (continued)

	PYAs				
	Previously Reported	Unlawful dividends adjustment	Consolidation adjustment	Revenue recognition adjustment	Restated
	£'000	£'000	£'000	£'000	£'000
Share capital	6,449	-	-	-	6,449
Share premium account	42,319	-	-	-	42,319
Revaluation reserve	15,423	-	-	-	15,423
Capital redemption reserve	1	-	-	-	1
Merger reserve	(253)	-	-	-	(253)
Currency translation reserve	(71)	-	-	-	(71)
Hedging reserve	(2,610)	-	-	-	(2,610)
Profit and loss account	(68,639)	29,619	(1,814)	(1,342)	(42,176)
Shareholder's funds	(7,381)	29,619	(1,814)	(1,342)	19,082
Non-controlling interest	(284)	-	-	-	(284)
Total capital employed	(7,665)	29,619	(1,814)	(1,342)	18,798

Consolidated Profit and Loss Account

	PYAs				
	Previously Reported	Unlawful dividends adjustment	Consolidation adjustment	Revenue recognition adjustment	Restated
	£'000	£'000	£'000	£'000	£'000
Turnover	384,970	-	-	(1,790)	383,180
Operating costs	(365,184)	-	-	-	(365,184)
Other operating income	10,178	-	-	-	10,178
Intangible asset impairment	(917)	-	-	-	(917)
Group operating profit	29,047	-	-	(1,790)	27,257
Exceptional items	(1,783)	-	-	-	(1,783)
Group operating profit (after exceptional items)	27,264	-	-	(1,790)	25,474
Income from associated undertakings	289	-	-	-	289
Goodwill impairment	-	-	-	-	-
Total operating profit	27,553	-	-	(1,790)	25,763
Interest receivable and similar income	6,343	-	-	-	6,343
Interest payable and similar expenses	(44,682)	-	(667)	-	(45,349)
(Loss)/Profit before taxation	(10,786)	-	(667)	(1,790)	(13,243)
Taxation on profit	1,243	-	167	448	1,858
(Loss) for the financial year	(9,543)	-	(500)	(1,342)	(11,385)

Consolidated cashflow statement

Whilst these adjustments have no impact on the overall consolidated cashflow statement, they do impact the reconciliation of operating profit to net cash inflow from operating activities, per note a of the consolidated cash flow statement. The total Group operating profit is now £1,790,000 lower (as per the above), with a corresponding decrease to debtors, such that the cash inflow from operating activities remains unchanged.

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Regulated Water Supply

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 15

[Back to contents](#)



Critical Asset & Infrastructure Services

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 22

[Back to contents](#)



Asset Health

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 20

[Back to contents](#)



IWS Water Hygiene

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 15

[Back to contents](#)



Omega Red Group

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 41

[Back to contents](#)



Service and Software

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 45

[Back to contents](#)



Commercial Water Production and Distribution

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 51

[Back to contents](#)



Utility Network Design and Installation

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 56

[Back to contents](#)



Financial review

Annual Report and Financial Statements
For the year ended 31 March 2025

South Staffordshire Plc

Page 42

[Back to contents](#)



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